

Overview of the Austin Market



Who are your Customers?

Baby Boomers still have a substantial
influence...but it's fading fast.

Understanding Generational Cycles

- **Lost Generation** (1883–1900)
- **Greatest Generation** (1901–1924)
- **Silent Generation** (1925–1942)
- **Baby Boomer** (1943–1960).....78 Million
- **Generation X** (1961–1981)40 Million
- **Millennial Generation (Y)** (1982–1998)60 Million
- **Generation Z** (1999–2019)23 Million and Counting

Generation X

- Born between (1961–1981)
- Age range today – 29 - 49 (First Gen X President who is 48)
- Includes 40 million consumers
 - Memorable events:
 - Challenger explosion, Iran-Contra, Reaganomics, AIDS, Star Wars, MTV, the home computer, safe sex, divorce, single parent families, end of Cold War-fall of Berlin wall, Desert Storm
 - Key characteristics:
 - Me Generation. The ME generation makes up part of the X Generation.
 - Entrepreneurship. Entrepreneurship is high among Generation X-ers, and they tend to move easily from one employer to another
 - Personal Experiences. Coffee bars, extreme sports, and adventure vacations have developed in answer to the desires of Gen-X
 - Security. Quest for emotional security, independent, informality, entrepreneurial
 - Technology. A high affinity for technology. Computer and Internet proficient. Skeptical about advertising claims. More impressed by personal style than designer price tags.
 - Options thinker. They grew up with strong survival skills and always has multiple options open to them for consideration.
 - Multicultural and diverse. X'ers have a strong unconscious acceptance of diversity, They welcome the contributions of multiple individuals, seemingly comfortable in a world in which there is no dominant voice.
 - Highly pragmatic. They carry practical sensibilities and feel they are serving as stewards of both organizations and the world.

Source: William Strauss and Neil Howe - *Generations* (1991) and *The Fourth Turning* (1997)

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Generation Y

(Echo Boomers or Millennial Generation)

- Born between (1982–1998)
- Age range today – 12 - 28
- Includes 60 million consumers
 - Memorable events:
 - Rise of the Internet, September 11th Attacks, cultural diversity, two wars in Iraq, Global Financial Crisis of 2008-2009
 - Key characteristics:
 - Virtual Worlds – Online gaming, Avatars, flash mobbing
 - Multitasking and Texting
 - Trophy Generation – sense of entitlement
 - Quest for physical security and safety, heightened fears, acceptance of change, technically savvy, environmental issues
 - High post college unemployment worldwide – 15% to 40%
 - More contact with parents
 - Digital generation – news comes from TV and now Internet
 - YouTube, Facebook, Myspace, Twitter
 - This is the group that elected Barack Obama

Generation Z (Multi-Task)

- Born between (1999–2019)
- Age range today – ? - 11
- Includes 23 million consumers and counting
 - Memorable events:
 - Primary memorable events still to come
 - Key characteristics:
 - Virtual Worlds – Online gaming, Avatars, flash mobbing
 - Instant-gratification due to technology
 - Mass collaboration via Net Communities
 - Lack of privacy
 - Only known age of Terrorism
 - Computer technology is commonplace
 - Formative years were during the rise of the World Wide Web
 - No memory of (or nostalgia for) pre-Internet history - takes the Internet for granted
 - Accepts as a norm services such as internet forums, email, Wikipedia, Google, search engines, MySpace, Facebook, imageboards and YouTube
 - Expects to speak to an audience even in personal communication
 - Familiarity with anonymous criticism

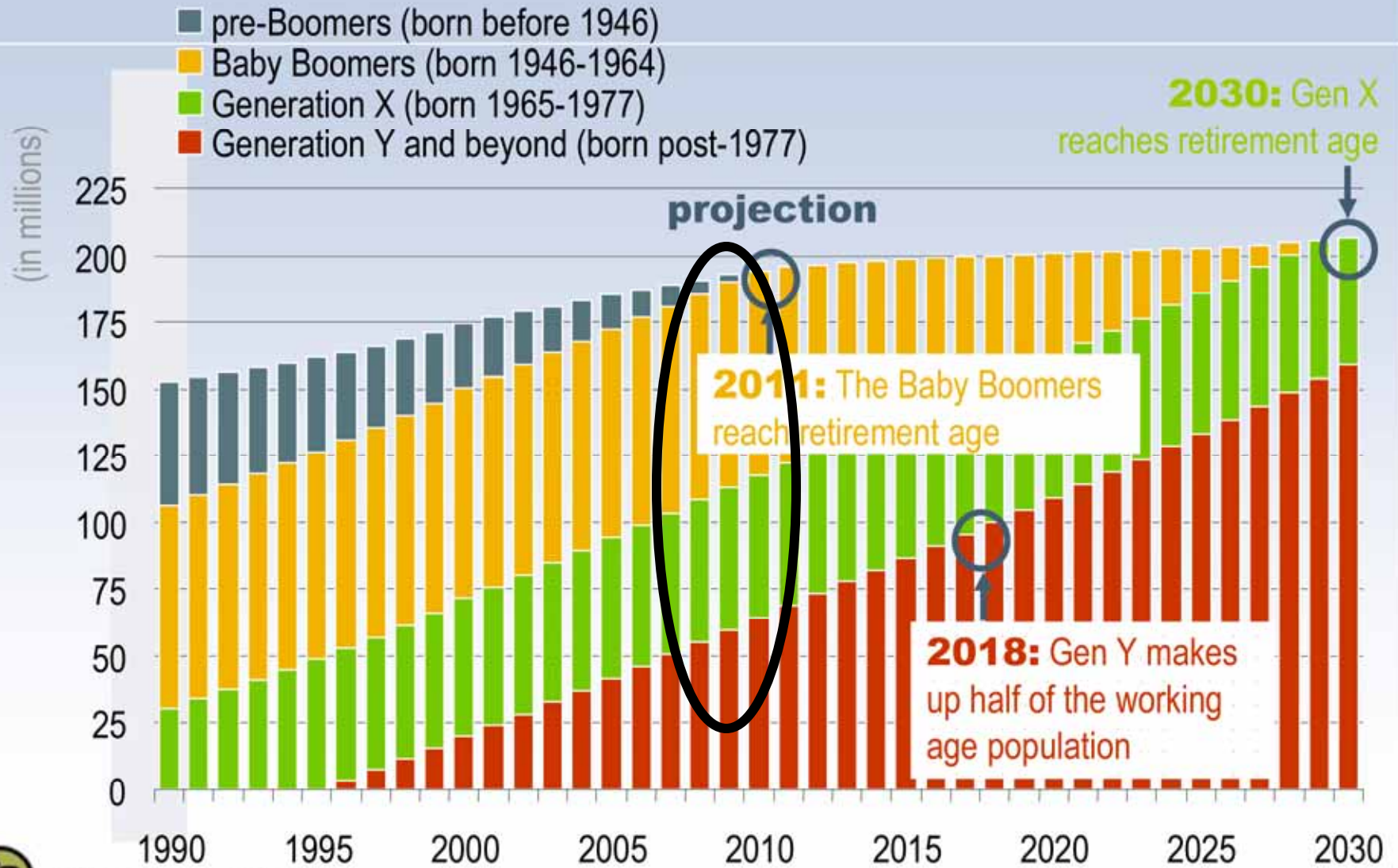
**Today, Generation X and Generation Y
make up 50% of the workforce.**

**In 10 years, Generation X and Generation Y
will make up 70% of the workforce,
of which 50% will be Generation Y.**

- These are the YouTube watching, Twittering, and video game-loving generation.
- They would rather be on the internet than watching television, rather text than call, and would rather surf the internet than watch television.
- Increasingly, they collaborate online in a virtual world rather than meet face-to-face. And they increasingly expect less privacy.

US Working Age Population by Generation

population age 18-64



T-I-P STRATEGIES

SOURCE: U.S. Bureau of the Census, projections based on 2000 Census

What makes Austin different?

Austin has:

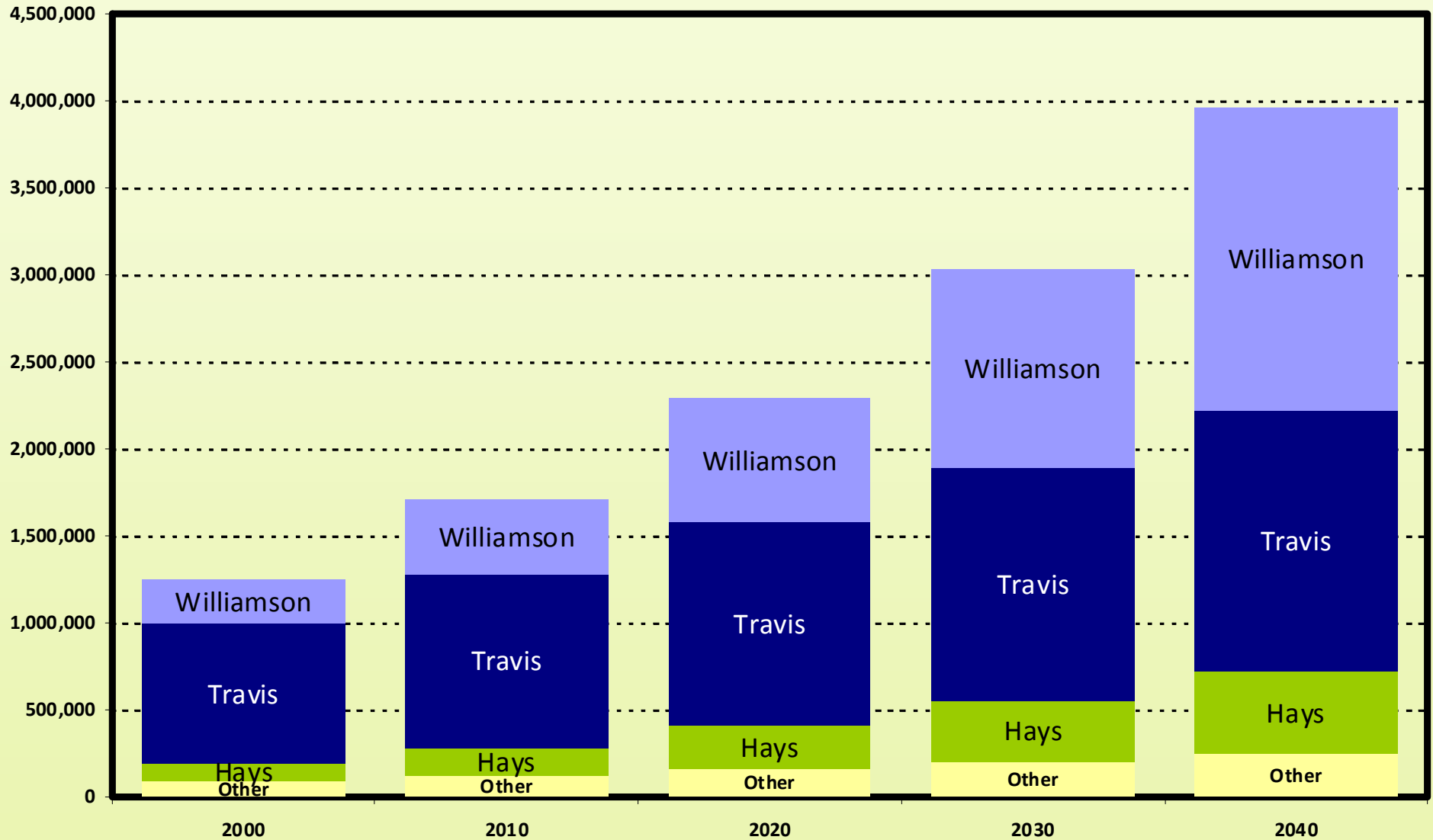
1. Experienced consistent and long-term Population Growth
2. An excellent educated workforce
3. A major Tier-1 research university – feeds innovation and startups
4. A growing base of entrepreneurs, startups, venture capital
5. Become a Patent and Innovation cluster
6. Experienced steady growth of government jobs because we are the State Capital
7. A thriving technology cluster and professional services sector
8. Experienced wage and salary growth combined with consistent, long-term job growth

Population and Growth Rates

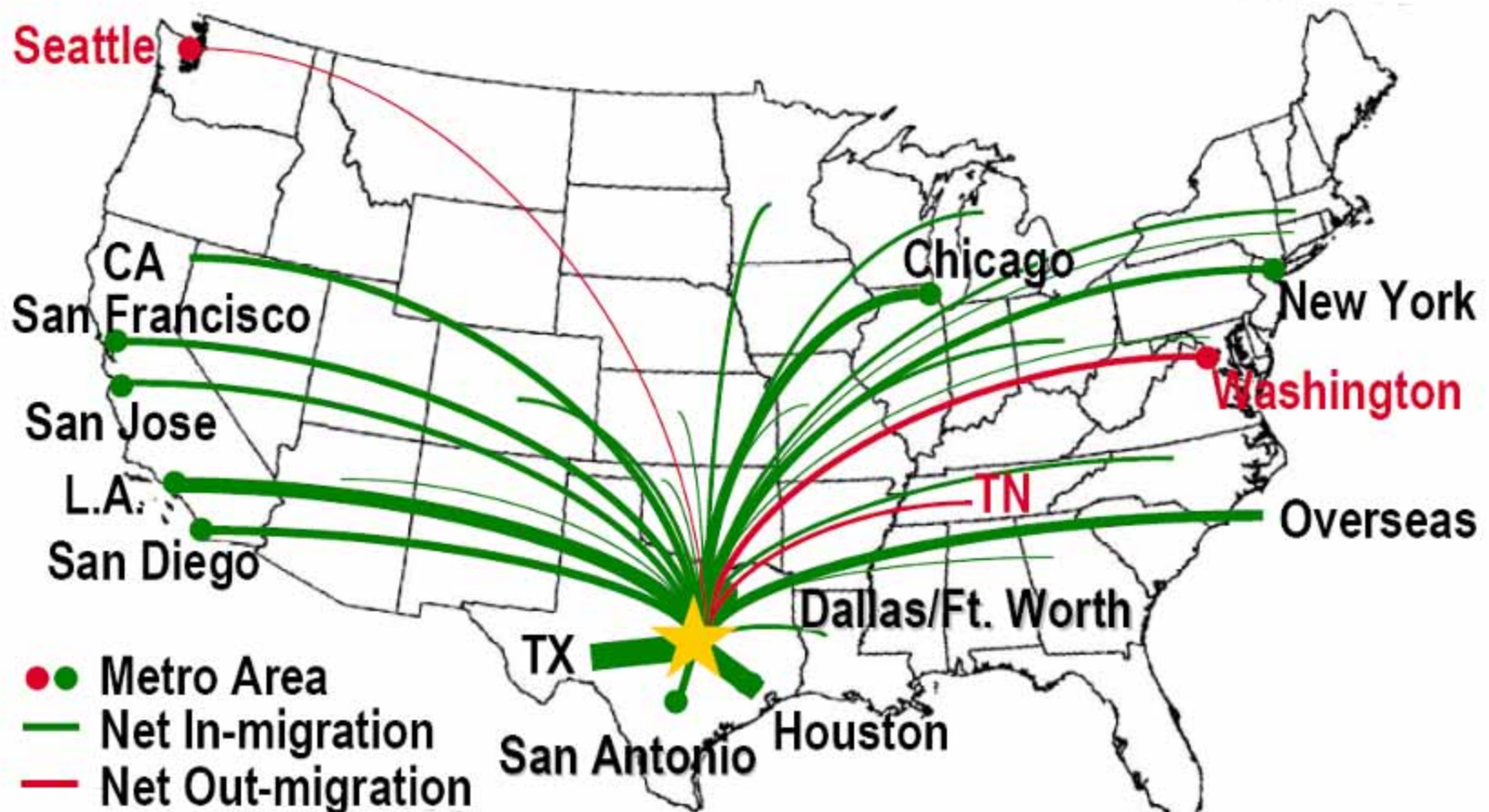
POPULATION						
	1980	1990	2000	2009	Percent Change	
					1990-2000	2000-2009
Austin MSA	585,051	846,227	1,265,715	1,705,075	49.6%	34.7%
Travis	419,573	576,407	812,280	1,026,158	40.9%	26.3%
Williamson	76,521	139,551	249,967	410,686	79.1%	64.3%
Hays	40,594	65,614	97,589	155,545	48.7%	59.4%
Texas	14,229,191	16,986,510	20,851,820	24,782,302	22.8%	18.8%

PROJECTIONS						
	2010	2020	2030	2040	Percent Change	
					2010-2020	2020-2030
Austin MSA	1,712,647	2,292,737	3,030,478	3,958,933	32.2%	30.6%
Travis	992,773	1,168,738	1,336,948	1,498,569	14.4%	12.1%
Williamson	435,355	715,395	1,137,513	1,742,619	59.0%	53.2%
Hays	164,078	250,886	355,508	469,394	41.7%	32.0%
Texas	25,373,947	30,858,449	37,285,486	44,872,038	20.8%	20.3%
ADDITIONAL RESIDENTS	580,090	1,317,831	2,246,286			
NEW RESIDENTS PER DAY	159	181	205			
NEW JOBS PER MONTH	2,000	2,700	3,075			
NEW JOBS PER YEAR`	25,000	32,400	36,900			

Austin MSA Population Projections



AUSTIN METRO MIGRATION PATTERNS



Source: IRS

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Percent of over 25 Population with a College or Post Graduate Degree

Ranking as of 2008		
Education	Austin's Rank	Per Cent
College	25 th	38.3%
Post Graduate	39 th	13.4%

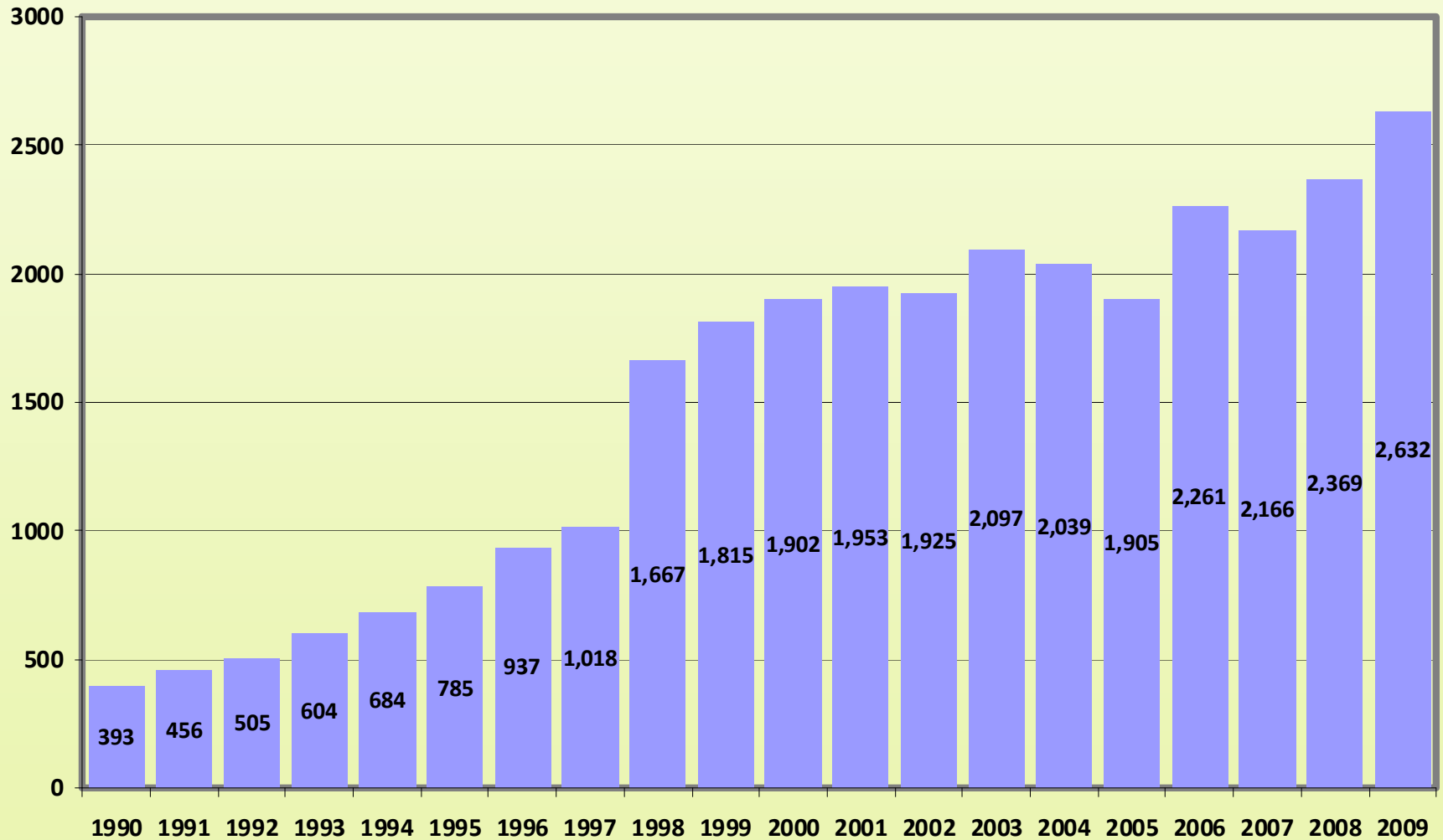
14% of population over 25 do not have a High School Diploma.
Needs to be 10% to be competitive

150,000 College Attendees in Austin MSA. 300,000 within 200 miles

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Our Patent Growth...

Patents Awarded to Austin Area Inventors



TEXAS and AUSTIN Household Income

Austin-Round Rock, TX Metro Area			Texas		
	Number	Percentage		Number	Percentage
Total:	581,634		Total:	8,258,094	
Less than \$10,000	37,185	6.39%	Less than \$10,000	650,642	7.88%
\$10,000 to \$14,999	23,273	4.00%	\$10,000 to \$14,999	462,683	5.60%
\$15,000 to \$24,999	50,250	8.64%	\$15,000 to \$24,999	946,986	11.47%
\$25,000 to \$34,999	58,802	10.11%	\$25,000 to \$34,999	934,136	11.31%
\$35,000 to \$49,999	80,579	13.85%	\$35,000 to \$49,999	1,197,855	14.51%
\$50,000 to \$74,999	110,924	19.07%	\$50,000 to \$74,999	1,488,761	18.03%
\$75,000 to \$99,999	76,099	13.08%	\$75,000 to \$99,999	967,125	11.71%
\$100,000 to \$149,999	82,857	14.25%	\$100,000 to \$149,999	949,072	11.49%
\$150,000 or more	61,665	10.60%	\$150,000 or more	660,834	8.00%

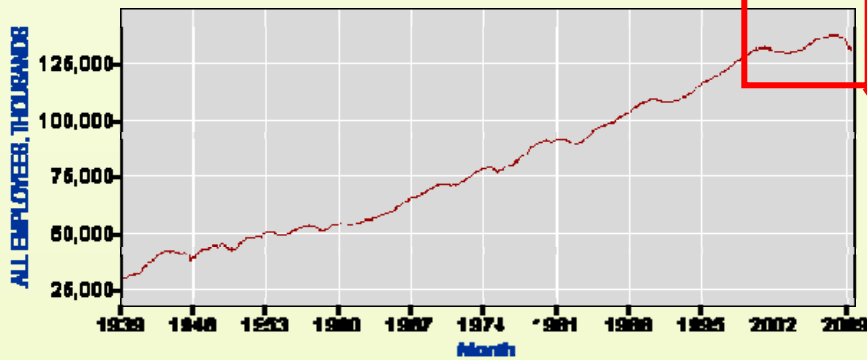
57%

49.2%

1990 – Austin 22%, Texas 21%



Total Employment – 1939 to 2009



U.S. Labor Force

Total Employment – 1999 to 2009

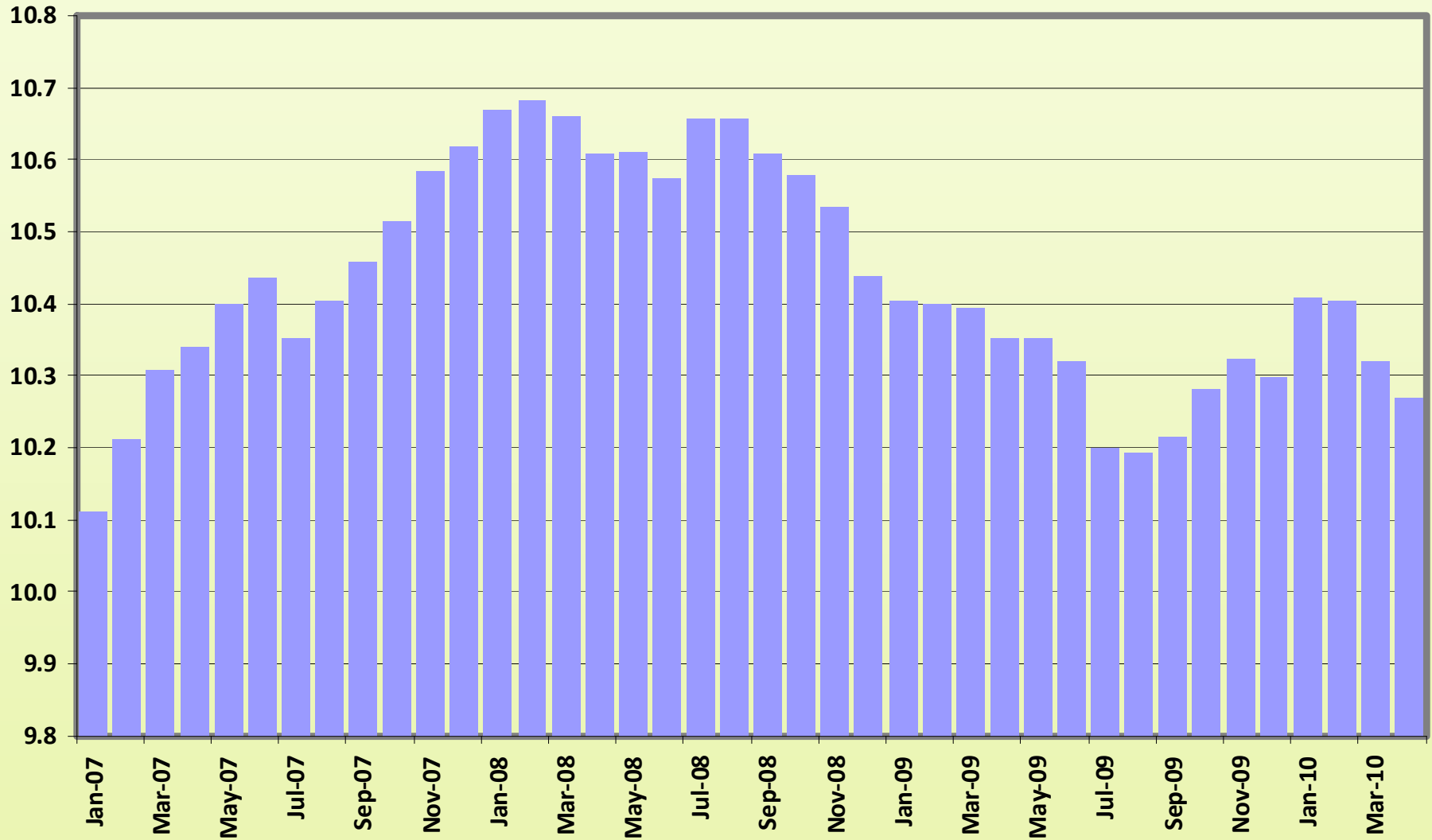


The US has almost lost every job that was created since the end of the last recession – 7.2 million jobs

Source: Bureau of Labor Statistics

Texas Civilian Employment

Millions of Jobs

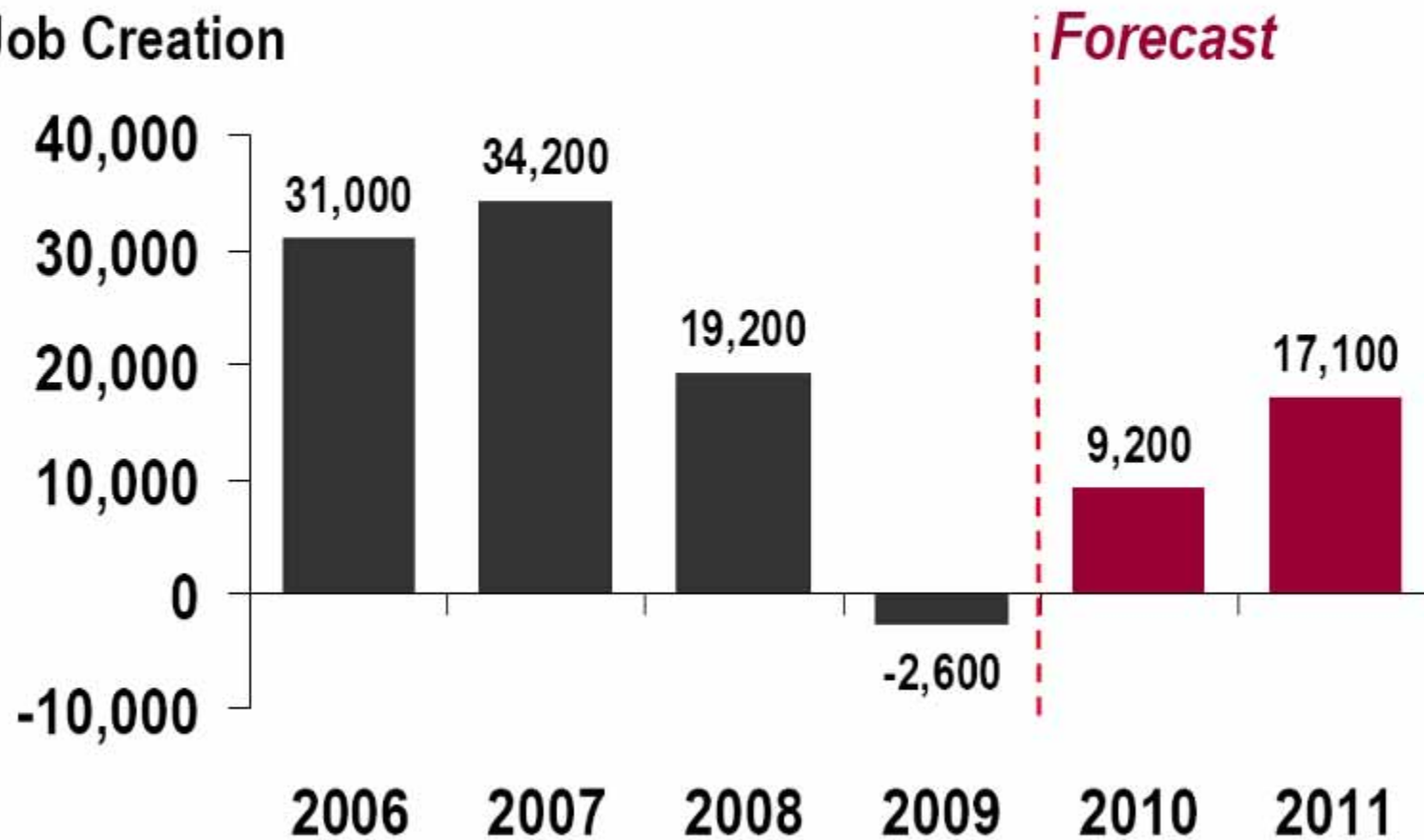


400,000 Jobs Lost Since January 2008



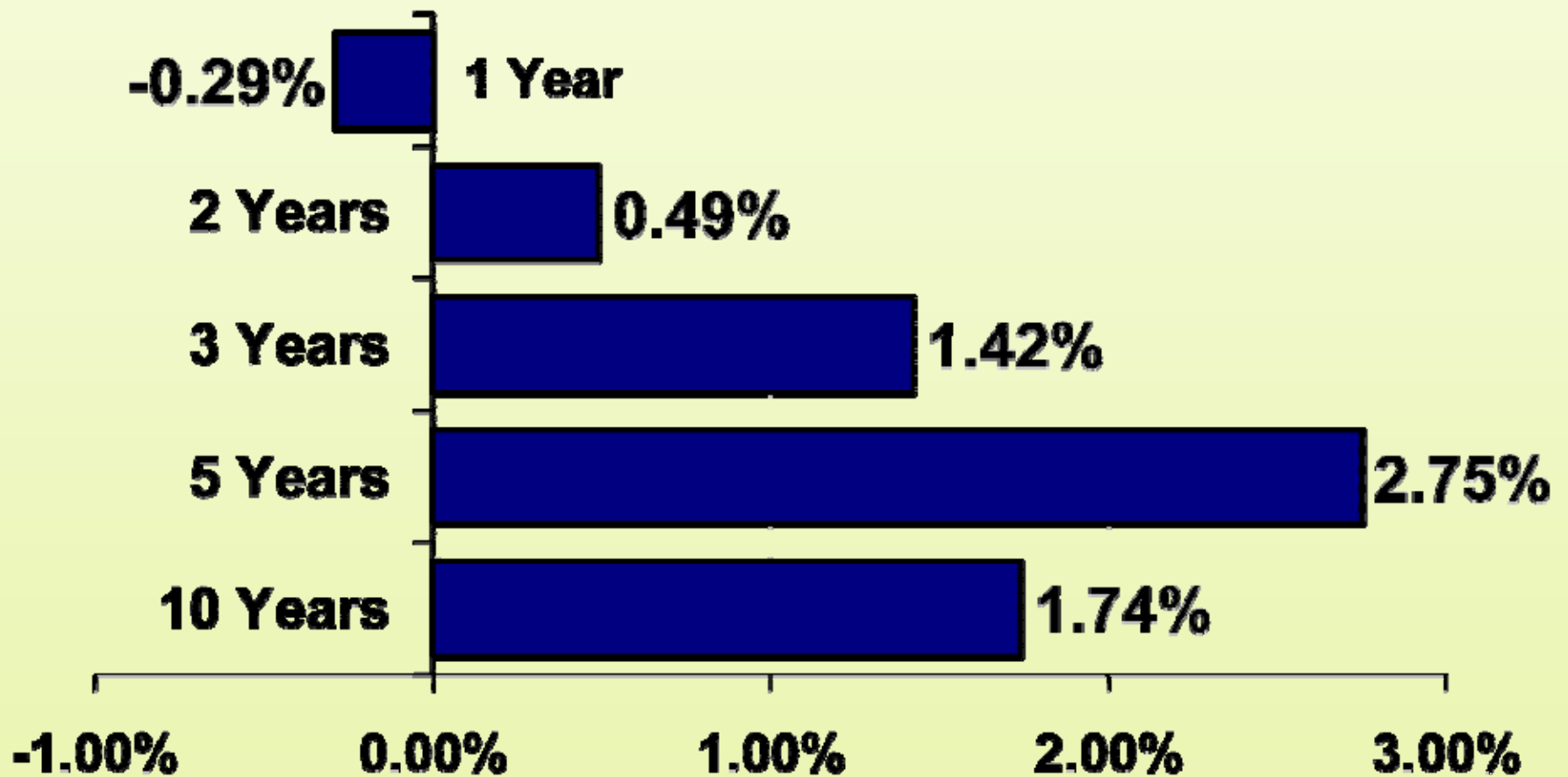
JOB GROWTH FORECAST

Job Creation



Austin-Round Rock Jobs

December Comparison *Compound Annual Growth Rate*



ECONOMIC DEVELOPMENT TRENDS

- Renewable Energy
- Data Centers
- Creative Media
- Software Development
- Healthcare & Biotechnology

RENEWABLE ENERGY

Top Clean-Tech Job Sectors

Energy

Renewable Energy (e.g., Solar, Wind)
Energy Storage
Energy Conservation and Efficiency
Smart Grid Devices and Networks
Electric Transmission and Grid Infrastructure
Biomass and Sustainable Biofuels

Transportation

Hybrid-Electric Vehicles
All-Electric Vehicles
Electric Rail
Hydrogen Fuel Cells for Transport
Advanced Transportation Infrastructure
Advanced Batteries for Vehicles

Water

Energy-Efficient Desalination
UV Filtration
Reverse Osmosis Filtration
Membranes
Automated Metering and Controls
Water Recovery and Capture

Materials

Biomimicry
Bio-Based Recycling
Reuse and Recycling
Green Building Materials
Cradle-to-Cradle Systems
Green Chemistry

Source: Clean Edge, Inc.

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Austin Real Estate

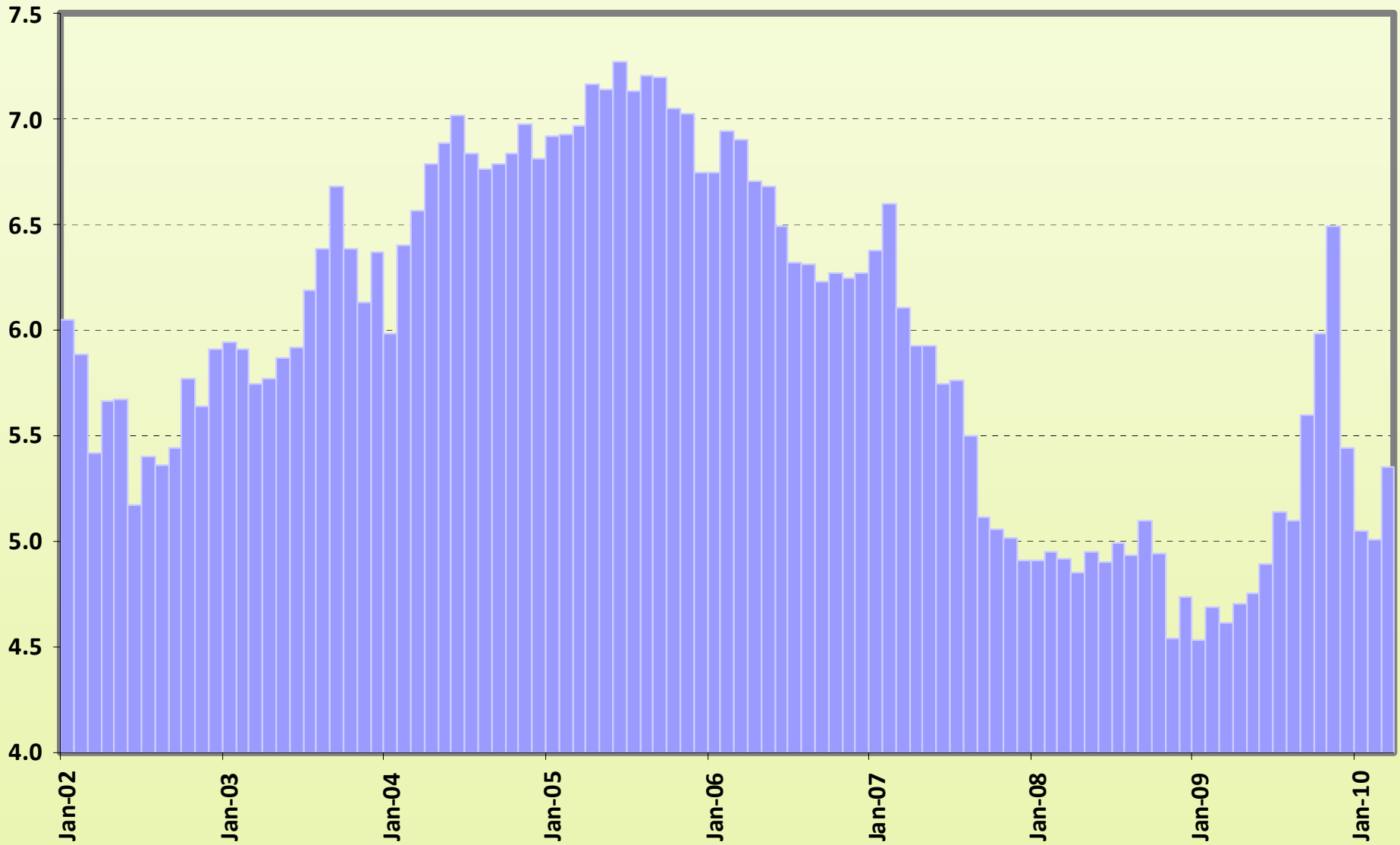
Sales

Prices

Trends

U.S. Existing Home Sales

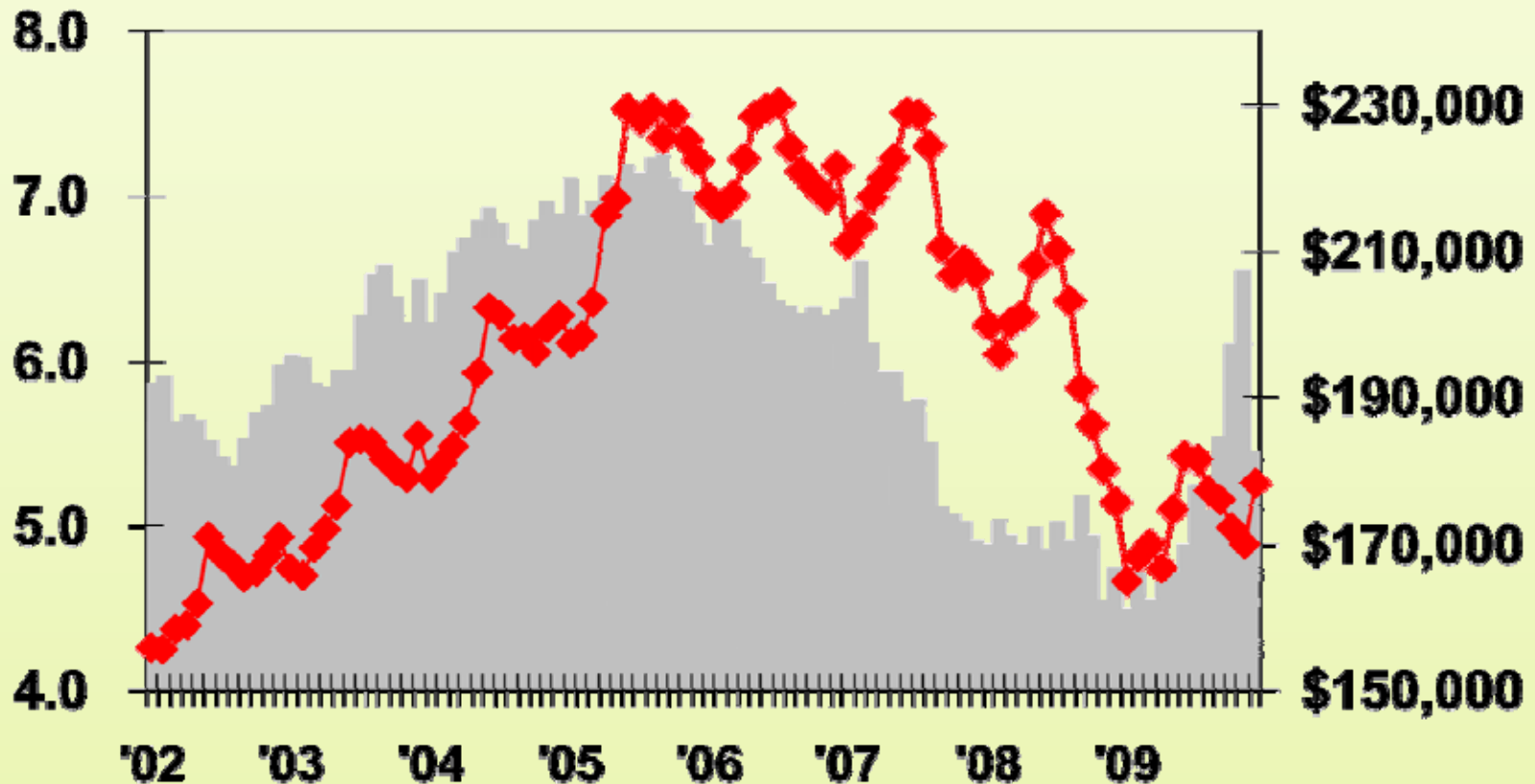
Sold (In Millions)



US Existing Home Sales

Sold (Millions)

Median Price



 National Association of REALTORS®

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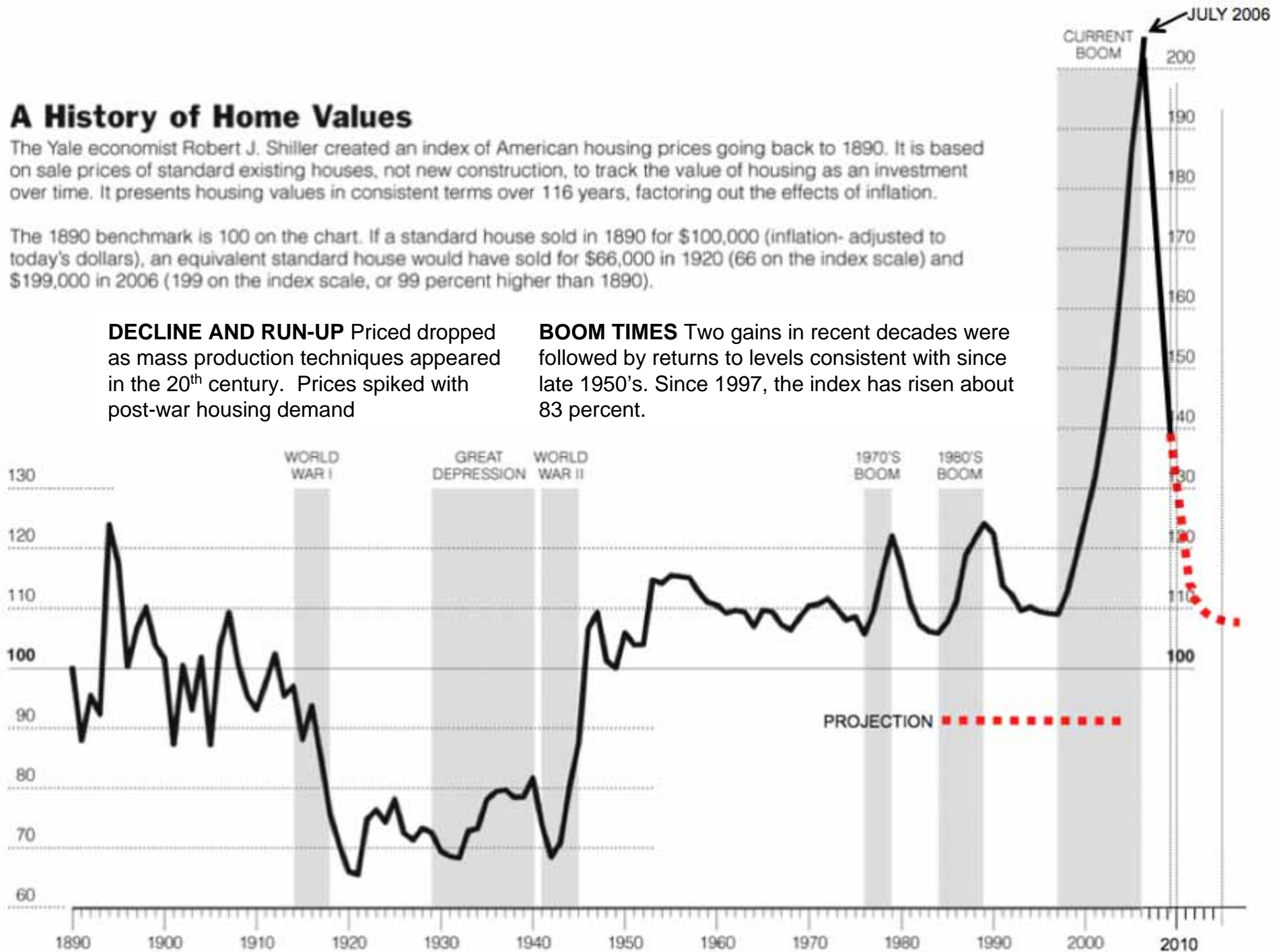
A History of Home Values

The Yale economist Robert J. Shiller created an index of American housing prices going back to 1890. It is based on sale prices of standard existing houses, not new construction, to track the value of housing as an investment over time. It presents housing values in consistent terms over 116 years, factoring out the effects of inflation.

The 1890 benchmark is 100 on the chart. If a standard house sold in 1890 for \$100,000 (inflation-adjusted to today's dollars), an equivalent standard house would have sold for \$66,000 in 1920 (66 on the index scale) and \$199,000 in 2006 (199 on the index scale, or 99 percent higher than 1890).

DECLINE AND RUN-UP Prices dropped as mass production techniques appeared in the 20th century. Prices spiked with post-war housing demand

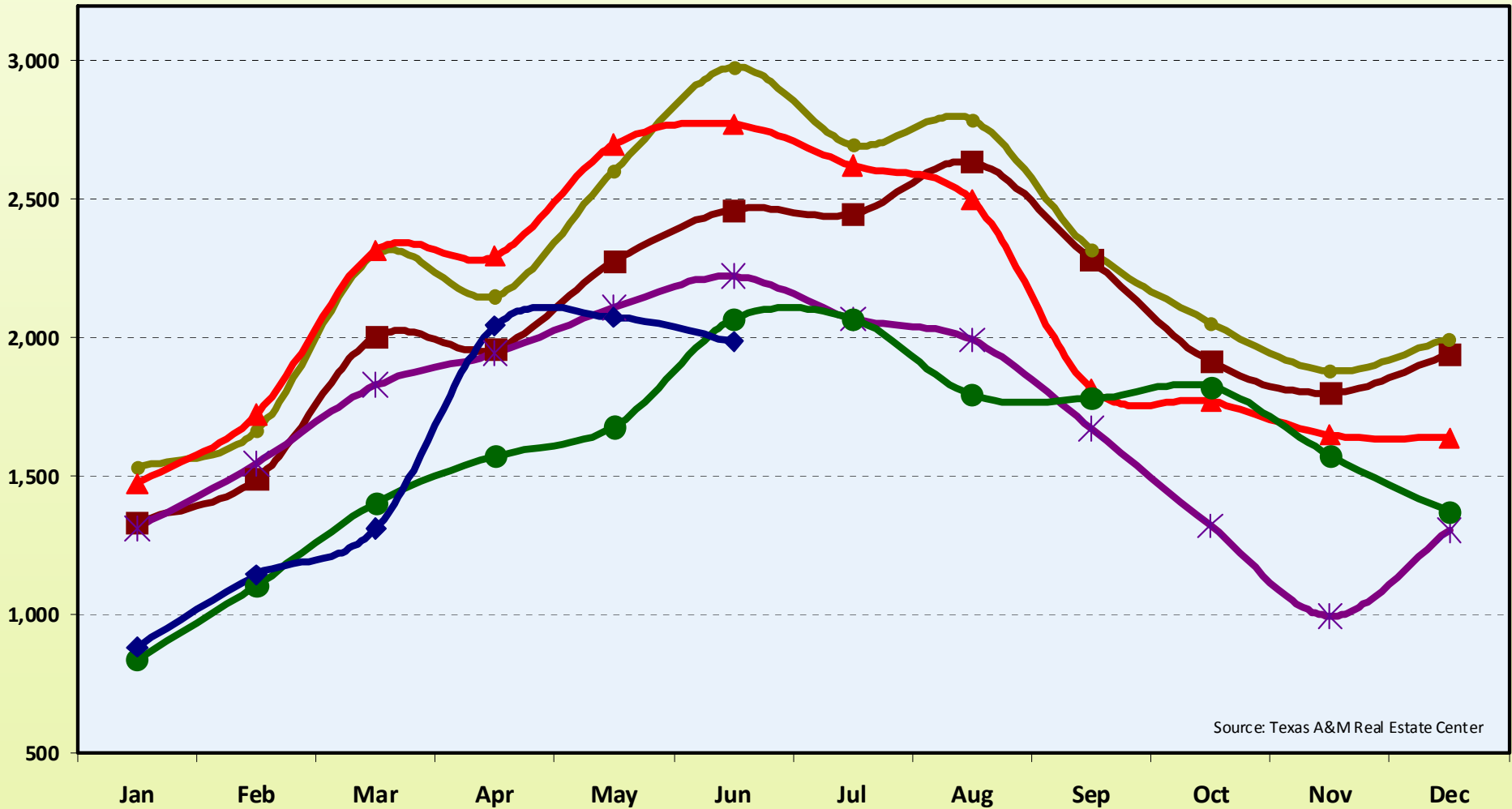
BOOM TIMES Two gains in recent decades were followed by returns to levels consistent with since late 1950's. Since 1997, the index has risen about 83 percent.



Austin

Single-Family Home Sales 2004-Present

2005 2006 2007 2008 2009 2010

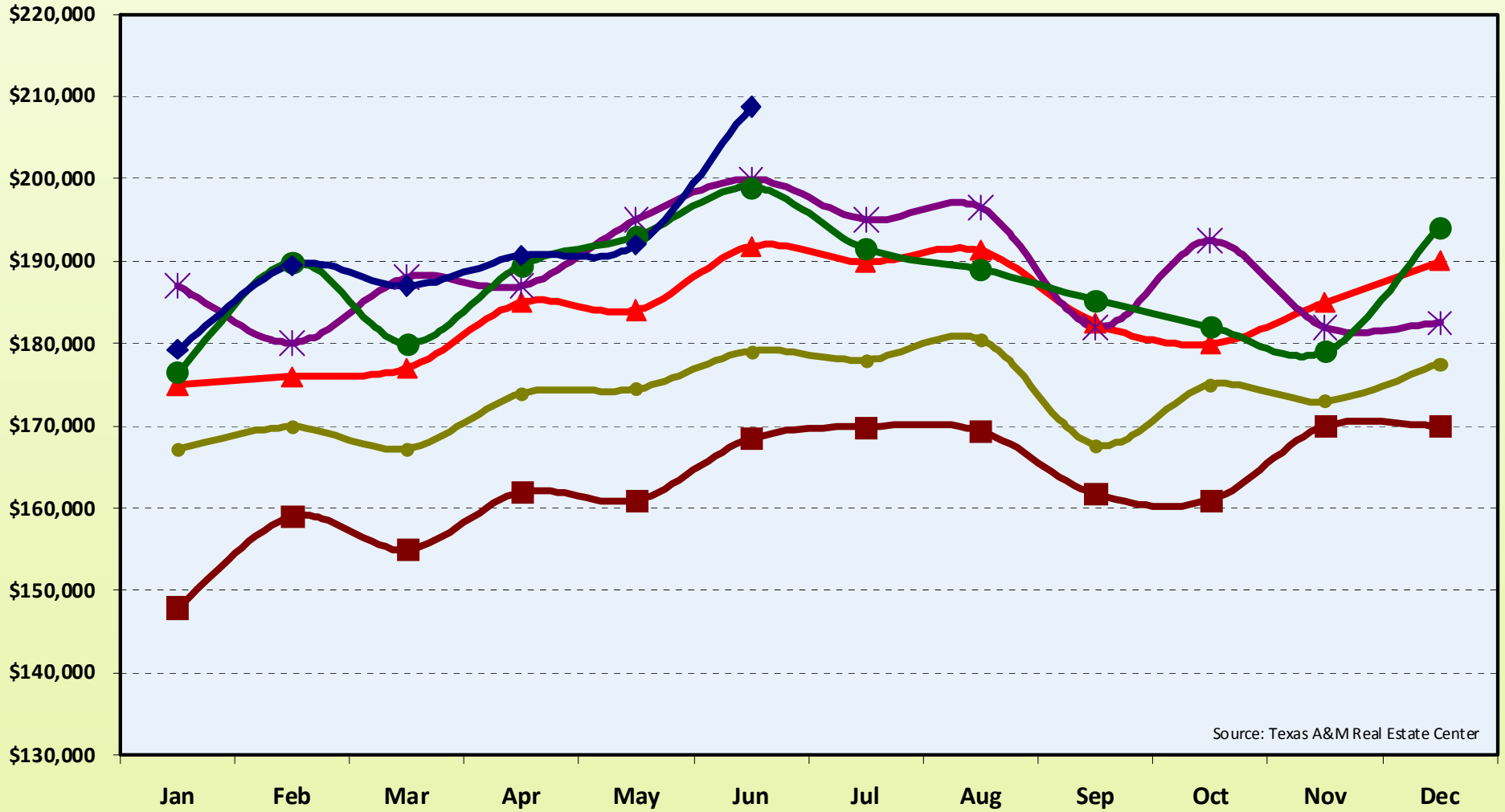


Source: Texas A&M Real Estate Center

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Median Sales Price 2004-Present

2005 2006 2007 2008 2009 2010

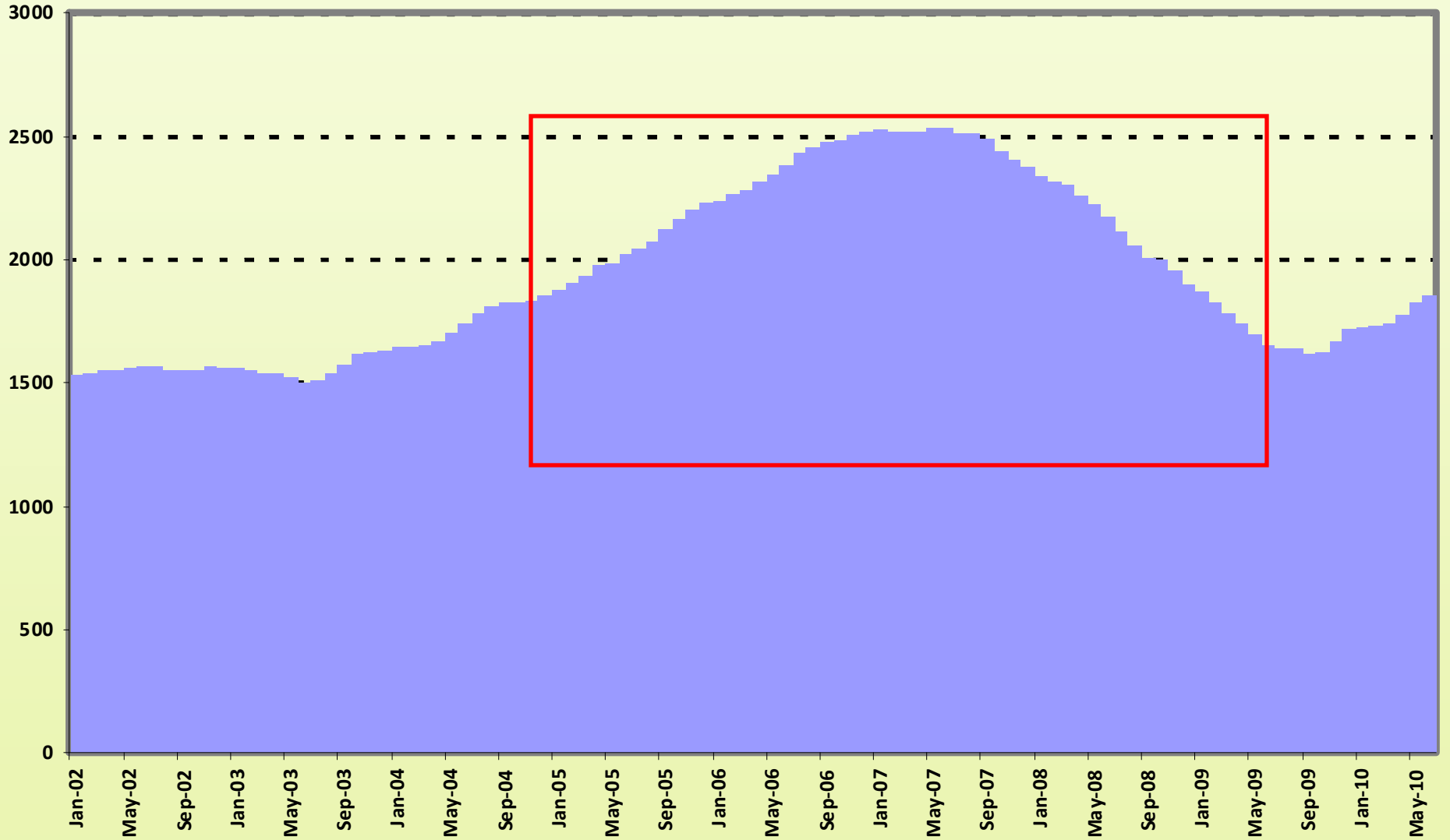


Source: Texas A&M Real Estate Center

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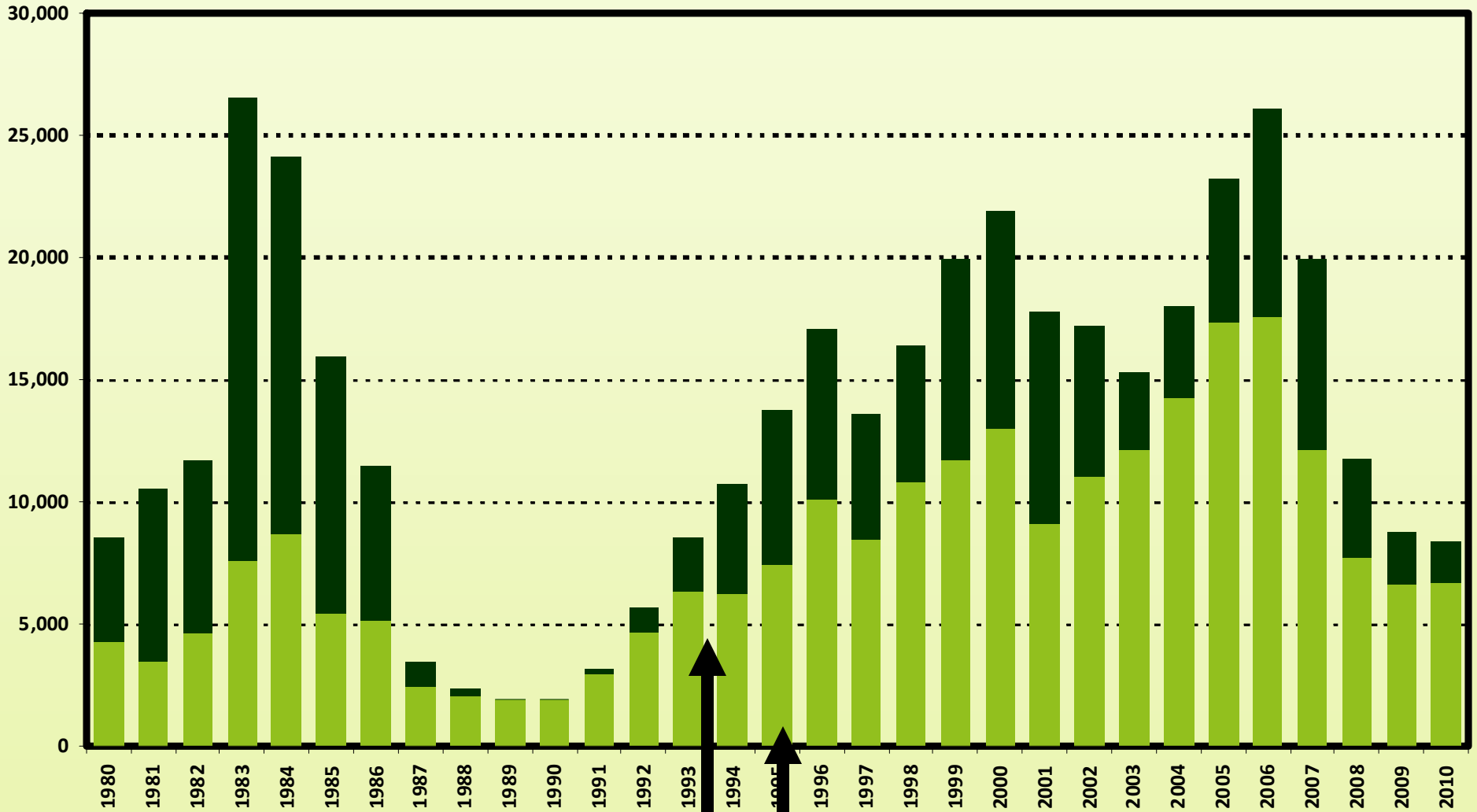
Austin Residential Closings

Average Number of Closings Per Month for Prior 12 Months



Austin - San Marcos Building Permits 1980 -2010

Single Family Multifamily



Mid 1990s Pace

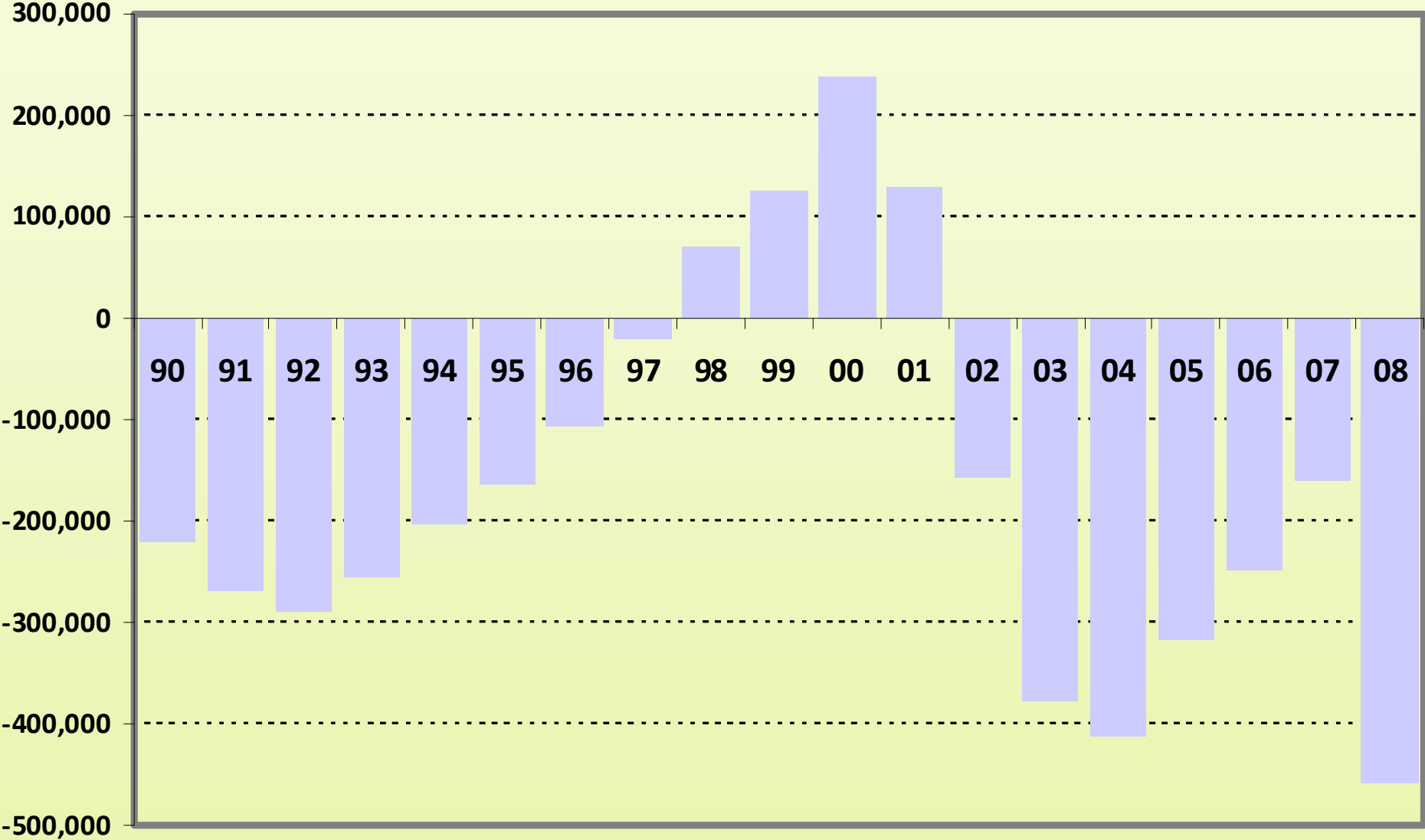
Austin Area Lot Inventory

- **Finished Lots?**
- **Paper Lots?**
- **Developments in the pipeline?**

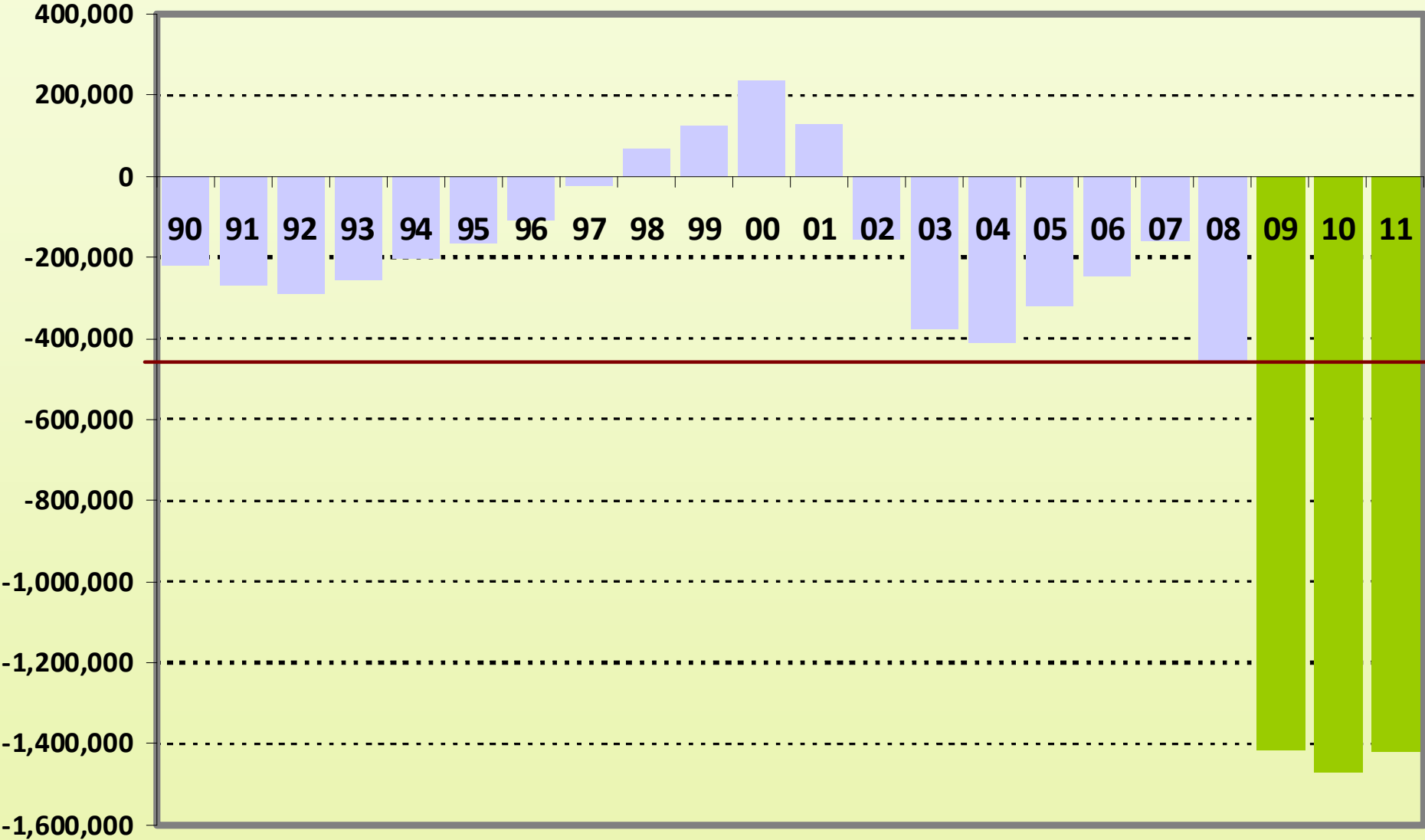
10 Challenges ...and opportunities

1. Impact of Option Arm Bubble and Tighter Credit - FHA lending standards tightening
2. Increasing Interest Rates. 6.5% interest rate still historically low
3. Deficit Spending could cause Inflation but still reasonable as % of GNP
4. Overbuilt Office, Commercial, Industrial – but attracts business relocations
5. \$3.5 Trillion in Commercial Real Estate to Refinance – \$400 Billion per year – No CMBS Market
6. No new lots, no new apartments, lots of new people
7. Declining Manufacturing Jobs – impact on Austin
8. Oil prices
9. Government plans to stop buying MBS in March
10. Roads and Traffic

Federal Budget Surplus & Deficit



Federal Budget Surplus & Deficit



30-Year Residential Mortgage Rates

Percent

2009 2010

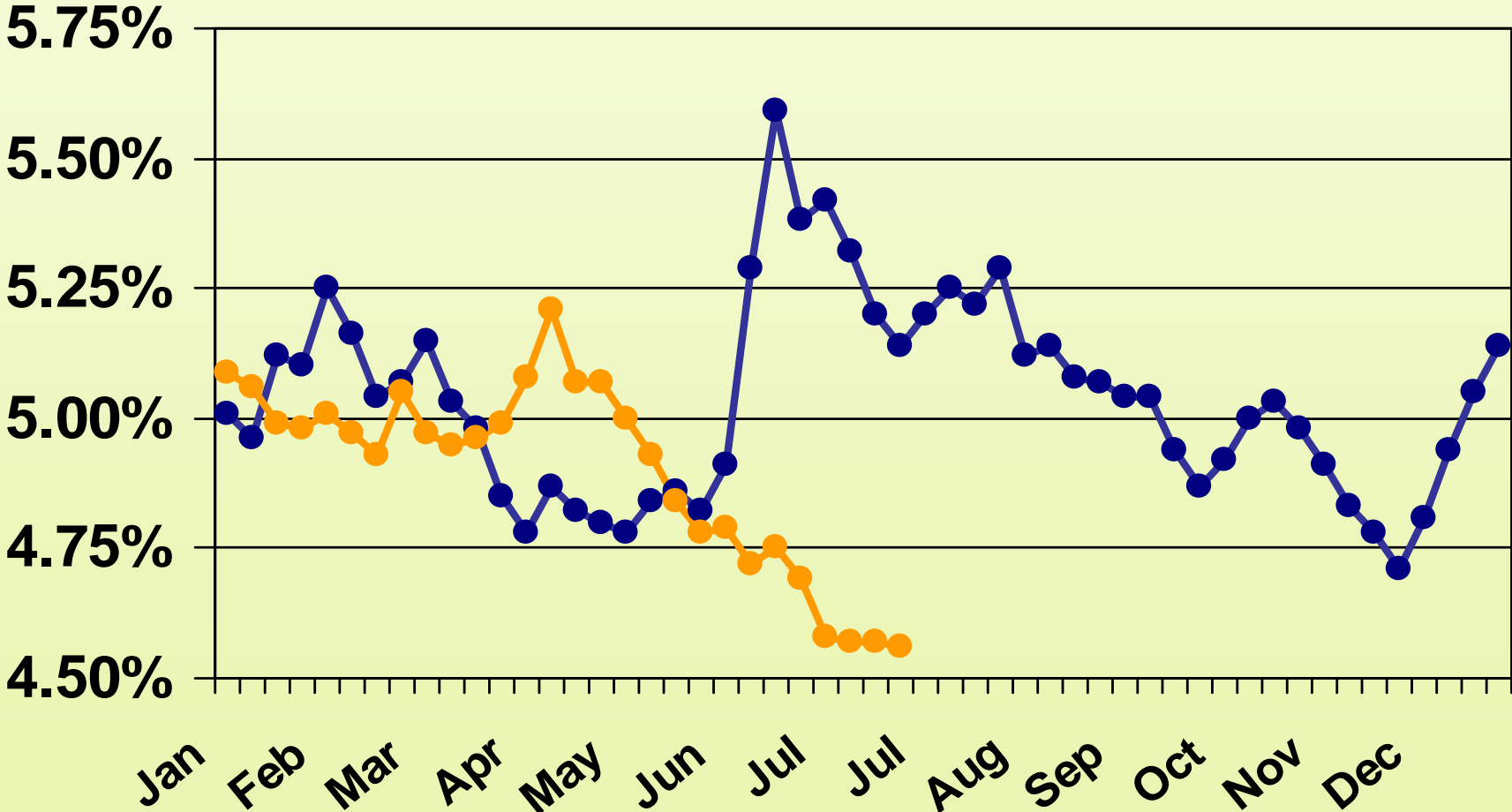
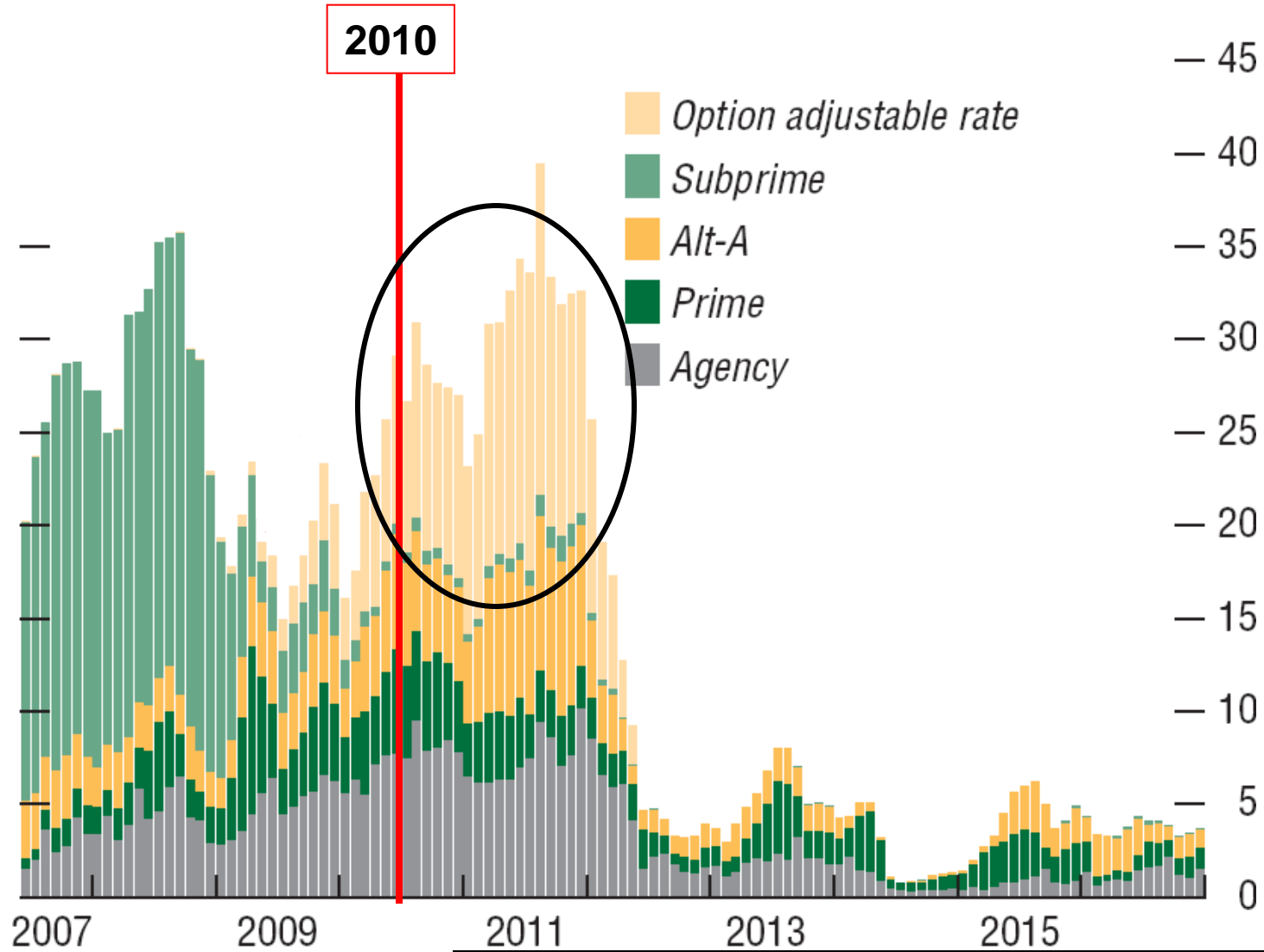


Figure 1.7. Monthly Mortgage Rate Resets

(First reset in billions of U.S. dollars)



Source: Credit Suisse.

Average of 10 billion in Loan resets per month for two years starting now. Most will reset in 2010.

10 Strengths of Austin

1. Long-term Job and Population Growth Trends
2. Stability from Government Jobs
3. Educated work force. Benefits of Tier 1 Research University
4. High Paying Jobs results in good affordability index
5. Entrepreneurs, Venture Capital, Patents, Innovation
6. Texas has a Balanced Budget and a pro-business environment...
7. ...Vs. California High Tax, anti-business environment
8. Austin is not overbuilt (Residential)
9. Stable Home Values - Austin home Prices did not decrease while other markets decreased dramatically. Result: manageable foreclosures, logical short sales, no blighted subdivisions.
10. Austin's unique characteristics: weirdness, music, river city, parks, culture

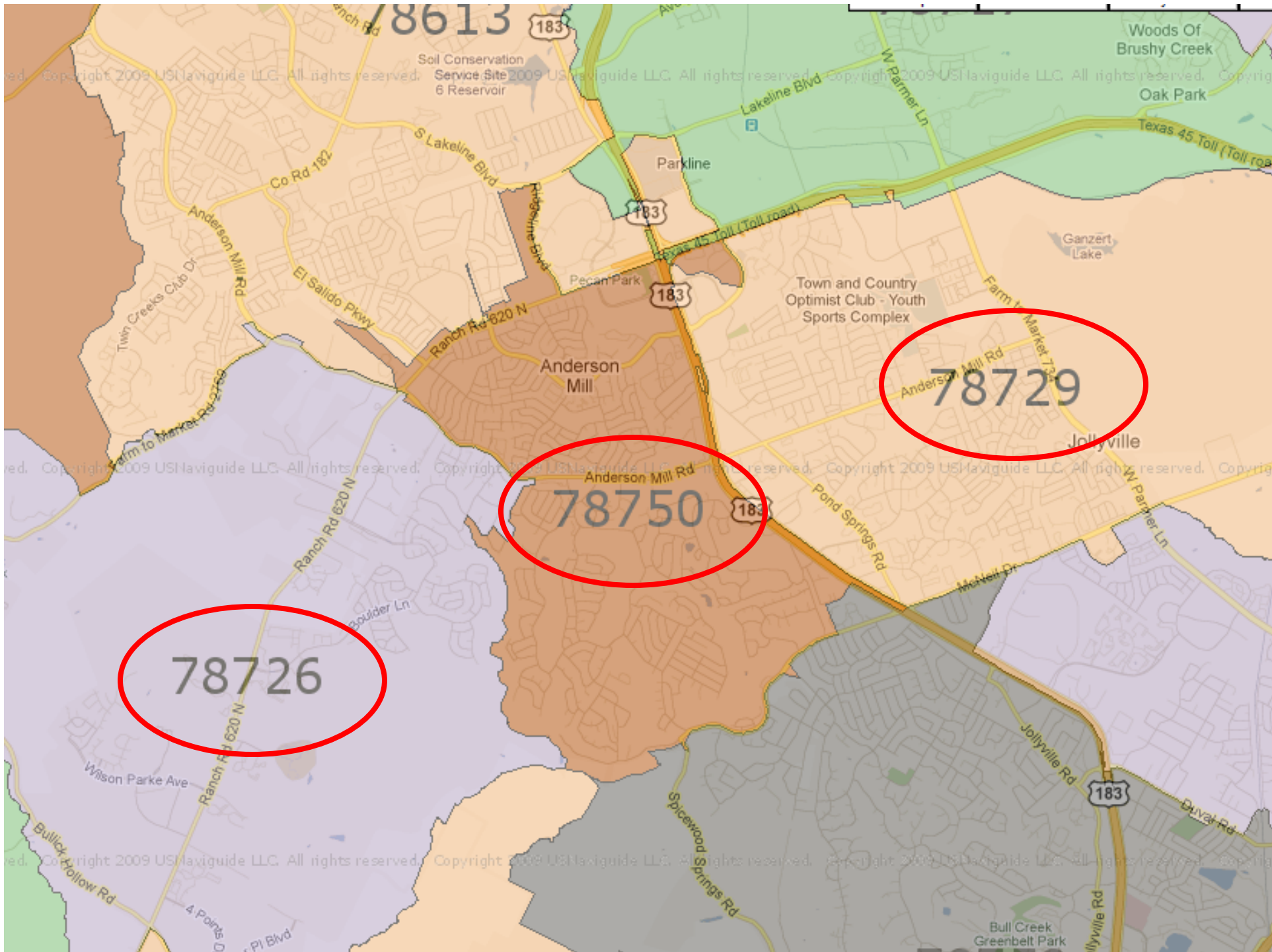
MLS Area NW

Residential Sales - Last 12 months

- Total number of Sales – **787**
- Number of Agents – **921**
- Number of Agents generating 50% of Sales – **202**
- Number of Agents generating 25% of sales – **48**
- Average DOM – **54**
- Average List Prc – **\$229,013**
- Average List Prc/SF – **\$107**
- Average Sold Prc – **\$223,427**
- Average Sold Prc SF – **\$106**

MLS Area NW by Zip Code

Zip	Number	ADOM	List Price	S\$/SqFt
78726	89	64.33	\$344,540	\$106
78729	317	47.7	\$195,379	\$102
78750	381	57.19	\$230,011	\$106



78726

78750

78729