

Why Build Now?



By Joanne M. Anderson

Recession notwithstanding, building a house now could prove favorable on several fronts. The obvious one is interest rates, still at historic lows. "Banks are currently borrowing money from the federal government at almost zero percent, which means your cost to borrow money is very inexpensive," explains James Oliver, president of Highlander Construction & Development in Radford. "Eventually, the government will raise interest rates to stave off inflation, so the cost of borrowing money will increase, which raises your monthly payments and reduces the amount of money you can borrow."

Good builders and contractors may not have the long waiting lists they once had and could move faster on home construction. Small builders could be available right now. "In fact, some have registered for the Home Expo in March because they don't have anything else to do," states Jennifer Cooper, executive officer for the New River Valley Home Builders Association. "I am pleased to see this sort of smart business planning among our members as it utilizes personnel during an otherwise lean time, and marketing during a bad economy creates an advantage for that business because many competitors have cut back on marketing."

Energy efficiency has moved beyond experimental to almost imperative, as well as readily available. "This hot topic has generated many materials, experts and products," says Cooper. And she goes on to remind readers of the 30 percent tax credits for energy efficient building that incorporates renewable energy such as solar panels and hot water heaters, geothermal heat pumps and small wind energy systems.

"The recession has stabilized the cost of building a new home," states Oliver. "Due to the decreased demand for

building lots and construction improvements, prices have stabilized and in some areas actually decreased."

According to a cnnmoney.com article titled "Building your Dream House Now" by Money Magazine contributing writer Carla Fried: "Behind the dark clouds hanging over the housing market is a very compelling silver lining- the cost of building the home of your dreams is coming down. 'If one or two years ago it cost you \$300,000 to build a custom home, today it should cost tens of thousands of dollars less,' says Jim Haughey, chief economist at Reed Construction Data. And because overextended developers picked up too much land during the bubble - and are motivated to sell - some lots are becoming dirt cheap. Land prices (often the single biggest expense for custom homes) in certain areas have fallen more than 20% in the past year or two."

"Despite the current economic conditions, real estate has always proven to regain and hold its value," states Oliver. "As the economy improves, the prices of land and construction materials, like oil - which is used in the production and transportation of most building materials - will also go up."

Cooper concurs: "Owning a home builds equity and helps grow your personal wealth over time. Low prices now mean you will likely realize a substantial return on your investment since housing historically appreciates over the long term."

Favorable interest rates, decent construction materials costs, willing and capable builders and subcontractors without a year or more waiting list, personal investment - hmmm. The question becomes: Why Not Build Now?