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Texas Coastal Property a Shore Thang

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Not since the radio broadcasts of Eddie Chiles during the 1980's which prompted widespread displays of "I'm Mad Too, Eddie" bumper stickers - has Texas needed a spokesman - to combat the National Press Corps reluctance to say anything positive about Texas' real estate sales, financing, the economy, or homeowners.

The only thing slowing down Texas coastal real estate sales is all the negative news flowing out of California and Florida. The daily barrage of negative news in the national press has made millions of potential buyers, baby boomers and retirees gun shy when it come to real estate investments.

The floodgates of negative vibes reverberate throughout the industry. The fact is that the problems of California and Florida do not apply on the Texas Coast and here is why:

MLS figure show a slowing in the Texas Coastal market; however
**Texas Coastal Properties still greatly outperform the nation
and fourth quarter appreciation is at 6.9%.**

- Texas will outperform most of the nation in home appreciation.

- Texas will outperform the nation in employment.

- Texas is not forecast to have a major recession like Florida and California

- Texas has many economic advantages over the national average.

TEXAS COAST RESORT MARKET MLS SALES - COMPARING JANUARY 2008 TO JANUARY 2007						
Residential						
	Jan 1 - Jan 31, 2007		Jan 1 - Jan 31, 2008		Difference	
Area	Units	Dollars	Units	Dollars	Units	Dollars
South Padre Island	12	3,370,000	14	3,917,500	2	547,500
Laguna Vista	11	1,492,000	3	677,500	-8	-814,500
Port Isabel	2	412,000	3	943,000	1	531,000
Rockport	22	4,137,900	31	6,615,067	9	2,477,167
Matagorda Bay Area	8	721,000	11	1,026,850	3	305,850
McAllen	65	9,158,469	54	7,090,825	-11	-2,067,644
Galveston	112	28,208,562	91	21,640,658	-21	-6,567,904
Port Aransas	23	6,398,500	15	4,251,375	-8	-2,147,125
Crystal Beach	11	1,422,000	7	793,000	-4	-629,000

slight drops in some markets from negative press and buyer hesitancy

Appreciation

While appreciation has significantly slowed nationwide Texas appreciation is holding its own.

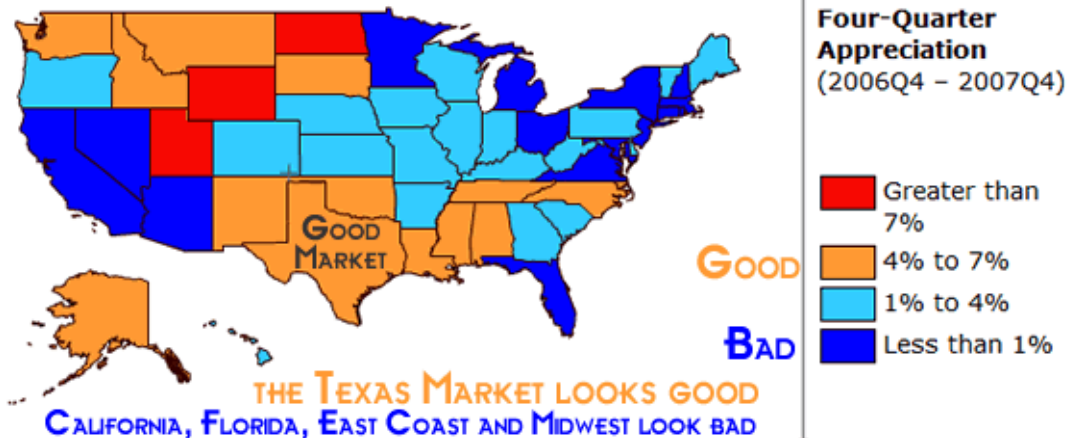
Texas real estate appreciation is strong according to OFHE, (Office of Federal Housing Enterprise). Home prices have decelerated in the last year. OFHE's House Price Index (HPI) reported price growth of 3.2 percent for the U.S. as a whole, down sharply from the 10.0 percent price increase over the preceding four quarters. Texas on the other hand has appreciation of 6.9%, more than double the National average.

There are several reasons Texas coastal properties are holding value.

Texas coastal property is substantially undervalued compared to the coastal properties in Florida and California. California and Florida enjoyed widespread national news coverage which led to wild growth and speculation in their coastal properties. Many areas in Florida and California are besieged by the nation's highest foreclosure rates.

While growth and appreciation is slowing along the Texas coast, the appreciation is outpacing the national average and coastal area foreclosures are not apparent.





You would think from reading the national press that a few areas in the Midwest, the East Coast, California and Florida are the entire country.

We all know this isn't true as this chart plainly shows.

Employment and Economic Growth

One of the most important aspects for the Texas coast is that while national economic growth is expected to continue to slow, Texas is still expected to experience an Economic Boom.

State job growth of 3.1 percent last year was triple the nation's 1 percent—and exceeded the state's long-run average of 2.8 percent for the third year in a row.] While declines in homebuilding were sizable, overall construction remained at high levels in Texas. Oil and gas drilling returned to heights not seen since the early 1980s energy boom.

A Texas recession isn't in the forecast. A relatively low cost of living continues to attract firms and residents to the state, and an economy that is more globally integrated than in other states boosts demand for Texas products and services. The state remains the global epicenter for a prosperous energy industry. And while real estate activity is slowing, Texas markets are healthier than those in many other parts of the country.

The Texas economy had a full head of steam as the storm arrived, and odds are good that it will handily outperform the rest of the country in 2008. Even so, the expansion will probably be below average for the state, with job growth likely near 2 percent.

The banking system is welcoming back many of the more creditworthy customers, but the process is expected to take some time. However, Texas coastal property is the land of second homes. The majority of second home purchasers can afford larger down payments; have above substantially above average credit and enough income to lead the industry to recovery once the mortgage situation corrects itself. Most important, while economic growth is expected to slow, Texas is still expected to outpace the national average.

In the longer term, Texas' location and cost advantages, fast-growing population and relatively buoyant economy put the state's housing industry in a strong position to respond when demand turns the corner.

The Texas Advantages

All circumstances point toward a Texas-sized boom between 2005 and 2030.

Texas will be affected by these economic challenges, but the Lone Star State has advantages that will help it weather the storm in 2008.

Exports: Texas exports more than any other state. Its international connections, large seaport and good distribution network help businesses find global markets when U.S. demand slows.

Over the past year, U.S. and Texas exports have been stimulated by declines in the dollar's value that have made these products less expensive in many countries. Not surprisingly, the rise in Texas exports has been greatest where currencies have appreciated the most against the dollar. Shipments experienced double-digit growth to France, Germany, Brazil, India, Japan, Singapore and Taiwan. Ports of Houston and Galveston are expanding to meet demand.



Energy: Texas is one of the few states that can claim high energy prices as an advantage.

In Texas, high prices stimulated worldwide demand for equipment and services and led to a resurgence of drilling in the state. The drilling surge has meant additional property owners are profiting from their mineral rights.

Expansion of refinery operations will pour over [twenty billion dollars](#) into Texas coastal areas of Galveston, Port Arthur and Beaumont. Ground has already been broken by Motiva on the largest refinery project in our nation's history.

Labor Advantage: Texans are among the state's biggest assets—they provide the labor necessary for strong job growth. In recent years, the population has grown twice as fast in Texas as the rest of the country.

Rapid job growth has given the state an increasing share of [U.S. employment](#). Roughly 7.6 percent of the country's nonagricultural workforce is in Texas, and that figure is growing. Last year, the Texas economy added workers at a faster rate than the nation added 31 percent of the country's private nonagricultural jobs. The Texas construction sector added 27,000 jobs—up 4.3 percent—while U.S. construction employment fell by 222,000—down 2.9 percent.

The real estate advantage: Texas real estate markets are no strangers to boom-and-bust cycles. A construction spike in the early 1980s left a large inventory of homes, offices and retail space that took a decade for the state to absorb. Memories of earlier excesses may have helped temper building here in the face of rapid growth in the rest of the country.

More likely, Texas real estate markets have stayed closer to fundamentals because strong economic growth absorbed new space as fast as builders could generate it.

With plentiful land, relatively few regulations and a large crew of workers, the Texas construction industry knows how to boom. Between 2000 and 2007, the state added over 1 million single-family homes. Even with this surge, the supply of homes doesn't appear to be too far ahead of demand.

Baby Boomers: The first wave of 3.2 million baby boomers turns 62 next year — 365 an hour. As to what affect this tremendous wave of retirees will have on the Texas Coast. The Lone Star State is being "discovered" by the rest of the country because of its affordable housing, lower cost of living and cost of business, greater employment opportunities and appealing lifestyle.

Conclusion:

The Texas housing industry faces a difficult year in 2008. Many potential homebuyers are unable to get financing or await news of a housing turnaround.

While Texas' housing sector is weakening, it remains healthier than the national average, and Texas metro markets are better positioned than many other parts of the country to thrive when housing demand turns the corner. Texas owes its housing affordability to ample land supply and relatively few regulations on construction.

Although conditions were better than in the rest of the country, homebuyers turned apprehensive, fueled by negative press out of California and Florida which dampened demand for both new and existing homes. In addition, more stringent lending standards associated with the subprime mortgage crisis makes financing more difficult than it has been in years.

According to anecdotal reports including the Dallas Fed's Beige Book, the higher-priced segment of both markets remained strong throughout the year, but sales of lower-priced homes dropped dramatically after August 2007. Texas coastal properties value remains strong.

In the longer term, Texas' location and cost advantages, fast-growing population and relatively buoyant economy put the state's housing industry in a strong position to respond when demand turns the corner.

Is the near future for Texas coastal property sales a bed of roses? Of course not!

However, the experts all agree that we are in a better position than the rest of the nation and on the cusp of a significant boom once the economy and the mortgage industry correct themselves as they always do. Sales have slowed, not stopped and the go getters of the real estate industry are still garnering sales.

While the current market conditions are tough, the future for the Texas coast is bright; we just need to scream it from the rooftops till someone in the national press takes notice.

Till then our fearless writers at the
[Austin American Statesman](#), [The Texas Real Estate Center](#) and [Texas Gulf Coast Online](#)

will continue the battle to achieve national attention for Texas.

**Dr. James Gaines,
research economist at Texas A&M
University's Real Estate Center**

says that a boom is coming sparked with retiring baby boomers who have the finances, ability and desire to purchase second homes.

And it appears that all the talk about the nation's unstable housing market does not apply as heavily to Texas or to those looking for a retirement or vacation home.

The market for second homes is good in Texas and interest rates are still low.

Texas has much of what people want water, good weather and views. Those are the elements that attract people to second-home locations.

The Lone Star State is thriving economically. It is the new hot spot for retirement, according to a recent study using U.S. Census data.

Click on the links below to learn more about the current status of the Texas Gulf Coast Real Estate markets.



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Rating

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Comments

By [CNN Money](#) @ Thursday, March 27, 2008 7:12 PM

The fast-growing areas in the United States are in the Sunbelt, with Texas leading the way, according to data released today by the U.S. Census Bureau.

Dallas-Fort Worth added more than 162,000 residents between July 2006 and July 2007, more than any other metro area. Three other Texas cities — Houston, Austin, and San Antonio — also were in the top 10.

Experts credit much of the growth in the South to strong local economies and housing prices that are among the most affordable in the United States.

A report earlier this month by Global Insight found that housing prices in the Dallas area were undervalued by as much as 30 percent.

By [Forbes](#) @ Thursday, March 27, 2008 7:23 PM

Strong in-migration and local economic pop carried Austin as a seller's market.

It finished fourth overall in sales rate to inventory size and has had the fifth-best home price appreciation figures of the large markets Moody's measured. Its mediocre 14th best market tightening ranking can be attributed, in large part, to its small inventory excess.

A 1.5% vacancy rate, like Austin's, is where the national average stood during the most recent housing boom. In other words, that low a vacancy rate indicates a housing market at close to full capacity.

By [BOB MOOS The Dallas Morning News](#) @ Thursday, March 27, 2008 10:15 PM

Watch out, Florida. Texas has emerged as the No. 2 retirement mecca, vaulting over Arizona and California. And the Lone Star State is gaining on the Sunshine State.

The North Carolina Center for Creative Retirement, which is nationally known for tracking retirement migration trends, studied data from the U.S. Census Bureau on the number of Americans who move out of state to enjoy their golden years.

Texas, which was the No. 4 destination based on 2000 data, has leapt past No. 2 Arizona and No. 3 California.

Texas' lower living costs give it a distinct advantage, he said, especially over states like California and Florida, where home price increases in the last few years hit bubble proportions.

By [US census.gov](#) @ Friday, March 28, 2008 8:24 AM

Dallas-Fort Worth and Houston Lead Metro Areas in Numerical Growth

Dallas-Fort Worth had the largest numeric gain of any metro area between 2006 and 2007, increasing by 162,250, according to July 1, 2007, estimates of metro area population size and growth released today by the U.S. Census Bureau.

Houston gained (120,544)

By [SUSAN CARROLL Houston Chronicle](#) @ Friday, March 28, 2008 10:22 AM

The Houston metropolitan area ranked fourth in the nation for overall population growth between 2006 and 2007, according to new census data — an increase demographers attributed largely to the region's economy.

The Houston-Sugar Land-Baytown area attracted slightly more than 120,500 new residents from July 2006 through July 2007, according to U.S. Census Bureau estimates released today for geographic regions known as metropolitan statistical areas.

The Dallas-Fort Worth-Arlington area ranked No. 1 in the nation in terms of raw population growth, and Austin-Round Rock and San Antonio also made the top 10. Karl Eschbach, director of the Texas State Data Center in San Antonio, said the job market and economy are driving the state's population growth.

"It's the combination of international and domestic migration that's pushing Texas cities to the top," Eschbach said.

New Orleans showed the first signs of recovery in the population estimates, though Eschbach warned that does not necessarily herald a "rapid recovery." After reporting record-setting population losses after Hurricane Katrina in 2005, the New Orleans metropolitan area had an estimated population increase of about 39,885 from summer 2006 through 2007, making it the eighth-fastest-growing in the nation.

"The most important thing about the data for the New Orleans area is how modest the population gains have been, given the magnitude of the losses there," Eschbach said. "It's not cause for excitement."

Barton Smith, a University of Houston economist, said about two-thirds of Houston growth is from migration, surpassing additions from the birth rate.

"That only happens when the economy is doing substantially better than other places," Smith said. "Houston's economy is going to continue to outperform the national economy in a significant way, so when unemployment starts to creep up in other parts of the country, many people are going to leave Michigan and Ohio and Florida and look for jobs in Texas."

The Dallas-Fort Worth region increased by 162,250, followed by the Atlanta (151,063) and Phoenix (132,513) areas. Austin-Round Rock was the nation's fifth-fastest-growing metro area, at 4.3 percent, as well as the eighth-largest overall population gainer, at 65,880, according to the census.

By Michael Stuart @ Saturday, March 29, 2008 9:24 PM

Sales on the coast are brisk for existing homes where picky buyers are finding deals from sellers who are offering their property below the market values from the peak in 2006.

As Vacation homes/Second homes are a discretionary purchase, many willing and able buyers are just sitting on the sidelines to see how the housing market works out.

Pre-construction sales have almost stopped, as the more speculative the product, the more buyer fears take effect.

New development Lot sales are also very slow, same reasons, buyer's fear the developer will not finish the project or that the project could be a construction zone for a prolonged period of time.

New products that are moving well are either very remarkable products, such as luxury high-rises or new developments where all the common amenities are completed (pool, landscaping, etc.), many of new homes are already completed - and a sense of community is already established.

By Walter Molony Realtor.org @ Saturday, March 29, 2008 9:37 PM

Second-Home Sales Accounted For One-Third of Transactions in 2007

The combined total of vacation- and investment-home sales declined with the overall market in 2007, but still accounted for 33 percent of all existing- and new-home sales, which is close to historic norms, according to the National Association of Realtors®.

The market share of homes purchased for investment last year was 21 percent, down from 22 percent in 2006, while another 12 percent were vacation homes, compared with a 14 percent market share in 2006. The total share of second homes declined from 36 percent of transactions in 2006.

NAR's annual Investment and Vacation Home Buyers Survey shows vacation-home sales dropped 30.6 percent to 740,000 in 2007 from a record 1.07 million in 2006, while investment-home sales fell 18.1 percent to 1.35 million last year from 1.65 million in 2006. At the same time, primary residence sales declined 10.0 percent to 4.34 million in 2007 from 4.82 million in 2006.

Lawrence Yun, NAR chief economist, said the findings suggest different cycles for each of the sectors over the past two years.

"Investment-home sales declined sharply in 2006 as speculators disappeared, leaving the market to serious buyers, with the pattern continuing in 2007," he said. "Vacation-home sales rose to a new record in 2006 because there was a pent-up demand from buyers who couldn't find a property as a result of tight supplies in preceding years."

The overall sales decline in 2007 resulted from a combination of factors. "Certainly, second homes are discretionary purchases and there is a natural tendency to pull back from big-ticket items in periods of uncertainty," Yun said. "The other factor is the disruption in the mortgage market, with a significant tightening of credit during the second half of 2007. Some buyers simply adopted a wait-and-see attitude."

Yun said lifestyle factors and strong demographics remain positive for the vacation home market. "Investment considerations are secondary for vacation-home buyers, so there is some dormant underlying demand," he said. "A peak of population is moving through the prime years for buying recreational property. It is welcoming to see investment sales returning to pre-boom sales activity."

The median price of a vacation home was \$195,000 in 2007, down 2.5 percent from \$200,000 in 2006. The typical investment property cost \$150,000 last year, unchanged from 2006.

Fifty-nine percent of vacation homes purchased in 2007 were detached single-family homes, 29 percent condos, 7 percent townhouses or rowhouses, and 5 percent other. In 2006, single family homes accounted for 67 percent of vacation-home sales, while condos were 21 percent.

There were no significant changes in investment housing types. Sixty-one percent of investment homes purchased in 2007 were detached single-family homes, 20 percent condos, 11 percent townhouses or rowhouses, and 8 percent other. Twenty-eight percent of vacation-home buyers paid cash for their property, as did 35 percent of investment buyers.

Sixty-five percent of vacation home buyers and 71 percent of investment home buyers purchased existing homes, while the remainder purchased new homes.

The typical vacation-home buyer in 2007 was 46 years old, had a median household income of \$99,100, and purchased a property that was a median of 287 miles from their primary residence.

In listing the reasons for purchasing a vacation home, 84 percent of buyers wanted to use the home for vacation or as a family retreat; 30 percent to use as a primary residence in the future; 26 percent to diversify investments; 25 percent to rent to others; 16 percent for the tax benefits; 14 percent for use by a family member, friend or relative; and 6 percent because they had extra money to spend.

Last year, 19 percent of vacation homes were purchased in the Northeast, 16 percent in the Midwest, 41 percent in the South and 24 percent in the West. In terms of location, 30 percent of vacation homes were purchased in rural areas, 20 percent in resorts, 20 percent in a suburb and 14 percent in an urban area or central city.

Investment-home buyers last year had a median age of 42, earned an income of \$92,900, and bought a home that was relatively close to their primary residence – a median distance of 27 miles.

When asked about the most important reasons for their purchase of an investment home, 51 percent said to provide rental income; 39 percent to diversify investments; 21 percent to use for vacations or as a family retreat; 16 percent for use by a family member, friend or relative; 11 percent for tax benefits; 10 percent to use as a primary residence in the future; and 4 percent because they had extra money to spend.

Twenty-three percent of investment properties purchased in 2007 were in the Northeast, 19 percent in the Midwest, 38 percent in the South and 21 percent in the West.

Thirty-nine percent of investment homes were purchased in a suburb and another 20 percent in an urban or central city area, 21 percent in a small town, 15 percent in a rural area, and 5 percent in a resort area.

Vacation-home buyers plan to keep their property for a median of 10 years; 38 percent plan to keep their vacation home for 11 years or more. Investment buyers plan to hold their property for a median of four years, with 29 percent planning to keep for six years or more. However, 10 percent of investment buyers plan to sell in one year or less.

Eight in 10 second-home buyers consider it a good time to invest in real estate, compared with 59 percent of primary residence buyers. Forty-four percent of vacation-home buyers and 57 percent of investment buyers said they were likely to purchase another property within two years.

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