

KB Homes buying lots; hope for a stronger 2011

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Home sales are down and so are housing starts, but KB Home, one of the biggest builders locally, is already making moves to make 2011 busier than recent years.

KB Home, one of the region's most prolific homebuilders, has been snapping up undeveloped lots around eastern parts of Austin as it braces for more business in 2011.

The activity in East Austin is expected to gain momentum after years of sluggish activity marred by foreclosures on large subdivisions along State Highway 130. But real estate experts agree with KB Home's assessment that home sales in Austin will increase starting early next year when homebuyers who missed the tax credit earlier this year finally get off the fence after mid-term elections and the holiday season.

KB Home's division president for Central Texas, **Ken Langston**, said his company has bought more than 180 lots in three subdivisions, with two located in the Manor area and one near Del Valle.

"Our goal is to provide the division with a balanced combination of raw land and developed home sites so as we close existing communities, we have replacements lined up — not just for 2011, but beyond," Langston said. "Our built-to-order sales at KB Home have been fairly steady, even in these trying times, so we're aggressively looking to find replacement communities for ones that will sell out next year, as well as other great locations to increase our community count overall."

KB Home bought 50 finished lots in the Shadow Glen community, where one of its model homes at 1,895 square feet has a base price just under \$139,000. It's located off Highway 290, one mile east of SH 130.

KB Home is turning dirt on a second East Austin subdivision at Parkside at Harris Branch off Highway 290. Model construction is to begin in early 2011, with plans for 87 homes in the first phase of a 485-home community.

The third site, **Lexington Parke**, is in the Del Valle submarket near the intersection of State Highway 71 and SH 130 where a slew of mixed-use projects are under way due to Formula One's proposed racetrack nearby. KB Home bought 47 finished lots there in the subdivision slated to have 900 homes between a variety of homebuilders.

John Blunt of Blunt Commercial Properties is the broker on a mix of spaces totaling 28 acres, primarily retail, right near KB Home's lots in **Lexington Parke**. He said the area is about 10 percent built out but that construction dots the area.

"Austin wants to annex this area because it's planning on 5,000 homes in a 1-mile area, and we're just bracing for the rooftops to kick-start the retail," Blunt said. "Austin is going to have to build eastward as it grows, but this place is already well under way so will develop first."

Real estate experts at market research firms that monitor Austin housing activity, such as Metrostudy and Residential Strategies Inc., said KB Home's activity gives insight into what its competition also may have in the works.

Homebuilders have been noticeably quiet about their activity since the housing crisis exacerbated the recession. KB Home was ranked by the Austin Business Journal this summer as the top volume homebuilder for its sales in 2009, with \$111.27 million in sales and 656 homes sold. But it declined to name its year-to-date figures for 2010 in the 16 subdivisions where it has active listings. Other major competitors such as D.R. Horton Homes and Pulte Homes, which acquired Centex Homes last year, declined to participate in the newspaper's survey, likely a factor in KB Home's moving from fourth place for its 2008 sales to top dog on the list for 2009.

Metrostudy, however, ranked KB Homes as the area's third-largest volume builder behind Horton and Pulte.

Housing statistics mixed

KB Homes' optimistic prediction sends a mixed message when compared with the latest data on home sales and housing starts.

Austin home sales fell 27 percent year-over-year in September, the Austin Board of Realtors reported this month. But the total homes sold so far in Austin for 2010 remained just slightly lower than the same period in 2009. Year-to-date, sales volumes were 14,014, down 1 percent from the same period in 2009.

The median price for September 2010 was \$195,000, up 4 percent from September 2009, but down \$5,000 from August 2010. Year-to-date, the median price was \$194,970, up 3 percent from 2009.

As for housing starts, builders sharply scaled back home construction locally during the third quarter, Metrostudy and Residential Strategies reported this month.

Construction began on 1,325 houses from July through September, down nearly 27 percent from this year's second quarter and 37 percent from the third quarter last year, according to Metrostudy. Residential Strategies reported the same volume, roughly.

"What was happening is that the builders have been responding to slower sales after the expiration of homebuyer tax incentives, whereas a year ago they were ramping up building to meet the expiration of the tax credit, which ended up being extended another six months into April of this year," said **Cassie Gibson**, Residential Strategies senior vice president of research.

Although challenges remain, the region's housing market has been stabilizing, and indicators point to increasing demand for new homes in future quarters, Metrostudy director **Eldon Rude** said.

Closings were up slightly from a year ago, to 1,789. With closings outpacing starts in recent quarters, the supply of new homes in the region is continuing to shrink, Rude said. **The region had a supply of 3,248 new homes at the end of the third quarter, the lowest level since late 1997.**

KB Home's actions may speak louder than Rude's words as it doesn't look like the East Austin lot deals are its last.

"KB Home remains interested in several areas where we've enjoyed prior success," Langston said. "We're currently looking at land opportunities in Cedar Park, Central East and South Austin. These markets meet our priorities for what first-time and experienced homebuyers want in their neighborhoods, such as great schools, freeway access and family-friendly amenities."

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Courtesy of JB Goodwin