



Foreclosures May Trouble Area Through mid-2009

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Foreclosures will continue to trouble the local housing market through mid-2009, but energy prices and local job growth will help the area weather the national slowdown, University of Houston economist Barton Smith said at his annual real estate symposium today.

The starter-home market will feel the most pressure on prices as banks unload foreclosed properties onto the market, he said. But how much prices will be affected in the local market as a whole is hard to project, he noted. That's because prices of homes in the starter market, where foreclosures are more prominent, are dropping, but higher-end homes are seeing prices climb.

"It really is a tale of two markets," Smith said. Thirty-six percent of the 4,400 Houston-area homes pending sale today are foreclosed homes, he said. And about one-third of sales in the Houston-area in 2007 were financed with 100 percent mortgages. "You can bet we're going to get a lot of those back," he said, though he added that foreclosures should start to decline this summer.

Another worrying trend is the number of homes succumbing to foreclosure more than once. Several thousand homes were foreclosed at least two or three times in the past five years, indicating the homes are likely being flipped, Smith said.

As foreclosures rise, those homes will probably be harder to sell. Though most foreclosure worries appear to be concentrated in the low-end market, their effects could trickle up through to the higher end, Smith said. If homeowners in the starter market have a harder time selling their homes, homeowners in the higher-end market could find fewer available buyers from those looking to move up.

One thing that could help home prices will be the already slowing number of new home starts, which will tighten supply, Smith said. He expects home starts to range between 28,000 and 30,000 for the next three years. At about the same time Smith was talking about the area's housing outlook, local advocates for affordable housing rallied at the Federal Reserve building on Allen Parkway to call for tougher lending regulations. "Our message is for regulators to have a spine and issue stringent regulations that will actually protect consumers and toughen up on lenders," said Jayne Junkin, a local outreach coordinator for ACORN. "We want to help people who are in foreclosure, but we have to look at prevention as well."

Other predictions from Smith's talk:

- A national recession will put stress on the local market for retail space until 2012 as national retailers start to retrench.
- The local office space market should remain stable for a few years buoyed by the energy industry.
- Higher energy prices will keep Houston's economy growing but also make summer travel and air-conditioning bills more painful for Houstonians. The tighter budgets, in turn, will exacerbate debt and mortgage issues.
- Houston is likely to remain the fastest growing large urban area in the country, at least through the end of the decade.