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Dear Client:

Southwest Airlines, the airline that carries almost 40% of all passengers at Austin's airport, is in countdown mode to the day it will offer an expanded number of flights throughout the United States.

Decades ago, Southwest began service from a map sketched on a cocktail napkin that showed service among Texas major cities, with headquarters at close-in Dallas' Love Field. **The short hops from Austin, San Antonio, Houston and Dallas became so popular the airline began expansion plans.**

About the same time, the **massive Dallas-Fort Worth airport (DFW) began operations.** Civic and political leaders set out to secure success of the DFW airport located between Fort Worth and Dallas. And to many movers and shakers, **Southwest seemed to pose a competitive problem with low fares from close-in Love Field.** A big power struggle ensued.

It moved to Washington. Congress intervened and in 1980 passed what was called the Wright amendment. This law **restricted Southwest to nonstop flights only from Dallas Love Field to Texas cities and the four border states of Oklahoma, Louisiana, New Mexico and Arkansas.**

The Wright amendment restrictions expire 10.13.14. And already Southwest is deep into plans that will allow them to **fly nonstop anywhere in the US.** In fact, a countdown clock has been installed in the lobby of Southwest's HQ leading up to that highly-anticipated date less than a year from now.

While Southwest is mum about its future plans, **it could hold promise for Austin-Bergstrom International Airport (ABIA) travelers.** Depending upon how Southwest rolls out its plans, additional destinations – most with a connection at Dallas Love Field – will be available for ABIA travelers. This could cause a ripple effect. **If Southwest continues its low-fare policy, the other airlines could face pressure to match the low fares.**

This could be a big deal. Consider that Southwest right now carries close to 40% of all Austin travelers. **It amounts to roughly the same number of passengers combined that fly the next 3 biggest carriers:** American 18.3% ... Delta, 12.7% and United 8.3%.

Airline service for travelers at Austin’s airport continues to be expanded – especially to international destinations.

For instance, **nonstop service has started between Austin-Bergstrom International Airport (ABIA) and Mexico City on Mexico’s leading regional airline, Aeromar.** The airline is operating CRJ-200 50-passenger jets and maintains its focus is on the business traveler. It offers one checked bag free of charge and full onboard service.

Flights depart ABIA at 9:55 am and arrive at Mexico City’s Benito Juarez International Airport at 12:10 pm. Returning flights depart Mexico City at 6:38 am and arrive in Austin at 8:50 am. These times are all local, with seasonal adjustments to account for changes in the application of Daylight Saving Time in Mexico. (Remember, DST ends in Austin at 2:00 am Sunday, 11.3.13)

Looking ahead to next summer, you can connect on American Airlines at the Dallas-Fort Worth International Airport (DFW) for new nonstop service from DFW to two major aviation hubs in Asia. **DFW to Hong Kong International Airport** will use AA’s flagship aircraft, the Boeing 777-300ER. Another nonstop between **DFW and Shanghai Pudong International Airport** will use Boeing 777-200s.

Recent rains have brought a trickle of good news to drought-stricken Texas. Not a drought buster, but a trend in the right direction.

Before the rains this week, the Texas Water Development Board (TWDB) issued a report on how much **water was currently stored in the state’s major municipal reservoirs – such as Lakes Travis and Buchanan here in Central Texas.**

Statewide, the reservoirs are currently 61% full. This is good because the week before, they were 60% full. Normally, the reservoirs are about 79% full at this time of year, so there is still a way to go.

But the current drought calculations are showing significant positive progress. **Three months ago 99% of Texas was in a various stage of drought. A week ago, it had dropped to 91% and now 87% of the state is currently in some level of drought.**

Back to the storage of water in reservoirs, TWDB said that **“for the first time since February, we are not setting new 20-year lows for water in our reservoirs for the time of year.”** As far as water storage in Lakes Travis and Buchanan, the level was up **one percentage point to sit at 39.2% -- still low,** but an increase in the water storage level, while small, is a move in the right direction.

The Austin area's population continues to grow as report-after-report reinforces its reputation as one of the nation's municipal economic leaders.

Just this past week, **the Austin area ranked number one in the nation based on 18 economic factors** compiled by The Business Journals' *On Numbers*. Austin beat out more than 100 cities for the designation.

Austin was joined by other Texas metros that were near the top – reinforcing the state's overall economic health compared to others around the US. **Dallas-Fort Worth ranked #2** on the list, in a virtual tie with Provo, Utah. **Houston was #4.**

Of the 18 economic factors that were considered, the single most important one that propelled the Austin area to the top of the heap was job growth. *On Numbers* looked back over a five year period and found Austin was the only city in the nation with double-digit job growth. Austin's percentage job increase was just under 11% and the closest metro to that impressive number was less than 8%. This nation-leading job increase is acting as a magnet, attracting newcomers to the Austin area.

How long before the Austin residential real estate market gets in "balance" – where supply catches up to demand? One observer suggests it will be two to three years.

For months now, regular readers know we have repeatedly cited current stats indicating this has been a **seller's market – both for homeowners and for homebuilders** – for a variety of reasons, including nation-leading job growth that attracts newcomers. These reports have been a snapshot of what was happening at the time. **But how long will this seller's market last, if the job growth and real estate conditions continue as they are today?**

The State Director of Information Capital for Independence Title, **Mark Sprague**, has been tracking residential real estate in the Austin area for many years. He said **"although Austin will probably have a record year in resales, the lack of supply of resales and new homes continues to present challenges to buyers."**

Sprague also predicts **builders will deliver 9,200 home starts this year.** But builders are scrambling for developed lots to meet demand. And this prompted Sprague to say **"due to the longer entitlement process in Austin, it will be two to three years before lot development catches up to demand."**

Jonathan Boatwright, co-owner of RealtyAustin, reinforced the existing supply-demand situation when he said: **"while Austin's housing market continues to show strong demand, our diminishing inventory is at a critical level."**

Is a rise in micro-houses (containing only about 400 square feet) a trend for the future? Probably not, but it is an interesting mini-phenom, with a unique practitioner in the Austin metro.

Some “futurist thinkers” are suggesting that, in the near future, some people will seek out super low-cost living – maybe even going to extremes, such as living in really, really small homes. In fact, we saw a report where one of the nation’s largest homebuilders, **Texas-based D.R. Horton, built 29 micro-homes sized from 364 to 687 square feet in Portland, Oregon last year.** And a builder in the Central Texas town of Luling so far has built about 75 tiny homes.

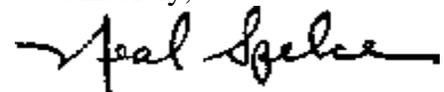
The founder/owner of Tiny Texas Houses, **Brad Kittel**, not only builds tiny homes, but he does it by re-harvesting vintage materials. His slogan: “**Building the future with the past.**” **He calls it 99% Pure Salvage Building.** “That means that everything from the doors, floors, windows, lumber, porch posts, glass, door hardware, and even the siding has been saved and re-used to create houses that we hope will last for a century or more,” says Kittel.

“Tiny Texas Houses have been designed and built with the **best trees ever harvested, the best hardware ever made and great salvaged materials** to demonstrate that it is possible to reduce our carbon footprint, simplify our lives, and live in a healthy house that will be energy efficient as well as beautiful,” Kittel notes on his website, www.tinytexashouses.com.

Obviously, a house this small is not for everyone. But he points out a variety of uses, other than as a homestead in connection with a spec home he has listed on his website. The gambrel-roofed farmhouse, priced at \$49,500, is 200 square feet, featuring one open room, plus loft, with a kitchenette and bathette. The website offers pictures of many other homes he has built, and sets of plans that can be purchased. Interesting approach.

Speaking of building homes, **Dr. Louis Overholster** has a cynical patient who describes suburbia as where they tear out the trees and then name streets after them!

Sincerely,



Editor/Publisher