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Dear Client:

**Since 1979, we have chronicled the ups-and-downs of the Austin area's business scene, public affairs and the economy. Part of that included a comparison of Austin with other US cities and Texas with other states. Now let's see how the Austin metro compares with cities around the world.**

Obviously it is more important to see how Austin and Texas compare with US cities and states. After all, **the US areas operate under similar rules and regulations, interacting competitively, marketing across those lines, etc.** This is much more relevant and it helps gauge the region's economic health.

But it is also interesting to see where the Austin area stands *globally*, especially as Austin becomes more **well-known internationally and with increasing exports and imports flowing through the local economy.**

Brookings Institution recently assessed the performance of global economies. The report is called the 2011 Global MetroMonitor. **It ranks the 200 largest metropolitan economies across the globe based on growth patterns during the 2010 to 2011 period.** The 57 largest US metros are included in the global ranking.

So, where does the Austin metro stand measured against metros around the world? **Austin's rank globally for 2010-2011 performance is 74<sup>th</sup>.** Only two US metros, Dallas and Houston, rank in the top quintile of global metro areas. **Eleven US metros, including Austin, fall into the second-strongest performing quintile.**

This synopsis of the report comes courtesy of **Beverly Kerr**, VPResearch for the Austin Chamber. Digging deep into the report, Kerr points out **Austin was the 4<sup>th</sup> fastest-growing US metro economy before the recession (23<sup>rd</sup> globally), 16<sup>th</sup> during the recession (116<sup>th</sup> globally) and 9<sup>th</sup> for 2009-2010 (99<sup>th</sup> globally).**

The Brookings report also identifies metro areas that have fully recovered from the Great Recession, those still in recovery mode and those that continued to lose ground last year. Among US metros, **three remain in full recession** (San Francisco, Kansas City and Sacramento), **14 in partial recession** and **the remainder, including Austin, are classified as in partial recovery from a major recession.**

**For eight consecutive months, increased home sales have been recorded in the Austin metro area compared to the same month in the previous year. And the number of homes listed for sale has dropped to the lowest point in several years.**

The January 2012 totals released this week by the Austin Board of Realtors was good news indeed. In fact, **the January sales increased by double-digits compared to 2011 – 10.4%**. As a result, the number of homes with “For Sale” signs in the front yard dropped to the lowest level since the board began tracking inventory in January 2009.

It is generally accepted that if the number of homes listed for sale would take six months to sell at the current sales pace then you get what is called “equilibrium” — neither the buyer nor the seller has an advantage. **The January 2012 inventory of 4.1 months means the *seller* of a home in the Austin area, under normal circumstances, has the advantage.**

It is simple economics – **more buyers chasing fewer homes. Advantage: *home seller*.** This change in market dynamics is quite dramatic when you consider that just one year ago – January 2011 – the inventory level was 1.4 months higher than it is today. Put it another way: **the 6,557 active listings of homes for sale are 19% fewer than a year ago.**

The dynamics should continue in the near term. In fact, **there are 1,638 *pending sales* of homes in the pipeline. This is up about 16% compared to the same month a year ago.** And this is just ahead of the typically active spring and summer buying months.

**The Bank of America (BofA) logo could disappear from the State of Texas if troubles continue at the North Carolina banking giant. In fact, BofA has prepared an “emergency plan” for federal regulators, saying it may need to sell its Texas operations.**

This is more of a heads-up, rather than anything imminent. BofA has nothing planned along those lines it said. But. **In a recent filing with regulators, it indicated it might sell its Texas retail branches to raise money in a period of severe national economic or market turbulence.** This is a big deal, should it occur. BofA has 455 branches in Texas and about \$78 billion in deposits. And, according to SNL Financial, BofA ranks 2<sup>nd</sup> in Texas with about a 16% share of all deposits. BofA’s Texas operations would be very attractive.

If this should come to pass, it will be a very difficult task to accomplish. It would take a lot of heavy lifting. **BofA blankets Austin, Houston, Dallas-Fort Worth and San Antonio and it has locations in East and West Texas. There are not many candidates to take one big bite of BofA’s entire deposit base.** So there could be more than one buyer, especially when you consider not all of BofA’s Texas markets might appeal to one buyer. Stay tuned.

**The long-running feud between the water rights version of the Hatfields and the McCoys boiled over this week and the Highland Lakes drinking water and recreational interests won a key struggle with downstream rice farmers.**

It's a long story, but it's pretty basic. Agriculture interests downstream from Austin have long held long-term contracts with the Lower Colorado River Authority (LCRA) to provide them with **massive amounts of water from the Highland Lakes so they can flood their rice fields** twice a year.

This worked well for decades, even during droughts, because **there wasn't nearly as much demand as there is today for the water the LCRA stores behind the dams at Lakes Buchanan and Travis.**

**Then the population up-and-down the Colorado River exploded, new contracts for water were signed (especially with cities such as Austin and power plants that provide energy for Austin) and the droughts have become more severe.** So, as we have reported many times over the years, concern has been mounting about the long-term availability of water. As a result, the LCRA has been studying stricter guidelines for use of the water.

While it is not yet resolved, a revised plan passed a milestone this week when, **over loud objections from the rice farmers, a new water allocation plan was approved** by the LCRA and forwarded to the Texas Commission on Environmental Quality (TCEQ). The TCEQ could take up to a year for a technical review before acting on the plan.

**In its simplest form, the proposed water development management plan sets new priorities for allocation of Colorado River water** – even though water contracts are still in place. The plan is based on a projection that water demand will increase 48% from 2010 to 2020.

**Rice farmers are claiming they are ending up with the short end of the stick and that they could be severely damaged economically** to the detriment of the counties where the Colorado River nears the Gulf of Mexico.

What about other entities that suck water out of the lakes and river? The new allocation formula is complicated. But suffice it to say that the other entities – such as **recreational interests and property owners on Lake Travis, as well as Austin city dwellers and the coal-fired and nuclear power plants along the river** – are not screaming as loudly as the agricultural interests. This gives you an idea of whose ox is being gored.

Back in the 1800s, the neighboring Hatfield and McCoy families in West Virginia/Kentucky feuded over just about everything, including land. **But this is much more serious. It's about water.** Remember the old Texas saying: **"Whiskey is for drinkin' and water is for fightin'."**

**With the GOP presidential nominee up in the air this week (who's #1 in the polls... well, just wait until next week!), the speculation for a possible GOP *vice presidential* selection is running rampant. The list is lengthy.**

Of course, only one person will select his running mate as the GOP Veep nominee. And any speculation has to run the gamut until the presidential nominee is selected. Then, the nominee's strengths/weaknesses may be balanced against the VP-to-be's strengths/weaknesses. The best recent example of that is **Barack Obama**, who had little credentials in foreign policy, picked **Joe Biden**, who was chair of the Senate Foreign Relations Committee.

Of course other factors come into play, such as whether the nominee comes from a swing state that would be needed. A good example of that was **John F. Kennedy**, who needed to carry Texas and the South and picked **Lyndon Johnson** as his running mate. Other considerations, such as race, gender, political philosophy, etc., are factored into the equation. Given all that – plus the possibility of an off-the-wall pick – here are some names to consider.

Among those most recently mentioned are New Jersey Governor **Chris Christie**, Florida USSenator **Marco Rubio** and governors **Susana Martinez** (New Mexico), **Bob McDonnell** (Virginia) and **Bobby Jindal** (Louisiana).

Other names being kicked around: Indiana Governor **Mitch Daniels** ... House Budget Chair **Paul Ryan** ... North Dakota USSenator **John Thune** ... Ohio Senator **Rob Portman** ... Pennsylvania Senator **Pat Toomey** ... and Wisconsin Governor **Scott Walker**. How about former Secretary of State **Condi Rice** ... or former Arkansas Governor and 2008 presidential candidate **Mike Huckabee**? You get the idea. Each has different qualities for the VP job.

One thing is certain. No one knows who the GOP VP will be at this stage of the game.

When **Dr. Louis Overholster** heard that candidate Mitt Romney is spending more money on his campaign than he is bringing in, the good doctor said, "Hey, he is just like me!"

Sincerely



Editor/Publisher