

Austin-area home sales headed for fourth annual drop

But experts say market expected to improve starting next year.

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AMERICAN-STATESMAN STAFF

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Central Texas is on track for the fourth annual decline in existing home sales, although real estate experts are looking for gradual improvement in 2011.

The Austin Board of Realtors reported Thursday that the 1,221 existing home sales in October were down 31 percent from a year earlier, the fifth month in a row that sales have been below the year-earlier figure.

A federal homebuyer tax credit earlier this year, current mortgage interest rates slightly above 4 percent and a reviving Austin economy have not been enough to overcome buyer concerns about the national economy and tighter standards by lenders.

Through October, the 15,288 sales were 5 percent fewer than in the first 10 months of 2009. Sales expected to close this month were down 23 percent.

At the current pace, 2010 will end with the fewest sales since 2003, when Austin was climbing out of the tech industry downturn. Sales are down last month in many other cities, with Dallas down 30 percent and Houston down 23 percent.

On average, it is taking 92 days to sell a house in Central Texas, up from 73 days a year ago, and there were 9,703 homes on the market last month, 8 percent more than a year earlier.

"These statistics suggest a continuation of the slowdown through the end of the year," said real estate consultant Charles Heimsath, president of Capitol Market Research. But he said he feels "pretty positive about a market recovery next year."

Although the national economy remains uncertain, the Austin area has seen accelerating job growth — a key factor for home sales.

The region added 17,300 jobs during the 12 months that ended in September, a 2.3 percent growth rate and the highest among major cities.

"I'm very busy, and I think the reason is because we are creating jobs here," said Robin Curle, a real estate agent with JB Goodwin in Austin. "We're lucky because, compared to the rest of the United States, we have a strong economy," and people continue to move here as a result.

Ed Friedman, a director at Moody's Analytics who covers the Texas economy, said the housing market eventually will head back up again, "but the pace of improvement will be slow."

Friedman said the October sales decline "may very well be the bottom" and predicts a gradual pickup in sales and prices in 2011.

"There will not be any sharp appreciation in prices" but rather modest gains, he said.

The median price for October was up 10 percent from a year earlier to \$198,500, the Board of Realtors reported, reflecting more sales in the higher price ranges.

Over the past few months, some sellers have dropped their prices to entice buyers to react more quickly, said Cynthia Mattiza, a real estate agent with JB Goodwin.

"I'm currently working with three buyers right now that are looking for great deals out there. With the low interest rates and the current housing inventory, buyers certainly have the upper hand."

Freddie Mac said 30-year home mortgage rates averaged 4.39 percent for the week that ended Thursday.

Peter Lambert, 31, who has been house-hunting in Central Austin, said, "there's no bad offer, especially if you have cash and can close."

Lambert said sellers generally are holding firm on prices. "There seems to be a disconnect between the sellers' perceived value of what their house is worth and what the real market value is."

Curle said the difficulty buyers face today is in getting a loan.

"Lenders are scared and are really tightening up their requirements," even more than they had been, she said. They're also busy with refinancings, and that, coupled with appraisers being more careful these days, means it's taking longer for deals to get to closing — about 45 days instead of 30, she said.

Friedman said people should buy or sell based on their life circumstances rather than trying to gain in the current market "because it's not headed in any sharp direction in the very near term."

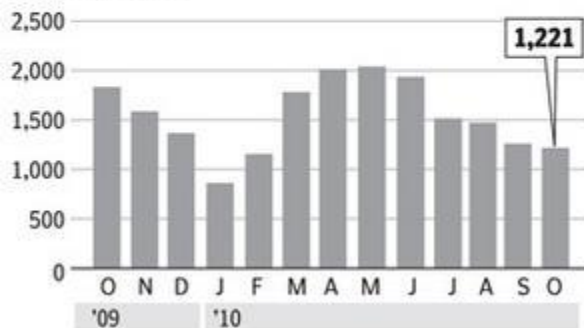
Problems in the national economy are a drag on Austin, too, though its strength in the high-tech industry has helped buffer it, he said.

"If national economic growth were at any sort of normal pace, Austin would be booming," Friedman said. "You're not going to have really strong growth for at least another year."

Austin-area home sales

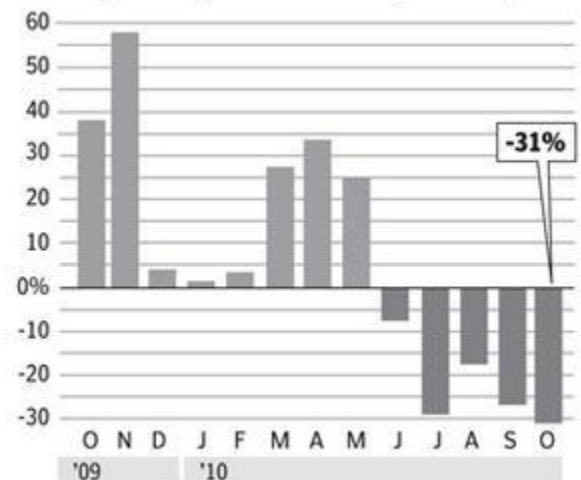
Austin-area home sales fell 31 percent last month.

Monthly sales



Source: Austin Board of Realtors

Percentage change in sales from previous year



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