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Shortfall continues on A11

Source: mississippiriverdelta.org

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Housing market holds up, but future uncertain

By Nancy Sarnoff



Karen Warren / Houston Chronicle

Realtor Julie Tam shows house-hunters Andrew Chen and Yuki Li a house on April 3 in Sugar Land.

One Tuesday morning last fall, Sheldon Bloch checked his computer for new home listings and saw a four-bedroom in the Meyerland area that looked promising. He and his wife, Pat Deeves, knew from experience they had to act fast.

The dogged house-hunters drove past and phoned their real estate agent. That afternoon, Bloch called their mortgage broker and Deeves penned a letter to the sellers. They offered thousands more than the

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asking price.

After almost two years of wrestling Houston's real estate market at its most challenging, Bloch and Deeves had finally won — and now it was their turn to call the shots.

The couple listed their old house in January, then waited. Six weeks later, they dropped their price

by \$15,000 — and waited another week before making a sale.

"It was the flip side of the fall experience," Deeves said.

A new reality is settling in on the local real estate market as Houston confronts its first serious economic hit in years. After

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Asparagus

Home prices may make more of a 'soft landing' than downturn

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years of white-hot growth, some houses are sitting on the market a little longer, and builders have started offering perks to lure prospective buyers. In February, sales dropped at the fastest rate in nearly a year. For some, the shift was jarring.

"I'm just happy to be done," Deeves said last week. "I'm so relieved."

And yet, it's hard to get a clear picture of where housing is heading. Prices keep shooting up, and sales have ping-ponged in recent months. The downturn may have been bracing for may be more of a "soft landing" as a historically low supply of properties for sale combined with sustained job growth help to bolster the market.

"With all the naysayers and prophets of doom, I thought this would be the end of the hunt," said longtime Houston Realtor Toni Nelson. So far, "I just don't see it."

'Never seen it so hectic'

In today's market, it seems that for every seller scratching her head over why her house hasn't sold, there are two buyers who can't find a home.

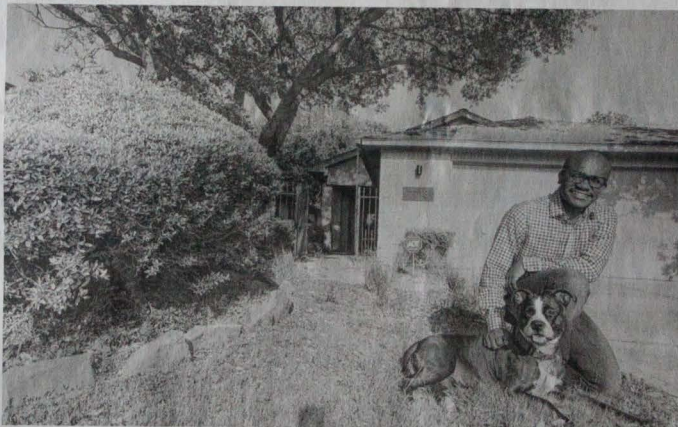
Andrew Chen has made offers on five houses in the past six months only to be outbid each time by someone willing to pay more or with a bundle of cash in hand.

On Good Friday, Chen and his fiancée made an appointment to see a house in Sugar Land that had just gone on the market. By the time they got there, the seller already had multiple offers and was accepting bids through the following Monday.

"I've been in Houston pretty much most of my life, and I've never seen it so hectic before," Chen said. "I'd expect it in California or New York, but I never really expected it in Texas."

But even if the market avoids an all-out crash, it can't remain this hot forever.

The lack of supply that created the housing frenzy is bound to relax as builders put more homes on the ground and the huge ranks of buyers moving here for lucrative oil industry jobs thin out as energy firms cut



Melissa Phillip / Houston Chronicle

Gary Fondel and his dog, Etta, pose at their home at Inwood Forest. He had lost out on four other houses he wanted before he nabbed this one last year in this 1960s-era neighborhood on Houston's north side.

billions in spending amid the ongoing recent crude price free fall.

"It will still be a good year, but people need to be prepared that it's not going to be the same of what we've been seeing the last three years," said Scott Davis, regional director in Houston for Metrostudy, a residential data and consulting firm.

Houston-area employers are adding jobs at a much slower rate. Last month, an economist from the Houston Branch of the Federal Reserve Bank of Dallas said this year could end with as few as 20,000 new jobs. Others have been more bullish on their predictions, but employment growth isn't expected to come close to its annual peak of 125,300 jobs recorded in November.

Uncertainty over the oil markets and the direction of the local economy is adding another level of complexity to the local housing market, said Jim Gaines, an economist with the Texas A&M University Real Estate Center.

"Uncertainty has always been any economy's worst enemy," he said. "When folks are uncertain they tend to do nothing."

The oil crunch is expected to hit sales of higher-end homes, a segment of the market that drove much of the recent growth.

"If you're CEO of a company and you just laid off 20 percent of your workforce, you're not going to go buy a \$2 million home," Davis said.

Builders have also started feeling the pinch.

Some have offered buyers gift cards to home-improvement chains and discounts toward options and upgrades — the types of giveaways that disappear during booms.

When opening its newest section of homes earlier this year, the developer of the Bridgeland community in Cypress promoted a \$2,500 raffle for shoppers who toured model homes. As part of the promotion, consumers who signed a contract during a grand opening period were given a \$1,000 gift card they could redeem after closing.

Not bad for now

Will Holder, president of Trendmaker Homes, said builders may decide to delay some construction over the next six months, but "that's about as bad as I think it will get."

Virgil Youkam, general manager of the Woodforest master-planned community north of The Woodlands, said he's watching closely for any signs of stress in the Montgomery County housing market.

For now, he said, there's still good demand, includ-

ing interest from buyers who work for Exxon Mobil Corp. The energy giant has started filling up its new campus for 10,000 employees south of the area.

"I'm watching the oil-and-gas-related consumers to see if they're still buying or canceling transactions, and we don't see that yet," Youkam said.

Across the region last year, the median price per square foot for a single-family home was \$89, up 10 percent from 2013, a home price analysis by the Houston Association of Realtors shows. The full median price reached an annual price record of \$199,000, according to the study, which looked at prices of 75,319 homes sold through the Multiple Listing Service last year in Harris, Fort Bend, Montgomery, Galveston and Brazoria counties. About 15 percent of those homes were new.

Yau "Julie" Tam, a partner at Lyn Really who represents Chen, said the local market has slowed some, but there is still stiff competition in certain neighborhoods and price bands.

She recently represented a buyer who closed on a \$4.4 million house in the Memorial area that was the subject of two other offers. Another one of her buyers submitted an offer for a property in Rice Military that included bank state-

ments, "to show she was a slam-dunk for loan approval."

For Gary Fondel, the fifth time was the charm.

He had lost out on four houses in Inwood Forest before he finally nabbed one last fall in the 1960s-era neighborhood inside Beltway 8 on Houston's north side.

Values in the neighborhood plummeted after the area's golf course closed in 2007, but they've bounced back as more people discover the area's proximity to downtown and the airport, Fondel said. Young people are moving in after getting priced out of closer-in neighborhoods.

Fondel bought his updated three-bedroom home last fall for \$115,000, and he's already seen appreciation. "I could probably re-list it today at \$135,000 or \$140,000, and I haven't done anything with it," he said.

First-time buyers and those who were shut out of the market may find themselves with more options this year.

Many homeowners who have wanted to move have been stuck in their homes either because inventory has been so low and they couldn't find anything to buy or prices were too high.

The supply of homes for sale has ticked up over the

past couple of months, but it's still well below what's considered a balanced market where neither buyer nor seller have the upper hand.

Last week, Chen and his fiancée finally had an offer accepted on a house in Sugar Land, but they ended up paying more than they wanted to spend by bidding more than list price and offering to pay some of the seller's costs.

Even though lending standards remain stringent, particularly for entry-level buyers, some builders are starting to target these groups.

D.R. Horton has a brand of entry-level homes called Express that Davis said he has heard is "doing phenomenally well on the west side of town."

Highland Homes is also rolling out new homes for first-time buyers.

"Many of the builders are targeting that market," Davis said. "One of the up-sides of reduced energy prices is it has dramatically improved consumer budgets because gas prices are lower."

More trials to come

Recent housing data hardly provide a clear picture of the market's future.

The first decline to be felt in a while happened in February when sales dropped nearly 7 percent. But sales turned up again in March.

Sales activity was essentially flat during the first three months of the year, but the median home price rose 8 percent to \$199,333. Assuming oil prices stabilize this year, 2016 will bring other challenges.

Next year's presidential election, for example, is the type of political event that often leads to consumer caution.

"As soon as we have worked through all the anxiety over oil, then we're going to roll into what looks to be a highly contentious election," Davis said.

When asked if he thought 2014 was the peak for Houston housing, Holder described the market like a "wave."

"I think it was probably the peak of that wave," he said. "There will be a dip, and then it'll go back up."

The supply of homes for sale has ticked up over the

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