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# Austin homes are overpriced, study says

Austin Business Journal - by [Kate Harrington](#) ABJ Staff

For years, economists and real estate professionals have touted the fact that Austin's relatively low cost of living has been one factor that's drawn thousands of residents from other states. So it may be a surprise to such experts — and bargain hunters relying on their advice — that the city ranks high on a list of overpriced homes, according to a study by Forbes.com.

That study, which came out in December, ranked 40 of the country's largest metropolitan statistical areas, and found that the Austin-Round Rock MSA ranked 10th on the list of cities with the most overpriced homes.

Using data from Mountain View, Calif.-based Altos Research, each metro was ranked on the percentage of homes that had seen price reductions; the median number of days spent on the market; and the ratio of median list price, or asking price, to median absorbed prices.

Also included was the five-year forecast for the percentage change in the S&P/Case Shiller Home Price Index. Scores from those four measures were averaged for a final ranking.

The study gave the Austin area a rank of fourth out of 40 in the five-year price forecast and 34th in the number of days homes spend on the market. On average, it takes about 78 days to sell a home in Central Texas, according to the Austin Board of Realtors. The median price for a single-family home is \$188,000.

The San Antonio area ranked sixth overall on the overpriced list, while Houston ranked 17th and Dallas ranked 21st.

The study notes that some cities, such as San Antonio, are ranked among the most overpriced, but had about average discrepancies between asking price and sales prices, meaning they aren't tremendously overpriced.

Mark Sprague, director of business development with Mission Mortgage, said the report is misleading, and that the study uses the term "overpriced" in a confusing way.

"First, look at what you can buy in other markets versus what you can buy in Austin," Sprague said. "The same house and land are much more expensive in the vast majority of the country [compared with] Texas. The least overpriced

market in this sampling of 40 cities is the San Francisco metro area. Tell me, where can I buy more house and land for the dollar?”

Sprague said it’s also important to consider supply and demand. States such as California, Nevada and Florida still have too much supply on the market, which means prices still have a ways to fall, whereas Texas did not have the same ramping up of inventory. And, Sprague added, the Austin area has not seen a huge run-up in values during the last five years. Job growth and demand are also important factors to consider, he said.

“Austin and other Texas cities have had positive employment growth compared to the rest of the nation. Texans’ real median household income rose 1.3 percent in 2008, making the state one of only five with increases in the first calendar year of the U.S. recession. ... A relatively healthy labor market kept Texans working in 2008, propping up the state’s household earnings. Buoyed by high energy prices and growing exports,” Sprague said

He said Texas employment continued to expand for more than six months after the nation sank into recession, adding that the state ended 2008 with job growth of 0.6 percent, while U.S. employment fell 2.2 percent.

A homebuilder focus group conducted in mid-December by the Home Builders Association of Greater Austin — which included production homebuilders, architects, a land planner, private-equity specialists and developers — concluded that in the next several years about 30 percent of all houses built will cost more than \$175,000.

The builders said due to the cost of land and regulatory issues in building west of Loop 1, they expect most affordable large-scale future housing development to take place east of I-35.

### **Less bang for the buck**

A study by Forbes.com has concluded that these are the top 10 U.S. metropolitan areas where homes are most overpriced:

1. Orlando-Kissimmee, Fla.
2. Miami-Fort Lauderdale-Pompano Beach, Fla.
3. Jacksonville, Fla.
4. Baltimore-Towson, Md.
5. Chicago-Naperville-Joliet, Ill. metro area
6. San Antonio
7. Denver-Aurora, Colo.
8. (tie) Tampa-St. Petersburg-Clearwater, Fla.
9. Indianapolis-Carmel, Ind.
10. Austin-Round Rock

**Courtesy of JB Goodwin**