

Wednesday, January 2, 2008 - 11:43 AM CST

# Local home construction plunged 20% in 2007

## Austin Business Journal

Sustained job growth and a strong economic forecast haven't shielded Austin's housing market from national pressures.

New home construction slowed nearly 20 percent in 2007 compared with the previous year as **sales of new homes declined 9 percent year-over-year**, according to a fourth quarter report from **Residential Strategies Inc.**

**Homebuilders started 13,478 new homes in 2007, down from 16,794 starts in 2006.**

**"Despite continued favorable economic conditions, the negative national housing story is affecting the behavior of the Austin buyer,"** says Mark Sprague, Austin partner for Residential Strategies. As tighter mortgage standards have slowed sales, builders have responded in turn by curbing starts and refocusing their attention on selling unsold speculative inventory, says Sprague.

As for sales, builders closed on 14,629 new homes in 2007, a 9.1 percent decline from the 16,085 homes they closed on in 2006. In the fourth quarter alone, sales fell 14.1 percent.

Sprague notes that while new home sales are in decline, the local picture is still better than the national landscape where sales were off 22.6 percent for the 12-month period ending October 31, 2007, according to the U.S. Census Bureau.

At year-end builders were under construction on 3,930 homes, down 24 percent from year-end 2006. Sprague says the under-construction figures indicate that builders are acting with far greater discipline in the more challenging market.

The challenges of the builder market, however, may be advantageous to local buyers. The slowdown in sales has led to an increase in the supply of finished vacant homes, which is now nearing the limit acceptable to lenders. To move the inventory, builders are offering attractive discounts and various types of incentives.

"The buyer should understand that this is an excellent time to purchase a new home," says Sprague. "Once the unsold inventory has been worked down, the builders will not be motivated to offer the same exceptional terms on a 'to be built' home. Once the deals are gone, they're gone."

Some homebuilders, particularly those focused on volume building, have dramatically pulled back on local projects. In December, Centex Homes said it would not close on a 465-acre land purchase in north Travis County that would have brought 1,400 new homes to the area near Parmer Lane and State Highway 45.

Courtesy of JB Goodwin