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Residential Real Estate No Bubble in Houston



You may have read stories about the “real estate bubble,” and, in states like California, New York and Florida, that bubble may hold air. For the Houston market, however, our properties are still at a price point below the average for our nation’s major metropolitan areas.

Positive movement in the Houston residential market over the last several years has been the norm, as Houston continues to be one of the most affordable major cities in the United States in which to purchase a home. Low interest rates and an active economy are driving forces in our market place.

Sales Are Up – Inventories Are Down

According to the Houston Association of Realtors MLS statistics and the Real Estate Center at Texas

A & M University, the January 2006 single-family residential market saw a 13% increase in sales over last year, with a 4% increase in average price. Available inventory in the Greater Houston area is down 1% over last year, and, with an average of less than 90 days on the market for single-family product, we are still in a seller's market.



spawned new forms of development to Houston that did not previously exist in our land-rich market. High-density residential living has impacted the Inner Loop on a large-scale basis. The Inner Loop landscape today boasts predominately townhomes with 3rd-floor masters, new mid-rise condominium developments, luxury

high-rise developments and a sprinkling of work/live concepts that allow people to eliminate the commute. There has been increased competition for single-family lots, and soon it will be difficult to find a new-construction single-family home for less than \$500,000.

Favorable interest rates and a positive job market over the next several years will continue to drive increasing sales and a decreasing inventory in the Houston residential market. Lenders are offering new mortgage programs that, quite frankly, provide outrageous opportunities for first-time home buyers and professionals to

ALL CATEGORIES	January 2005	January 2006	Percent Change
TOTAL PROPERTY SALES	3,937	4,584	+16.4%
TOTAL DOLLAR VOLUME	\$652,834,102	\$774,030,303	+18.6%
AVERAGE SINGLE-FAMILY SALES PRICE	\$171,670	\$179,160	+4.4%
MEDIAN SINGLE-FAMILY SALES PRICE	\$132,300	\$138,110	+4.4%
ACTIVE LISTINGS	41,338	40,814	-1.3%
MONTHS INVENTORY	5.8	5.2	-9.3%

Statistical Information provided by Houston Association of Realtors MLS Monthly Press Release

purchase properties with less than nothing down or to address specific needs of individuals in different career fields.

For most buyers, two major factors determine where to live. Proximity to work, no surprise, is number one. The second, and many times equally important, factor is quality of life. In a city like Houston without zoning, one cannot always achieve both of these goals.

The Houston market is defined by at least three very different residential markets - inside The Loop, outside The Loop, and the outlying suburban areas. Let's take a look at what's happening in each of them.

Inner Loop - High Rises & High Prices

The Inner Loop has seen increases in land values of sometimes more than 100%. This appreciation has

Toto, We're Not in Kansas Anymore

In our market, developers should be careful because the same freedoms offered by our lack of zoning gives the opportunity to build projects that do not meet the needs of our buyers. Several condominium projects and high-density properties inside The Loop have not performed to the level of expectations of the developers, and, in many cases, this is because the developers were taking concepts that worked for them in other markets and attempted to create the same results here.

Outside the Loop - A Little of Everything

Outside-the-Loop development continues to be a combination of remodeled older homes, new construction



outlying communities build an atmosphere that invites the homeowner to participate in community-centered events.

Baby Boomers Have “Boomed”

As our population ages, our need for assisted living and senior community housing is growing. The increase in land prices has not been conducive for building products with master bedrooms on the 1st floor and other amenities favorable to this segment of our community. This is a void in the market place, and builders should take note that more efficient plans offering more square footage on the 1st floor, or single-story options, can easily sell for a premium.

Bottom Line - It's a Great Time to Buy

Houston will see continued positive growth and increase in value in our residential market. If you are not a homeowner today, there's no better time to purchase.

single-family, and townhomes with slightly more living area, master bedroom on the 2nd floor and living areas on the 1st floor. Here we found increases in land value ranging from 15% to 50%, and some of the higher-density projects inside The Loop have made their way to the areas just outside The Loop, but offering slightly more land and amenities than their Inner Loop counterparts. As people try to mitigate the factors between proximity to work and quality of life, this market will prosper.

The “Burbs” - Miles to Go Before I Sleep

As you move further out to the suburbs, the markets focus around large-scale developments where quality of life becomes the key factor, and there is an acceptance that commuting to work is necessary to obtain this lifestyle. These developments center around areas that offer what seems to be endless expansion opportunities, and many homeowners, when they resell, are left competing with the same builders that sold them their home. We will continue to see these communities increase their amenities to compete for the buyers willing to make this lifestyle commitment. From Sugar Land's Town Center to The Woodlands Waterfront, the

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