

# JANUARY NEWS – AUSTIN

## Homes sales in 2007 drop 7 percent

Though year still second-hottest on record, experts expect more of a slowdown in '08.

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AMERICAN-STATESMAN STAFF  
Friday, January 25, 2008

Despite the national turmoil in the housing market, sales of existing homes in Central Texas had their second-best year ever in 2007, lagging only behind record-breaking 2006. But the local housing market also shows signs of weakness that could deepen in the coming months.

The latest report from the Austin Board of Realtors shows 25,151 homes were sold in 2007, down about 7 percent from 2006, while the median home price rose to \$185,000, up 6 percent from 2006.

The Flinchabaughs - including mom Andrea with, from left, children William, Juliana, Grace and Amelia - moved into their new home after leasing their old one when it didn't sell.

For December, sales of existing homes fell 16 percent to 1,655, compared with the year-ago period, while the median price rose to \$191,250, up 8 percent from a year ago.

"Sales are down a little bit, but it's like coming off a sugar high," said Marcus Cox, a real estate agent with Avalar Austin. "Anything compared with the very best isn't going to seem as good."

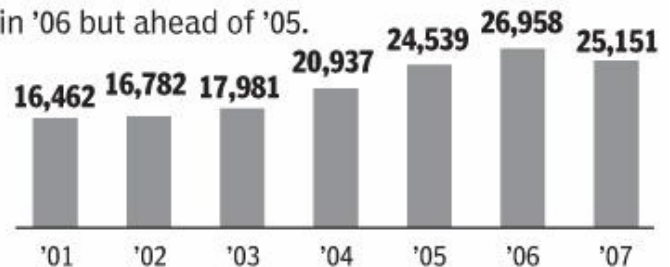
The Austin area market fared well when compared with the rest of the nation, where sales were down 13 percent in 2007, the biggest plunge in 25 years, the National Association of Realtors reported Thursday. The national median price for single-family homes also fell to \$217,000 in 2007, nearly a 2 percent drop from a year ago.

Austin-area sales were lower because of several factors, said Eldon Rude, Austin partner of Metrostudy, which tracks the local housing market. Fewer entry-level buyers qualified for financing because of the national mortgage shake-up. The largest production builders of new homes pulled back on construction, and job growth has slowed, he said.

## Single-family home sales for '07

### Home sales

Existing-home sales for 2007 were down from record levels in '06 but ahead of '05.



### Annual median price

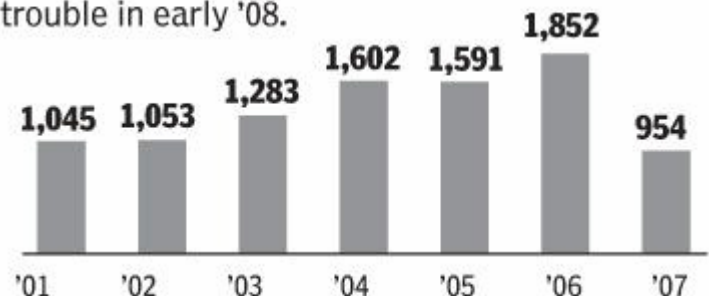
The median price for existing homes continued to rise in '07.

In thousands



### Pending sales

But pending sales for the month of December could indicate more trouble in early '08.



Source: Austin Board of Realtors

Robert Calzada AMERICAN-STATESMAN

But "this national housing market that everyone reads about in the paper and sees on cable TV and is not a reflection of what's going on in Austin," Rude said. "While our market is slowing, the challenges we face are nowhere near what the markets in California, Arizona, Nevada and Florida are facing."

Still, real estate experts, including Rude, say they expect Central Texas homes sales to decline more in 2008.

Pending sales in the Austin area, an indicator of the market's health for at least the next month or two, dropped 48.5 percent in December when compared with a year ago. Even after the tech bust of 2001, pending sales were higher. And homes have been staying on the market longer, an average of 78 days, up 11 percent from December 2006.

The greatest percentage of sales in December were for homes priced from \$200,000 to \$400,000. Homes priced at less than \$140,000 had the largest number of double-digit drops, with fewer entry-level buyers being able to obtain loans.

"Austin is not a protected island shielded from the world economy," said longtime local real estate observer Jack Hazzard, who formed the Ontra Companies in the 1980s to dispose of repossessed properties. "The economy will be highly stressed over the next two to three years."

Other experts agreed that the slowdown in the Austin market will last awhile.

Jim Gaines, a research economist for the Real Estate Center at Texas A&M University, said he expects another 5 percent to 10 percent decrease in sales in 2008. He also predicts a slowdown in price appreciation.

"People are going to have a more difficult time getting financing," Gaines said. "(With) the psychological impact of people being told the (national) market is bad, they are postponing buying and selling."

Homeowners like Richard and Andrea Flinchbaugh experienced the cooling housing market firsthand. After their home in Round Rock's Forest Creek subdivision languished on the market for six months, they decided in October to lease it and found renters.

The decision came after they had lowered the price from \$525,000 to \$450,000, and finally to \$444,900. "We weren't willing to lower the price any further," Andrea Flinchbaugh said.

The couple and their five children have since moved into a home in the neighboring Lake Forest subdivision. Andrea Flinchbaugh said they plan to put their rental house back on the market when it bounces back.

For people wondering whether the downturn presents a buying opportunity, Hazzard offers some practical advice. "Buy if you are sure you can afford the payments and it is a home you plan to live in for seven-plus years," Hazzard said. "Speculate at great risk."

## **Master-planned community in the works**

*Friday, January 25, 2008*

*Austin Business Journal - by [A.J. Mistretta](#) ABJ Staff*

A 158-acre tract in Southeast Austin could yield about 670 homes in a master-planned development expected to break ground later this year.

Intermandeco Ltd. of Dallas is plotting The Vistas of Austin on the south side of Old Lockhart Road, just west of Capital View Drive, on land that falls in the city's extraterritorial jurisdiction.

The city and Travis County have approved Intermandeco's preliminary plan. The next step is submission of a site plan and plat for the project's first phase, which could break ground sometime midyear, officials say.

Project leader Doyle Wilson says the company has not selected builders for The Vistas, but he estimates homes will be priced in the range of \$150,000 to \$250,000. The community will include an amenity center with a pool and will have access to Rinard Creek, a tributary of Onion Creek that runs along the rear of the property. Roughly 50 acres of the total tract will be set aside for a greenbelt.

Wilson says the site's proximity to Austin-Bergstrom International Airport and relative proximity to downtown make it an attractive spot for residential development. The site is also capable of accessing city of Austin utilities.

Recent concerns in the housing market have caused some developers and homebuilders to scale back their plans in the Austin area. But Wilson says while the near term is somewhat turbid, he's bullish on the region's growth over the long haul. He says Mayor Will Wynn's oft-used statistic of Austin's population doubling every 20 to 25 years got his attention.

"Yes, Austin is experiencing a little slowdown. That's part of the economic cycle," says Wilson. "But I like the long-term trend."

Intermandeco has developed a total of nine projects in Austin and San Antonio, including the Rancho Alto community in Austin and Walsh Trails in Cedar Park.

The supply of new single-family homes in the Southeast Austin submarket fell 46 percent in the last year to 128 units, according to a year-end report from housing research firm Residential Strategies Inc. There were 240 new home starts and 350 closings in Southeast Austin during 2007, making it one of the least active of the local submarkets, the RSI report shows.

Market-wide, Austin home starts were down 20 percent in 2007 from the previous year, according to the report, which blames the negative national housing story for affecting the behavior of local buyers. As sales have slowed, builders have curbed their production and focused instead on selling off their speculative inventory.

## What's Going Up

Thursday, January 24, 2008

**What:** Acton School of Business

**Where:** 1404 E. Riverside Drive



**Who:** Jeff Sandefer, school co-founder, is the developer, along with other co-founders: Phil Siegel of Austin Ventures, J. Vaughn Brock of Brock Consulting Group and Jack Long of PeopleAdmin Inc. The campus is designed by Hatch + Ulland Owen Architects. General contractor is Knight Construction. Project management provided by Construction Services of Texas.

**When:** Planned date of completion is August.

**Details:** The new campus includes a 10,500-square-foot red brick and stone building for the MBA program. The campus will feature terraces overlooking Lady Bird Lake, a break room, administration offices, a conference room and numerous study areas.

## Lack of leases keeps Austin office market in neutral

Wednesday, January 2, 2008 - 2:24 PM CST

*Austin Business Journal*

Rents are rising fast and new construction is everywhere, but the Austin office market has seen better years than 2007.

The citywide occupancy rate was 84.3 percent at the end of the year, down from 85.5 percent at the end of 2006, according to a fourth quarter report from CB Richard Ellis Inc. Much of that decrease can be pinned on the ramp up on new construction coupled with declining absorption. While developers delivered new buildings from the Southwest to Far Northwest submarkets in the last year, overall absorption totaled just 679,062 square feet, down from the 1.3 million absorbed in 2006. In the fourth quarter, only 65,950 square feet was absorbed across town compared with 339,339 square feet in the year-earlier period.

The most-filled submarket is the Northwest, where occupancy is about 87.5 percent. That's still a decrease from the 88.9 percent recorded for the submarket in fourth quarter 2006, according to the CBRE report. The Southwest submarket, traditionally one of the healthiest, saw vacancy more than double in the last year to 15.9 percent due to newly completed buildings, a lack of leases and new sublease space hitting the market.

Occupancy increased three percentage points to 84.7 percent in the central business district, where leases for direct and sublease space absorbed about 188,900 square feet in the last year.

Even with the decline in occupancy, rental rates rose dramatically in the last year as most of the city's premier properties changed hands. Citywide Class A rents increased 16.2 percent to \$31.28 a foot while rents across all classes ticked up 17 percent to \$27.16, the report shows. Rates for Class A CBD buildings saw the most significant jump, rising 23 percent to \$35.76.

Developers have been expressing concern for months over the lack of leasing activity. Though local job market projections bode well for the office market in coming years, developers set to deliver new product soon are girding for strong competition over a limited number of lease prospects. Of the 2.5 million square feet of new space now under construction, only 358,513 square feet is already pre-leased, according to the CBRE report.