

# Forecaster sees new-home rebound hitting stride in 2012

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AMERICAN-STATESMAN STAFF

Thursday, Jan. 13, 2011

The Central Texas housing market will pick up steam this year and will be followed by a strong recovery in 2012, a local expert said Thursday.

New home starts are expected to pick up slightly in 2011, to about 6,000 to 6,500, said Eldon Rude, director of the Austin market for Metrostudy, a housing market research firm. And home starts could rise as high as 7,000 to 8,000 in 2012, assuming job growth continues and consumer confidence strengthens, he said. Rude addressed a record 650 people Thursday at the annual housing forecast event hosted by the Home Builders Association of Greater Austin and the Austin Board of Realtors.

Metrostudy expects the local housing market to show some improvement this year compared with 2010, when builders started construction on 5,854 homes, a 10 percent drop from 2009 and 63 percent from the peak in 2006.

"However, we do not anticipate a surge in new home production until 2012, when increased demand begins to result in increasing home prices, setting the stage for builders to start more new homes," said Rude, who noted that "there can't be a true (economic) recovery without a housing market rebound."

Several factors contributed to the slowdown in homebuilding activity last year, including the expiration of federal tax credits for homebuyers — which had an unexpectedly deep impact, he said — the continued tightening of mortgage lending criteria and consumer confidence that continues to sit below levels that historically have spurred strong new home demand.

**The Austin area closed out 2010 with a supply of fewer than 3,000 finished but vacant new homes, the lowest level Metrostudy has seen since the early 1990s.** Rude said local builders showed restraint, starting just enough homes to meet demand. The low supply of newly built homes and a looming shortage of lots in desirable areas, coupled with increasing demand, will put pressure on prices, which make it "more feasible and attractive" for builders to ramp up production, and more incentive for buyers to purchase a home as they see prices go up.

Rude said "headwinds remain" for the market, with the biggest challenges being continued stiff mortgage-lending requirements and "the negative impacts on employment and spending" resulting from state and local budget woes.

But strong population growth and renewed job growth bode well for the market, he said. Central Texas registered 2.2 percent job growth between November 2009 and November 2010, adding 17,000 jobs, according to the Texas Workforce Commission.

**The region is expected to have 2.4 percent job growth next year, adding 20,000 jobs, according to the Texas Workforce Commission.**

**Rude said Metrostudy tracks 40 markets nationally, and "believe me, when it comes to Austin, we are by far the healthiest housing market in the country."**

**Courtesy of JB Goodwin**