

2008 REPORT
What Makes Austin a Strong Real Estate Investment Market
By Anne Kennedy, Broker Associate

Strong Population Growth:

Forbes Magazine ranks Austin #1 as the fastest growing metropolitan area in the country. The list sorted cities by their anticipated gross domestic (metropolitan area) product growth between 2007 and 2012. Austin's GMP, or the value of goods and services produced in the area, is expected to climb 32 percent over the five-year period.

Austin MSA population grew over 42,000 in 2006 to 1,513,565 and is predicted to grow about the same number in 2007 and 2008. It is predicted to reach 1,655,883 by 2010. Additionally, the population is expected to double sometime between 2030 and 2040, reaching 3.5 million by 2040. Some models show the Austin region reaching over 7 million by 2040. The Census Bureau showed that Austin was a top destination for migrating talent from 2000-2006; additionally, Austin ranks 7th among the top 50 U.S. metros based on net migration as a percent of total population (11%). Austin is also a young population, with 70.6% under 45 years versus the national average of 62.5%.

Strong Job Growth:

As of August 2007, Austin-Round Rock had a 4.1% increase in employment growth in the preceding 12 months, well above the Texas average of 2.2% and the national average of 1.5%. This job growth has pushed the Austin unemployment rate down further to 3.5% (from 4.1% in 2006). Angelou Economics predicts that 50,500 jobs will be created in Austin in the 2007-2008 time frame. Wages rose by 5.7% to an average of \$45,980, above the Texas average of \$43,100 and the national average of \$43,300.

In the tech sector specifically, growth is likely to continue apace this year, with semiconductor and software companies leading the way, according to a study conducted by Simon Management Group. Average growth in employment among engineers and programmers in those areas is likely to be 20 percent as local companies continue to increase their research and development spending, the study shows.

Highly Skilled Workforce:

Austin will continue to attract new professional services and high-tech companies because of its

highly skilled/educated population. 38.8% of adults 25 years and older in Austin hold at least a bachelor's degree compared to the US average of 27.0%.

Austin Ranked #1 for Business among U.S. Cities:

Austin is the best place for business in the U.S., according to Moody's Economy.com in August, 2007. Moody's, an independent economic research firm, reported that the Austin Metropolitan Statistical Area (MSA) earned the top spot over almost 400 metropolitan areas tracked by the company's economic vitality index. The index evaluates current economic conditions, expected trends, and potential risks, taking into account factors such as employment growth, household income, productivity, net migration, industrial diversity, and cost of doing business. In a related survey, ABIA was named No. 1 as the Best Domestic Airport by the Airports Council International.

High Household Income & Housing Affordability:

With Austin's strong median household income of \$52,882 and a median home price of only \$180,000, 58% of households can afford to purchase a median priced home.

Healthy Current Housing Market (as of end of November, 2007):

Single Family Homes: Year-to-date sales of existing homes were down slightly, 7%, to 23,572 from the pace of 2006. Inventory has risen 10% over that time span, peaking in August but falling back significantly to 8,069 at the end of November. Number of days on market is unchanged at 68, indicating a continued strong seller's market in most market segments. Both average and median prices are up 6% from a year ago, to \$250,519 and \$185,000.

Condominiums: Year-to-date sales in the typically more volatile condominium market are down 8% to 2,633, but both average and median prices are up: \$208,980 and \$174,120, representing a 16% increase for both. Inventory has risen from 883 units at the end of December, 2006, to 1,530, down slightly from October's 1,597.

Building permits for new single family construction have fallen 25.9% but for multi-family construction have risen 18.6%. Production builders still find Austin to be the strongest Texas market, with slightly depressed sales but high levels of confidence for a quick return to sales levels seen earlier in 2007.

Office/Industrial:

Office occupancy among all classes was at 86.2%, down from 86.6% a year ago. Rents rose to \$25.37, up from \$21.62 a year ago. Total occupancy in the industrial sector stands at a robust 91.5%. Average apartment occupancy rates rose for the fourth straight year to 94.2%.

Apartments:

A booming Austin economy will keep apartment demand high in 2008, but not high enough to match pace with eager developers who plan to significantly add to the local stock in the coming year. That increase in inventory is likely to lead market-wide vacancy to inch up to 7.6 percent in 2008. At the same time, asking rents are anticipated to rise 3.7 percent to \$851 a month and effective rents will advance 3.4 percent to \$767 a month.