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Dear Client:

**What has been the average increase in value in Austin area homes over the last five years? It makes a difference in the important residential real estate market. But even if you aren't in the buying or selling marketplace, the increase establishes a value of your home – and possibly the amount of property taxes you pay.**

Home values are generally established as a result of sales. **Willing seller/willing buyer, you know the drill – the marketplace dictates in this sense what a home is worth.** And you know the current demand for homes is as strong as it's been in years, with fewer and fewer homes available for purchase as the area population grows at one of the fastest rates in the US.

So, based on the average price and the median price of Austin area home sales from 2009 through 2013, **how much have area homes appreciated in value each year?** Obviously, when you use averages/medians prices, there will be variances on both the high end and the low end of the spectrum. But still, this gives one indication of what is happening. Here is info from a chart presented by **Mark Sprague** with Independence Title.

**2009. 20,000 sales.** Total listings: 10,803. Months inventory: 6.4. Appreciation rate: -1.2%. (*Values actually depreciated this year*)

**2010. 19,872 sales.** Total listings: 11,579. Months inventory: 6.6. Appreciation rate: 1.8%. (*Inventory went up slightly; balanced between buyer and seller*)

**2011. 21,208 sales.** Total listings: 9,734. Months inventory: 5.8. Appreciation rate: 0.8%. (*With listings low, this is when the turnaround began*)

**2012. 25,521 sales.** Total listings: 7,686. Months inventory: 4. Appreciation rate: 6.5%. (*Demand increased, low inventory and values jumped big time*)

**2013. 30,419 sales.** Total listings: 6,104. Months inventory: 2.6. Appreciation rate: 9.4%. (*Big sales, few homes listed & available and the values skyrocketed*)

There you have it. As they say about stocks: past history is not necessarily predictive of future value. **But the trend is obvious for the last two years and 2014 is showing no sign of a letup.** Remember, anytime the inventory of available homes drops below 6 months, the seller is in the driver's seat and, of course, that triggers higher and higher prices/values.

Bottom line: **values of existing Austin area homes are continuing to rise and, as a result, property tax appraisals may also follow the same line.** Residential real estate is red hot.

**What percentage of the homes-for-sale in California's Silicon Valley are priced at \$1 million or more? Even more important, what are the sizes of those homes? The answers will make you thankful you live in the Silicon Hills of Austin.**

The *Silicon Valley Business Journal* reports the real estate site Trulia calculated that **25.7% of homes in San Jose are priced at \$1 million or more.** This ranks it #3 nationwide for this dubious honor – behind San Francisco and Fairfield County, Conn.

The *size* of San Jose's million-dollar homes is what really got our attention. Even buyers who can afford to shell out \$1 million or more for a house are not getting all that much home for their money. **Trulia reports that, in San Jose, the median size of a million-dollar home on the market is only 2,161 sq.ft.**

**But that's spacious compared to the 1,774 sq.ft. median sized million-dollar home just up the road a bit in San Francisco.** By the way, 43.5% of all "for sale" homes in San Francisco are priced at a million bucks or higher.

Don't have comparable figures for the Austin area, but you can bet the Austin market is a long way off from those numbers.

**While the US economy has its problems, it's still the prettiest pig at the trough and, as a result, Austin and Texas commercial real estate is benefitting from foreign investment.**

Money is now flowing out of Brazil, Russia, India, China (the former economic darlings known as the BRIC nations), Venezuela and Argentina as their "**economies stagnate and their currencies weaken,**" according to Chief Economist **Mark Dotzour** with the TexasA&M Real Estate Center. "**Where else are you going to invest your money,**" he asks.

"Money from China, South America and Israel is **making its way into the Texas property markets and is driving prices higher** and cap rates lower," reported Dotzour. He points out "Europe is not doing all that well either."

Then he went on to say "the European Central Bank has suggested it would consider **dropping interest rates to zero!** This would in effect force banks and investors to pay the government to keep their money. **Central banks don't do this unless there are severe threats of recession and/or deflation on the horizon.**"

What does Dotzour anticipate? "**Expect money to continue to pour into American commercial real estate and even houses** until the cycle changes and other parts of the world start to outperform." And when might that be? "**It could be a few years,**" he said.

**The development of UT Austin's Dell Medical School is moving rapidly. In fact, the official construction "launch" of the complex will take place 4.21.14.**

Ground will be broken for the construction of three buildings that will be the "heart" of the Dell Medical School – **an academic building, a research building and a medical office building.** The ceremony will take place at 10 am Monday, April 21<sup>st</sup>, under a tent erected on the parking lot south of the Frank Erwin Center and the Denton Cooley Pavilion at 15th and Red River Streets.

Participants in the festivities include UT Austin president **Bill Powers**, Senator **Kirk Watson**, Dell Dean **Clay Johnston**, Central Health Chair **Brenda Coleman-Beattie** and Seton Healthcare pres/CEO **Jesus Garza**. There will be a "signing wall" for those present to "share your hopes" for the Dell Medical School.

To continue the school's rapid progress, **construction will start this fall on a teaching hospital** built by the Seton Healthcare Family. In addition to all this construction, founding dean Johnston "is making great strides in **creating an organization, recruiting faculty, and preparing a curriculum for the inaugural class in 2016,**" Powers noted.

**American Airlines continues to fly fewer passengers and at the same time lose market share at Austin-Bergstrom International Airport (ABIA), even as Austin passenger traffic totals continue to increase for other airlines.**

American has had a rough recent past -- first with **working through a bankruptcy and now absorbing U.S. Airways** in a merger that is creating the world's largest airline. During these two events, American has been losing its share of Austin passenger traffic.

Just in the last two months of measurement, **American's passenger total at ABIA is down 4% compared to January and February the year before. And its share of the Austin market in February was only 18.8%**, compared to market leader Southwest Airlines 39.3%, whose traffic is up 6%.

A couple of other carrier totals released this week for January/February 2014 with February Austin market share in parentheses: **United Airlines, up 3%** (14.5% market share) ... **Delta Air Lines, up 4%** (11.5% market share).

To be fair, American's ABIA losses may not be due totally due to the bankruptcy/merger complications. **The Fort Worth-based air carrier reported this week that severe weather has had an impact** on the airline's hubs in Charlotte, Chicago, Dallas-Fort Worth, New York, Philadelphia and Washington DC creating a domino effect, affecting flights in other cities. It said tens of thousands of flights have been cancelled during the early part of this year.

**Mayors from Dallas, Fort Worth and Houston recently expressed support for a bullet train that would whisk passengers between those cities at 200 mph. But backers need to assess what happened to a failed bullet train project years ago that included Austin and a current effort that is lagging in California.**

The long-ago ambitious Texas bullet train project was to link Dallas-Fort Worth, Houston, San Antonio and Austin. But it failed in spite of a major investment by backers. **One opponent to the train was Southwest Airlines that felt it would lose passengers to the train.** Currently, there are more woes for high-speed rail linking San Francisco with Los Angeles. **The cost will be substantially more than the estimated \$68 billion price tag.** And it will take longer to go between the two cities than earlier estimates. There's more. But you get the idea.

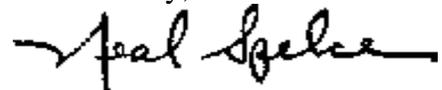
**An Italian immigrant is bringing a touch of Tuscany to Austin. It is an uncommon hotel unlike any in Austin and it is *not* in an area of Austin where hotels are commonplace.**

Late this week, **Giorgio Borlenghi** revealed plans to develop a 194-room luxury Hotel Granduca, atop a western hillside at the northwest corner of Bee Cave Road and Loop 360. "I want to bring a **unique, exclusive, residential style** to the Austin hospitality market," said Borlenghi who came to Houston in the 1970s from Italy and began developing projects that gained such acclaim he is receiving Houston's 2014 Landmark Lifetime Achievement award.

The Hotel Granduca Austin will replicate the feel of the Houston Granduca -- only the Austin version will be bigger. Borlenghi referred to it as "**a private sanctuary for everyone from elite clientele and celebrities to business leaders.**" Located on 38-acres in West Lake Hills, the 9-story hotel will be adjacent to Dimensional Fund Advisors and a to-be-built 7-story office complex and adjacent parking garage.

**Dr. Louis Overholster's** advice for those who would be leaders: "If you're riding ahead of the herd, take a look back every now and then to make sure it's still there!"

Sincerely,



Editor/Publisher