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Dear Client:

A report Monday that the Austin metro area saw the nation's second-fastest increase in the number of poor people living in the suburbs was misleading. It didn't tell the full story.

The report was in the form of a book titled "Confronting Suburban Poverty in America" issued Monday by the Brookings Institution think tank in Washington, DC. The *Austin American-Statesman* devoted its biggest/boldest front page headline Monday to its in-depth coverage of the book's nationwide study.

Without question, the results of the study appeared alarming. **It showed the Austin metro had a growth of 143% of suburban poor from 2000 to 2011.** The book's authors defined people living in poverty as those whose incomes were below the federally-defined poverty line of about \$21,000 annual salary for a family of three.

But the report was quickly slammed the next day by two nationally-recognized researchers/demographers, **Joel Kotkin** and **Wendell Cox**, who noted the obvious: **"The main reason there are now more poor people in the suburbs is that there are now many more people in the suburbs."**

"Despite the trite talk about 'suburban ghettos,' **suburbs have a poverty rate roughly half that of urban centers** (20.9% in the core compared to 11.4% in the suburbs as of 2010)," the duo pointed out. In fact, they also said the suburbs "have represented almost all of America's net population growth in recent years."

Kotkin and Cox couldn't resist a snide jab, saying "our urban-based press corps and cultural elite cheerfully **sneer at each new sign of decline**" of the suburbs. As recently as our 5.10.13 edition of this newsletter, we quoted Kotkin as saying **low-density, car-dominated, heavily suburbanized areas with small central cores will likely represent the next wave of American cities** (click the "Archives" button at the top of the page to get the full story).

This puts Kotkin **at odds with those he says "advocate for old-style, high-density cities and insist they represent the inevitable future."** In effect, Kotkin and Cox maintain the Brookings Institution book this week is part of "a whole industry" of "retro-urbanists who cling to the myth of suburban decline."

The residential real estate summertime selling season is upon us, and if the sales pace gets any hotter, home sales could go off the charts.

The Austin metro area is experiencing what is almost a **perfect sales storm**. Look at what is happening right now that impacts residential real estate.

Mortgage **interest rates** continue near all-time lows. More **jobs** are being created almost daily and more people have jobs in Austin than ever before. People are **moving to Austin at a fast pace**, gobbling up those ever-increasing jobs and they need some form of housing.

Apartment rents are rising, making mortgage payments a more attractive alternative. **Builders are moving at a frenetic pace** to make new rooftops available. There's more, but you get the idea.

The market is being fueled by supply and demand. **Not enough supply and strong demand**. There is a psychology coursing through area communities that **if a buyer doesn't hurry up and make an offer, the buyer will lose out**. Sellers are holding firm on prices that would not have been possible a few years ago and many of them are getting multiple offers.

Of course, some of these statements are generalities and exceptions can be found here and there. But, in the main, **the Austin area boasts one of the most vigorous housing markets in the nation**. And the nation knows it.

The word is out. News articles, city-by-city rankings on all sorts of topics, word-of-mouth, economic development efforts by cities and the state – all trumpet the fact that this is **one of the most desirable areas in the country** – both economically and for quality of life.

And it's not just all about Austin. **The state of Texas is getting the same sort of national notice** and the Austin area is generally profiled as the shining light in the Lone Star State. So, there is a spillover benefit.

This perfect storm is showing up in the numbers. Just this week, it was announced April home sales in the Austin area increased at a pace not seen in nine years of Aprils – 32%. This was not just a blip. **Importantly, this was the 23rd month in a row – almost two full years – that there has been a year-over-year increase in home sales**. The median price was up (8%) and houses are staying on the market less than two months. It goes on and on.

The big question: how long will this last? There are no looming signs of a letup. As long as Austin's economy keeps on keeping on, it should be a busy summer. As always though, keep your eyes on the possibility of a mortgage interest hike – though none is even hinted now.

Speaking of jobs, more than 4,000 jobs were added in the Austin metro in April, and at the same time, the percentage of unemployed dropped. The trend continues.

The Texas Workforce Commission (TWC) keeps tabs on workers in the state and each month issues a report. Statistics can often be boring, so this will be brief. The TWC reported the percentage of those who were unemployed in the Austin metro during **April 2013 improved to 5.1%**. It was 5.6% in April 2012. And a net total of **4,200 jobs were added** to the Austin area during April.

Travis County has a new firefighting tool that could be a difference-maker when the next wildfire breaks out.

With previous wildfires, you may have seen the **Star Flight EMS helicopters dropping buckets of water as they fly over burning areas**. The chopper first flies over a body of water and, with a bucket hanging from its belly, scoops up about 130 gallons of water. Then it flies to the fire, dumps the bucket of water and repeats the process. Even though it is somewhat dangerous, it's been helpful.

Now, a new helicopter has joined the Star Flight fleet, but this chopper will not be used to ferry the injured to an emergency room. **Its sole purpose will be firefighting and disaster response**. A UH-1H "Huey" aircraft was stripped down to its airframe and refurbished with tools, equipment and a water-carrying capacity that is much greater than the EMS crafts.

Star Flight 4 will be able to carry nearly three times as much water as the EMS Star Flights – as much as 325 gallons of water. And, instead of the dangerous method of dragging a bucket into a big body of water, Star Flight 4 will simply drop a hose and siphon the water into a container that is bolted to the undercarriage of the helicopter.

At a cost of \$2.2 million (paid with bond money), **Travis County is the first in Texas to receive this specially-equipped aircraft**. It will be kept in a hangar in East Austin and can be used to support any fire department in Travis County. If Star Flight 4 is available, it could conceivably be directed to nearby counties – such as the monster wildfire that recently engulfed huge areas of Bastrop County.

Star Flight 4 can also be used in many parts of this Hill Country area that are difficult, if not impossible, to access on foot or by vehicle. **Given the drought conditions that continue to exist in Central Texas, the risk of a major wildfire cannot be discounted**. Star Flight 4 could make a huge difference should the occasion arise. The risk is ever present. Especially since most long-range weather forecasts do not predict drought-busting rain.

Though long-range forecasts do not predict drought-busting rain, fickle Gulf of Mexico tropical disturbances could roar inland. But unlike Central Texas residents, coastal residents dread this possibility – especially residents of Galveston, a city sinking into sea waters faster than other US coastal areas.

The “sinking” is known as “subsidence.” According to a \$4.2 million study on sea level rise threats to the Gulf Coast, **the island of Galveston could shrink by one-third within 30 years.** And this is not all. In 2007, Galveston reported **the rising sea levels would cover the coastal highway within 60 years** – a “very optimistic” prediction, according to a TexasA&M University Press book, *“Sea Level Change in the Gulf of Mexico.”*

Don’t forget: at the turn of the 20th century, **one of the deadliest storms in US history hit Galveston, killing more than 6,000 people.** Afterward the city built a seawall 16 feet high and 7 miles long and it raised the city by about 3 to 6 feet.

At the time the seawall was built, **the beach extended about 100 feet seaward. Now, much of the beach is gone.** The local sea level has risen by 1-to-2 feet, reaching the seawall in many places and threatening the infrastructure it was meant to protect. “Galveston is under direct and immediate threat,” claims oceanographer **Kristan Uhlenbrock** with the American Geophysical Union. And the rising sea threat is not occurring on a smooth line. So, it’s hard to predict precisely.

There’s more. But the point is **Galvestonians view tropical disturbances differently than Central Texans hit by drought.** By the way, as far as hurricanes are concerned, remember we reported 4.26.13 (click on “Archives” at the top) the upcoming hurricane season would be more active than normal. Recently, **AccuWeather predicted eight hurricanes while Colorado State University hurricane experts forecast nine.** Each predicted four of those would be “major.” There was no specific reference to Gulf Coast storms.

Dr. Louis Overholster said weather forecasters are like politicians: “They predict what will happen tomorrow, next month and months in advance – and then explain why it did not happen!”

Sincerely,



Editor/Publisher