

Volume 33, Number 47

March 2, 2012

Dear Client:

The Austin area was front-and-center again in the very critical threat of Cyber Security, a danger that ranges from your smartphone and computer to terrorist warfare on a global scale.

The data breach of Austin-based global intelligence company, Stratfor, has widened considerably. In a hack attack on Christmas Eve 2011, **personal credit cards were compromised** and email addresses of high-level national and international Stratfor subscribers were published by a hacking group called “Anonymous.”

Then, this week, **internal confidential emails obtained in the 12.24.11 hacking incident were made public** by Wikileaks. The hackers even sent out a *bogus* letter of resignation Sunday, purportedly from Stratfor’s CEO to Stratfor subscribers.

(Personal disclosure: **we have been a longtime Stratfor subscriber** and you’ll recall we have **quoted Stratfor’s intelligence in many of our reports** on Mexico’s drug cartels that operate along the Texas border. **The credit card we used to subscribe to Stratfor was compromised and the card was hit by bogus charges**, including one involving euro dollars, before American Express cancelled the card, with no financial loss to us. We continue to be a Stratfor subscriber.)

Stratfor is an example of an Austin company (admittedly high-profile and an attractive target) that has suffered due to Cyber Criminals. Saying its systems have been “rebuilt with enhanced security measures (and now) **remain secure and protected**,” Stratfor CEO **George Friedman** promised to “continue to do what we do best” and “will be back in full operation in the coming weeks.” Stratfor is not a government organization nor is it affiliated with any government.

But lest you think “it can’t happen to me or my business,” Symantec Corp., maker of Norton Security products, in February ranked **Austin as the 10th riskiest US city for cybercrime**. It came up with this ranking based upon the **prevalence of personal computers and smartphones**, as well as the amount of **e-commerce and social networking**. Among other factors: potentially **unsecured Wi-Fi hotspots**.

The Cyber Crime threat is real and widespread. In the next item, we will disclose **five types of cyber criminal activity** and pass along suggestions on something you can do for protection.

Cyber Criminals wear different stripes and attack different targets with differing results. It helps to recognize the types of criminals who use the Internet for nefarious purposes. And it is essential that any target – this probably includes you – knows how best to combat them.

One of the leading experts on national security matters resides here in Austin. Retired Admiral **Bob Inman** is a former Director of Naval Intelligence, former Deputy Director of the Central Intelligence Agency and former head of the National Security Agency. Still “in the loop” on current security matters, he’s brilliant, and he recently boiled down the types of **cyber criminal activity into five categories** to make it easier for non-experts to grasp. His five:

Nerdy Hackers. These are usually young people, who consider it a challenge to hack into various computer set-ups. Their “mischief,” however, can cause serious problems, especially if viruses are transmitted.

Disaffected Employees. The motive here is to either **damage or embarrass a company or institution** where the employee is working, or has worked.

Hardened Criminals. This category includes **serious drug dealers**, those dealing in narcotics trafficking, locally and globally. Other criminals of this type **steal money from bank accounts, credit cards, etc.**

Nation/States. Russia and China are key players here, and around the clock **create chaos as they try to hack into US national security sites.** (FYI, the CIA’s website has 100,000 attempted hacker attacks each day and the US Congress about a million times a month.) They also have sophisticated **Cyber Warfare capability**, as does the US. Remember these nations can actually **destroy facilities**, such as power generation plants, by stroking computer keys.

Terrorists. The objective of these Cyber Criminals, who are not necessarily part of a nation/state organization, is to **destroy their targets and/or disrupt normal activities.**

(The descriptions accompanying these five categories are mine, not Inman’s.)

So what can you do to keep from becoming a victim of a Cyber Criminal. The most basic action – and now more important than ever – is to use intricate passwords. Our friends at *Kiplinger* report that a hacker with a fast computer can **crack a four-number code in a tenth of a second and an eight-number code in less than two minutes.**

However, if you **change that eight-number code to letters, numbers and punctuation marks, a hacker will need 210 years to break the code.** Yeah, but who can remember this type passcode? *Kiplinger* suggests you come up with a phrase you won’t forget and use just the first letter of each word with punctuation and numbers sprinkled in.

In an example of how the residential housing market is rebounding in Austin, a major local brokerage has run out of properties to sell – for the first time since 2007.

Castle Hill Investments bills itself as “Central Texas #1 Top Selling Residential Brokerage.” Run by **Robert Grunnah**, the firm specializes in marketing Austin Duplex and Fourplex properties to investors. Grunnah said this week **“We have completely run out of listing inventory**, and our investors are asking us to replenish inventory of quality duplexes and fourplexes in the Austin area.”

“We’re seeing far higher demand than we have supply,” observed Grunnah. **“This is an excellent opportunity to be one of the few suppliers of inventory while the market is still low on supply – resulting in quick sales and prices we haven’t seen in years.”**

He went on to say, “by the time other sellers read about the improving market in the newspaper, there may be a better balance of supply and demand, making it harder to sell. **Now is the best time, as we’re seeing prices near their all-time high in many areas (though not all).”**

This reinforces what we’ve reported on the strong demand for Austin area apartments. Rental residential properties are leading the housing market in the Austin metro and **the demand shows no signs of letting up immediately**, as jobs continue to be created and more people are moving to the Austin area.

At the same time, the developer of the 700-acre former Robert Mueller Airport site predicts the community will be fully built-out within four to six years.

Enough rooftops are already in place, or planned, that infrastructure projects are scheduled to move to fruition during this year. For instance, **the first H-E-B grocery store, a 75,000 sf. facility is due to come online soon.**

Also scheduled to break ground this year in this northeast Austin development is a Residence Inn by Marriott, an energy research laboratory, a performing arts center for the Austin Independent School District, an addition to the Dell Children’s Medical Center and a professional theater facility. Residential dwellings are also on a fast-track for completion. **Look for 301 apartment units and about 220 new homes to break ground this year.**

You may recall, the Mueller Airport re-located to its current site in 1999, opening its 700 acres for the Mueller development. This bears repeating every so often: **the Mueller development is pronounced “MILL-er.”** The airport was named for an early civic and business leader, Robert Mueller – and MILL-er is the way he pronounced the family name.

A Fiat dealership in Austin sold more of the subcompact Fiat SpA's 500 this year than any other dealership in the USA (as of Tuesday). What's happening to Texas-size SUVs and monster pickup trucks? Is a sea change underway during this time of rising gasoline prices?

Subcompacts are making up a growing share of the Texas car market, according to *The Wall Street Journal*. **They made up 4.5% of about 910,000 total vehicle sales last year, up from 2.7% in 2007**, reports Edmunds.com, the auto-shopping firm. Does this spell the demise of big trucks in Texas? Not really. **Fully a fifth of 2011 Texas vehicle sales were of big trucks**. Far more such vehicles were registered in Texas than in any other state. But. **Sales were down from 25% in 2007**. (Texas is the nation's 2nd largest car market, following California.)

As people move to the booming Texas metros such as Austin, **more buyers add a third vehicle to their garages** rather than replacing their truck or SUV. This is one reason SUVs and pickup trucks are not going the way of the dinosaurs.

“At Fiat of Austin, strategy manager **Lisa Copeland** says, ‘You don’t see many people come in and trade their Grand Cherokee for a Fiat 500’,” she told the *WSJ*. “But many of her clients add it as a second or third car. It also helps that Austin’s technology-oriented enclave has an ideal demographic for the pint-size 500.”

“**Many well-heeled customers see the vehicle as an environmentally-friendly fashion accessory**. ‘It’s just so damn cute,’ Ms. Copeland says.” She says her clients are 75% Democrats and 75% do not have children at home.

These fuel-efficient cars aren’t the Spartan, knee-bruising and poorly-performing microcars popular during the gas crunch 30 years ago. They have plenty of panache and amenities. And of course, gasoline mileage is an important factor.

Dr. Louis Overholster’s observation on the rising price of gasoline: “They say it’s because of tensions with Iran. That’s what I call getting more streamlined – now we get to pay for the next war before it starts!”

Sincerely



Editor/Publisher