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Austin, other Texas housing markets beating national trends

Austin Business Journal - by [Jean Kwon](#) ABJ Staff

Austin remains resilient in an increasingly bleak national housing market, according to a new study by national research firm Metrostudy.

Home prices fell 3.1 percent across the country in the last year, while they rose 7.7 percent in Austin. Other Texas cities saw home prices rise about 3 to 4.5 percent.

Texas did not experience significant appreciation in home prices that many other parts of the country enjoyed in the early part of the decade, says Eldon Rude, director of consulting in Metrostudy's Austin office. As a result, the state didn't see as much speculation and subprime mortgage lending, and subsequent steep price depreciation as the market has adjusted.

"Our new home market remains resilient even in the face of challenges other parts of the country are facing in their housing markets," Rude says. "That said, the Texas markets will be a part of the slowdown in the national economy and housing market as shown by our recent numbers."

Metrostudy counted 12,224 home starts in the second quarter 2008, compared with 15,766 during the same period last year, a 22.5 percent drop.

Other Texas markets saw bigger declines. San Antonio's home starts fell 38 percent, to 10,209 in the second quarter this year from 16,471 during the same period in 2007. Dallas-Fort Worth saw a 33.6 percent drop, to 25,792 from 38,866, and Houston fell 24.4 percent, to 38,346 from 50,736. Metrostudy surveys 33 U.S. markets every quarter and 65 to 75 percent of all new home production.

Austin has fared better than other Texas markets because of its restrictive environment in getting residential projects approved, which constrains the supply, Rude says.

But the Texas markets, including Austin, will continue to slow in the foreseeable future as widespread challenges hit home, such as stricter mortgage underwriting, slower job growth, soaring gas prices and declining consumer spending -- all factors in people's decisions whether to buy a home. Although interest rates are at historically low levels, in the mid-6 percent range, they will have little impact on prospective home buyers' decisions given much tighter lending standards, Rude says.

The housing markets hit hardest by subprime lending and speculation are in California, Florida, Nevada and Arizona, experts say. Those states experienced vast overproduction and are now sustaining negative job growth. New homes are staying on the market an average of 11 months in Metrostudy markets around the U.S.

Austin's new home inventory inched up, averaging 7.4 months in second quarter 2008, compared with 7.1 months during the same period last year. Dallas-Fort Worth's inventory averaged 7.2 months in second quarter 2008, up from 6.9 months the same time last year.

Two major Texas markets saw their new home inventories drop. San Antonio's decline was the most dramatic, to 5.5 months from 6.7 months, while Houston's inventory averaged 6.3 months compared with 6.8 months last year.

Texas also continues to lead the nation in job growth, creating 13,900 jobs last year, just under 2 percent growth, according to the Texas Workforce Commission. That helps buoy the economy in tough times.

"Texas is certainly in contrast to the nation. But at the same time we need to acknowledge Austin and Texas are part of the larger picture in terms of the U.S. economy and the housing markets," Rude says. "We aren't immune to a slowdown in activity, but there is a stark difference between our markets and other markets around the country."

Courtesy of JB Goodwin