

Houses are popping up at a record pace in S.A.

Web Posted: 07/27/2006 12:21 AM CDT

Jennifer Hiller

Express-New Business Writer

San Antonio is adding new houses faster than a real estate agent can hand you a business card.

The city saw more new homes started in the past 12 months than in any period in its history.

Builders started 18,598 houses between July 2005 and June 2006, a 26 percent increase from the previous year, according to a new report from Metrostudy, a housing research firm.

"This market has continued to rock and roll," said Michael Moore, vice president of the Greater San Antonio Builders Association. "It's absolutely phenomenal."

In fact, San Antonio is rocking out just when the rest of the country is snoozing to the oldies.

The bubble has burst for much of the U.S., and new homes are selling at deep discounts and with builder-added incentives in an attempt to undercut the increasing competition. U.S. housing starts are expected to slow by 5 percent or 6 percent this year.

But in San Antonio, housing starts were up nearly 30 percent in the second quarter, with builders starting 5,367 homes just in April, May and June alone.

"For the San Antonio housing industry, the second quarter of 2006 was the strongest on record in nearly every category — quarterly starts, annual starts, housing inventory, finished housing inventory, developed lot inventory, lot delivery and future lots," said Randall Allsup, manager of Metrostudy's San Antonio division.

San Antonio's home construction market has been on the upswing since 1991 — an unprecedented period of time, Moore said.

"Never in my wildest dreams did I dream we could do that," Moore said. "Economically you would expect either to have a recession or a slight depression every six to eight years."

Allsup said affordability remains a key strategy for local builders. Half of San Antonio's new homes are priced below \$150,000.

That's key, because for every \$1,000 of home price, 3,800 families in Texas get priced out of the market, according to the Texas Association of Builders.

San Antonio is one of the few cities in the country where builders can produce new homes at that price, said Jim Gaines, research economist with the Real Estate Center at Texas A&M University.

"It's reflective of San Antonio's low-priced market by national standards," he said. "You can't go too many places in the country that you can build for that money."

Keeping prices affordable is also a way to fend off the usual suspects that can put a damper on home building: rising interest rates and a shaky national economy.

Metrostudy did point out one indicator local builders should watch closely: San Antonio has nearly 2,000 finished, vacant homes, an inventory of 11/2 months.

There's no oversupply, but it's also the highest-ever number of vacant new homes, Allsup said.

If inventory reaches about two months, Gaines said, builders might kick up their marketing and start offering buyers more incentives.

Moore said that's probably not going to happen yet.

"The development and construction industry has not caught up with demand," he said.

Lot inventory — a key measure of demand — remains low. San Antonio has a 13.9-month supply of vacant lots, which shows that builders and buyers are grabbing lots. A 20-month supply of lots is considered balanced.

Still, hurricane season, a slowdown in the national economy, and rising interest rates and gas prices may mean that home building in the second half of 2006 won't reach quite the blistering pace of the first half.

"We may not set another record," Gaines said. "But it's still going to be a good six months."