



Volume 36, Number 28

October 3, 2014

Dear Client:

Now that the calendar has flipped to October, this means holiday sales, advertising and decorations are not far behind, right? Right. But this year Austin area retailers will tell you the calendar could pose a problem for sales.

Last year the December 1st payday fell on Sunday, so employees got their checks on the preceding Friday. This year, **the first-of-the-month payday falls on Monday, so shoppers won't have paychecks in their pockets for Black Friday (the day after Thanksgiving) sales.** So, you can see the mindset that will likely be driving retailers this year.

What can you expect in addition to the typical Salvation Army bell ringing this year? **You're going to be bombarded by advertising – but in ways different from traditional media.** More of you are spending time on smartphones and tablets – some as much as seven times what you devote to newspapers or magazines. **Advertisers follow eyeballs. So your mobile devices will get a lot more ad dollars this holiday season and for the foreseeable future.**

Last year there were only 26 days to shop between Thanksgiving and Christmas Day. Well, **it's not much better this year – with only 27 days.** In fact, if you look closely you'll find some advance holiday discounts and sales promotions already underway even with Halloween still three weeks away.

As in years past, **flash sales will likely erupt early**, offering broad discounts for a day or two. **Increased layaway options** are already being offered by some Austin area retailers. **Longer hours** will be implemented earlier in many Austin stores. Some are making plans for **speedier checkout systems.** But despite retailer enticements, many shoppers will still wait until the last-minute – hoping for **drastic price cuts.**

Having said all this, **Santa is likely to splurge a bit more in the Austin area this year. Thousands of jobs (with hefty paychecks) have been added during the past 12 months. There is an upbeat tempo in the Austin air these days.** And, while Austin area retailers will not be licking their chops too vigorously, they have reason to be more optimistic than those in other cities. Still, since end-of-the-year sales mean a make-or-break bottom line for most retailers, don't look for them to let up on the accelerator. Too much is at stake for them.

This week, *MarketWatch* calls Austin the most overvalued housing market in the U.S. But, in the same week a *CNNMoney* reporter labeled Austin housing “affordable.” So what gives? All you have to do is look at the Austin job market, paying 20% higher than the national average.

Actually, the *CNNMoney* reporter, Les Christie was working on a story about why Austin is the fastest-growing major city in a state that led the nation in population gain. And he came to this conclusion: **“Jobs is the No. 1 reason for population moves, with affordable housing a close second.”** He supported his comment with real estate brokerage company, Redfin, saying Texas and other heartland states have **two advantages that translate into affordable housing:** plenty of cheap land around cities and easy regulations that enable developers to build quickly.

But, wait a minute. You’ve been bombarded by stories for years about Austin needing more “affordable” housing. How does this square with Christie’s findings? A number of factors are at play here. First of all, the definition of “affordable” is basic. It’s all relative. **If you move here from California you can’t believe Austin’s relatively low prices, even in the million-dollar range.**

Christie also points out the relation between home prices and salaries. The more money you make, the more house you can afford. He reported this about Austin: **“The median income of more than \$75,000 is nearly 20% higher than the national median.”** Yeah, but, the median home price is \$243,000, higher than the US norm. **He points out this is a price level the higher income can support.**

There’s another point about affordability that is often not discussed. Sure, homes cost more if they are in West Lake Hills, on waterfront, or downtown. **But most statistics are calculated on the “area,” not just within the city limits.** A house in Manor, Pflugerville, Round Rock, etc. can be purchased for hundreds of thousands of dollars less than the same home on a pricey West Austin lot, in a highly desirable school district.

As for the jobs part of the nation-leading equation, Christie is bullish for Austin, pointing out that **“Moody’s Analytics projects job growth to average 4% a year through 2015.”**

Interestingly, a softening in the Austin area residential real estate market started showing up during the summer selling season. Could this be the beginning of a trend where the pendulum may be swinging toward a buyer’s market?

It’s something to watch. The number of homes for sale is still low, meaning a seller’s market continues to exist. However, keep an eye on the new for-sale listings. It may take a while – but **watch for “months of inventory” – the amount of time it takes to sell a home.** It’s now at 3 months. Six months is a balanced market. More than 6, the buyer gets in the driver’s seat.

The largest number of apartment units in five years opened in Austin over the last six months. Yet, overall occupancy remained steady -- indicating newcomers are quickly moving in.

That's not all. According to Austin Investor Interests (AII), **the inventory of Class A units will rise nearly 44% over the next 12 months.** As you would expect, **rental rates are soaring** – rising another 2.6% over the quarter to reach 6.9% annually. AII said prevalent new trends include the addition of outdoor enhancements involving **common social/entertainment areas, pet related features** and **social/music venues poolside** or in the lounging community center.

Parking facilities under construction at Austin's airport can't come soon enough. Air travelers are setting new records, surpassing 7 million for the year through August 2014.

Actually the increase in parking for travelers at Austin-Bergstrom International Airport (ABIA) is due to the **dramatic change in the rental car operations.** A new Consolidated Rental Car Facility (CONRAC) is scheduled for completion in 2015.

All rental car operations will move away from the terminal, and its nearby parking garage, to a 1.6 million sq.ft., five-level parking complex. **This will open up about 900 spaces on the third floor of the existing parking garage for public parking** when rental car operations re-locate to the new CONRAC facility.

Additionally, the **CONRAC rental car building will contain another 900 spaces that can be used for public parking.** So, next year, 1,800 public parking spaces inside the ABIA complex will be available.

In the meantime, for the next week, **drivers picking up or dropping off passengers at ABIA will encounter lane closures** due to the CONRAC construction. The closed lanes lead *away* from the terminal on the airport's main roadway, Presidential Boulevard.

The road closures are timed to occur during late night hours when there is little to no commercial flight activity. That's a good thing. Because those **closures are scheduled to occur between October 2nd and October 7th** – dates that encompass the first weekend of the Austin City Limits Outdoor Music Festival and a home Longhorn football game. These two events bring tens of thousands of out-of-towners to Austin.

We mentioned record-setting passenger totals so far this year. **The totals for eight months are UP 6.5%, compared to the same period a year ago. The total was 7,085,617.** Southwest and American airlines made up more than half that total. More than 10 million passengers traveled through the airport in 2013.

Don't forget: **British Airways, Aeromar** and **Allegiant Air** began service at ABIA this year.

Two Austinites are chairing the search advisory committee that will recommend the next president of UTAustin, to replace Bill Powers who plans to step down June 5th 2015: former UTAustin president **Larry Faulkner** and **Pedro Reyes**, UTSysystem ExecVP/Academic Affairs.

How many Austinites are worth more than a billion dollars? Okay, okay, you know Michael Dell tops the list, as he has for years. And you may know the name of the pony-tailed man who is #2. But can you name the third Austin billionaire?

The founder and CEO of Dell Inc. **Michael Dell has an estimated net worth of \$17.5 billion**, according to *Forbes*. The guy who built up the John Paul Mitchell beauty products empire and then expanded the tequila juggernaut Patron Spirits, **John Paul DeJoria is estimated to have a net worth of \$3.2 billion**. Dell and DeJoria have high profiles and have been heavily involved in the Austin community for some time.

But who is the third Austin billionaire? The co-founder of West Lake Hills-based Dimensional Fund Advisors **David Booth has an estimated net worth of \$1.3 billion**, according to *Forbes*. Booth has not been in the Austin area as long as Dell and DeJoria. Booth built his financial empire in California.

Then, his good friend **Kenny Jastrow convinced Booth to move his entire well-regarded operation to Austin**. Booth has been quite active in the Austin area. He just hasn't matched the high-profile activities of the other Austin billionaires.

FYI, the top Texan on the billionaire list is Wal-Mart heiress, Fort Worth's **Alice Walton, who has an estimated net worth of \$35.2 billion**. Another Texan on the list is H-E-B Chairman/CEO **Charles Butt with an estimated net worth of \$9.8 billion**.

Speaking of billionaires, **Dr. Louis Overholster** observes there are a lot of things that money can't buy. For instance, what it did just a few years ago!

Sincerely,



Editor/Publisher