

# Central Texas new home market stays hot

## Experts raise caution about investor sales.

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**Central Texas continues to buck signs of a cooling housing market seen elsewhere in the country.**

### NEW HOME SALES

**Nation:** Through August, sales were down 14 percent

**Austin:** On track for a record year

### SUPPLY OF UNSOLD NEW HOMES

**Nation:** 6.6 months

**Austin:** Less than 3.6 months

### AUGUST RESALES

**Nation:** Down 0.5 percent

**Austin:** Up 14 percent

Area builders started 4,266 homes in the third quarter, up about 8 percent from the same quarter of 2005, and closed on 4,518: a record, according to Residential Strategies Inc., a Dallas-based firm that tracks new home activity.

Thanks to strong job growth and moderating mortgage rates, Austin's housing market has been healthy all year. In contrast, markets are cooling rapidly in many other parts of the country.

"It seems to be the rest of the nation is doing poorly, and we tend to go against that," said Mark Sprague, Austin partner with Residential Strategies.

Over the past 12 months, Central Texas builders have cranked out 16,973 homes, up more than 20 percent from a year ago.

The construction pace indicates that builders are confident that there are plenty of buyers either already here or moving in.

The median price in the quarter rose 8.5 percent, to \$196,933, as builders shifted their emphasis to higher-priced homes, in part because of an influx of buyers from more expensive markets.

For example, starts of homes costing more than \$300,000 have risen 64 percent in the past year, triple the overall increase in starts, according to Residential Strategies.

Starts in the \$151,000 to \$200,000 price range rose 14.8 percent.

The escalating price of construction materials also is driving up the cost of many new homes.

Although Sprague was upbeat about the state of the Austin housing market, he raised one caution about sales to investors, which can give a false sense of market demand.

**"The hope is that investor interest will subside in the coming year so as not to over hype the market, as has occurred elsewhere in the nation," he said.**

Local real estate consultant Charles Heimsath agrees.

"The market is inflated by investor demand, which doesn't actually put bodies into houses; it just turns a sale," Heimsath said. "Then, eventually, you create a bubble, and eventually the bubble will burst. I'm not saying that will happen in Austin, but it's something we need to carefully monitor."

Sprague said he thought the Austin market will remain strong through 2007, unless the job growth picture changes.

**The region has been adding jobs for 32 months in a row.**

In August, the local work force reached 714,000 jobs, up 2.8 percent from the same period a year ago.

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