

Economist: Home prices aren't headed for a fall

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Mark Dotzour, chief economist for the Texas A&M Real Estate Center, disagreed vigorously with predictions by other real estate observers who said the Central Texas' median home sales price will decline by the end of the year, or sometime next year.

"If you need to sell, sell," he said. "This market is good. This market is healthy. It's not going down in price," Dotzour told a standing-room-only crowd at the Austin Board of Realtors' annual trade show.

Earlier this week, several other real estate experts predicted in a Statesman story that the median price would fall between 5 and 10 percent in coming months. They cited a near-record supply of homes on the market, anticipated rising mortgage rates and the continued impact of the national housing slowdown.

But Dotzour said Austin's inventory of unsold existing homes is still around 6 1/2 months, which is considered a balanced market.

"Inventory levels are still low enough to support prices," Dotzour said.

He pointed out that the area's median price has risen overall over time, with occasional periods of flattening or dipping.

But with the region's balanced inventory, positive job growth that is twice the national average and "cheap mortgage rates," Dotzour said, "all the facts would say home prices would continue to go up."

The only wild card that might bring them down: if the current downturn — Dotzour says it's a recession, even if government leaders won't say it — goes from being mild or moderate to severe.

The median sales price in Central Texas was flat in September from a year ago, after 15 months of increases. The last time it fell was in November 2004.

Dotzour said he thinks the national fell into recession earlier this year, and could be halfway, or more, through the downturn.

Based on trends from previous recessions, during which employment decreased, on average, for 17 months, he thinks this downturn is likely to end by next summer. He expects corporate profits to tick up in the first quarter of next year, followed by an end to the decline in employment nationally around May.

"By May, June, July, things will start looking a lot better," Dotzour said.

As for future trends, they are positive for Austin and Texas, which he said has been “greatly outperforming” the national economy.

He said 13 million more people are forecast to be living in Texas between now and 2030, and that means more new homes schools, stores and roads.

“The trends here are good,” he said.

Courtesy of JB Goodwin