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Dear Client:

Is the Austin area facing a possible severe housing shortage as prices rise? Buyers are scrambling to purchase a diminishing supply of homes. Is this “modern day land rush” pushing the Austin area closer to more costly homes and a severe shortage?

The number of homes available for sale (**inventory**) in the Austin area is **low and getting lower**. The same is true for buildable lots. **Prices are high and getting higher**. And **more people are moving to the Austin area each day**, all of them looking for someplace to live. It's a suburban land rush.

Yes, there is a housing shortage. True, it is localized, not area-wide. **Richard Maier** is Austin VP for DR Horton, the largest homebuilder in the Austin area (and nationally, by the way). He says “**there is a shortage in western and northwestern suburbs, inner city neighborhoods and near north.**” These are the areas where the “millenials” want to live and where the critical Austin traffic congestion is less severe.

But Maier points out “**the real shortage is in the lower price ranges in most locations.**” Especially in the locations just mentioned. “Affordable housing located near employers is the real issue here.” **Cathy Coneway**, president of the Austin Board of Realtors, noted this week the **median price for an Austin home rose 6% in one year to hit \$224,000 in August 2013.**

The previously-mentioned “inventory” is a telling number. Coneway says **it will take only 2.8 months to sell all the listed homes at the current sales pace – a true seller's market.** (For a market to be in “balance,” a 6.5 months' inventory is desirable.)

Here's why there is no let-up in sight. **The cost to build a new home is going up. And it is tough to build quickly.** Builders can't keep up. Many homeowners who might like to sell their homes are saying they are **better off staying where they are** when they consider what they could buy if they sell. So they aren't putting their homes on the market now.

There are a lot of moving parts to this situation. Continue reading, as we examine recommendations involving Austin's building regulations, transportation decisions, etc.

The City of Austin's building regulations, fees and the time it takes to get a city permit to build a new house have homebuilders complaining those burdens are pushing home prices higher, and contributing to the shortage of homes and limiting those who can buy a home.

In fact, the Home Builders Association of Greater Austin (HBA) spoke up this week to **ask the Austin City Council "to moderate its aggressive regulatory initiatives that are making it even more expensive for residents to live here."** HBA pointed out the Council has already added \$393 to the cost of obtaining a building permit as part of the city's new operating budget.

HBA is complaining that thousands of dollars more will be added to the cost of a home if the Council enacts pending regs that would, among other things, **require wheelchair ramps on new homes.**

The Council is also considering other items that would raise the cost of homeownership – such as **increases in water and wastewater fees and a new electric utility line extension fee.**

To put a bottom line to it: HBA estimated that **for every \$1,000 increase in home costs, around 1,531 households would no longer qualify to buy a home.** "Initiatives by local government to add regulatory burdens not related to safety, at a time when prices and actual tax bills are already increasing, exacerbates a serious problem for first-time homebuyers here," said HCA's ExecVP **Kathy Comer.**

The rising cost of homes in the Austin area is due to more than just the effects of supply and demand. **Construction material costs are going up** at a dramatic rate. Subcontractors, if you can get them, have so much work that **if a builder balks at their bid, the subs just shrug and say "okay, if you won't pay me what I bid, the next builder will pay it."**

Richard Maier, VP of Austin's largest homebuilder DR Horton, has other observations, such as: 1) **time for city approvals is too long**, 2) **impervious cover limits decrease opportunity for denser development** (this works counter to the City of Austin's push for urban transit, which is only successful with density), 3) **the McMansion ordinance limits density** and increases costs, and 4) **the tree ordinance further limits density and makes lots unbuildable** at a reasonable cost.

He also takes on city transportation policy as it impacts home ownership and costs. Maier says the city should relieve "auto congestion instead of expecting people to get out of their cars and ride trolleys. **We need to be able to move people from where the affordable homes are (suburban locations) to where the jobs, schools and shopping is.** Austin is NOT the center of the universe for most people in Central Texas." To bolster his point, Maier says "there is a decent, though not exceptional, **number of homes available in many suburban locations such as Manor, Del Valle, Leander, Kyle and Buda.**"

“Wet days don’t make up for dry years,” so vote for Proposition Six. “Nix Prop Six” because money can’t make it rain. Those two battle cries are being sounded because you will soon be asked to vote on whether \$2 billion should be drained from the state’s Economic Stabilization Fund (commonly called the Rainy Day Fund) to implement the Texas Water Plan.

Proposition Six is one of nine constitutional amendments that will be on the ballot in less than three weeks, November 5th. If it passes, it will **siphon \$2 billion dollars from the Texas Rainy Day fund**. The money will go into a new state water implementation fund. **This new pot of money will assist in financing priority water projects around the state.**

The projects are in the never-funded 1997 State Water Plan that reflects two decades of water planning and includes **strategies local communities have identified as ways to meet some of their water needs over the next 50 years**. The money will be doled out as low-interest *loans* for long-range water projects, to be re-paid to the state.

Proposition Six is controversial on two major levels: 1) the allocation of money between areas such as **infrastructure construction or conservation**, and 2) **whether the Rainy Day Fund should be the source of the money**. Both sides of each controversy contain “strange bedfellows” – interest groups that have not always been aligned.

The “Nix Prop Six” opponents generally say the money will be spent on big-ticket items such as reservoirs and pipelines making a few speculators and developers wealthy, to the detriment of a focus on conservation. The constitutional amendment does not even mention conservation, they say. But proponents point out the Legislature has directed that at least 20% of the money be used for conservation. Also, many Texas municipalities will borrow money from the Fund to **repair/replace leaking pipes that are part of aging water systems**.

Opponents to tapping the state’s savings account – the Rainy Day Fund – say the **Fund should be used only in extreme emergencies and to shore up the state’s bond rating** so that future borrowings for other purposes can earn the lowest possible interest rate. The Rainy Day Fund is the largest of any state and is projected to have a balance of \$11.8 billion by the end of 2015, if no draw-downs are made.

But, due primarily to the Texas oil and gas boom, **money is pouring into the Rainy Day Fund**. In fact, the Texas Taxpayers and Research Association (TTRA) projects that “over the next several years, Texas is on a course to **deposit over \$20 billion into the Rainy Day Fund – an average of over \$3 billion annually, setting new records each year**.” So TTRA says the Rainy Day Fund will be quickly replenished – and continue to grow– even if voters approve Prop Six.

Early voting runs Monday 10.21.13 through Friday 11.1.13. Election Day is 11.5.13.

Employers new to the Austin area need to gear up for greater than normal absences Friday November 1st. And traffic west from Austin to the Hill Country will also be heavier than normal. Why? Deer hunting season officially opens November 2nd. How big is it? Many outdoorsmen maintain opening day should be an official Texas holiday.

Not only is deer season a big deal for hunters, it is a **big economic deal** for adjacent Hill Country counties, such as Llano and Burnet. The season runs through the rest of the year and hunters swarm into these Central Texas counties, **spending big bucks – in a quest for the big buck**. The local lore is that there are **more whitetail deer concentrated in the Hill Country than anywhere else in the US**. Hunters come from throughout Texas and from far away. So, yeah, it's important economically.

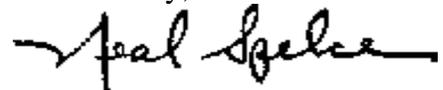
Given this, what are the prospects for the season? Pretty good, actually. The folks who keep tabs on deer hunting at the Texas Parks and Wildlife Department (TPWD) are cautiously optimistic. **Bucks look to be in good condition, antlers are in great shape and the landowners are expecting a much better season than in the last two years**, according to **Alan Cain**, the TPWD whitetail deer program leader.

But there is a caution. The recent Hill Country rains have been great for native grasses and trees. Cain notes the rains have resulted in a flush of green vegetation. And, as a result, he suggests hunters may need to re-think their strategy. **“Deer may spend less time visiting feeders. A well-traveled game trail may be more productive than hunting at the deer feeder,”** he observed.

Texas still produces some whopper bucks each year. Consequently, TPWD thinks that, overall, **the 2013 season is expected to be a good one with great opportunities to harvest a deer.**

Speaking of sporting activities, **Dr. Louis Overholster** likes to quote the great Texas golfer Lee Trevino who said of pro golf: “you can make a lot of money in this game. Just ask my ex-wives. Both of them are so rich that neither of their husbands work!”

Sincerely,



Editor/Publisher