

Central Texas homes sales fall for 8th month in a row

Prices remain flat as pending sales plummet, indicating softer market in coming months.

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Sales of Central Texas homes dropped for the eighth consecutive month in February, and a bigger slowdown could be ahead.

In a sign of deepening market weakness, pending sales — or sales that are expected to close in March — plunged 49 percent, the greatest decrease on record, according to the Austin Board of Realtors.

In its February report, the board reported that sales of existing single-family homes dropped 10 percent, to 1,553, compared with the year-earlier month.

The median price rose a slight 2 percent to \$180,000, but that number may be skewed by fewer sales of lower-priced homes because many entry-level buyers have had trouble getting loans.

The flat home price "reflects a softening in the market, and if you combine it with the almost 50 percent decline in single-family pending sales, which obviously is the leading indicator there, it suggests that finally the national slowdown in real estate activity has hit Austin," said Charles Heimsath, president of Capitol Market Research and local real estate consultant. "That doesn't mean that we're going into a trough, and it doesn't mean we're going to see substantial loss in (home) value, it just means ... **it's just going to take longer to sell your home, and you're probably not going to get as much for it as you were asking.**"

Despite the slowdown, real estate experts continue to say that the area's market is faring much better than those in other parts of the U.S.

For more than a year, experts have said that home sales could not keep up with 2006's record-breaking pace. Nor are sales keeping up with 2007, the second-best year on record, with 25,237 sales, a drop of 7 percent from 2006.

Real estate experts say sales in 2008 will probably be comparable to the 20,836 sales in 2004 or the 24,544 sales in 2005, which they consider strong years. New-home construction will probably be 13,500 to 14,000.

Potential home buyers are taking a wait-and-see attitude when it comes to purchasing land or new homes, said Mark Sprague, Austin partner of Residential Strategies, which tracks the housing market.

"It's plateaued," Sprague said. "But all that said, it's going to be the third best year in new-home starts and probably the third best year in resales. It's not as good as it was two years ago, but it's better than it was five years ago."

Steady employment numbers and a continued influx of residents moving to the area is helping keep the housing market stable, Sprague said.

But if the downward spiral of pending sales continues in the next few months, 2008 sales could be well below experts' predictions.

The report said homes are taking an average of 75 days to sell, which is still considered a seller's market.

Many potential home buyers, especially first-timers, are sitting on the sidelines because of national media attention on foreclosures and deteriorating home prices as well as the potential for a recession, said David Reed, president and senior loan officer for CD Reed Mortgage Banker.

"Unfortunately those potential buyers listen to the national media and apply it locally, which is a big mistake," Reed said. "Our market is stable, rates are low, and common-sense underwriting is back in vogue. That to me looks like a prudent path to follow."

Courtesy of JB Goodwin