

# Good sign for Austin market: Home starts up 27 percent in third quarter

By [Shonda Novak](#)

AMERICAN-STATESMAN STAFF

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In a sign that the local housing market might be recovering, home starts in Central Texas picked up **27 percent** in the third quarter compared with the same period last year, and the annual home starts pace improved for the first time in more than a year, new figures show.

Builders started 1,760 homes from July through September, 376 more — and "decidedly better" — than in the same period in 2010, according to a report from Residential Strategies Inc., which tracks the numbers.

For the 12 months ending in September, builders started construction on 6,269 houses, down 3.3 percent from the 12 months that ended in September 2010. Each of the previous four quarters ended with fewer homes started on an annual basis, Residential Strategies said.

Buyers moved into 1,836 newly built homes during the third quarter, lowering the annual closings to 6,117 new houses.

"This is the first time since the market downturn began in late 2006 that starts are outpacing closings," said Ted Wilson, principal with Residential Strategies. "This is a noteworthy technical signal that the housing market is now in recovery mode and should continue to grow as long as economic and job expansion remain intact."

**The Austin area produced 15,500 net jobs for the 12 months that ended in August, a 2 percent growth rate, according to the Texas Workforce Commission.**

"Despite concerns of a national economic slowdown, the fact of the matter is that the employment picture in Austin remains vibrant," Wilson said.

Eldon Rude, director of the Austin market for housing research firm Metrostudy, said he knows first-hand that Central Texas' housing market is faring well compared with many parts of the country.

"This week I spent three days hearing our Metrostudy consultants from every major market in the U.S. talk about the current state of their new home markets, and I can assure you that we remain fortunate that we live and work in Austin, Texas," Rude said Friday. However, he also noted an area of concern.

"Although Austin continues to exhibit the key drivers for housing demand — job creation and population growth — the one ingredient we are missing is strong consumer confidence," Rude said. "Considering the

dark economic news that has circulated in the last 60 days, it is hard to expect that the demand for new homes will pick up strongly in the short term."

Though the numbers are improving, housing production for the region remains well below its peak, when 16,501 homes were started in the 12 months that ended in September 2006, according to Metrostudy's numbers.

Still, a number of builders are putting new homes on the ground and say they are seeing encouraging signs.

"The new housing market in Central Texas continues to remain steady or slightly up depending on location," said Scott Eckley, vice president of sales for Pulte Homes in Austin. "For the month of September we are going to sell more than 75-plus homes net, which is obviously a robust number."

Eckley said Pulte is seeing "very healthy traffic in all our communities."

At MileStone Community Builders, President Garrett Martin said the company has added several communities in the past six months and is actively seeking new ones.

"Because we believe the lot supply in Austin will only continue to decline, which will cause housing prices to go up as builders have to pay more for the lots they build on, we are aggressively moving forward with additional projects," he said. MileStone plans to break ground on its Riverside Villas project on East Riverside Drive and Faro Drive in the next few weeks and is pre-selling homes priced from \$290,000 to \$315,000 at its planned Silver Leaf development at South Lamar Boulevard and Bluebonnet Lane.

Eckley said that the key to the market's health is continued job growth.

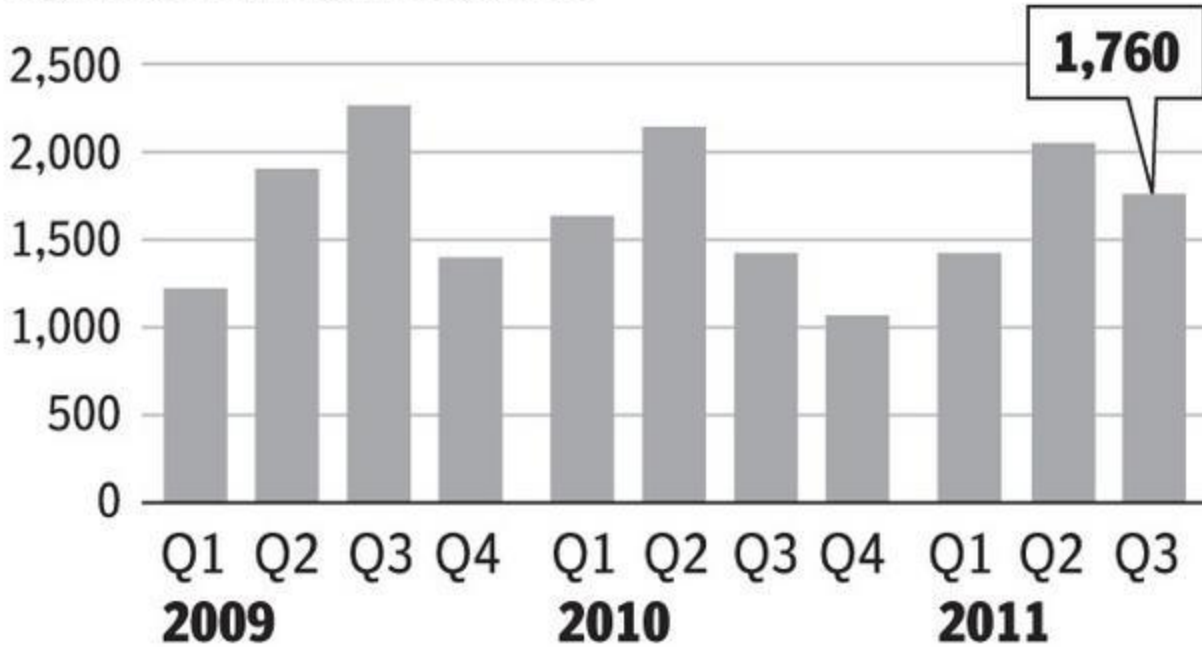
"As long as there are jobs and increasing household formation," he said, "the housing market in this area will maintain its steady growth."

**Courtesy of JB Goodwin**

# Austin-area new-home starts

Third-quarter starts were up 27 percent over the same quarter in 2010.

## Number of home starts



Source: Residential Strategies Inc.

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