



Now best time to buy home, Houston economist says

By NANCY SARNOFF Copyright 2009 HOUSTON CHRONICLE

May 5, 2009, 7:27PM

The single-family housing market may prove to be the strongest of all of Houston's real estate sectors as the area plods through the economic downturn and global recession, said local economist Barton Smith at his annual real estate symposium Tuesday.

Even though the recession is just now beginning to unfold locally, this could be the best time to buy a home, Smith said.

Prices — already down 2 percent — may fall some more, but historically low interest rates won't last much beyond this year.

"I'm more bullish on the single-family market than any other," said the University of Houston economics professor and director of the Institute for Regional Forecasting. Smith, who spoke to a full ballroom at the downtown Hyatt Regency, also announced his retirement from UH and the institute after next spring's symposium.

Home builders were the first to get hit in Houston as the credit crunch and stringent lending standards made it hard for consumers to get a mortgage and builders to get construction financing.

They were also quick to respond to stress in the economy by cutting back on the number of new homes they built.

While the market correction isn't over, builder Will Holder said new home supply is getting tighter as builders make deals to unload unsold homes.

Holder said traffic at his new home communities is the highest it's been in two years.

"It's clear they haven't given up on the dream," he said.

But increased shopping isn't translating into as many sales, as Houstonians worry about the economy getting worse and the stability of their jobs.

Indeed, the labor market poses a big threat to the economy.

Over two years, Smith predicts about 60,000 job losses will hit the area as this region joins the nation in shedding jobs.

While that's nowhere near the severity of job losses during the 1980s, it will be the most Houston has seen since that time.

With the exception of government, virtually all sectors will experience some job losses, Smith said.

The energy sector, which propped up the economy throughout last year, will be hit hard.

The global economic meltdown shrank demand for oil and gas, causing prices to plummet and exploration to slow.

"Houston has lost its energy cushion," Smith said.

Other predictions from Smith's presentation:

- The apartment market will start to improve as fewer renters leave to buy homes.
- The office market will get worse, but the declines won't be dramatic.
- The retail market will be slower to recover with new supply coming online as retailers retrench.
- Industrial space will be affected by a decrease in manufacturing employment.

nancy.sarnoff@chron.com