

Heatley Capital's
D-FW LAND ADVISORY
Street Smarts For Real Estate Speculators

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*If you find it impossible to make heads from tails
out of DFW real estate, it isn't because you aren't paying attention...*

Research Group Separates Fact From Fiction for Texas Real Estate

From:
Las Colinas, Texas
Wednesday, 7:42 a.m.
November 15, 2000

Dear Subscriber and Fellow Speculator:

Just hold up a minute.

Could somebody please tell me what kind of a world it is we live in where individuals incapable of punching a hole next to the candidate of their choice are actually allowed to vote?

This kind: the voting age drops from 21 to 18; the Supreme Court votes in favor of bussing children to force integration in schools; the president announces a 90-day wage freeze, a 10% import surcharge, plus a freeze on converting dollars to gold; a defense official, Daniel Ellsberg, submits to the *Washington Post* and *The New York Times* the highly classified Pentagon Papers detailing U.S. involvement in Vietnam; and finally, in one of the darkest chapters in the history of the American penal system, there's the riot and retaking of Attica State Penitentiary in upstate New York.

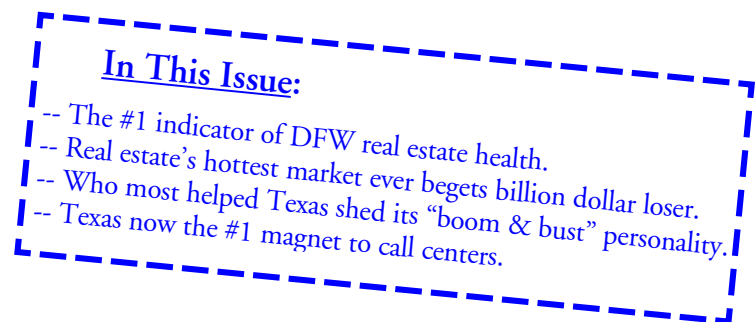
1971.

A stinker of a year, that one. In The Best of Turmoil class, it gets my vote for first place. There's something else you should know about that year. It was that year that the Texas Legislature created the Texas Real Estate Research Center.

Why should this matter to you?

Come closer to the page. Listen up.

Probably you've been getting mixed signals lately about DFW real estate. Conflicting statements that don't add up. Is it because someone is deliberately out to confuse us? No. Is it because the truth is classified



info, locked deep in a vault surrounded by heavily armed guards in steeled toed boots? No. Most likely it is because most (if not all) of the information that you get comes from what you read in newspapers. Or magazines. Or what you see on TV.

Right. The media.

Now, if you will, direct your attention to the two headlines I have reproduced below:

Dallas Morning News 10/13/00

FLAT MARKET

Developers pulling out of area's overbuilt apartment market segment

Investors and lenders don't have to do any detective work to discover that there are too many apartments in the Dallas-Fort Worth area...

Ft Worth Star Telegram 10/13/00

Apartment buildings in the Metroplex have the fewest vacancies they've had since 1979, and for real estate investors, they're now

HOT PROPERTIES

Higher interest rates are turning the market away from home-buying, toward rental units

Same day.

Same subject.

Same market area.

Totally opposite points of view.

No wonder we struggle to make heads from tails out of DFW real estate.

I brought help. Turn off the TV, put down the newspaper and call this number: 1-800-244-2144.

This takes you to the campus of Texas A & M University in College Station, Texas, home of the Texas Aggies. It's also home to the Real Estate Center f/k/a the Texas Real Estate Research Center. This is a group of individuals who've a keen interest in separating fact from fiction. A brain center where trends in real estate are serious matters, particularly their impact on Texas. The web address is <http://recenter.tamu.edu/>.

It has over 20,000 pages of economic information related to real estate: population, employment, building permits, unemployment rates, home sales and rural land values are on the site, as well as previous articles and research. No other service out there compares, so don't bother looking. They are funded entirely by a small portion of the real estate license renewal fee of every licensee in Texas. Their sole mission is to provide research that helps real estate professionals and their customers make good business decisions. Most of their research is available for free, and many reports are available in hard copy for the cost of printing and mailing.

Dr. Mark Dotzour is the Chief Economist for the Real Estate Center. Fortunately I was able to get in on a talk Dotzour gave at a breakfast meeting the first week of November. Now that I've had my dose of The Dotzour Descrambler I can honestly say that, for DFW real estate, the best is yet to come.

Some Dotzour highlights:

- **The best indicator of the future of DFW is the Consumer Confidence Index. Inexplicably it remains nearly at a record high and the Texas Index of Leading Indicators also points to a good year ahead for Texas.**
- It takes thousands of employees to fill call centers, good because call centers are infatuated with Texas. In the nineties Texas claimed 113, Florida was second at 81.
- **This year's rebound in oil and gas production was a bonus for Texas, alright, but the fact that Texas is no longer as sensitive to the ups and downs of oil, that's what is important. A booming technology sector is the primary reason that Texas has recently elevated itself above those states considered to be "boom or bust" economies.**
- As we've heard for the last three years running, next year won't be as pretty as the last. Remember, though, that we're bucking a string of record breaking years. Anybody who takes that to mean that trouble's ahead is missing the boat, however. DFW is so far out in front of the rest of the country in job creation, another strong year looms for real estate.
- **Despite all the grouching over rising interest rates, in the end Greenspan's "soft landing" strategy performed as expected. Dotzour's says the very next move in rates will more likely be down than up, which is good for real estate.**
- Of 50 cities that top the list for Growth in High-Tech Output, 10 are in Texas, Dallas is 23rd.

Dotzour covered a lot of territory in not a lot of time, so my note taking suffered. Fortunately all of the charts and graphs shown in these presentations are readily available at the website free of charge, however the November talk is not yet posted.

One of the features I most like about Real Estate Center is RECON, a weekly eletter. It's the equivalent of having a newspaper and magazine clipping service, except that it's free. And, it's condensed for a quick read, each item short, to the point. Below my Cliff Notes version of some of the more recent items arriving in my email inbox:

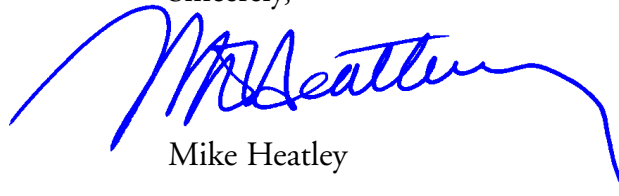
- **Latest Texas Real Estate Confidence Index (TREC) surprises its own project director. Four groups of experts say that the final three months of the year will be stronger than the previous quarter, despite uncertainty over the national elections, mideast conflicts etc. ...**
- \$1 Billion in losses for dotcom real estate, according to an Inman News survey of corporate filings with the SEC, and far from being the end of it, either...
- **Transportation Secretary unveils high speed rail corridors, one which connects Dallas-Fort Worth to Little Rock, Ark. and Tulsa, Okla. FYI, high-speed is 90 mph plus...**

- Opryland hotel in Grapevine among beneficiaries of \$200 million loan. Merrill Lynch Mortgage providing interim financing on several Gaylord Entertainment projects, this was one...
- **Curtains for movie theatres? General Cinema exits Arlington, Bedford, Fort Worth, Richardson, Austin, Houston. Can't blame Blockbuster. Multiscreen megaplexes with stadium seats and bigger screens are taking over.**
- 2001 "Nothing Special" for Homebuilders, according to the National Association of Home Builders, but after a string of record-breaking years, who could expect otherwise?...
- **Dell eyes Fort Worth. New campus would be in addition to a Dell support center in Alliance Industrial Park, making Fort Worth odds on favorite against competing cities...**

Enough already. Just go to Real Estate Center's website (type recenter.tamu.edu in your browser address field and hit enter), then sign up for the newsletter, then scroll down to "New Texas Real Estate Market Reports" and download it, or call the 800 number above. You can thank me later for the tip.

Meanwhile, no matter what the market is doing, opportunity knocks if the media's siren songs don't spook you from opening the door. Evaluate each project solely upon its own merits. As for the multifamily market, the truth is that isolated pockets within DFW still remain. Good money will still be made. Just not easy money. The more talked about markets like the Uptown District or the Frisco-Plano areas, they're behind the eight ball for some time to come. Start with the not-so-popular, the underworked. The money is still where the research says it is.

Sincerely,



Mike Heatley

P.S. You know those "Wanna get away?" Southwest Airlines ads you see on TV? All it's going to take is one more email like this one below and I may have to take them up on their offer. I'm overdue for a vacation anyway. The below comment was referencing one of our Lewisville properties that previously had been under contract, but later fell through.

"Why don't you take a good long look at all the properties and evaluate them all and honestly tell the [investor] pool that some of them just will not ever develop into a sale. To lead us all on endlessly is unfair and really discouraging."

OK: It hurts to admit this, but there is among our inventory a property where this shoe fits. For the 16 years we've owned it, it has seen only two offers. In nearly a decade its neighborhood has seen near zero new development. A more qualified candidate for the Doesn't-Have-A-Prayer Award I can't imagine, except for one teensie weensie drawback. It sold three weeks ago. As for the aforementioned Lewisville property, we do have an offer working for the back half of the site. Just remember that you didn't hear it from me until the final settlement statement and check shows up in your mailbox.