



Wednesday, April 1, 2009

New home starts down 47% in Austin region

Austin Business Journal

New home starts in the Austin area continued to decline in the first quarter of 2009, according to research from Residential Strategies Inc.

Builders started 1,215 homes in the first quarter, a 47 percent decrease from the same quarter last year.

That brings the current annual start rate to 7,938 units. At the market's peak, in the third quarter of 2006, Austin saw 17,128 annual starts.

Closings for the first quarter of this year also fell to 2,145 units, a 31 percent decline from the same quarter last year.

“While many may see the lower start rate as a negative situation in Austin, it should be pointed out that builders entered 2009 with more finished inventory than they wanted” said Mark Sprague, Austin partner with Residential Strategies. “The consumer was pounded with negative news in the fourth quarter of 2008 – a declining stock market, credit crisis and revelation of the depth of the current recession – and because of this, confidence was eroded. As a result, most builders had higher cancellation rates on previous orders than was normal at the end of 2008. The good news is that builders have cut back on starts and focused on selling this inventory in the first quarter 2009.”

Total housing inventory in the first quarter dropped 17 percent, from 5,375 units to 4,445 units -- a 5.3 month supply of inventory. A 6-month supply is considered equilibrium.

Sprague said that builders and lenders are reluctant to start speculative homes, and that builders have also abandoned unprofitable locations.

The bright spot for the housing market is the drop of mortgage rates to a 52-year low. According to Bankrate.com, the 30-year fixed rate mortgage at 5.19 percent is the lowest rate since 1956.

“The balance in our new and existing home supply has prevented the downward pressure on housing prices that is evident in other parts of the nation” said Sprague.

The median price for a new home start in Austin dipped from \$220,111 at the end of 2008 to \$216,448 in the first quarter of 2009, but is up compared with the same time last year, when the median home price was \$212,897 in first quarter 2008.

Courtesy by JB Goodwin