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A construction worker moves boards at a new home site in West Des Moines, Iowa. Sales of new homes improved last month after the worst summer in nearly five decades.

New home demand up as building permits fall

A lot of indicators hint that the market will improve, official says

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Building permits locally and nationally have fallen as the demand for new houses rises.

Upstate building permits dropped 14.8 percent from second to third quarter, and they were down 3 percent year to date, according to data collected by Knoxville-based Market Edge.

Regionally, permits fell across the board in September. The Northeast posted a 1.5 percent decline, the Midwest a 4.3 percent decline, the South a 4.7 percent decline, and the West a 10.6 percent decline, according to the National Association of Home Builders.

Also in September, sales of newly built, single-family homes rose 6.6 percent to a seasonally adjusted annual rate of 307,000 units, their best pace since June, the NAHB and U.S. Commerce Department said.

"Builders are cautiously responding to the small improvement they are seeing in interest among potential home buyers," said Bob Jones, NAHB chairman.

"However, as consumer demand for new homes rises, a major limiting factor for a housing recovery continues to be builders' inability to access credit for new construction," he said.

The Upstate region as defined by Market Edge's data — Greenville, Pickens, Anderson, Laurens, Abbeville, Greenwood, Oconee and Spartanburg counties — had unusually big years for new construction in 2005-2007, with 9,705, 9,467 and 8,023 in permits, respectively.

The Upstate had 2,623 permits issued in 2009, and 755, 643, and 548 in the first, second and third quarters, respectively, in 2010.

"These totals are not fantastically impressive-like, but the good news is there's a lot of indicators in the market that make you want to think that the market is going to get better," said Dale Akins, president of The Market Edge.

One of those indicators Akins cites is the E/P ratio, which measures housing demand.

Demand in both Greenville and Spartanburg bottomed out in late 2009, he said, and has been improving since then. The reason for that, he said, is the labor force is starting to improve, and the job numbers are getting better.

Greenville County had nearly 3,000 new home permits in 2006 and 620 as of August 2010, according to a county codes enforcement report.

Bob Mihalic, county spokesman, said, "Given that credit is tight, most who apply for a permit have most likely been approved and are just about guaranteed to build.

"In the past, permit numbers have been higher than actual builds because there was some speculation. But now, an issued permit truly indicates a home will be built," he said.