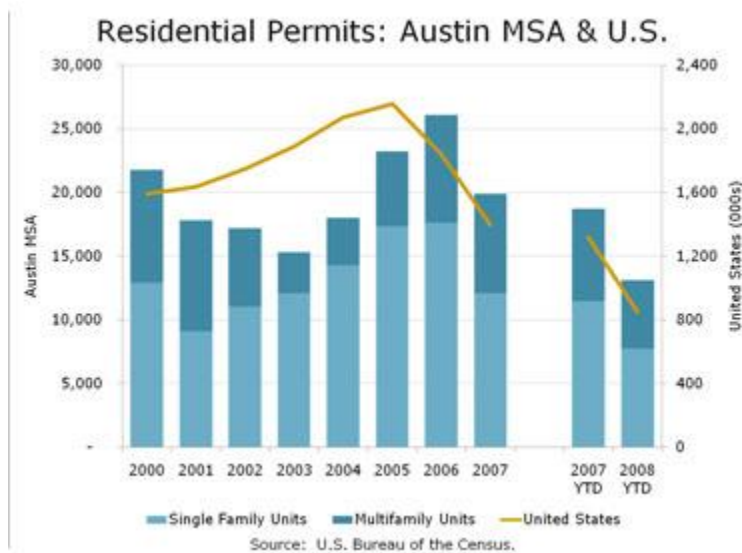


December 29, 2008

Central Texas Economy In Perspective

by Beverly Kerr, Chamber Vice President of Research

While, nationally, residential permits for 2008 will be at their lowest level in decades, if Austin ends the year with approximately 14,000 units permitted, it will be in a realm similar to the annual totals of the late 1990s. As difficult as the last two years of double digit declines in new housing activity have been, some of the indicators housing market analysts monitor are, relatively speaking, fairly balanced for Austin.



For example, the employment change to permit ratio is used to examine the balance between supply and demand in the market, based on the assumption that new jobs create demand for new homes. The annual change in total nonfarm employment measures job growth therefore demand and the number of single family permits issued represents the amount of supply added. It is suggested that a ratio of 1 single family permit to 1.5 net new jobs indicates a stable balance between supply and demand. With a greater ratio, demand pressures exceed supply pressures; a lower ratio suggests supply pressures exceed demand pressures.

Residential Strategies, which provides research and consulting services to the new home industry, indicates that Austin's long term (since 1990) ratio is 1:2.15, a permits to jobs relationship they consider "very good." In 2007, with 22,700 net new jobs and 12,120 single family permits, Austin had a ratio of 1:1.87, compared to a national ratio of 1:1.21. With 11,000 net new jobs as of Nov. 08 and 7,736 single family permits, the ratio is 1:1.42 for Austin. Nationally 852,529 permits have been issued but the net change is jobs is *negative* (-1,834,000) for the first 11 months of the year.

Courtesy of JB Goodwin