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2011 hopes for Dallas-Fort Worth housing market rest on jobs

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Housing industry prognosticators are hoping for modest gains in the North Texas market in 2011.

That's what they were wishing for in 2010, too.

It all depends on the economy, industry forecasters say.

"Jobs are key – not only the number of jobs, but equally important are the kinds and quality of jobs, incomes associated with new jobs and the permanence of the jobs created," said James Gaines, economist at the Real Estate Center at [Texas A&M University](#). "If all the new employment is for low-wage, temporary workers, it won't have much positive impact on the housing market."

With expectations for modest economic growth in 2011, Gaines doesn't look for a sharp rebound in the North Texas housing market.

"Best news is probably that we don't see things getting worse, but we also don't see significant improvement," he said. "Tight credit and slow job gains will keep home sales relatively flat."

"As the job market does improve and more people are employed, there may be a slight increase in volume, but I don't think it will be more than a few percentage points, at best."

The local housing market has a lot of ground to make up.

The number of pre-owned homes sold each month in North Texas has fallen by more than 50 percent from its peak in mid-2006.

And new home sales have plunged more than 60 percent during the same period.

Home sales prices are off between 6 and 10 percent from the top of the market, according to a number of reports that monitor home prices differently. After a rally in prices earlier this year, the numbers have turned negative again.

Analysts say that recent housing market performance in the Dallas-Fort Worth area has been

whipsawed by a combination of expiring federal tax credits and persistently high home foreclosure rates that hammer down prices.

Building still on hold

Homebuilders are likely to hold back on starts here again in 2011, said Ted Wilson, principal with Residential Strategies Inc.

"The inventory created by the foreclosures and existing homes likely will continue to take market share away from the new homes in 2011," Wilson said. "As a result, we are anticipating that starts will increase by only 2,000 to 2,500 units next year to just over 18,000 units.

"This pace of modest recovery likely will be similar to what D-FW experienced in the early-1990s."

Wilson said that next year there be more certainty about the housing market.

"We anticipate that 2011 will be a more normal market, a year that is not influenced by artificial stimulus."

David Brown, who heads the Dallas office of housing analyst Metrostudy Inc., expects continued sales declines in the first few months of 2011.

"Home sale reports should improve dramatically in the second half of the year because the year over year comparison will finally get past influence of the tax credit," he said.

Dallas-area builder Bill Darling is betting on a better market.

"We're projecting a 10 percent increase in Dallas area sales from 2010," Darling said. "That is not to say I see a large surge on horizon for D-FW.

"But we're experiencing some stabilization that we didn't feel from June through September."

Darling thinks that some of the increase in North Texas apartment occupancies has come from homebuyers who've delayed.

"We are now seeing those folks looking to make a home purchase," he said.

The [National Association of Home Builders](#) is even more robust in its estimates for the coming year.

"[Current](#) forecast for 2011 is 739,000 housing starts, up 22 percent from expected 2010 levels," said the group's chief economist, David Crowe.

"An improving economy – while mortgage rates and house prices remain relatively stable – will help improve the housing market."

A year ago, the building industry was projecting almost a 25 percent jump in home starts this year. But the most recent numbers showed housing starts are actually down about 12 percent from a year ago.

Tiny rise nationally

The National Association of Realtors is taking a conservative view. Realtor analysts are forecasting only a slight increase nationally in home sales next year and basically flat prices.

The North Texas housing market consistently outperforms the rest of the nation. But that's not saying much with the huge declines in many big city markets.

Still, with prices near the lowest level in more than five years, there will be some opportunities, sales agents say.

"The best opportunities will be for investors – prices are affordable, interest rates are low, rents are going up, vacancy rates are low because tenants are plentiful," said Jim Fite, president of [Century 21 Judge Fite Co.](#)

Unlike many other major markets, North Texas hasn't seen a devastating decline in residential values and ballooning inventory.

"Prices are the one area in D-FW where we have been extremely fortunate compared to the rest of the U.S.," Fite said.

"Our absorption rate continues to be high enough to keep our inventory to a reasonable amount."

North Texas has about seven months' inventory of pre-owned homes up for sale, compared with about 10 months nationally.

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