

# Austin new home starts jump

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AMERICAN-STATESMAN STAFF

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**Central Texas builders started nearly 31 percent more homes in the first three months of this year compared with a year earlier, the first year-over-year quarterly increase in 3½ years and a sign the local housing market may be turning around.**

Residential Strategies Inc., a Texas market research and consulting firm specializing in homebuilding activity, reported that builders started work on 1,601 homes from January through March, up 30.6 percent from the same period last year. The last time there was a quarterly increase over the prior year was in the third quarter of 2006.

First-quarter starts also were up 14 percent from the fourth quarter of 2009 .

Much of the activity was concentrated in price ranges of less than \$200,000 as buyers acted to take advantage of a federal tax credit that expires soon. Homes must be under contract by April 30 in order to qualify. Although the uptick in starts has been fueled largely by the tax credit, "the increased start activity is a positive sign and indicates that the anticipated housing recovery is now under way in Austin," said Tommy Tucker, Austin division manager for Residential Strategies.

**Other local analysts have said that 2010 could usher in the start of a rebound for the Austin economy and the local housing market. "When the U.S. economy improves, Austin will be one of the first markets that shows stronger growth in its housing market," said Eldon Rude, the Austin director for housing market research firm Metrostudy .**

Housing demand is tied to employment growth. If Austin sees the 2 percent job growth the Federal Reserve Bank of Dallas is predicting for 2010, "this would certainly go a long way in extending the increase in housing demand we've seen thus far during the spring, and we would expect to see a more normalized pattern of housing growth through 2010," Tucker said. "However, without job creation, we expect housing activity in Austin to show only slight improvements over the 2009 performance."

Although starts were up, builders closed nearly 25 percent fewer homes in the first quarter, with 1,617 compared with 2,150 a year ago.

Tucker said closings reflect last year's drop-off in starts. However, closings are expected to rebound in the second quarter as builders and buyers rush to close homes before the tax credit expires, Tucker said.

Metrostudy's Rude said that in most of the 33 markets nationwide where his company conducts its surveys, builders reported increased first-quarter sales in the lower price points because of the tax credit.

**"While in many parts of the country the end of the tax credit will likely result in slowing activity, in Austin I expect the market will continue to show slow improvement throughout 2010," Rude said. "With many prospective buyers in the Austin area postponing their decisions to purchase a home**

**in recent years, and considering our continued population growth, some level of pent-up demand for housing will eventually translate into increased sales activity for both new homes and resales."**

**On the supply side, Residential Strategies said there were 1,909 finished but vacant new houses, 9.6 percent fewer than a year ago.**

However, the 1,837 homes under construction was up nearly 9 percent from late last year, "to ensure that there would be sufficient inventory to satisfy demand stemming from the tax credit," Tucker said.

Last year, D.R. Horton, Central Texas' largest homebuilder, built several hundred homes in the region to target first-time buyers who would qualify for the tax credit.

Rob Hutton, president of Horton's Central Texas division, said the bet "turned out to be a good one."

"We've sold most that we started late last year — primarily due to low interest rates and the tax credit — and quite frankly, we wish we had more," Hutton said.

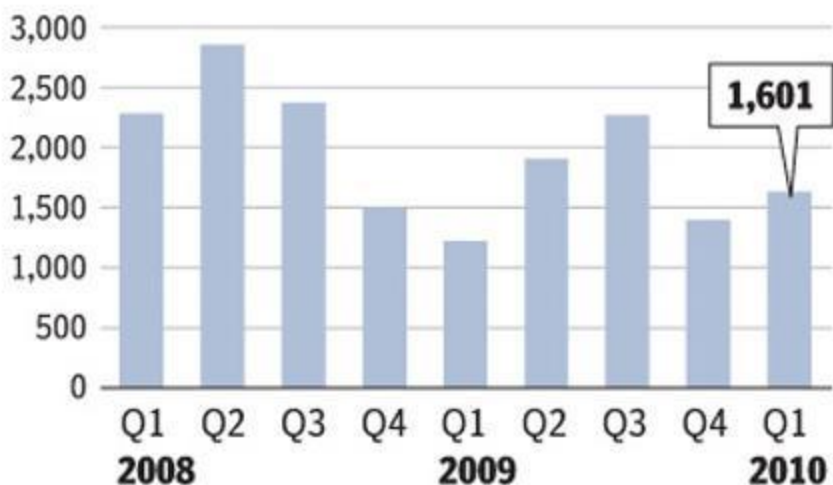
Noting that the job market has been gaining momentum in the region, Hutton said: "We continue to be bullish on Austin and believe that Central Texas is one of the best markets in the country in which to be doing business."

**Courtesy of JB Goodwin**

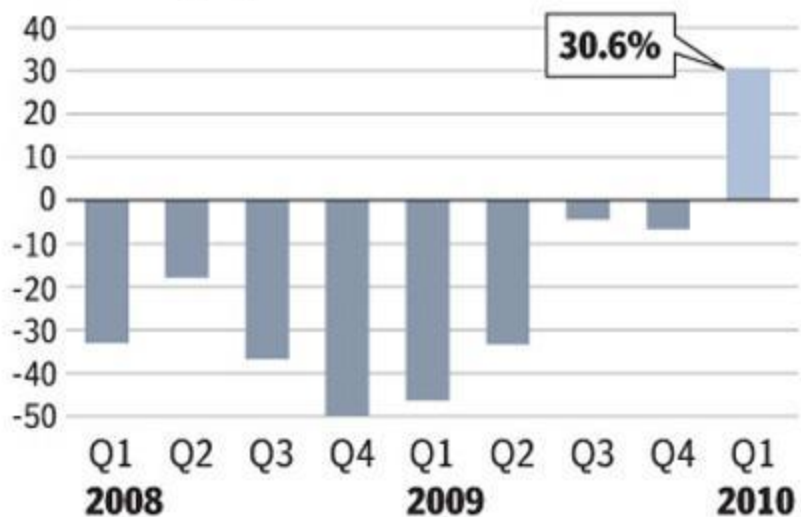
# Austin-area new-home starts

The first quarter had the first year-over-year gain since the third quarter of 2006.

## Number of home starts



## Percentage change in home starts from year-ago quarter



Source: Residential Strategies Inc.

Linda Scott AMERICAN-STATESMAN