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Dear Client:

Austin apartment rental rates have been steadily rising as demand for units remain high. But Austin is one of the few major metros in the US where renting is less expensive than buying a home. Why is this? Rising home prices.

According to figures provided exclusively to *The Wall Street Journal* by Deutsche Bank, the **monthly cost of renting was lower than buying in Austin** and 19 other large metro areas at the end of last year, the most recent period for which data are available. The bank calculated the costs in 54 US markets based on **average local rents and median home-sale prices**, which it used to estimate monthly mortgage payments for a hypothetical buyer in the 25% federal income tax bracket.

The bank came up with a dollar figure formula that represents the amount a new *renter* spends for every dollar a new *buyer* spends on housing per month. The amount over a dollar represented where it is more affordable to buy. Conversely, the dollar figure below a dollar was where it was more affordable to rent. Got it?

As an example, Atlanta was given a dollar figure of \$1.34, making it much more affordable to buy than rent. Denver's dollar figure was \$0.76, meaning it is more affordable to rent than buy there. The amount over-or-under \$1.00 indicates how far the pendulum shifted in that direction at year-end 2013.

Austin was given a dollar figure of \$0.95, meaning it was slightly more affordable to rent than buy. San Antonio at \$1.03 and Houston at \$1.05 are rated more affordable to buy, rather than rent. The national average for the 54 metro areas analyzed by Deutsche Bank was \$1.05.

Austin's category was also labeled by the bank as "**where renting recently became more affordable than buying.**" The bank recognized Austin as a place "**where home prices are climbing fastest**" – and lumped Sacramento and Phoenix in that category as well.

This analysis was a snapshot at year-end 2013. But as we've regularly reported, **Austin area home values have continued to rise since then. So have rental rates.** It will be interesting to continue watching whether it is more affordable to buy or rent in the Austin area.

This week's flash flood watches and warnings for much of the Austin area, remind us flash floods have been responsible for more deaths in Central Texas than any other hazard. The factors that contribute to this tragic statistic are still present.

With nothing resembling a sometime-raging Mississippi River in our midst, why is flooding such a problem? After all, back in the Depression Era, flood-control dams and reservoirs were built along the Colorado River in Central Texas – and they've worked. **But a number of other factors contribute to the threat of flash flooding. And they're not really all that fixable.**

First of all, **the prevailing winds over Central Texas are generally from the moisture-laden Gulf of Mexico atmosphere.** As we saw this week, the area has more than its share of intense rainfall and, in many cases, the duration is extended because the fronts are not fast-moving. The Gulf moisture intensifies this.

The Texas Hill Country begins in Austin. To the east, you have rich soil but as you move west across Austin, **the soil is thin and therefore is easily saturated.** You don't have to dig very deep to hit limestone. At the same time, **the terrain becomes uneven and this contributes to fast runoff over the thin soil.**

Besides Austin's topography and uneven terrain, **increasing urbanization reduces the land's natural ability to absorb water.** This causes rainfall to rush off commercial and residential buildings as well as pavement.

Now, let's add another ingredient. The big river, the Colorado, has been tamed by dams and reservoirs. But there are a number of **smaller rivers, creeks and streams** that course through the area. **Large scale weather systems that generate prolonged rainfall over a wide geographic area** can produce out-of-the-bank flooding of these rivers, creeks and streams.

Some of the worst floods in Austin's recent past have occurred as a result of **hurricanes or tropical systems that move in from the Gulf. These events pour a lot of water into the small creeks and streams that cut through a number of neighborhoods around Austin.** Homes and businesses are flooded. Motorists stupidly try to drive through this high water or residents slip or fall into a rapidly-moving stream. Drowning results, unless rescue attempts are successful.

New arrivals to Austin – and there are plenty of them – tend to make fun of longtime residents who get concerned about a major rain event. Hopefully, it won't take them long to understand these **factors that can turn a normal occurrence of nature into a life-or-property threatening event.** And, with a little luck, they won't do anything foolish in the meantime.

Meteorologists will tell you – and they will be right – that flooding can occur in Austin at any time during the year. However, when you look back historically, you learn that **floods in Central Texas most often occur in late spring or fall.** Check the calendar. It is late spring.

Texas expanded its personal federal income tax base by \$2.4 billion between 2010 and 2011, placing it 2nd to Florida, according to the most recently-released IRS stats.

What about since 2011? **“Personal income growth in Texas was well above the national average through the end of 2013, supported by strong job growth,”** said Comerica Bank’s chief economist **Robert Dye**. **“I expect Texas to continue to be a strong income growth state for the foreseeable future,”** he continued. And this means the tax base for Texas cities and the state should also firm up.

How many construction projects are underway in downtown Austin? Ten? Fifteen? Twenty? Guess again. How about 22! How many major cities can make that claim?

Don’t know about you, but **Dr. Louis Overholster** last week craned his neck all around and quickly counted at least **eight huge construction cranes** (the official city bird of Austin?) towering over high-rise projects downtown.

Now according to a report by KVUE-TV, the results of the 22 projects will be **3,175 new places to live, possibly 8,620 new residents, 1.4 million square feet of office space and 3,064 new hotel rooms**. By any measurement, this is impressive.

KVUE also reported the well-established Texas Transportation Institute at TexasA&M has said **“Austin’s downtown area is home to more employers than any other city in Texas.”** **Not sure how that is measured.** For instance, does a 2-person shop factor in that equation and given equal weight to a 100-person law firm? And is the State of Texas, with its thousands of employees in the State Capitol complex, counted as one employer? The same with UTAustin? KVUE didn’t break down TexasA&M’s criteria.

Speaking of downtown, the man who has guided much of Austin’s downtown development over the past couple of decades is hanging ’em up. Charlie Betts is retiring at the end of 2014.

Betts, the Executive Director of the Downtown Austin Alliance (DAA), tendered his retirement notice – effective 12/31/14 -- to the DAA Board this week after serving 17 years in the post. **Just think back how downtown Austin has changed during Betts tenure and you will get a partial measure of his impact on the city where he was born and raised.**

Betts, 73, can also count his **leadership role in a number of business, civic and educational organizations among his accomplishments for the city he has served so well**. Austin will miss his moderate, measured, soft-spoken leadership.

One of the biggest Texas business success stories (and it has a major Austin area presence) is not sitting still. In fact, H-E-B has some impressive plans for the near term.

Operating only in Texas and Mexico, **H-E-B is one of the nation's largest grocery chains. It operates 337 stores (with more opening each year) and has sales of more than \$18 billion!** H-E-B has reached this stratosphere while withstanding competitive onslaughts from the nation's major grocers and the invasion of Target, Costco and Wal-Mart into the grocery business. Obviously the grocery business is highly competitive. Yet, year after year, **H-E-B has increased its market share in most cities where it operates.**

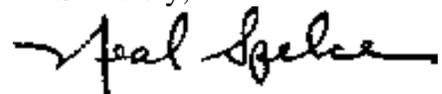
One of the ways it increases its dominance is that it not only *sells* groceries, H-E-B *makes and processes food products* at more than a dozen of its own manufacturing facilities, including three dairy plants. And, naturally, it can **offer its own products at lower prices than the name brands** it also stocks in the grocery aisles. H-E-B local managers "shop" their competitors several times a week to make sure H-E-B prices are the lowest, even if just by a few cents.

Now it is expanding its manufacturing capacity, with plans for **three new manufacturing plants within the next five years.** That's not all. H-E-B plans to **launch an on-line sales operation this year.** This would put it into competition with the big boys, such as Amazon.com's Prime Pantry and Google Shopping Express, which couriers products from Target and Costco.

A lot of details surrounding H-E-B's operations are not available. Why? It is a family-owned, privately-held company. **Howard E. Butt** (see where the "H-E-B" comes from) expanded the business after his mama started selling groceries out of the front of their Texas home. After he succeeded his dad, **Charles Butt** expanded the business exponentially, as exemplified in this story. If this trend continues, H-E-B's future appears to be brighter than its exceptional past.

Dr. Louis Overholster said there is absolutely no truth to the report that H-E-B is going to merge with the Piggly Wiggly grocery chain and re-name the combined operation Wiggly Butt!

Sincerely,



Editor/Publisher