

October-Austin

Expert expects softer housing market in '08

But retail development will remain robust

By Shonda Novak, M.B. Taboada

AMERICAN-STATESMAN STAFF

Wednesday, October 31, 2007

Real estate experts in the housing, commercial and retail markets gave their forecasts on what 2008 holds at the annual Institute of Real Estate Management forum on Tuesday in Austin. While the retail, apartment and office market remains healthy in Central Texas, experts say the housing market will continue to slow down.

Here's a look at some of the forecasts:

Housing, Dee Shultz, broker, Keller Williams Realty:

Central Texas still has a healthy housing market, but homes will take longer to sell and must be priced lower in 2008, Shultz said. Although the Austin area is affordable compared with many other parts of the country, "our prices are going to have to come down a bit," she said.

The number of days a house is on the market is going up, and one out of five potential home buyers who get pre-qualified aren't closing on the loan because of stricter lending standards, she said. "We're going to be in for a few years of tough going," Shultz said. "We've all been spoiled a little bit" by how good it had been.

"Sales activity just isn't as robust as it was a year ago," she said. Shultz said there are more than 500 homes valued at \$1 million or more on the market in Central Texas — a 17-month supply.

Multifamily housing, Kent Collins, partner, Centro Partners LLC:

Austin's apartment market is in good shape, with rents and occupancies rising, thanks largely to solid job growth and low unemployment. Collins expects the market to remain healthy, assuming job growth continues. About 7,000 apartments are to be added in 2008, with renters expected to fill at least 5,000 of those units.

However, in the downtown condominium market, "we're in uncharted territory," Collins said. "Just as we went through a period in the late 1990s when new apartments were being built downtown, and we didn't know the depth of the market or the price point, we are in the same place today in the condominium market."

Shultz agreed, saying the number of new downtown condos being built is "a little frightening," and it remains to be seen if they will sell as anticipated.

Commercial property, Tim Hendricks, senior vice president in Austin for Cousins Properties Inc.:

The region is expected to add about 23,000 new jobs next year — including 6,900 office jobs that will equate to demand for about 1.2 million square feet of space, Hendricks said. "Our job growth over the next two years (2008 and 2009) should create approximately 2 million square feet of new office demand," he said. "We are currently slated (to add) about 2.3 million square feet of new supply through 2008, so the office market should be supplying enough space to meet the demand of our new job growth."

Office rents and occupancies in Central Texas for top-tier space are expected to continue to tick up in 2008, he said.

On the construction front, Hendricks predicts a slowdown in new office building starts in 2008 because of tightening financial markets,

Retail, Bryan Dabbs, principal, Endeavor Real Estate Group:

The retail market remains healthy, with about 95 percent of the 3 million square feet of retail space that opened this year occupied, Dabbs said. "That's a very good indicator" of how the market will fare next year, he said. Much of the future growth will occur near the new toll roads in Central Texas.

The growth has been fueled in part by rapid expansions of H-E-B and Target, as well as Central Texas newcomer Spec's Liquor, which has three stores.

Next year, Houston developer New Quest's 196-acre development at Texas 130 and Texas 45 is expected to add 1 million square feet of retail, including a Home Depot and Target.

BartonPlace condos developers land construction loan

Pre-sales have been strong, they say, despite slowing national market

By Shonda Novak, AMERICAN-STATESMAN STAFF

Saturday, October 27, 2007

Strong pre-sales have helped developers of the \$95 million BartonPlace condominium project land a construction loan from IBC Bank in Austin.

The loan was made after the 250-unit BartonPlace Condos project received \$30 million in earnest-money contracts for 61 units, just four weeks after starting to accept contracts, said Larry Warshaw, a principal with the developer, Constructive Ventures Inc. The loan will finance the bulk of the project.

The BartonPlace announcement Friday comes amid a dramatically changed lending and credit environment nationwide, with experts predicting that some Austin condo developers who don't already have financing might find it much tougher to get, meaning some projects might not get built.

But the credit crunch hasn't hurt the BartonPlace project. It is expected to break ground in March at 1600 Barton Springs Road, replacing the Shady Grove RV Park.

Unit prices will range from \$259,000 to about \$700,000.

Warshaw said BartonPlace sales are the strongest he and Constructive Venture principal Perry Lorenz have seen in any of their projects, which include four in East Austin. Austin Java co-owner Rick Engel also is a partner in BartonPlace, which will incorporate the Austin Java restaurant at the front of the 4.3 acre site.

IBC made the loan based on factors including the project's "unbeatable location, the first-class design" and the developers' successes with other projects, said Bob Barnes, president and chief executive of IBC-Austin.

BartonPlace developers are requiring nonrefundable deposits, Warshaw said. Purchasers pay 5 percent when they sign and 5 percent six months later. Contracts obligate them to the full 10 percent, Warshaw said, an approach that reduces speculators.

While BartonPlace is moving forward, projects that don't have their financing lined up might find it harder to obtain "because the money is drying up for new condos, nationally and in Austin," said John Fenoglio, a founder of Live Oak Capital Ltd., a Houston-based commercial finance and advisory services firm.

Jon Hockenyos, president of Texas Perspectives Inc., an Austin-based economic consulting firm, agreed that Central Texas is experiencing ripple effects from subprime mortgage troubles.

"In general, people are looking more closely at the creditworthiness of any individual or organization looking to borrow money," he said.

And even in Austin, where economic fundamentals are sound, "we're still worried about it," Hockenyos said.

With developers of several downtown projects reporting strong pre-sales, Fenoglio and other consultants said they don't think the downtown condo market is overbuilt.

CLB Partners reports it has sold 65 percent of the 104 units in its Bridges on the Park condo project that opens in December at Riverside Drive and Lamar Boulevard.

At AquaTerra, a 20-story high-rise planned for 210 Barton Springs Road, the response from prospective residents "has been extremely favorable," said Steven Brandt, vice president of Texas operations for the developer, Crescent Resources LLC.

Despite the national slowdown, "Austin's downtown condo market continues to be among the best in the nation due to the population influx and strong job growth," said Bobby Nail, a partner in CLB Partners' Austin office.

Devlin McNamara, a vice president with Bank of America Mortgage, said prospective Austin buyers have strong credit and verifiable income and assets. "So the impact on the downtown market from what we have seen has been slight."

Travis County foreclosures down 15%

Austin Business Journal

Monday, October 22, 2007

Residential foreclosure postings in Travis County are down for the upcoming November auction, and for the year.

A total of 317 foreclosures have been posted in the county, a decline of 15 percent from November 2006, according to the latest figures from Addison-based **Foreclosure Listing Service Inc.** So far this year, 3,199 foreclosures have been posted for the county, down 7 percent compared with the same period in 2006.

Foreclosures in Williamson and Hays counties were both down 10 percent year-over-year, but Bastrop experienced a 2 percent increase.

Most of the foreclosures listed are from mortgages originated more than two years ago. Experts warn that the fallout from the subprime debacle is not yet reflected in the foreclosure rate. That will change in the months and years ahead when foreclosure postings are expected to climb dramatically as interest rates are reset on adjustable rate mortgages.

Austin-area home sales dive 22 percent

By Shonda Novak

AMERICAN-STATESMAN STAFF

Saturday, October 20, 2007

Reflecting the national housing slump, sales of existing homes in Central Texas fell 22 percent in September, and the number of homes on the market hit a four-year high. It was the fourth month in a row that sales have fallen from a year ago, and the first September drop in five years, according to the Austin Board of Realtors.

But the median price rose to \$182,500, up 9 percent from September 2006. Real estate experts attribute the jump to steady appreciation, rising home construction costs and more sales in higher price brackets. Central Texas' housing market is faring better than many markets around the country, thanks to a healthy economy fortified by strong job and population growth. Also, the region didn't suffer the price bubbles that are now bursting in other cities.

Sales plunged almost 50 percent in the Los Angeles area, for example, and prices are slipping in many California markets.

But Austin has not been immune to a national mortgage credit crunch. With mortgage defaults and foreclosures rising precipitously in many cities, lenders have significantly tightened mortgage requirements and eliminated many loan programs.

It has become especially hard for first-time buyers to get financing, but even affluent buyers are finding it tougher to get loans. "When the first-time buyer market slows down, it's going to affect every one

September sales trends

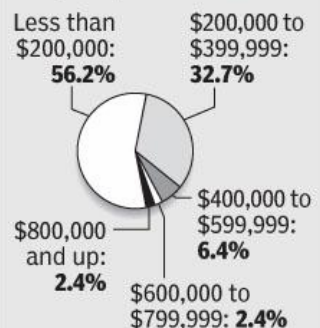
Sales drops that had been concentrated in lower price ranges are now affecting more expensive homes.

September sales compared with September 2006

Less than \$200,000	-28.8%
\$200,000 to \$399,999	-9.3%
\$400,000 to \$599,999	-22.7%
\$600,000 to \$799,999	NC*
\$800,000 and up	-0.6%

* No change

Share of sales by price range, September 2007



Note: Doesn't add up to 100% because of rounding.

Source: Austin Board of Realtors

Linda Scott AMERICAN-STATESMAN

Austin's housing market cools down

September sales were down 22 percent from a year ago, the lowest for the month since 2004.



down the line," said David Reed, president of CD Reed Mortgage Bankers in Austin.

The fallout is reflected in the numbers. Sales of Central Texas homes priced at less than \$200,000 plummeted almost 29 percent in September from a year ago. They fell 22.7 percent for homes from \$400,000 to \$599,999. "I think that what's going on is a little sobriety in the mind-set of home buyers across the board," Reed said. "I think people are thinking more with their pocketbooks and with less emotion. They're asking, 'Does this really make sense for me?'"

Although the entry-level market has been hardest hit, the pain is spreading to other price ranges. In some cases, that is because sellers who want to move up to bigger homes can't find buyers.

But Paul Borman, an agent for Avalar at Steiner Ranch, said the bigger issue is that lenders have pulled back from or raised the interest rates on so-called jumbo mortgages higher than \$417,000. For example, a 2 percentage-point interest rate increase on a \$500,000 mortgage would add \$10,000 a year in interest, or an extra \$833 a month. "And that's if they can get the mortgage, Borman said. "A lot of jumbo programs just aren't available any longer."

After a record 2006, a softer market isn't all bad, Borman said. "All markets, whether it's the stock market or real estate market, have faster and slower growth rates," Borman said. "Continued fast appreciation without a breather leads to a bubble, which is what Florida and California are working through."

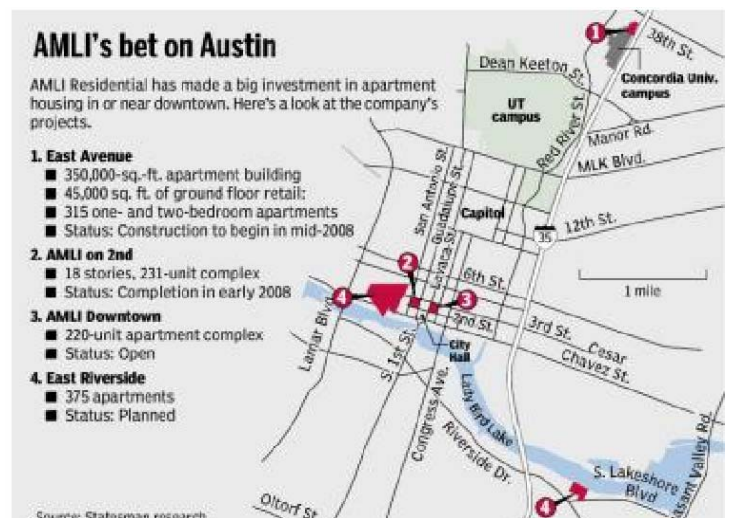
And signals are that the Austin market will continue to cool down. Pending sales were down 27 percent last month, to 1,695, even as the number of listings shot up. With almost 10,000 homes on the market, the competition for buyers will get tougher.

Kristina Wise, owner of the GoodLife Team, said Austin area sellers will have to become more realistic about what they can get for their houses. "Pricing a home based on yesterday's market will not work," Wise said.

AMLI picked as apartment builder at East Avenue

Real Estate Center at Texas A&M (synopsis of an 10/17/00 article by Shonda Novak of the Austin American-Statesman, image from AAS)
10/17/2007

(Austin) - The developer of a \$750 million project planned for the former Concordia University campus in Austin has tapped AMLI Residential to build a 315-unit apartment complex on the site, which is destined to be one of the city's tallest, densest developments outside of downtown. AMLI expects to break



ground in mid-2008, with the complex opening about two years later. The building will have four stories of apartments atop 45,000 square feet of street-level retail. At AMLI's project, the one- and two-bedroom apartments will have an average of 900 to 1,000 square feet. Rents have not been yet set. The developers have selected West Lake Hills-based Treaty Oak Bank to open a 4,000-square-foot branch in East Avenue's first office building. Construction on East Avenue will begin by early 2008, with the groundbreaking of two office buildings scheduled to open in early 2009.

Realtors: Media reports unnecessarily affect local market

Despite recent media coverage proclaiming the woes in the home mortgage industry, Austin's real estate market remains healthy and poised for growth, say local Realtors.

Source: Community Impact Newspaper
<http://www.impactnewspaper.com/www/docs/183.875#countyclerk>

With all of the negative news out there, I know it's hard for Central Texans to believe, but our area has a healthy real estate market," said Kiersty Lombar, team leader of Central Texas Elite Homes, Keller Williams. "However, as a result of the barrage of ugly national stories, buyers and sellers in our area are hesitant to continue. They shouldn't be."

Compared to the same time period last year, sales of single-family homes in the Austin area declined by 10 percent, while the number of active listings rose by 21 percent, according to the Austin Board of Realtors Multiple Listing Service. In the past six months, the number of active single-family homes on the market has also increased by more than 26 percent to 9,819, the highest inventory in three years.

Greg Cooper, Goldwasser Real Estate vice president of sales, notes that Austin never experienced the dramatic rise in home prices that has troubled many other markets around the country.

"There are absolutely no fundamental problems in the Austin real estate market," Cooper said, and most Austin-area buyers have not been adversely affected by the mortgage industry. "Unless you have bad credit, most buyers have nothing to worry about."

Lombar and Cooper cite the following:

- Business Week named Austin the most affordable housing market of any metro area in the nation.
- A Sept. 18 Business Week article highlighted Austin as one of the few markets where home prices are expected to appreciate by more than five percent over the next two years.
- Austin is in the top 10 markets nationally for job growth.
- Austin's foreclosure rate has fallen since last year.
- Austin is expected to double in population in the next 20 years.

“It’s important for us not to make all of the negative news a reality here when we have a completely different position,” Lombar said. “It’s important for your readers to remember that real estate markets are local.”

Lakeline mixed-use project gets zoning

Austin Business Journal
Friday, October 12, 2007

The Austin City Council Thursday approved zoning for the future Lakeline Rail Station in Northwest Austin. The 327-acre mixed-use development will be located on the northeast corner of U.S. Highway 183 and RR 620, bordered by Avery Ranch to the north and by Parmer Lane to the east.

The project will break ground in about a year, says David Armbrust, the attorney for developer **Pacific Summit Partners**. Pacific Summit is the Austin division of Irvine, Calif.-based **Summit Properties**.

The development, on part of the Edwards Aquifer recharge zone, will feature 20 percent open space and contribute \$128,000 to the Balcones Canyonland program, which buys open space in Central Texas. The project will also have a 30-mile per hour speed limit on its main arterial road, Lakeline Boulevard, to promote pedestrian-oriented uses. The city's public works department had advocated for a 45-mile per hour speed limit, more in line with surrounding arterials.

Berkeley, Calif.-based Peter Calthorpe is the designer of the project. Calthorpe designed the Triangle Square development at 45th and Guadalupe Streets.

Remodeling tour

By Charles Ealy, Austin American Statesman
Wednesday, October 10, 2007

Austin NARI, the local chapter of the National Association of the Remodeling Industry, is holding its fifth annual tour of remodeled homes noon to 6 p.m. Oct. 20 and 21. The tour features various homes that have been remodeled. The showcased projects range from \$80,000 to more than \$1 million.

You can begin the tour at any of the homes. Tickets cost \$5 per home or \$20 for all nine. For a map and more information, visit Austin NARI's Web site or call 708-0637.

Austin housing market

By Charles Ealy, Austin American Statesman
Wednesday, October 10, 2007

A new release from the National Association of Realtors has some good news about Austin real estate, amid all the national gloom and doom.

The release follows:

Conditions in the mortgage market are improving for consumers, which should help to release some pent-up demand in early 2008, according to the latest forecast by the National Association of Realtors.

Lawrence Yun, NAR senior economist, notes that widening credit availability will help turn around home sales. “Conforming loans are abundantly available at historically favorable mortgage rates. Pricing has steadily improved on jumbo mortgages since the August credit crunch, and FHA loans are replacing subprime mortgages,” he said.

Yun said it’s important to place the current housing market in perspective, and that 2007 will be the fifth highest year on record for existing-home sales. “Although sales are off from an unsustainable peak in 2005, there is a historically high level of home sales taking place this year — a lot of people are, in fact, buying homes,” he said. “One out of 16 American households is buying a home this year. The speculative excesses have been removed from the market and home sales are returning to fundamentally healthy levels, while prices remain near record highs, reflecting favorable mortgage rates and positive job gains.”

He emphasized all real estate is local with naturally large variations within a given area. “Markets like Austin, Salt Lake City and Raleigh have been outperforming recently and will continue to do well next year,” Yun said. “Other areas like Denver and Wichita will likely move up in the price growth rankings due to very positive local economic developments.”

Existing-home sales are expected to total 5.78 million in 2007 and then rise to 6.12 million next year, in contrast with 6.48 million in 2006. New-home sales are forecast at 804,000 this year and 752,000 in 2008, down from 1.05 million in 2006; a recovery for new homes will be delayed until next spring.

“A cutback in housing construction is a positive sign for the market because it will help lower inventory and firm up home prices,” Yun said. Housing starts, including multifamily units, are likely to total 1.37 million in 2007 and 1.24 million next year, down from 1.80 million in 2006.

Relators President Pat V. Combs, from Grand Rapids, Mich., and vice president of Coldwell Banker-AJS-Schmidt, said, “Housing is still a good long-term investment, and we’ll be seeing a broad, modest improvement in home prices in 2008. With widely varying conditions, the best advice for consumers is to consult a Realtor in their area to learn about local market conditions because supply and demand can change from one neighborhood to the next.”

Existing-home prices will probably slip 1.3 percent to a median of \$219,000 in 2007 before rising 1.3 percent next year to \$221,800. The median new-home price should drop 2.1 percent to \$241,400 this year, and then increase 1.0 percent in 2008 to \$243,900.

The 30-year fixed-rate mortgage is expected to average 6.4 percent for the next two quarters and then edge up to the 6.6 percent range in the second half 2008. Additional cuts expected in the Fed funds rate will help to keep mortgage interest rates historically favorable.

Growth in the U.S. gross domestic product (GDP) is estimated at 2.0 percent this year, below the 2.9 percent growth rate in 2006; GDP is likely to grow 2.7 percent next year. The unemployment rate is forecast to average 4.6 percent this year, unchanged from 2006. Inflation, as measured by the Consumer Price Index, is expected to be 2.8 percent in 2007, compared with 3.2 percent last year. Inflation-adjusted disposable personal income will probably increase 3.6 percent in 2007, up from 3.1 percent last year.

CAMPO moves forward with \$2.2B toll plan

Austin Business Journal

Tuesday, October 9, 2007 - 2:32 PM CDT

In a lively meeting at Anderson High School in Northwest Austin Monday evening, the Capital Area Metropolitan Planning Organization gave the green light to build five toll roads.

The new toll plan, which replaces a 2004 toll road plan that was approved but later scrapped, includes tolls on four existing roads and the proposed State Highway 45 Southwest. The following roads will be expanded via toll roads: U.S. 290 East from U.S. Highway 183 to State Highway 130, U.S. 183 from Springdale Drive to Patton Ave., SH 71 East from Riverside Drive to U.S. 183, and the convergence of U.S. 290 West and SH 71 in Oak Hill.

SH 45 from MoPac Expressway South to FM 1626, which doesn't yet exist, will be four-lane tollways with a free frontage lane on each side. The total estimated cost of the five projects CAMPO approved is \$2.2 billion.

A majority of the CAMPO board voted for the proposed toll plans, with four board members - Austin City Council Member Jennifer Kim, Hays County Judge Liz Sumter, Jeff Mills, State Rep. Eddie Rodriguez and Sunset Valley Council Member Jeff Mills - voting "no" on all five items. Travis County Commissioner Sarah Eckhardt voted against the SH 45 SW plan and Sen. Kirk Watson, also the CAMPO chair, recused himself from the vote on U.S. 290 East because he is the director of a bank that has land along that road.

Old West Austin named one of best neighborhoods in the U.S.

Austin Business Journal

Wednesday, October 3, 2007

The Old West Austin neighborhood is getting recognition from a national group for its efforts to preserve character and diversity while maintaining a commitment to sustainability.

The American Planning Association has named Old West Austin one of its 10 Great Neighborhoods for 2007. The neighborhood west of downtown and north of Lady Bird Lake includes the Clarksville Historic District and the Enfield subdivision.

Old West Austin's compact, pedestrian-friendly commercial center primarily consists of local businesses. The area is characterized mostly by small lots and narrow streets, with wide use of shade trees.

"Old West Austin sets an example for communities across the country of how to protect neighborhood character while managing growth and change," said APA Executive Director Paul Farmer. "This shows

us what's possible when diverse and engaged stakeholders join together to hold onto and improve upon what makes where they live special."

The Old West Austin Neighborhood Association has helped promote mixed-use development while discouraging residential overbuilding. Developers typically meet with the neighborhood in the early stages of a project, enabling the inclusion of affordable housing into mixed-use projects.

Old West Austin was the only Texas neighborhood to receive this APA designation and the only neighborhood located in the Southwest United States.

New home starts, closings still in a slump

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

*By M.B. Taboada, AMERICAN-STATESMAN STAFF
Tuesday, October 02, 2007*

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.