



The Sunshine-Wilson Report: 2010 Austin Real Estate Review

We are often asked, “What is happening in the Austin Real Estate Market?” In an attempt to address that question and provide insight into what is happening in our market, we have created the 2010 Austin Real Estate Review. The annual review is intended to give our clients the important data points for the year as well as a snapshot of the local market activity. While you often hear reports about the status of the “national real estate market”, and you can look at national data for housing starts, mortgage rates, new home sales, and median price, we are firm believers that the local real estate market is what matters most. So... how did Austin do?

Executive Summary

If we were to give Austin real estate a grade, it would earn a solid B. If you were to grade on a national curve, we would have a strong A+. Looking at only the local market, Austin has welcomed a LOT of new people in the last year and even more over the last 10 years. Our population growth has been fueled by employment opportunities (technology, government, education, small business) and lifestyle (outdoor activities, music scene, festivals, weather). While the rest of the country has languished, Austin has remained a bright spot with relatively low unemployment (6.5%), solid population growth, and strong appeal for students, entrepreneurs, families and seniors.

HOW AUSTIN RANKS



Austin maintained a healthy (but not robust) real estate market in large part because of **1)** population growth, **2)** the First-Time Buyer and Move-up Tax Credit and **3)** incredibly low interest rates. Although overall sales were down slightly, the median and average sales prices in Austin edged up slightly.

(See stats for Travis and Williamson County below.)

	2010	2009
Median sales price:	\$195,000	\$190,000
Average sales price:	\$255,000	\$245,000
Total annual sales volume:	17,026	17,823

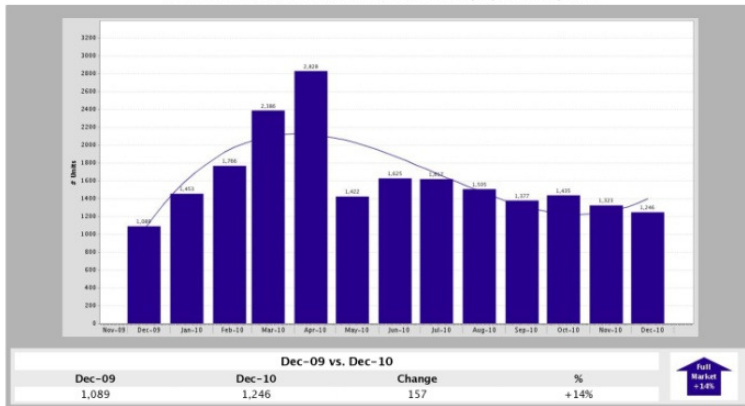


Kicking Off 2010

2010 started with another injection of stimulus money into the Austin housing market. In the waning months of 2009, the federal government extended the \$8000 First-time Home Buyer Tax Credit and created a \$6500 Repeat Home Buyer Tax Credit. With the Austin economy improving, home buyers were eager to take advantage of mortgage rates under 5% and capture some of the new stimulus money. The first few months of 2010 were marked by aggressive home shopping. Buyers were eager to get under contract before the April 30th deadline. They gobbled up the available inventory before the tax credits were set to expire.

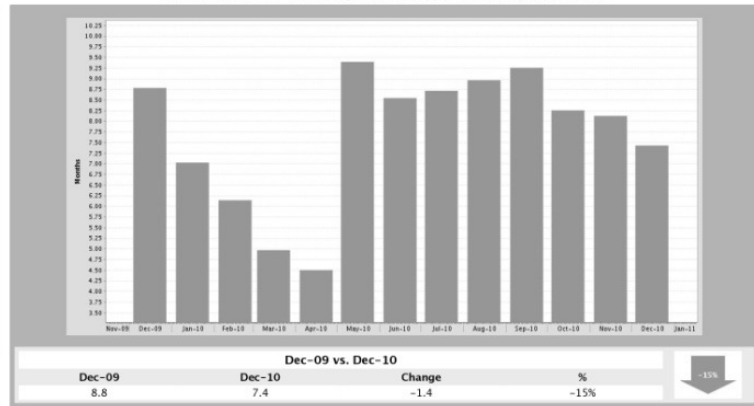
Erik Wilson

Under Contract Properties by Month
Dec-09 vs. Dec-10: The number of Under Contract properties is up 14%



Austin Board of REALTORS Erik Wilson

Months Supply of Inventory
Dec-09 vs. Dec-10: The average months supply of inventory is down 15%

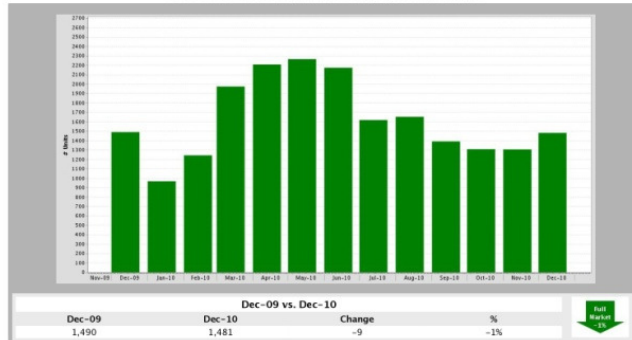


By the end of April there was only a 4-month supply of inventory. (Six months of inventory is generally considered a neutral market, while anything less is considered a seller's market.) As you will notice in the graphs above, the extra stimulus money and the April deadline had a significant impact on buyer activity and available inventory.

While Q1 was defined by the "home search", April was about writing purchase contracts. However, if you look at the actual sale date of properties, there is not a tremendous spike in sold activity in April. Rather, buyers were cognizant of the contract deadline and rushed to get under contract with home builders and willing sellers. The tax credit deadline allowed buyers to close as late as June 30, 2010. When Congress extended that deadline to September 30, 2010, it permitted home builders to complete homes they had under construction.

Erik Wilson

Sold Properties by Month
Dec-09 vs. Dec-10: The number of Sold properties is down 1%



Austin Board of REALTORS

While there were more properties sold in March and April than we are used to seeing, the tax credit closing deadline spread the closings out over five months. It was not uncommon for a buyer to negotiate a contract in April and close in August or September. (*For at least one of our clients, the 9PM closing on September 30th was a little too close for comfort.) More than anything else, the tax credit seems to have front loaded contract negotiations during the first part of the year.



2nd Half: Buyer's Market & 4% Mortgage Rates

While the tax credit defined the activity in the first half of the year, incredibly low interest rates dominated the rest of the year. "Is a 30-year fixed mortgage really at 4% interest?" An affirmative answer to that question may have seemed impossible only a few years ago; however, that is exactly what we witnessed. As incredible as it seems, in November, well qualified buyers were even able to buy their rate down to 3^{7/8}!

The low rates elated "move-up" buyers, enlivened some segments of the luxury market, and even buoyed investment real estate purchases. Re-financing kept lenders busy and freed up cash for second homes and rental properties.

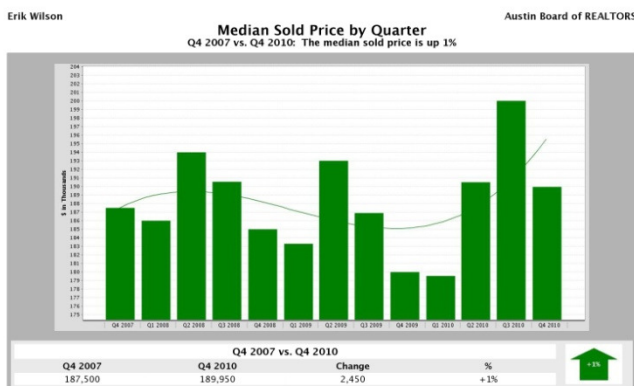
The market shifted clearly into a *buyer's market* as the supply of inventory skyrocketed to over 9-months and the days on market increased from 60 to 90 days. Buyers with cash or good credit had plenty of choices, and ample time to make their decision. With less time pressure to force a decision, buyers viewed more properties and became more selective. The National Association of Realtors reported that the average home buyer evaluated 12 houses (up 71% from 7 homes). *Our clients evaluated closer to 20 homes on average.

Buyers: "We want it our way"

The increased showings did nothing to bolster the spirits of beleaguered sellers, as buyers dismissed properties more quickly and took a more assertive stance on negotiations, repairs, and sale timing when there was interest in the property. In general, buyers' appetite for any sort of construction was very limited and Sellers paid handsomely for any required repairs, renovations or remodeling. With no urgency to buy and no artificial deadlines (like the tax credit), picky buyers were more apt to wait for just the right place to come on the market than take on a project. Buyer's "*construction reluctance*" reinforced the need for sellers to decorate, stage and maintain their homes prior to listing it for sale.

Median Sales Price

Although the tax credit skewed activity towards the early part of the year, market prices remained relatively stable throughout the year. Even though some buyers rationalized spending a little more than they should have (because of the \$8000 tax credit), there was not a lot of volatility in the median sales price. The median SOLD price hovered near \$190,000 across the entire Austin market.



Austin did see an uptick in the median SOLD price in the summer months, similar to previous years. While late spring and summer have traditionally yielded more buyers, more activity, and higher prices, the summer high was a bit more pronounced in 2010 as the pool of \$500,000+ home buyers came out of hiding before the fall school semester started.



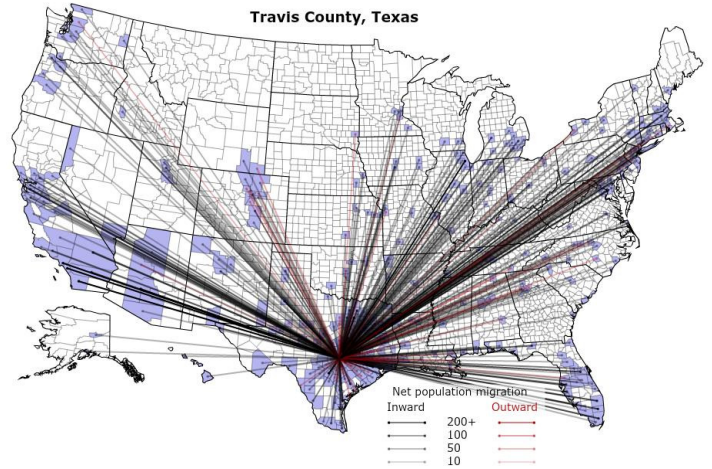
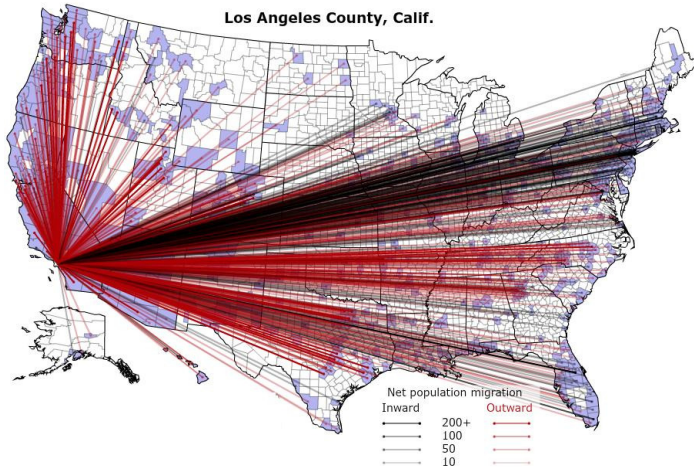
What is my home worth?

So, what does this mean for you? How has your home or neighborhood fared? If you would like a quick analysis (or snapshot) of recent sales, logon to www.sunshinewilson.com/market-snapshot.asp for a customized report. If you would like a more detailed report on your neighborhood or would like us to help you evaluate your home's value, please contact us.

Where Americans are Moving:

From:

To:



Source: Forbes.com and Internal Revenue Service data

Population Projections

	2000	2010	2020	2030	2040			
Austin MSA	1,249,763	1,712,647	2,292,737	3,030,478	3,958,933			
Bastrop Co.	57,733	81,717	112,096	149,340	192,599			
Caldwell Co.	32,194	38,724	45,622	51,469	55,752			
Hays Co.	97,589	164,078	250,886	355,508	469,394			
Travis Co.	812,280	992,773	1,168,738	1,336,648	1,498,569			
Williamson Co.	249,967	435,355	715,395	1,137,513	1,742,619			
Growth rates	2000-2010		2010-2020		2020-2030		2030-2040	
	Austin MSA	37.0%	33.9%	32.2%	30.6%			
	Texas	21.7%	21.6%	20.8%	20.3%			

Note: Texas' State Demographer produces multiple sets of projections based on alternative migration scenarios. The projections above are based on the experience of 2000-2007. For data based on other scenarios, click on the source link below. Projections by race/ethnicity, sex, and age group are also available.

Source: Texas State Data Center. 2008 Population Projections and Austin Chamber of Commerce