

Austin home sales, job growth returning to 2004 levels

Austin's economy is still growing, but job growth has fallen sharply in recent months. May existing home sales were at a four-year low, while homes on the market hit an all-time high. Still, economists say Austin will continue to do better than the rest of the country.

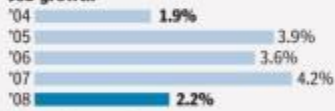
Existing home sales



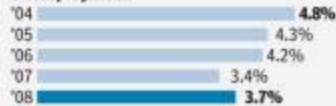
Homes on the market



Job growth



Unemployment



Note: All figures are for May
Sources: Austin Board of Realtors,
Texas Workforce Commission

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Austin economy losing momentum, new reports show

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Central Texas' economy continues to lose momentum, with home sales and job growth declining to four-year lows and the jobless rate ticking up, new figures show.

Home sales fell 20 percent in May, compared with the same period last year. It was the 11th consecutive monthly decline, while the supply of unsold homes continued to rise.

In a reflection of the national housing slump, a record 10,577 homes were on the market in May, up 20 percent from a year ago, and they're taking longer to sell, according to the Austin Board of Realtors.

On the employment front, the Austin area's nonfarm job total was 776,300 in May, up 2.2 percent from last year but with local job growth at its lowest level since 2004. While job growth slowed, unemployment edged up to 3.7 percent, compared with 3.3 percent in April.

The numbers reaffirm that the Austin area is feeling the effects of U.S. economic weakness. And experts think more pain may be in store.

"I think it is going to take another year before the economy starts to mend," said economist Bernard Weinstein with the Center for Economic Development and Research at the University of North Texas. "On the national scene it's not just a recession. We have nonfunctioning credit markets, plummeting home values, stagflation and an energy crisis. We have to deal with all these things."

D'Ann Petersen, an associate economist with the Dallas Federal Reserve, echoed that view.

"It's going to remain a tough year," Petersen said. "The uncertainty that's rampant in the national economy also has trickled down here to Texas."

Still, they and other experts say Central Texas' economy overall is in an enviable position. Weinstein said Austin and the state will continue to fare better than the country as a whole, which he thinks is sliding into recession.

"Austin has taken some hits in the tech sector, but it is doing quite well compared with the national situation, which gets more dismal every day," Weinstein said. "Austin should count its blessings."

Petersen said that all major Texas metro areas saw an uptick in unemployment in May.

However, she said, "the unemployment rate remains near historic lows, and our anecdotal reports ... suggest continued tightness, especially for some skilled positions."

Texas' 4.3 percent unemployment rate, up from 4 percent in May 2007, remains below that of the U.S., Petersen said, "and our economy continues to outperform in terms of employment growth."

The Federal Reserve's numbers show that Austin jobs grew at an annual pace of 2.8 percent in May, a modest rate, Petersen said.

Mike Brown, vice president of leasing for Cousins Properties Inc. in Austin, said that while some companies, including Sony Online Entertainment and VMware Inc., are expanding into larger quarters, in general "everyone's frozen right now," in part due to "the constant drumbeat of a pending recession."

"Everybody's scared to do anything, even if their business is good," Brown said.

In housing, Central Texas real estate agents sold 2,154 homes in May, 20 percent fewer than the 2,698 sold in May 2007, the Austin Board of Realtors reported. Through the end of May, home sales are down 17 percent this year.

In a sign that slower sales could continue in June, there were 1,418 pending sales in May, down 55 percent from a year ago.

The good news, Petersen said, is that Central Texas has not seen a deterioration in prices.

The median home sale price, meaning half sold for more and half for less, rose to \$196,120 in May, up 7 percent from a year ago, the board said. The median climbed 4 percent from January through May.

"We may continue to see slight appreciation, but I think the good news is we're just holding our own right now," Petersen said.

Some of that is true appreciation, she said, compared with home price declines nationally and "basic flatness in Texas." But the median also may be skewed upward because of the sharp reduction in homes sales in the lower price ranges stemming from tighter lending standards that have made it much more difficult for people, particularly entry-level buyers, to purchase homes.

"The lower end really has been affected by the credit squeeze," she said.

Foreclosure postings are also on the rise. Postings for July are up 39 percent in Travis County, 48 percent in Williamson County and 27 percent in Hays County compared with a year ago.

Despite the weakness, many Texas workers remain confident in their employers and jobs.

Spherion Corp., a worker staffing agency, said its Texas Employee Confidence Index rose 3.3 points in May to 51.4.

Seventy-seven percent of Texas workers think it unlikely they will lose their jobs in the next year, the survey said.

"Workers, despite all the negative news, feel that things are stable on most fronts," said Kim Lockhart, regional vice president for Spherion in Texas.

Major employers Dell Inc., Applied Materials Inc. and Advanced Micro Devices Inc. all have announced cuts in the first part of the year.

The sector with the strongest growth is professional and business services, which totaled 110,000 jobs in May, up 3.9 percent.

"We see employers being more cautious in their hiring," said William Bonetti, Spherion's branch manager in Austin. "Direct labor jobs (tied to manufacturing) are declining, but office support positions are pretty steady.

"People are very much still filling jobs in this town. Unemployment is up, but we are still outpacing the rest of the country."

Courtesy of JB Goodwin