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Dear Client:

The Austin area contains many highly-praised, well-known golf courses. And, adjacent homes benefit from the convenience and beauty of a well-manicured golf course. But the percentage of people playing golf is diminishing. Should this trend concern Austin golf communities?

According to the National Golf Foundation, the percentage of those playing golf dropped a significant 17% from 2000 to 2010. **Golf is an expensive sport and it takes time to enjoy the pastime – an average of 4 hours a round.** Over the years, the number of golfers has risen and fallen, usually in sync with the economy. So it is not surprising the national economic difficulties over the past 10 years have had an impact. But as cultural and recreational emphases change, **the question is whether fewer golfers may be the new norm. And how does this impact residential real estate?**

Golf is not only expensive for the golfer, but **building a great golf course is a big bucks endeavor and it can cost a million dollars, or more, a year to maintain the course in tip-top shape.** Much of those costs must be recaptured. Club members and homeowners who live in golf course communities are the primary source for revenue. High end developments are somewhat insulated as wealthy homeowners can handle increasing costs.

But what about the future of golf communities that target the less-wealthy? In order to sell homes, developers are considering amenities in addition to golf – **amenities that appeal to the outdoor and active lifestyles of Austin's fast-growing 55-to-64 age segment, even those above 65** who are more vital than the previous generation.

Green space, flowing water, hiking trails, swimming pools, spa and health-related facilities, etc. appeal to this growing group of adults. In many cases, they are more important than golf. And they cost the developer less to install and maintain. **The majority of those who buy and build homes in golf course communities do not even belong to the golf club.** They simply like the ambience. And these amenities add to the allure of these developments.

This is not to signal the death knell of golf course communities. It is simply to point to a current trend that is part of our evolving culture in the Austin area.

Big changes are en route to Austin-Bergstrom International Airport (ABIA) and just in time. Passenger records have been set in four of the last five months.

ABIA was designed to handle about 11 million passengers. Through July 2013, almost six million passengers have flown in-and-out of Austin's airport. If this trend holds true for the remainder of the year, **it's possible more than 10 million passengers will have trooped through ABIA by year's end.** Last year, the total was about 9 million passengers.

Do the math. **If this trend continues, the maximum number of passengers ABIA was built to handle could be reached by the end of next year.** Because expansion construction takes time, what is the plan to avoid the congestion that could make air travel even more of a hassle?

The biggest bottlenecks at ABIA – the ones generating the most passenger hassle, especially if you're running late to catch a flight – are the security screening checkpoints. You'll be pleased to know new screening, including an estimated 10 lanes, is on the drawing board.

Another half-dozen gates are being planned for the terminal, but final approval has yet to be given. In the meantime, the concrete apron for use by the aircraft has been expanded. Facelifts for the inside and outside of the terminal itself are contemplated as expansion projects get underway

As we have reported previously, a much larger car rental facility is planned. When completed, **it will open public parking in the existing adjacent parking garage** as the car rental companies move their cars to the new facility.

A splashy announcement for Austin air travel occurred this week when British Airways said it will begin **non-stop flights between Austin and London Heathrow next March.** This is the first non-Mexico international non-stopper to be scheduled out of ABIA. While this will be convenient for Austin travelers, it should be a real boon for Europeans who love to travel to Texas and don't want to go through Houston or Dallas to get to Austin. A larger customs facility and increased baggage-handling capacity will help facilitate this international travel.

By the way, British Airways (BA) plans to use the newest aircraft – **the Boeing 787 Dreamliner** – on this route. The plane is more fuel-efficient than previous models. And a spokesman said the **new Formula One racing event factored into the decision** to provide Austin with its first transatlantic flight.

BA said it will phase-in the service. It announced that by the end of the first two weeks of its March operations in Austin, **it will be offering service five days a week and go to daily service in May.** Additional flights, it said, could be added as BA acquires more aircraft.

Increasing office rental rates, specifically in the downtown Austin area, are pushing Tenants to suburban office buildings where rates are more competitive, but also rising. How soon before there could be a change in this trend? Not this year. Well, then, what about next year?

Recent Austin history has shown there is always a lag time in the Austin office leasing cycle. **An office construction spurt usually does not begin until those providing the bucks are fairly well convinced the demand will be there when the office buildings open for business.** So there is a lag time until that additional space comes on line. This is the period when rates rise and availability diminishes.

This is the situation today. And until more office buildings are built (or the economy tanks – not likely in the immediate future) **those seeking office space just have to suck it up and wait it out or take a deep breath and commit to leasing space.** To determine when this will change, you need to examine the plans for construction of more office buildings.

Construction of new office buildings is underway in different parts of Austin. **They won't be ready for tenants this year, but many will come online next year – probably toward the end of 2014.** The commercial real estate brokerage firm, Austin Office Space, reports some new office buildings that will soon come to market include:

The Colorado Tower with 374,000 sf of space in the Central Business District

IBC Bank Plaza with 195,000 sf of space in the CBD.

Seaholm Power Plant with 148,000 sf of office space in the CBD.

The Domain with 140,000 sf. of office space, northwest Austin.

Rollingwood Center, with 300,000 sf of office space, Southwest Austin.

Champion Office Park, with 220,600 sf of office space in northwest Austin.

Austin Office Space predicts **“the delivery of these projects will help cool rising rental rates and most likely affect all submarkets city-wide.”** Additionally the company says “many projects are seeing healthy pre-leasing activity as companies jockey to stake their flag in Austin’s newest towers.” And it predicts **“some larger projects should be ready for new tenants as soon as late 2014.”**

There will be steady pressure on rental and office space vacancy rates for the foreseeable future. In the meantime, many office buildings are experiencing record occupancy levels and the most desirable spaces are leasing quickly.

Since the 1980s when Austin's high tech emergence began, Austin has been compared to California's Silicon Valley. After all, Silicon Valley was the "gold standard" when it came to high tech. Now, in one sense, Silicon Valley is trying to emulate the Silicon Hills of Austin.

And you can credit Austin's home-grown, super-successful SouthBySouthwest (SXSW), the springtime music, film and tech conference that has gained worldwide notoriety. SXSW started as a little showcase for musicians, primarily in clubs on 6th Street. It added film, then added tech and no-telling-what-all will be added in the future. It has grown exponentially.

Later this month, the San Jose McEnery Convention Center will be the site of the first-ever **Creative Convergence Silicon Valley (C2SV)**. (Note they even have a four capital letter abbreviation, a la SXSW.) And, at last count, they have about **70 musical acts** at downtown venues. The meetings are set to attract **tech execs and entrepreneurs**. No mention is being made, in this initial venture, of film.

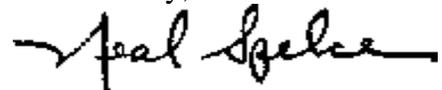
The organizer was quoted in the *Silicon Valley Business Journal* as saying "The underlying theme is that sectors are converging and the world is changing very fast. **This is so ambitious for San Jose. This is like a big, creative whack on the side of the head.**"

They make no bones about it, calling it "**Silicon Valley's answer to SXSW.**" What is that old saying – "**imitation is the sincerest form of flattery**".

Postscript: longtime readers will recall when Austin first burst onto the high-tech scene in 1983 as the city emerged out of nowhere to win a nationwide struggle as the site of a new high tech consortium, MCC, *The New York Times* referred to Austin, **unflatteringly, as Silicon Gulch – in a comparison to Silicon Valley.** That's when we grabbed a #2 pencil and a yellow pad and **came up with Silicon Hills as a better moniker for the Austin area. Glad it stuck.**

Dr. Louis Overholster says he now knows the old saying that a million monkeys banging on a million typewriters can create the entire works of Shakespeare is not true -- thanks to the Internet.

Sincerely,



Editor/Publisher