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Dear Client:

**If you thought there has been a major influx of visitors to the Austin area, you would be right. In fact, by some estimates about three times as many as just ten years ago. All those hotels under construction are banking this trend will continue.**

It's not just mom 'n dad and the kids coming to Austin on their summer vacation, though there is some of that, especially for families that combine Austin-San Antonio for a road trip. **The hotels that are popping up like popcorn cannot survive on erratic family vacationers.**

No, the dollars behind the hotels will get a return on investment from **conventions, big events (can you spell Formula One, X Games, South by Southwest, big-name music festivals and concerts, etc.), legislative sessions, big-time college sports and a host of smaller festivals and celebrations.** And -- this is key -- **all of these occur on a regular, planned schedule.** Hotels can pencil-in the dates and count on bookings for, in some cases, years in advance. Investors love this.

Have you been keeping score on what is happening on the hotel scene? It's almost mind-boggling. The Big Daddy of them all is the JWMarriott nearing completion at 2<sup>nd</sup> Street and Congress Avenue. **At 34 stories and 1,012 rooms, Marriott's luxury brand will be Austin's largest hotel.** As a result, it has gotten most of the notoriety. But you can add these hotel projects to your scorecard:

If it gets off the ground, another luxury brand, **The Fairmont**, has announced a 1,035-room hotel adjacent to the Austin Convention Center. Work has started on a 17-story, 366-room **Westin Hotel** at San Jacinto Blvd and East 5<sup>th</sup> Street. A 32-story facility at Congress Avenue and East 7<sup>th</sup> Street (sandwiched between the SFAustin, the Driskill and the Omni Hotels) will house two – count 'em, two – hotel brands, an **Element** and an **Aloft**.

Cluttered at Red River and East 9<sup>th</sup> Streets will be a **134-room Hotel Indigo** and a **164-room Holiday Inn Express**. Nearby at Red River and East Cesar Chavez, a **322-room Hotel Van Zandt** has been announced. And not far away, at Guadalupe and East 4<sup>th</sup> Street is a planned **160-room Hotel ZaZa**.

These nine hotels are within a stone's throw of the Convention Center. So this tally doesn't include properties like the fancy **194-room Hotel Granduca being built in West Lake Hills.**

**Concerned about the rapidly-changing Central Texas residential housing market? After all, prices are rising hiccup-quick and fewer and fewer homes are for sale? Well, according to one Texas real estate economist very familiar with Austin, there will be one constant in 2014. Mortgage interest rates.**

By constant, the chief economist at the TexasA&M Real Estate Center **Mark Dotzour** believes **mortgage interest rates will stay low for the remainder of the year.** “All the talk last year about how mortgage rates were going up because the Federal Reserve was going to stop buying Treasury bonds and mortgages was just that, talk,” says Dotzour. “**Since the Fed actually started to ‘taper’ their bond purchases, mortgage rates have declined along with the rate on the ten-year Treasury.**”

Mark, what is driving this? “After reviewing lots of charts of the various sectors of the US economy, my conclusion is ... **bond investors are fleeing from troubled places like Russia, India, China, Brazil, Argentina and Venezuela.**”

Dotzour pointed out that “for years Wall Street has tried to convince us” the above-mentioned countries were the only place to invest. “**They were the darlings of Wall Street. Well, the bloom is off the rose for these countries for a variety of reasons.**”

“**Don’t let anybody kid you,**” he continued, “**the United States is still the beacon of economic growth.** A lot of this growth has been artificially created by Fed monetary policy, and it remains to be seen how well our economy will perform when the Fed stimulus is removed over the next 18 months.”

“But for the time being in the global economy, America is still the prettiest pig at the trough (a favorite quote of Dotzour’s, which we’ve printed before). **Money continues to flow into the American bond and commercial real estate markets. Prices are getting higher for both asset classes. Oh,**” he added, “**I forgot to mention that stocks are at record highs as well.**”

**In about a month, candidates can formally file for one of the ten new Austin City Council positions as well as for mayor. The filing *deadline* is another month later. This hasn’t slowed a number of hopefuls from declaring their intentions already – probably because fund raising officially kicked off May 8<sup>th</sup> 2014 and they are getting a money-raising jump on opponents.**

Here are the key dates: **July 21<sup>st</sup>**, first day to file ... **August 18<sup>th</sup>**, last day to file ... **November 4<sup>th</sup>**, Election Day ... and **December 16<sup>th</sup>**, runoff elections, if needed. The runoff date is especially important. **The General Election should result in a huge turnout,** what with statewide and congressional positions on the ballot along with big bond proposals. **But the runoff?** That’s a much different story. With nothing else on the ballot, and coming the week before Christmas, **look for a very low turnout,** where activists can easily prevail.

**Two Texas Congressmen, known in Washington circles (though not household names in Texas, and even less known in the rest of the US), are playing key roles in the inside baseball arm-twisting for changes in the House GOP leadership.**

The results will be known in a week. GOP house Majority Leader **Eric Cantor** said Wednesday he will give up his high post 7/31/14 following his stunning defeat in the Virginia GOP primary the day before. Then the scrambling began with **two Texas Congressmen who have Central Texas ties playing prominent roles in a reshuffling of the GOP leadership deck.** One or both could emerge with a new powerful political title.

Current House Rules Committee Chair and former Chair of the National Republican Congressional Committee (NRCC) **Pete Sessions is aggressively and openly lining up supporters for the Majority Leader's post.** The 59-year-old Dallasite, a graduate of Southwestern University in Georgetown, has been in the US Congress since 1996. He could be formidable because as NRCC Chair he raised money for GOP candidates across the country and **oversaw the Tea Party wave of 2010 when the Republicans picked up 63 seats in the House.** He is owed a lot of favors as a result of his effort.

Current Chair of the important House Financial Services Committee and former Chair of the House Republican Conference, **Jeb Hensarling was previously mentioned as a potential rival to Cantor to succeed House Speaker John Boehner.** The 57-year-old Dallasite holds an economics degree from TexasA&M and a law degree from UT Austin. A former state director for Texas Senator **Phil Gramm**, he also served as the lead staff person for the Republican Senatorial Campaign Committee before his election to Congress in 2002. He said he will not seek the Leader's post. But he's in the conversation, if dominos start tumbling.

Needless to say after reading their bios, you can see that **both Texans have strong conservative credentials and both have paid their dues laboring inside the GOP Congressional circles.** Both Sessions and Hensarling are from "safe" districts in Texas. They each won their party primary earlier this year and will be on the ballot in November (as are all members of Congress). **Their re-election to another term is all but assured.** So they won't be looking over their shoulders back to Texas while maneuvering the Washington landmines.

Washington insiders, politicians and lobbyists are buzzing around like fire ants whose mound has been disturbed. And, as of Thursday night, the "conventional wisdom" (how many times has that been wrong?) favors California Congressman **Kevin McCarthy to move up from Cantor's #2 (as majority whip) to the Leader position.** If this happens, then *his* current post opens up. And there is also buzz that Speaker Boehner may step down after this term, further complicating the jockeying for power.

You'll know soon. GOP House members are set to vote privately Thursday, June 19<sup>th</sup> 2014.

**Don't know if you noticed, but the *Austin American-Statesman* has greatly stepped up its coverage of the big motorcycle bash, the Republic Of Texas (ROT) Rally taking place this weekend in Austin. Big news? Uhhh ... not necessarily.**

Take Thursday's *Statesman*. There's a big promo atop the front page, about a ROT Rally story inside the paper. It is roughly three times the size of an adjacent promo for an AA-S business news story on **Michael Dell**. This is only the beginning. **A major story on the front page of the Metro&State section conveys the details of the 2-day event and it includes two maps** – one, a parade route and another, a close-up of the downtown “festival” area. On page 2, there's a brief news item that police are planning a “no refusal” weekend to cut down on DWIs.

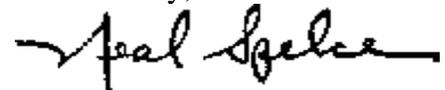
**But the big blowout coverage of the ROT Rally occurred on the front page of the Life&Arts section, where practically the entire page was devoted to coverage of the motorcycle event.** And a big portion of the splash included five large photos, four in color, as well as two highlighted “boxes” that listed the when/what/where of the Thursday through Sunday annual event.

So, what's going on here? **Is this year's ROT Rally so much more newsworthy than previous rallies? Not that you could tell.** But when you closely read the *Statesman's* coverage, the picture becomes a bit clearer.

**The *Austin American-Statesman* is listed as one of ten sponsors of the rally**, along with the likes of Budweiser beer, the Law Tigers Motorcycle Lawyers firm, Cowboy Harley-Davidson of Austin, etc. But this is not all. **The Friday June 13<sup>th</sup> bike parade ends at the *Statesman* parking lot, where many all-ages activities take place, including concerts Friday and Saturday nights.** Other activities take place, as in previous years, at the Travis County Expo Center, where you must be 18-and-older for admittance.

A motorcycle mechanic complained that he removed/repaired a bike's cylinder head and had it running like new yet only made \$39,000 a year, but a heart surgeon made millions a year. **Dr. Louis Overholster** retorted “Try doing it with the engine running!”

Sincerely,



Editor/Publisher