

Signs point to healthier Central Texas housing market in 2012, experts say

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The new year should usher in a healthier Central Texas housing market, experts say, thanks to job and population growth, high apartment occupancies and an anticipated uptick in consumer confidence.

Although 2011 home construction is down more than 60 percent from the region's 2006 peak, homebuilders say they expect 2012 to be better. Heightened demand and a scarcity of lots to build on in some areas will lead to rising home prices, "setting the stage for a housing recovery in Austin," said Eldon Rude, director of the Austin market for Metrostudy, which tracks and forecasts the region's housing market.

Higher prices, Rude said, will be "the key to the rebound in Austin's housing market."

"When home prices in Austin begin to increase again, families that have been waiting to buy will feel more confident that purchasing a home is a good financial decision, and at that point we will see more sales in the market," he said.

Charles Heimsath, president of Capitol Market Research, an Austin-based real estate consulting firm, predicted that home prices could rise by 5 percent or more "in the most desirable areas" and remain at least stable across the region.

Central Texas will end 2011 with builders having started construction on just more than 6,000 houses, a slight increase over 2010, Rude said. Despite the economic downturn, Central Texas was one of the best-performing housing markets in the nation in 2011. Rude predicts the number of new homes could climb as high as 7,000 next year, although strict mortgage lending rules and cautious consumers make a bigger leap unlikely.

Still, Heimsath said that "strong demand from (newcomers), increasing employment, low interest rates and improving consumer confidence will combine to make 2012 a very good year."

Further evidence of a 2012 bounce-back comes from national builders including Pulte Homes, D.R. Horton and Standard Pacific Homes and locally owned MileStone Community Builders, all of whom are moving aggressively to get new projects off the ground.

Pulte launched three communities in September and October slated for 735 homes. Three more are coming soon: Hollow at Slaughter Creek in South Austin, which will have houses starting in the \$160,000s, with the first 90 of 211 homes starting next month; Paloma Lake in Round Rock, slated for

121 homes ; and Pearson Place at Avery Ranch, where Pulte will start 74 homes in the first phase in the spring.

Scott Eckley, vice president of sales for Pulte in Austin, said that "unlike many other parts of the country, everything we see here points toward continued job growth, low unemployment and increasing household formations."

Austin added jobs at a rate of 1.2 percent during the 12 months that ended in November; Texas' rate was 2.2 percent.

Eckley said Pulte wrapped up 2011 "on a very strong note," having sold about 200 homes in the Austin area in the fourth quarter, up about 10 percent from the same period in 2010.

"First-time homebuyers continue to be one of the strongest parts of the market," Eckley said. "Many are finding it more affordable to own a home rather than rent as a result of record low interest rates."

MileStone also is making strategic moves. This month, the company broke ground on Riverside Villas at East Riverside and Faro drives. Slated for 88 homes priced from the \$140,000s to the \$200,000s, MileStone expects the community to be one of its most successful when it opens in April. Garrett Martin, president of MileStone, said he thinks 2012 could see area home starts rise as high as 7,000 to 8,000, assuming job growth continues and consumer confidence strengthens.

Other 2012 MileStone projects include 77 garden homes planned at Slaughter Lane and South First Street in South Austin with an average price in the \$170,000s; Arbor Ridge, 103 homes planned for East Stassney Lane in Austin; and Shadow Creek, a master-planned community owned by financing partner Castletop Capital with more than 1,600 lots in Buda. MileStone plans to start building in Shadow Creek in early January, with prices in the \$120,000s and the first homes ready by April.

Another player, Trio Investments, is developing home sites for builders in two communities in Northwest Austin.

One is Pearson Place at Avery Ranch, where Pulte, Streetman Homes and Grand Haven Homes plan 392 homes. The community is on Avery Ranch Boulevard, 2 miles east of Parmer Lane.

"We believe the 2012 market and beyond will be strengthening for the Central Texas area," said Gary Newman, who with Todd Janssen co-manages Trio Investments. "Austin has been a quality business environment during the national recession, and the job formation in 2011 bodes well for continued upswing in the homebuilding market in 2012."

Newman said housing prices in Central Texas have not declined like those in some other U.S. markets. That stability has made for a healthy resale market, Newman said, which in turn has helped the new home market.

However, some parts of the region continue to struggle with price declines due to foreclosures or overbuilding. Hays and Williamson counties are seeing about 1 in 475 homes in the foreclosure process in contrast to 1 in 1,400 homes in Travis County.

But in Travis County, "we have had a fair appreciation (1.6 percent) the last year, particularly when compared to the rest of the nation or even the region," said Mark Sprague, a veteran housing market analyst. Sprague said Travis prices appreciated 10 percent over the past five years, 31 percent over the past 10 years and 152 percent over the past 20 years, or 7.6 percent annually.

Newman also agreed with industry experts that consumer confidence will be key to the market's rebound.

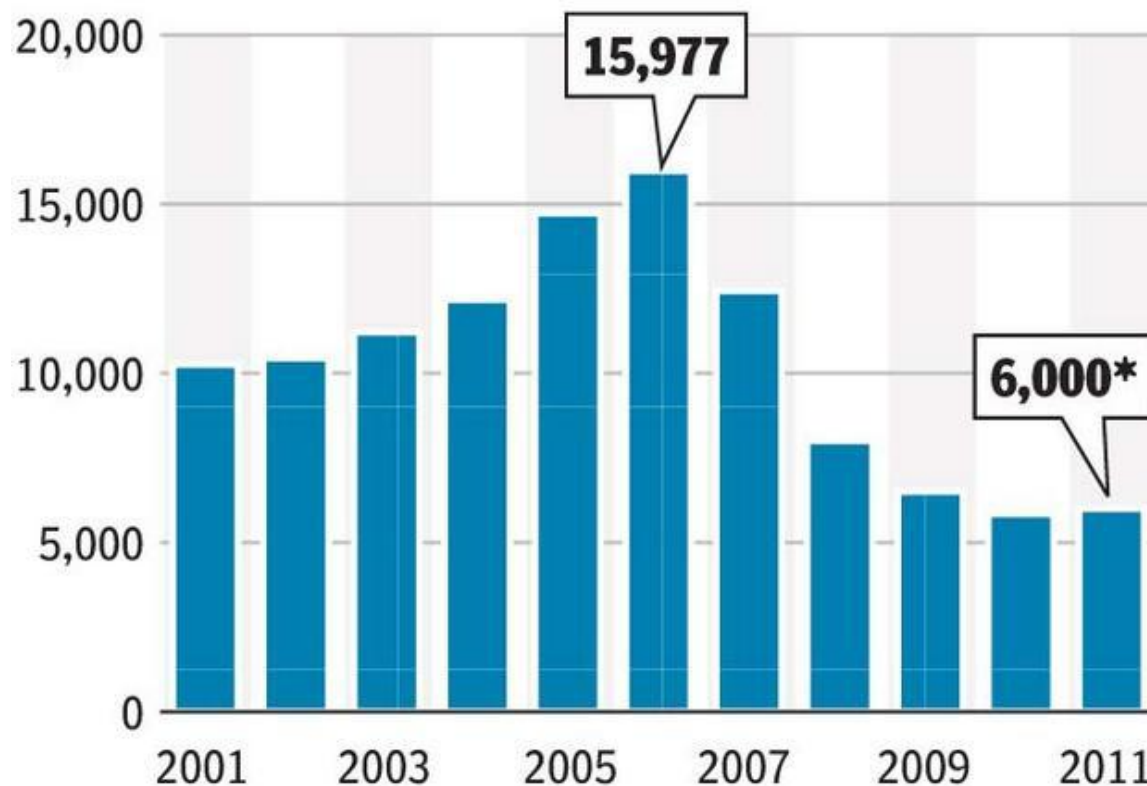
"We have all been worried about the national economy and the national government," he said. "As those issues settle down over the next 18 months, the pent-up demand of homebuyers waiting to buy will emerge and we will see continued upswing in the home starts and sales."

Sprague said the local real estate market turned from the bottom more than 18 months ago, "but it was a slow turn," he said.

Like turning points after past downturns, 2012 will be the year "everybody will point back to and say you saw the market turn," Sprague predicts. "This will be the year people feel it."

Annual home starts

Home production in the Austin metro area has been steady for the past three years, though it is still well off the 2006 peak.



*Projected

Source: Metrostudy

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Courtesy of JB Goodwin