

Why Central Texas

So what is it about Central Texas that makes it a great place to consider purchasing investment property?

Austin is at the heart of a dynamic five-county region recognized for its talented workforce and superior business environment. Forbes Magazine confirms what businesses already know-that Austin is the Number One place to do business and advance your career. Austin's well-educated workforce, overall low business costs and available, affordable commercial space offer unparalleled opportunity for business growth.

Austin is considered one of the "Cities of Ideas" along with Seattle, San Francisco, and Portland. High tech knowledge-based industries such as semiconductors, software, internet, biotech, wireless, and nanotechnology make their home here. Austin based Dell Computer is recognized as the world's leading computer manufacturer.

As these industries continue to grow, they will seek to locate in cities with a mixture of high quality of life (including an excellent climate, parks, natural beauty, and a strong cultural base), relatively low cost of living, and with a strong base of highly educated employees - all strong characteristics of the Austin and central Texas areas.

Austin Real Estate Investments Texas, with its business friendly environment and lack of a state income tax is increasingly considered one of the leading states in the country to start as well as relocate a business (as many California firms have already done).

With all of this projected growth (doubling of population by 2025), new residents are going to need housing. This will serve the dual purpose of increasing rental income for investment property owners as well as increasing the equity value of their investments.

Because Austin invests heavily in "smart growth" initiatives, developers concentrate heavily on infill development - a positive thing for property investors, because suburban sprawl is de-emphasized, and inner city real estate investments appreciates on a more similar pattern to geographically supply constrained areas such as Los Angeles, San Diego, New York City, San Francisco, and Boston.

There are simply no other markets in which the cost to "get into the game" is as low as it is in Austin combined with a market that so many experts feel is poised for tremendous growth in the coming years. Forward thinking investors that jump on board now are likely to reap substantial benefits in the future.

Building boom to continue for decades

Mary Alice Kaspar

Austin Business Journal staff

Get ready for a building boom in Central Texas.

A new study finds 580,000 housing units, 824 million square feet of commercial space and 44 million square feet of industrial space will need to be added or replaced in the five-county Austin metropolitan area between 2000 and 2030.

Calculations in the Brookings Institution study were based on a combination of factors, including population and job growth for the 50 largest U.S. metro areas. Among all metro areas, Central Texas ranked No. 1 for anticipated growth for industrial space, and No. 2 for commercial and residential.

The study was conducted by Arthur Nelson of the Virginia Polytechnic Institute and State University on behalf of the Brookings Institution, a research group based in Washington, D.C.

"I think you have to dig deeper to see what's behind the numbers," Nelson says.

Part of the reason for Austin's high ranking, Nelson says, is that it's one of the smaller metropolitan areas in the study and has room to grow. Given that the metro areas were ranked by percentage growth, Austin and the other front-runner, Las Vegas, are in a position to see great gains.

Nelson says the Austin area boasts three components that create the "perfect triad for economic growth":

- ❖ The presence of state government, which employs thousands of people.
- ❖ A strong educational setting with schools such as the University of Texas.
- ❖ A location in a growing state.

Columbus, Ohio, for example, also is a state capital with a major university, but it's in a state that isn't experiencing population growth, Nelson says.

As with other cities expected to see a substantial rise in construction, much of the projected real estate needs will be for what Nelson dubs "replacement" properties -- projects that will involve rehabilitating or demolishing old structures.

At first blush, Nelson's projections seem aggressive, says Lance Sallis, senior vice president in the Austin office of real estate company Trammell Crow Co. But when recent population projections are taken into account, Sallis says the study seems on target.

The Austin area's population during the next 35 years will soar from about 1.2 million in 2004 to between 2.7 million and 3.5 million, according to a forecast from the Texas State Data Center at the University of Texas at San Antonio.

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Jobs coming back, growth rate should rise through '07

Colin Pope

Austin Business Journal staff

Austin is in store for some healthy and long-awaited job growth in the coming years if the slew of projections coming out hold true.

Disproving the theory that economists can't agree on anything, they all say the same thing about job growth in Austin: It's all uphill from here. In the context of job growth, uphill is good.

After adding jobs at a mind-blowing rate of more than 5.8 percent in 2000, the number of jobs in Austin decreased in 2002 and 2003. The area was set to finish 2004 with a modest gain of 0.53 percent, and an unemployment rate of about 4 percent.

But job growth in 2005 won't be as modest, economists say.

"I'm putting job growth for the Austin area in 2005 at 1.7 percent," says economist Jon Hockenyos, managing director of Austin-based Texas Perspectives Inc. "That's not bad. It's relatively good. Of course,

it's nothing compared to what we saw in the late 1990s."

Upticks in job growth aren't expected to end after 2005. In fact, that's just the start of it.

The Austin metropolitan area is predicted to add jobs at the second-fastest pace in the country during the next five years, according to a recent study by Boston-based Torto Wheaton Research. Meanwhile, another research firm, Economy.com, predicts Austin will add jobs at more than double the national rate in coming years.

The biggest years for job growth, many predict, will be 2006 and 2007.

Take Samsung Austin Semiconductor LLP, for example. Samsung, which makes memory chips, is investing \$500 million to expand its Austin plant to meet growing demand. The expansion will create about 300 well-paying jobs for skilled workers such as engineers, spokesman Bill Cryer says. The company already employs about 930 people in Austin.

Aside from the tech sector, which industries are predicted to grow in Austin during the foreseeable future? The short answer: all of them.

Then please post this article with the heading, "Austin wins another award - Most accolades bestowed on a city - click here for a list from 2004".

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Austin in the News - Highlights

2004

Austin is the coolest city in America according to Forbes. Overall Austin ranked number three as best city for singles in America, but in the "Cool" category came out on top. The rankings are based on nightlife, culture, job growth, number of other singles, cost of living alone, coolness and public opinion. Austin was number one last year. The top city for singles this year is Denver, followed by the Washington-Baltimore area. (*Forbes 6/04*)

Newsweek ranks Austin among Top 10 Hottest Wireless Cities. Newsweek's survey found that Austin has more free wireless hotspots per capita than anywhere else in the country. The Capital City has 11 hotspots for every 100,000 residents including 50 free ones. These hotspots include for-pay sites like Kinko's, Borders and Austin International Airport and 50 free sites including Republic Park downtown and a number of independent stores. Austin's high ranking is credited to a strong grassroots wireless movement. (*Newsweek 06/04*)

Austin ranks number 12 in leading biotechnology centers. According to a new study from the Milken Institute, only a handful of metropolitan areas have succeeded on a scale necessary to ensure industry sustainability. Austin ranks Number 12 behind such biotech powerhouses as San Diego, Boston and Raleigh-Durham-Chapel Hill metro area. The rankings are based on two factors: the biotechnology innovation pipeline-infrastructure that allows a metro to capitalize on its biotech knowledge, and creativity and the current impact assessment-an area's success in bringing ideas to the marketplace and creating companies, jobs and products. (*www.milkeninstitute.com, 06/04*)

Austin ranks third in Forbes' survey of Best Places for Business and Careers. Economic and financial research firm Economy.com weighed "expenses related to labor, energy, taxes and office space" to assign the top 10 cities in the U.S. They also assessed the qualifications of the workforce, job and income growth, migration patterns, crime rates and, this year, a culture and leisure index. Austin fell from being No. 1 on the

list last year, but "things are looking up". (*Forbes.com, 05/04*)

Survey: Austin tops in U.S. for relocating families. Washington D.C.-based Worldwide ERC, Employee Relocation Council, and Memphis TN-based Primacy Relocation LLC ranked Austin No. 1 in their survey of the country's best large markets for relocating families. Austin cinched the title because commute times are lower than the national average, there is no state income tax, housing prices have leveled off, average income is high relative to cost of living and the city has the third highest expected job-growth in the country. The indicators included in the survey included cost of living, taxes, home costs, schools, climate, out-of-state tuition, cost of auto tags and customer service levels at local utilities. (*Worldwide Employee Relocation Council. Sperling BestPlaces, 05/04*)

Austin ranks high among 'unwired' cities. The city ranks fourth among the "unwired cities" in the nation, after San Francisco-San Jose, California's Orange County and Washington. Among the more than 100 places to go for wireless access are "bars, coffee shops, pizza parlors and even the Longhorn Collision Center on South Lamar Boulevard." The Intel ranking was based on the number of public and commercial wireless hotspots, local wireless networks, wireless e-mail devices and Internet penetration on a per-capita basis. The University of Texas ranked third among unwired campuses, and Austin-Bergstrom International Airport ranked 16th among unwired airports. (*Intel, 04/04*)

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Williamson County continues on growth track. According to a new U.S. Census Bureau report, Williamson County is growing faster than any other county in the Austin metropolitan area and is the 12th fastest growing county in the country, based on percentage increase. Williamson County's headcount jumped 21.5 percent, recently. On a list of population increases by number, Williamson county ranked 27th in the country with 53,620 new residents. Hays County also ranked high with a 17 percent increase. Eleven counties in Texas ranked among the top 100 fastest growing counties in the nation. (*Austin Business Journal, 04/04*)

Austin is number four on Business 2.0's "Boom Town" ranking. This ranking system is the first of its kind to measure cities by their capacity to generate high-wage jobs. Austin was compared against 318 other metropolitan areas in the U.S. and ranked "using a weighted formula that includes forecast growth rates in sectors that contain the economy's 10 most skilled occupational clusters, the prevalence of college degrees in the local workforce, and median salary." Among the top 20, "creative-class" employees made up at least 25 percent of each city's workforce, and more than a quarter of the population over age 25 have four-year college degrees or better. Some of Austin's listed "hot professions" were software engineers, systems software, and surgical technologists. (*Business 2.0, 03/04*)

Austin had smallest U.S. gain in 2003 housing prices. Among 220 U.S. metropolitan areas, last year the Austin area "posted the lowest percentage increase in housing prices." Nationwide, housing prices rose nearly eight percent last year, but in Texas housing prices increased only 2.63 percent. In Austin, prices increased by a mere 1.23 percent despite having risen 34.9 percent over the past five years. (*Office of Federal Housing Enterprise Oversight, 03/04*)

Austin ranks number four for growth. U-Haul recently performed a study to determine the country's top growth areas for families who moved in 2003. According to the research, "five percent more families moved into Austin last year than moved out of the city." In another U-Haul study, Austin ranked 14th among the top 50 U.S. destination cities. That ranking reflects destinations for movers traveling more than 50 miles. (*Austin Business Journal, 03/04*)

Study ranks Austin best U.S. city for dating. Based on criteria such as percentage of singles 18-24 and dating venues per capita, Austin topped the list of 80 largest metro areas. The top cities, Austin, Colorado

Springs and Ann Arbor are heavily populated college towns with large populations of 18-24 year-olds. Austin scored relatively high in everything, "from frequency of dating partners to the number of establishments to meet people." AXE Deodorant Bodyspray and experts at Sperling's BestPlaces conducted the study. (*Austin XL*, 03/04)

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Austin makes list of "Best Education in the Biggest Cities." Forbes Magazine recently rated the top eight public education systems in the largest U.S. cities by looking at such factors as the high school graduation rate, the affordability of housing, and the best access to educational resources. Because these school districts are "located in the most populous metro areas and are responsible for educating the highest number of students, they represent the most attractive options for families who live in large cities." Austin Independent School District ranked sixth after Boston, Salt Lake City, Raleigh, New Orleans and Philadelphia. Austin ISD has a high school graduation rate of 59 percent, received a 7 in educational resources ranking, and has a median home price of \$157,900. (*Forbes.com*, 03/04)

Austin ranks sixth in population with graduate and professional degrees. According to a U.S. Census Bureau analysis, for cities with at least 250,000, Austin ranks sixth in percentage of residents with graduate and professional degrees. Such degrees include master's, law, medical and doctoral. Louis Kincannon, director of the Census Bureau, affirms that "the education level of the nation's workforce is a critical element for economic development and for maintaining a strong and healthy economy." (*Austin Business Journal*, 03/04)

Austin ranked nation's 19th top city for business. Once again, Austin (dubbed "media favorite") has been ranked by Inc. Magazine as one of the nation's top cities for doing business. The main criteria were job growth, considered "the most objective indication of a region's economic vitality for entrepreneurs." The article notes that low housing costs, diverse economic sectors and a highly educated workforce make Austin and cities like it an attractive destination for those looking to move or expand. (*Inc. Magazine*, 03/04)

Austin ranked nation's 10th top city for business. For the third time in four years, Austin has been chosen by readers of Plants Sites & Parks as one of the top cities in America for business. Readers site Austin's famed lifestyle and high-tech presence, as well as The University of Texas as major reasons why Austin continues to be a Top 10 city for business. As national economic recovery moves forward, some companies have expanded by buying smaller companies. With rental rates still low and vacancy rates for office buildings declining, Austin continues to recover from tough economic times. (*Plants Sites & Parks*, 03/04)

Austin named No. 1 in Creativity for U. S. Regions. According to an article in the Harvard Business Review, Austin beat out San Francisco and Seattle to take the lead position in creativity. The researchers, Kevin Stolarick and Richard Florida, based their findings on objective measurements of cities having the three Ts: technology, talent and tolerance. Florida stated, ".creativity is an asset that must be constantly cultivated."(*Harvard Business Journal*, 02/04)

Austin is nation's 19th fittest city by Men's Fitness magazine... The rankings are based on 14 categories, including number of health clubs, number of fast-food restaurants, television viewing, health care availability and the number of public courts, courses and pools per capita. Mayor Will Wynn proclaims that Austin will become the fittest city in the US by 2006, pledging to "make Austin a model for cities across the state on how a community works together to get fit." (*Austin American-Statesman*, 02/04)

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Austin tops relocation list for California companies. Nearly 40 percent of companies in California are

planning to move jobs out of state, and Texas is the number one destination. About one-fourth of the companies said they favor Texas over any other location because of its "favorable regulatory climate," skyrocketing number of film production days, and the shorter approval time of residential projects - eight weeks over California's 33. (*Austin Business Journal*, 02/04)

Austin featured in New York Times "What's Doing" Section. Austin events such as SXSW and the Austin American-Statesman Capitol 10-kilometer charity road race were mentioned, along with popular Austin hangouts like Guero's Taco Bar, Magnolia Café and the Broken Spoke. Austin's official motto may be "Live Music Capital of the World," but another, unofficial mantra, "Keep Austin Weird," has really taken hold. Fortunately, though, "even newcomers appear to embrace Austin's friendly weirdness." (*New York Times*, 02/04)

Austin office market ranks among most volatile in the nation. Fitch Ratings' Property Market Metric study gives Austin a five in volatility rating, the lowest rating possible. Fitch assigns a "volatility risk ranking" to five chief property types in over 375 US markets. The senior director of Fitch Ratings says Texas "falls well behind" in the average primary and secondary scores compared with other significant states, "and the increased volatility of Texas markets is demonstrated across all property types." At a four, Austin also ranks lowest in the warehouse category. (*Austin Business Journal*, 02/04)

Austin ranked among Top 20 Hottest Real Estate Markets. The Austin region ranked 16 in a survey of 70 of the industry's most prominent site selection consultants about which cities their clients found the most attractive when it came to selecting an expansion or relocation site. The consultants were asked to rank the best of 370 metropolitan areas. (*Expansion Management Magazine*, January 2004)

Austin's retail market ranked Second Best in the Nation. Increased consumer spending, a housing market with low interest rates and rapid population growth has made Austin the second strongest retail real estate investment market in the United States. According to the Grubb & Ellis' 2004 national real estate forecast, investors in Austin's retail real estate market will receive strong returns over the next five years. All segments of the commercial real estate industry are predicted to fare well in 2004 because of a stronger economy. Robert Bach, the national director of market analysis for Grubb & Ellis said, "Virtually all economic indicators point to improving conditions." (*Austin Business Journal*, 1/04)