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Dear Client:

Travel and tourism is big in Austin. Not only that, it is growing and will be a more important part of the area economy in the immediate future, as well as in the years to come.

Leisure travelers, business travelers and convention-goers are increasing in the Austin area, and from all indications, **this trend – visitors spending big bucks here and then going back home -- will continue for the foreseeable future.** Admittedly, this is a volatile part of any economy. After all, during tough times, travel dollars are usually among the first expenditures to be cut. But for now, it is on the rise and fueling Austin's expanding economy.

It is particularly timely to take note of this development between the two very visible Austin City Limits Festival weekends that have clogged downtown streets, hotels, shops and restaurants. You may recall several months ago we lightly suggested **Austin's new moniker should be Event City because of the large number of events taking place year-round.**

Importantly, Austin's travel economy is more than events. Conventions and business travel, for instance. And the national marketplace is responding. For example, *The New York Times* this month said **Austin is "one of the most active markets in the country for new hotel construction."** Thousands of rooms are set to open across Austin within the next three years – representing an investment of nearly three-quarters-of-a-billion dollars. The Austin Convention and Visitor Bureau is spearheading an **aggressive effort to book conventions that in the past bypassed Austin due to a lack of hotel rooms.**

Cultural tourism is another element. In fact, the city of Austin is conducting a survey to find out where Austinites take friends and relatives to what they feel are the best attractions, such as fine arts, historical sites, cuisine, parks/outdoor spaces, paddle-boat rides on Lake Austin, etc. The idea is to determine "what makes Austin a unique destination."

Austin is positioned well to ride this travel tidal wave -- the red-hot economy, the publicity that comes from the "#1-this and #1-that" on a wide-range of national rankings, etc. And when the national economy sours, Austin's location within a few hours of huge population centers of Houston, Dallas and San Antonio provide economical leisure, business and meetings travel. Check out the next item for another indication of heightened travel interest in Austin.

Each month this year, Austin's airport has set passenger traffic records (up 5.5% for the year to date). Airlines are lovin' Austin -- except for one legacy airline that is lagging behind the market growth and its competitors.

The heightened travel interest in Austin has put a record amount of butts in seats of the airlines that serve Austin-Bergstrom International Airport (ABIA). The latest numbers from ABIA run January through August. And a 5.5% increase over the same time frame last year, which in itself set records at the time (except for September 2012), is healthy indeed.

However, one major airline is putting up sickly numbers at ABIA. In spite of this spike in Austin air travel this year, **American Airlines' Austin passenger totals are down 2%. American not only has not kept up, it is losing passengers** For comparison, the carrier that continues #1 in Austin market share, **Southwest Airlines, is up 9% for the year.**

But it is not just the market leader that is thriving at American's expense. **United Airlines is up 81.5%! Delta Air Lines is up 6.5%, JetBlue Airways is up 14% and US Airways is up 26.5%.**

So, what's the deal with American Airlines? Not hard to figure out. **The airline, like others in the past, is going through bankruptcy proceedings at the same time it is pursuing a legally-challenged merger possibility.** So American is treading gingerly in the marketplace. Don't write American's obit just yet. Its courthouse problems look as if they may be resolved within the next few months. If so, it is likely American will emerge to compete aggressively.

It looks like your air travel may soon become more tolerable. Not less expensive, but more tolerable. You could soon pay a little extra for some perks that will enhance your travel.

The Associated Press is reporting new fees are being introduced. They won't penalize you, like paying to check a bag. **Now the plan is to recast fees as trip enhancements.**

How about paying to have an empty seat next to you? Or for hot meals in first class? **Or pay to skip baggage claim and have your luggage delivered directly to your home or office?** You get the picture.

Most fares today don't cover the cost of flying. Fees account for 10% of revenue. And there is an added benefit to the fees. For the airlines, fees are not subject to the 7.5% excise tax that travelers pay on base fares. **Experts say without fees, airfares would be 15% higher.** One argument for fees: why should a passenger with a small carry-on subsidize a family of four, checking suitcases? They further argue that the **cost to travel should reflect the costs incurred by the individual passenger.** It's an interesting time. We'll see how this plays out.

Speaking of travel, almost 400 signs have just been installed in the Austin and San Antonio areas to try to divert traffic from dangerously-congested IH35 to the SH130 toll road.

The plan is to alert drivers they have an **alternative to the congestion and frustration that can accompany a trip on IH35 in two of the state's busiest metropolitan areas**. The backers call it *long-distance signage* so drivers in the San Antonio area, for instance, can follow the signs to IH410 and IH10 to the SH130 toll road. The same is true north of Austin for drivers heading south. In other words, the “turn here” signs don't allow for advance planning.

The importance of long-distance signage is to make infrequent drivers along the 90-mile SH310 corridor aware of all possible routes. In fact, portions of IH410 and IH10 will actually share the SH130 designation. The logic: **most drivers know about IH35 and the congestion, but they are still learning about the alternative route through the region.**

“SH130 provides a safe and reliable alternative to battling the congestion on IH35,” said Javier Gutierrez, CEO of the SH130 Concession Company. **Drivers and dispatchers can make informed decisions on the best routes to take and it allows commercial vehicles and commuters an opportunity to avoid gridlock on IH35** by utilizing SH130 as a viable option.

The original idea for the toll road was to make it a relief route on IH35 through Central Texas.

An office address on the Main Street of Texas, Austin's Congress Avenue, is prestigious – and it is also pricy. In fact, it is the most expensive street in Texas.

Really? Costlier than the most expensive office addresses in Houston, Dallas, Fort Worth or San Antonio? Yep, in fact, **a downtown Congress Avenue address is the 12th most expensive address in the US**, according to the national real estate brokerage firm, Jones Lang LaSalle.

The average full-service lease rate for office space on Congress Avenue downtown is \$42.04 per square foot, the brokerage firm reports. This is quite a bit more than Louisiana Street in Houston and McKinney Avenue in Dallas, where office space on both those downtown streets leases for a **tad more than \$38.50 per square foot**.

Where is the most expensive street for office space in the US? New York, Chicago, Boston? Nope. **It is Sand Hill Road in the Menlo Park area of San Francisco where office space is leasing for an average full service rate of \$110.76 per square foot**. Talk about pricy. Some others around the US: Fifth Avenue in Manhattan is #2, Pennsylvania Avenue in Washington DC ranks #5, Boylston Street in Boston is # 7 and Avenue of the Stars in Los Angeles is #8.

Sure, the price of homes in the Austin area keeps going up. But the prices are still way below homes in other parts of the US. Even with that, a home just sold in Silicon Valley that may re-define “California-crazy.” It’s eye-popping. Hang on for the details.

No, we’re not talking about a mansion on large acreage. Far from it. We’re talking about a **2,650-sq.ft. house built in 1948. And it sits on a small .39-acre lot** in the 1400 block of Hamilton Road in Palo Alto. No views. Okay, so far? It’s a modest property by any sane standards. You can probably get a good look at it on Google Earth.

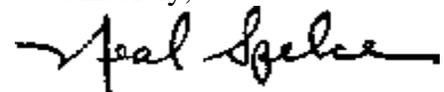
By now, you are set up to expect a ridiculous price. You won’t be disappointed. **The house sold for \$14.5 million! We’ll do the math for you. This is \$5,470 a square foot.** Even in pricy Palo Alto this is way beyond the going average price per square foot of about \$1,000.

So what’s the catch? The reports we’ve seen out of California point to only one factor that would make it unique. **It is kitty-corner from Facebook CEO Mark Zuckerberg’s home.** Okay, it’s got a high-profile celebrity neighbor. Well, then, tell us about Zuck’s home. He bought his 5,600-sq.ft. home in the 1400-block of Edgewood Drive in 2011 and paid \$7 million for it, or \$1,250 per square foot.

Silicon Valley Business Journal reporters have been digging further and determined the **buyer is an LLC that recently bought several homes immediately surrounding Zuck’s home.** Their prices ranged from \$1,480 to \$2,930 per square foot. The LLC has ties to a capital firm that represents high net worth individuals, including the Facebook CEO. The speculation is that **Zuck could be planning to expand his home, create a security buffer or establish a compound.** But what about the ridiculously high price of \$5,470 per square foot? Here’s my theory: the guy who sold it heard what was happening, sat back and said **“Look, Zuck is a billionaire. If he wants my house, he can have it. But this is my price. Take it or leave it.”**

Dr. Louis Overholster, tired of tailgaters, plastered a rear bumper sticker on his car: “If you can read this, I can slam on my brakes and sue you!”

Sincerely,



Editor/Publisher