

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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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.

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 Avaral 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.

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.

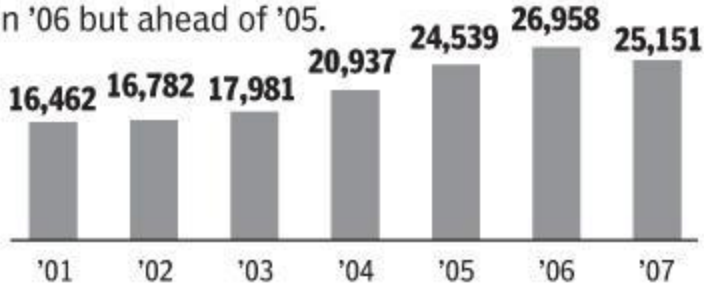
For people wondering whether the downturn presents a buying opportunity, Hazzard offers some practical advice. "Buy if you are sure you can afford the payments and it is a home you plan to live in for seven-plus years," Hazzard said. "Speculate at great risk."

Courtesy of JB Goodwin

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

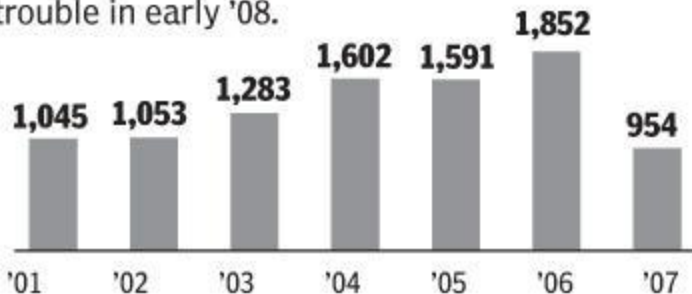
The median price for existing homes continued to rise in '07.

In thousands



Pending sales

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



Source: Austin Board of Realtors

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