

Experts: Amid rising building costs, deals on new homes won't last long

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Friday, June 20, 2008

Business might not be any easier for builders in the coming months.

They face rising construction costs and consumers who want better deals because they see the national housing market plummet, a local housing expert said Thursday.

For the next half of the year, builders will need to continue to be more selective about the communities they invest in and wait "until the buyers come" to them, rather than build speculative housing, said Mark Sprague, Austin partner of Residential Strategies Inc. in his midyear housing forecast to the Home Builders Association of Greater Austin.

But buyers may not be getting cheaper deals for long, he said.

With building costs on the rise, consumers need to buy now because, in order to make a profit, builders won't be able to afford the same discounts and incentives next year, Sprague said.

Local developer Dick Rathgeber agreed, noting that the costs of materials and gas are on the rise.

"There's nothing that goes into the price of a house that is going down in price," Rathgeber said. "Short of a foreclosure, (housing) prices next year are not going to be cheaper. The builder cannot afford to produce it."

Sprague emphasized that the Austin market remains one of the strongest in the country, despite the decline in local home sales.

Although median home prices are down 25 percent nationally, Texas and Austin are still seeing appreciation, Sprague said.

"We've had a phenomenal market," he said. "Austin is where everyone wants to be. We see values going up here."

Austin is "the safest investment in the world right now," he added.

Sprague said that the days of easy money are gone, making it tougher for many possible home buyers to get loans.

In April, the latest figures show that sales of existing homes fell for the 10th consecutive month, and new listings soared 20 percent to a four-year high.

But Sprague said most new lot developments have been mothballed, chipping away at excess inventory in the new-home market. He said Central Texas still has less than a six-month supply of new homes.

And with 18,000 lots available and ready to build on — "a very small number," he said — he predicts that in 18 months to two years, "we're not going to have enough lots."

He said Austin is poised to recover from the housing downturn more quickly than coastal markets because of job and population growth, though both are slower than last year.

"We're down but not out," Sprague said.

Courtesy of JB Goodwin