

# New home starts, closings still in a slump

**But third-quarter declines are less than those in second quarter.**

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AMERICAN-STATESMAN STAFF

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**Austin area builders cut the number of homes they started in the third quarter by 15 percent compared with a year earlier, a report released Monday said. During the same period, sales of new homes fell 12 percent.**

The annual pace of home starts was off 18 percent from the previous year, when the market hit its peak of 17,097 units, according to Residential Strategies Inc., which tracks and predicts real estate trends.

**Though the data indicate a slowdown in Austin's housing market, the area is still outperforming most U.S. markets, analysts said.**

**In addition, third-quarter home starts were higher than those in the second quarter, and the number of closings outpaced the number of homes started.**

Eldon Rude, Austin director of the real estate research firm Metrostudy, said his firm last year anticipated that there would be fewer home starts and closings, as well as fewer investors and relocations, as the national market experienced a slowdown.

But he and other real estate experts did not predict the significant tightening of credit that has made it more difficult and more expensive for potential buyers to get entry-level and jumbo mortgages.

The credit crunch has spread throughout the nation after troubles became apparent in the so-called subprime market, where high-risk loans were made available.

"We were experiencing a very strong, excellent market, and we were in the growth side of the cycle," Rude said. "And over the last quarters and in 2007, the market is softening, and we are beginning to experience that. And the home numbers, especially the starts, are starting to reflect that."

**Though the housing market is not as robust as it was last year, it is one of the nation's top performers, said Mark Sprague, Austin partner of Residential Strategies.** He attributed the local slowdown to people who cannot sell their homes and therefore cannot buy new ones. "There's not as much urgency to buy," Sprague said. "It leaves us optimistic but cautious. The important thing is we're seeing new homes sold here, and that's not true of other markets."

Sprague and Rude said area builders have been disciplined, not overbuilding when the market has slowed, and are doing a good job of keeping their inventory levels tight.

They also noted that homes in Austin did not appreciate as rapidly as they did in other markets such as California and Florida. Those markets are undergoing declines in prices after they soared as much as 30 percent annually.

### **Building and selling**

During the third quarter of 2007, starts of new homes were down compared with the same period a year earlier, as were closings. But the declines were less than in the second quarter.

### **NEW HOME STARTS**

#### **'07 quarter Starts % change from '06**

3 3,688 -15.28%

2 3,491 -18.85%

1 3,372 -26.79%

### **NEW HOME CLOSINGS**

#### **'07 quarter Closings % change from '06**

3 3,981 -11.67%

2 3,310 -17.27%

1 4,086 5.31%

**Source:** Residential Strategies Inc.

**Courtesy of JB Goodwin**