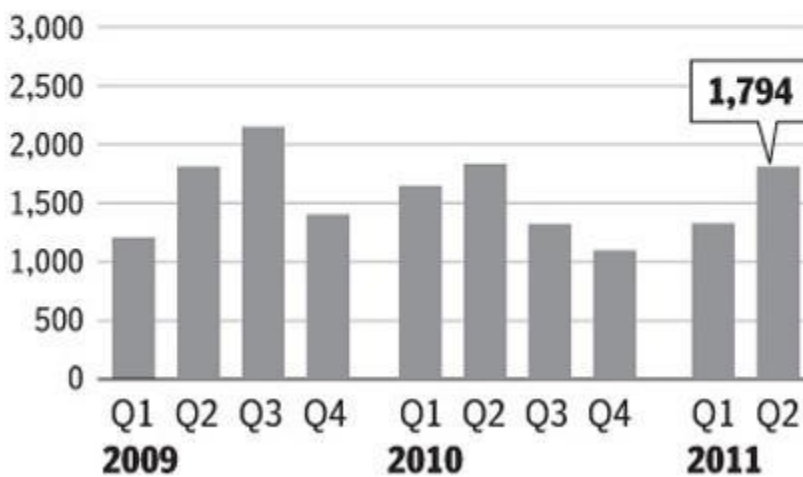


Austin-area new home starts

Second-quarter starts were up 36 percent over the first quarter of 2011 and virtually unchanged from the same quarter last year.

Number of home starts



Source: Metrostudy

AMERICAN-STATESMAN

Demand for new homes may be picking up in Central Texas, survey shows

By [Shonda Novak](#)

AMERICAN-STATESMAN STAFF
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Demand for new homes is beginning to pick up in Central Texas, a signal the market could be turning around, new figures show.

Builders started 1,794 homes in the second quarter, almost as many as the same period a year ago — and this time, they did so without benefit of the federal homebuyer tax credit, which spurred home sales and new home construction last year.

"That's really a positive sign of the market and an indicator that the builders are seeing increased demand," said Eldon Rude, director of the Austin market for Metrostudy, which tracks the housing market locally and in a number of major markets nationwide. **"We're at or close to the turning point."**

Metrostudy's survey tracks Travis, Williamson, Hays, Bastrop and Caldwell counties.

Activity had plummeted when the tax credit ended in spring 2010. But home starts soared 36 percent in the second quarter this year compared with the first quarter, indicating that the local market is beginning to turn the corner, Rude said.

The market still faces challenges, however, with the biggest hurdle being consumer confidence, Rude said. Locally and nationally, prospective buyers "remain concerned over their jobs, their finances and the wisdom of investing in a home," Rude said.

But overall, demand for new homes is starting to strengthen, he said, fueled by job growth, population growth, a tight rental market and the lowest supply of new homes since 2002, with just 1,186 finished vacant homes on the ground.

Housing production remains well below its peak in the region, as builders scaled back sharply during the recession. On an annual basis, area builders started 5,504 homes during the 12 months that ended in June, down 21 percent from the 12 months that ended in June 2010. The 5,504 annual total is down nearly 67 percent from the peak, when 16,501 homes were started in the 12 months that ended in September 2006.

Mark Sprague, another local housing expert, said that "barring a catastrophic event, it is going to be a very tight market within a year."

"The basketball of demand is coming down that hose, and there's far too little supply" of homes, lots and apartments, said Sprague, director of business development for Mission Mortgage in Austin.

According to the U.S. Census Bureau, 560,800 people are projected to move to Austin over the next 10 years, and Sprague said Austin is expected to have more people move here than any other metropolitan area in the U.S. over the next 10 to 20 years.

"We have more demand moving here than supply," Sprague said. "There is no way that the house or apartment you look at today (won't) be more expensive this time next year, I guarantee it, because of demand."

Rude said the supply of new homes is so low that for the first time in several years, "builders are now having to start a new home to accommodate a buyer," which wasn't the case when inventory was plentiful.

Demand is strongest for homes in the \$225,000 to \$500,000 price ranges, as buyers in those price categories "are in a better position to obtain financing" than entry-level buyers, Rude said.

Sprague said Central Texas is a bright spot among the nation's housing markets.

Sprague said when he's at events with builders and others from housing markets elsewhere, "everybody else is talking short sales and foreclosures, and we and maybe (Los Angeles) are talking about positive growth," Sprague said. "We're in such a good place."

Courtesy of JB Goodwin