

NEW HOMES

## Central Texas home starts leap 62 percent

### Despite record surge, builders just barely keeping up with demand.

By Kate Miller Morton  
AMERICAN-STATESMAN STAFF  
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Central Texas homebuilders are cranking out new houses at an unprecedented pace, but the escalating construction is barely keeping up with demand for their increasingly expensive new homes.

Homebuilders started work on 4,479 houses in the first quarter, according to market research firm Residential Strategies, up a staggering 63 percent from the year before. In the 12 months that end this week, builders started 16,857 homes, a 40 percent jump compared with the comparable year-ago period.

"All of us that have been in the market any period of time continue to be amazed," said Mark Sprague, a partner in the Austin office of Residential Strategies.

Closings increased by 36 percent in the quarter, as the median sales price jumped 7 percent to \$186,507.

Despite the surge in building, the inventory of new houses on the market remained flat in the first three months of the year with 2,341 vacant houses, compared with 2,295 at the end of last year.

"Everything that is being released is being absorbed," Sprague said. The market "is under equilibrium, so it continues to be a sellers' market, and what we'll continue to see with it being a sellers market will be (price) appreciation."

The Central Texas surge is occurring as new housing activity cools in many other parts of the country. Nationwide, sales of new homes fell by 10.5 percent in February, the largest drop in almost nine years and the second straight monthly decline.

The Austin area's resale housing market is also bucking the national trend, with a 15 percent gain in year-over-year sales in February.

The housing boom is largely attributed to Austin's strong 4.5 percent employment growth last year. That's the strongest

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growth since the 1998-2000 high-tech boom when jobs in the region were growing at about 6 percent a year.

"As long as the job growth continues, then we'll continue to see rapid sales and new single family homes and absorption of apartment units," said Charles Heimsath, president of Capitol Market Research.

The spike in new housing construction occurred throughout Central Texas.

Year-over-year housing starts nearly doubled in Southeast Austin and increased 50 percent in the southwest part of the city during the first quarter. New construction more than doubled in Georgetown and surged 173 percent in Cedar Park. Round Rock reported a 48 percent increase.