

David Thompson works to secure an engineered beam near the kitchen of an Aberdeen Drive home. Housing permit activity fell 8.5 percent in Greenville.during the first quarter, but analysts expect it to pick up. MYKAL MCELDOWNEY/STAFF

Weather cools Q1 building permit activity in Upstate

Industry officials say builders remain cautious after recession

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Extreme winter weather and a weak labor market may have dampened one metric for economic growth in the Upstate during the first quarter.

The Upstate had 1,000 building permits for single-family homes in Q1 2014, a dip of 1.4 percent compared with the same period last year, according to a quarterly report compiled by The Market Edge, a Knoxville-based firm that tracks such data.

The eight-county region defined as the Upstate in the report includes Abbeville, Anderson, Greenville, Greenwood, Laurens, Oconee, Pickens and Spartanburg. Four of those counties had decreased residential permit activity, ranging from a drop of 1.7 percent in Spartanburg to a 57 percent decline in Laurens, the report said. Permit activity fell 8.5 percent in Greenville.

Markets were flat or down in many Southeast markets tracked by The Market Edge. But Dale Akins, president of The Market Edge, said one quarter does not a trend make because it's such a small time frame, he said.

Akins said extremely cold winter weather and a weak labor market played a role in the first quarter's residential building permit activity. But he expects activity to heat again in the third and fourth quarter.

Michael Dey, executive vice president of the Home Builders Association of Greenville, said the rate of growth in residential building permits slowed to the point where there really wasn't any growth in the first quarter.

The Upstate is experiencing a lack of inventory, Dey said. At the same time, he said, "builders, in particular, are looking at the level of production and the level of demand. They're starting to pull back a bit just out of an abundance of caution, which, based on where we've been, is pretty smart," he said.

"I think we are seeing a new normal in terms of the level of production we can expect," Dey said. "Obviously, we were way off during the recession in terms of production and I do worry a bit that

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we're still (off) in terms of not producing enough new housing.

"The reason I'm concerned about that is housing prices have exceeded what I think most economists consider normal. That's not just true here in Greenville. It's true in Raleigh, Charlotte, and it's true in other markets in the Southeast," he said.

The U.S. is about 44 percent of normal in terms of the number of permits being authorized, while Greenville is to the April National Association of Home Builders (NAHB)/First American Leading Markets Index (LMI). The monthly LMI identifies metropolitan areas that are approaching and exceeding their previous normal levels of economic and housing activity.

The U.S. labor market is 95 percent of normal, while Greenville is at 94 percent, according to NAHB senior economist Michael Neal.

"The Greenville residential permits market, the construction market, is actually closer to normal, but the consumer might be held back slightly because it's a little less able to find employment," Neal said. "That differs slightly from the national story where employment is a little better and now we need the construction side to come back."

Neal said there is evidence across the nation that consumers are willing to buy homes.

Their appetite for durable goods and vehicles is rising and that's a good indicator, he said. At the same time, their debt on their balance sheet is actually declining. That should provide some level of capacity for them to actually purchase or borrow in order to buy a home, he said.

Mike Freeman, president of the Home Builders Association of Greenville, said his company, Freeman's ACA/Firewood Contracting, is seeing that demand firsthand.

"Typically we only build two to three new homes a year," he said. "We currently have two under construction and the year's just starting."

Issues holding back some builders from constructing homes include limited available lots and a tight labor supply, Neal said.

Locally, there is a shortage of lots because a lot of production builders have come in and bought up the subdivisions that were just sitting there, Freeman said.

Now, "we're trying to figure out where to start building again and trying to get approval from Greenville County on subdivisions," Freeman said. "There is a concern that we need to start looking at and addressing."