Optimism fuels home building



BART BOATWRIGHT / Staff

Kevin Duenas helps frame a house on Roper Mountain Road in Simpsonville on Tuesday.

Spike in April numbers best since '08

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Greenville builder Tom Dillard is constructing something he hasn't attempted in two years — a spec house.

The 40-year-old president of Dillard-Jones Builders is feeling better about his industry, and he's betting big on it with a Southern Living Showcase Home in the Claremont subdivision. It will be ready to show in November and come with a price tag in the range of $700,000.

"This is obviously an expression of our confidence in the market, because this is a price point that has been slower to rebound," Dillard, also serving a term as president of the local Home Builders Association, told *The Greenville News*.

That optimism is being felt in markets all around the country as the long freeze in residential real estate starts to thaw. The government said Tuesday that construction of new homes rose more than expected in April, with a 5.8 percent spike that was the best monthly performance since October 2008, when the market collapsed when stocks nosedived.

Dillard said he is seeing other signs of springtime in residential construction, like a brisk pickup in his renovations business. And that's important, he said, because the dynamics of renovations can't be traced to the government program that helped first-time buyers with a tax credit.

"The renovation side doesn't correlate to anything except consumer confidence," he said. "Two years ago, people were holding on to what they had, whether it was their ability to borrow or their money in the bank. We're cautiously optimistic."

So are builders across the United States. The National Association of Home Builders said its Wells Fargo Housing Market Index gained three points to 22 in May, its highest point since August of 2007.

David Crowe, the trade group's economist, said he was encouraged "that sales expectations for the next six months continued to gain, despite the expiration" of the tax credits at the end of April.

"This means builders are more comfortable that the market is truly beginning to recover," he said.

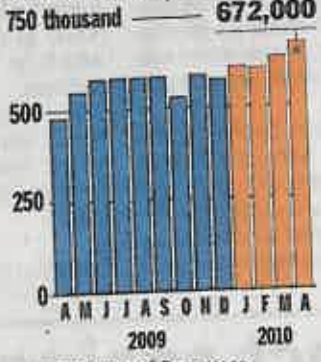
Michael Dey, executive vice president of the

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U.S. housing starts

New privately owned housing units started:

Seasonally adjusted annual rate



Source: Dept. of Commerce

Residential building permits on the rise

Upstate building permits are up more than 20 percent in year-to-date totals.



Source: The Market Edge, Inc.

SUZIE RIDDLE / Staff

HOMES

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Home Builders Association of Greenville, said residential building permits, a harbinger of future construction, began ticking up here in December and have been relatively steady ever since, trending higher month to month than in 2009.

"What we've seen is a gradual buildup of permits over time, which is fairly indicative of Greenville," he said. "We're not one of these boom-and-bust markets."

Dey said the tax credits are clearly behind some of the activity, but that there also is "some underlying demand that's starting to be met as the market improves."

The importance of rising building permits isn't lost on those in the industry, as permits bought from the county aren't inexpensive and are rarely wasted.

What's more, building permits are now a more accurate predictor of construction because builders aren't starting many speculative projects.

Before, a month in which the county issued 375 permits might result in 360 actual homes, said county spokesman Bob Mihalic.

Now, in order to get money from the bank, a builder often has to have a signed contract, which means that by the time he buys a building permit, a house is likely to be completed, Mihalic said.

The cost of a Greenville County permit is based on factors such as a home's square footage, number of fixtures and other things. Permits from homes in the $200,000 to $300,000 range cost between $400 and $500, Mihalic said, while Dey said some permits can run up to $5,000.

The county reported 54 housing starts in January, 87 in February, 128 in March and 76 in April.

A spike in Upstate building permit applications in the first three months this year put homebuilders in a better mood than they had been in years.

Consumer optimism seemed to be what was driving the 20.2 percent rise in building permits, the best quarterly showing since residential construction activity began slowing in 2005, The Market Edge reported.

Thoughts on the economy's direction casts a long shadow, because consumer spending amounts to two-thirds of economic activity in the United States, affecting everything from restaurant receipts to big-ticket decisions.

The region had 755 applications for new residential construction in the first quarter of 2010, compared with 628 permits the same period of 2009, according to Knoxville, Tenn.-based Market Edge.

The region bottomed out in the fourth quarter of 2008 with 575 building permits and has been improving since, said Dale Akins, president of The Market Edge.