

Area home starts could jump as much as 10% in 2012, expert says

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New home construction is expected to increase in 2012 for the second straight year, with the number of starts projected to rise 5 to 10 percent over last year's level, a housing expert said Thursday.

Eldon Rude , director of the Austin market for Metrostudy , delivered his projection at the fourth annual housing forecast hosted by the Home Builders Association of Greater Austin and the Austin Board of Realtors. The forecast covers Travis, Williamson, Hays, Bastrop and Caldwell counties.

Last year, builders started construction on 6,115 homes, 5 percent more than in 2010, housing industry tracker Metrostudy found in its most recent survey. Demand is coming from continued job, population and household growth in Central Texas, along with sharply higher rents in the current tight apartment market that are pushing more tenants into the single-family home market, Rude said.

This year, Rude forecast that builders will start construction on 6,400 to 6,700 homes — and possibly as many as 7,000 if job growth and the economy continue to improve. Starts have averaged slightly more than 6,200 a year for the past three years, Rude said.

Builders had pulled back dramatically during the recent recession, and home prices have been relatively flat during the past three years. Last year's 6,115 starts were off nearly 62 percent from the peak in 2006, when builders started on 15,977 houses. However, experts have said the Austin-area housing market fared better than many other parts of the country.

But strict mortgage lending criteria and tepid consumer confidence will limit new home sales in the coming year, Rude said.

In an interview Thursday , Rude said new home production will begin to escalate above current levels once home prices pick up. Increasing prices will provide confidence to potential home buyers that purchasing a home is once again a good investment — the flat pricing in recent years hasn't created a sense of urgency to buy, he said.

"The increase in pricing will be a game-changer in terms of people's perception of whether it's a good time to buy a house or not," Rude said.

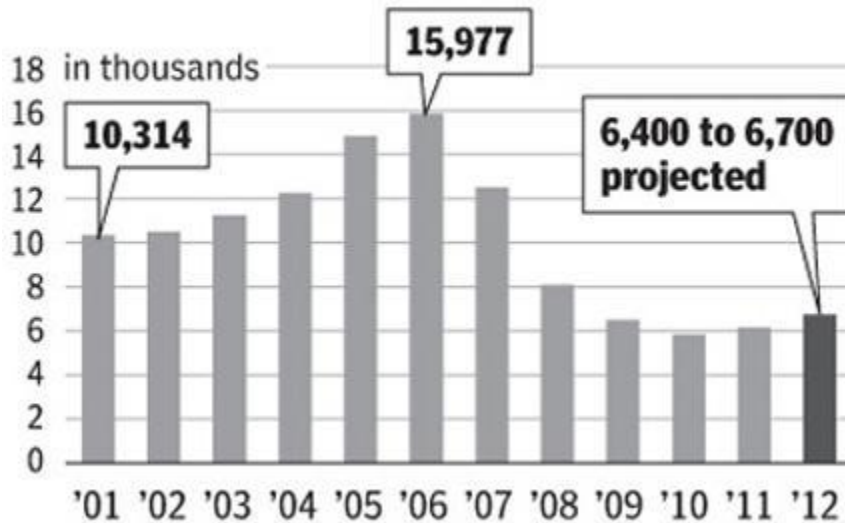
Rude noted that home starts last year were up from 2010 levels in every price range except under \$150,000, with the strongest increases in price points between \$200,000 and \$300,000.

While buyer demand is increasing in the below-\$150,000 market, "strict mortgage underwriting criteria are making it increasingly difficult for potential buyers to qualify for a loan," Rude said.

Another factor that could limit 2012 starts, especially in the most desirable areas, is a lack of developed lots to accommodate construction.

"We started nearly 12,000 homes in Austin over the last two years while delivering only 8,000 new lots, resulting in a shrinking supply of lots in the most desirable areas," Rude said. "This might not only result in fewer home starts in some areas, but it could also lead to increased home pricing in certain locations."

Austin-area new-home starts



Source: Metrostudy

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