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New-home sales jump in area, defying jitters

'A solid, solid market'

New-home sales jump in area, defying national economic jitters

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Houston-area home buyers appear to be ignoring a steady stream of dark reports about the faltering state of the national economy.

Sales of new homes in Houston were up 13 percent in July over the same month last year, according to CDS Market Research.

"Houstonians as a whole appear to be more confident about their future than people in other parts of the country," said **Kent Dussair** of CDS Market Research.

The Federal Reserve has been slashing interest rates this year, attempting to reverse the fortunes of a nation with widespread declines in corporate profits, layoffs, reduced business spending and a slumping stock market.

The rate cuts have helped to keep mortgage rates low. Thirty-year fixed-rate mortgages are available at less than 7 percent. Across the nation, housing starts are up, one of the few bright points in the national economic picture.

Despite the negative national trends, Houston builders are having an excellent year, with new home sales at their highest level in almost 20 years, Dussair said.

In year-to-date sales through the end of July, Houston's new home sales are up 18 percent over the comparable seven months of last year, CDS reported.

"It's a solid, solid market. It's hard to find much to complain about," said Houston housing analyst **Mike Inselmann** of American Metro Study.

The only thing that's less than rosy is the "fear factor" that is stirred up in buyers' minds by sour economic news, Inselmann said. But those fears, he said, do not appear to have hurt home sales so far.

More buyers are purchasing houses because they appear to be a good investment with the potential for significant price appreciation, especially when compared to investing in the stock market, Inselmann said. Houston home values have been rising steadily, creating wealth for homeowners.

The local housing market appears to be headed for smooth sailing, at least for a while. Houston builders are operating with a lean inventory of completed homes, mortgage rates appear to be heading lower and builders are seeing a strong stream of would-be buyers coming into their model homes, Inselmann said.

Strong job growth is buoying Houston's construction industry.

"Business in Houston is very good. Everything is in the doldrums" in the national economy, said **Jim Frankel**, president of the **Greater Houston Builders Association**, "but the overall job market in Houston is still good."

Frankel said Houston builders are not suffering any significant shortage in labor or materials. However, there was a minor shortage of drywall installers in the repair frenzy after Tropical Storm Allison, but that shortage was short-lived, Frankel said.

The flooding, which hit part of Houston in early June, also created some delays in the installation of carpet for a few weeks, but that problem also has subsided, said **Will Holder** of Trendmaker Homes.

Trendmaker, similar to many other builders in the Houston area, has been selling plenty of houses to people who are being relocated to Houston by their employers, Holder said.

The new Victory Lakes community in League City has been drawing a lot of

home shoppers on the weekends, Holder said. The Coles Crossing community on the northwest side of Houston has also been a popular location, he said.

The Bentwater project, on the shores of Lake Conroe, has seen solid sales this summer, said **John Anderson**, vice president of Bentwater's sales group.

Nineteen lots worth \$1.6 million have been sold in Bentwater in the last two months. In addition, 10 completed spec houses priced from \$350,000 to \$770,000 sold in Bentwater recently, Anderson said.

Land developers have been creating more communities in the surrounding Houston area to keep up with the housing surge in Houston.

A number of small subdivisions have been started recently, and there have been a few major master-planned communities announced also, such as the 2,800-acre Riverstone community in Fort Bend County; the 1,300-acre Eagle Springs on the northeast side; and the 3,300-acre Shadow Creek Ranch, off Texas 288 near Pearland.

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