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Local housing slows at end of near-record year

By Nancy Sarnoff | January 13, 2016 | Updated: January 14, 2016 9:27am



Photo: Nancy Samoff

Homes for sale along Bingle Rd. in the Spring Branch area.

The Houston-area housing market continued to weaken in December amid growing concerns about the regional economy, but it ended the year with a near-record number of home sales for all of 2015, a report shows.

Buyers closed on 73,724 single-family homes last year, falling just 2.4 percent short of the market's 2014 sales peak, the Houston Association of Realtors said Wednesday.

"We have to remember the housing market from 2012 through 2014 was really quite extraordinary. It was really an overheated market," said Steve Spillette, president of CDS Community Development Strategies, a market research and economic analysis firm based in Houston. "We were adding so many jobs, and we really couldn't catch up."

That said, he added, "the hiring boom that drove so much of that increase in population and households in our region, that's over."

The slowdown in housing began to take hold late last year. December marked the third straight month of year-over-year declines in single-family home sales.

In general, home values have held up. The median price for a single-family home in 2015 was up 6.5 percent to \$212,000, the realty association reported. Even in December, it was up 2.9 percent.

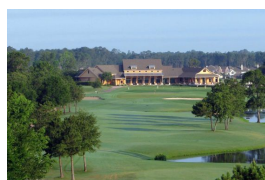
Online real estate giant Zillow is forecasting a 3.2 percent increase in price appreciation in Houston this year.

"We're seeing a slowdown, but we're not seeing a crash," said Svenja Gudell, chief economist for the Seattle-based firm who has been traveling the country studying housing issues and trends.

Still, houses are taking longer to find buyers, and some sellers are already cutting their prices.

Houston-area buyers closed on 5,879 homes in December, a 9.7 percent decline from the same month a year earlier, the association said, citing sales figures through the Multiple Listing Service primarily in Harris, Fort Bend

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and Montgomery counties. The decline follows a similar pattern of the prior two months when sales fell 10 percent each month.



Apartment market softens, but holding up

Months inventory - the time it takes to sell all the houses on the market based on recent trends - was 3.2 months at the end of 2015. The supply of homes for sale has been historically low and is one of the reasons sales have been off as buyers have fewer options, the association said.

"With oil dropping to levels around \$30 a barrel, I think it's fair to say that the Houston housing market is going to remain cooler for at least a little while," Mario Arriaga, the association's chairman, said in a statement.

The future of the market, he said, will "come down to consumer confidence."

The steady decline in sales, along with deep job cuts, could cast a more serious pall over the housing market.

This week the Federal Reserve warned that Texas could lose jobs for the first time in seven years unless the steep drop in oil prices is reversed.

Houston native Josh Hernandez hates to admit it, but he's hoping to see home prices crash.

Hernandez, who's 36, works in construction, has been frustrated because when he's looked to buy a house in the past, "we ended up going into a seller's market."

"I know this sounds terrible, but I'm actually hoping for the worst. I'm hoping that the bottom falls out and prices just plunge and people start slashing their asking prices because they're in desperation mode," he said.

Oil's chilling effects will first be seen in the rental market, Zillow's Gudell said.

"People who rent are more transient. In general they are able to move faster. They're more likely to move to another city to find a job," Gudell said.

Homeowners who work in the energy industry as engineers, accountants and other professionals, she said, will likely have significant savings and be able to remain in their homes even if they are temporarily out of work.

The local sales slowdown is concentrated in the very high and low ends of the market.

Houses priced more than \$500,000 saw a 17 percent decline in year-over-year sales in December, the association found, based on MLS figures compiled last week.

Housing prices in neighborhoods on the north and west side of town, where some of Houston's biggest upstream energy corporations call home, are most threatened by the slowdown as demand is no longer as robust as it was when oil was at \$100 a barrel and jobs were plentiful.

"A lot of the hiring for upstream oil and gas was high-paying positions, driving much of that higher-end housing," Spillette said. "That's the price segment of the market that's probably going to feel it the most."

Pearland, Clear Lake and the northeast part of the area, he added, won't be as affected because they're less exposed to the upstream energy sector.

As a crane operator who works all over the city, Hernandez knows the market's challenges are uneven. He works on petrochemical plants on the east side, where the economy seems to be thriving.

"When oil goes down, that's when production at the petrochemical facilities ramps up," Hernandez said.

"They're actually building homes now in Baytown. Now that oil's crashed, home construction has moved from the west side."

And in sought-after urban neighborhoods like Montrose, where home values shot up in recent years, prices are expected to at least remain stable.

"Those areas aren't going to have any kind of major price declines because the inherent

market value of those locations really have had a revolution," Spillette said. "While the rate of appreciation may slow down a lot, it's not like those areas are suddenly going to have major value declines."

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