

James Oliver of Highlander Construction builds homes such as this one in High Meadows. Oliver said a “perfect storm” of conditions — lot availability, low construction loan interest rates and competitive labor and materials pricing — makes now the best time to build a house.



A perfect storm of building opportunities

By Sarah Cox

One winter evening a builder was talking to his parents, who said they thought they'd put off building a home for their retirement until the economy started to turn around. The builder countered by arguing that the recession was, in fact, the perfect time to build a new home.

James Oliver, the builder and president of Highlander Construction, contended that now presents the “perfect storm” of events — low construction loans, stabilization of labor and materials, and availability of buildable lots.

“I think you have, right now, a wider selection and more of an inventory than we have seen in the last 10 to 15 years. Three years ago, if you wanted to find a lot in Blacksburg — good luck. But now there are a lot, and that's a sign of the times,” said Oliver.

Oliver said he came up with this concept, “a recession is terrible thing to waste,” after looking at the forecast, construction loan interest rates and land availability.

He gave as an example Freddie Mac's Primary Mortgage Market Survey that was released the week of Jan. 25. It stated that fixed-rate mortgage and construction loan interest rates were at historic lows.

“In fact, both 30-year fixed-rate mortgages and 15-year fixed-rate mortgages are down from this time last year,” he said.

Oliver also pointed out that banks are borrowing from the federal government at almost zero percent, and passing that savings along to their customers.

“Eventually, the federal government will raise interest rates to stave off inflation. This is a bubble that is going to burst — they will go back up — but interest rates should be fairly stable for the next few months,” he said.

People are hungry for work, he added, so labor costs are competitive. Materials costs are low because of the lowered cost of petroleum. And all those lots that are available?

“You don't have builders competing to buy those lots, either; builders can't get loans to build speculative housing right now, so they're not buying lots,” he said.

“The demand is just not there.”

Despite the current economic conditions, Oliver said real estate has always proven to regain and hold its value, because there is a finite amount of property available. And just like oil prices, real estate prices will go back up. And then homeowners can also take advantage of those tax credits — the extension of the \$8,000 first-time homebuyers credit and the new \$6,500 credit for qualified repeat homebuyers.

However, the price of buildable lots is contingent, as always, upon location. Oliver said one subdivision in Radford has not succumbed to competitive low pricing because of demand. High Meadows, which he referred to as one of the few nice, truly developed private subdivisions in Radford, is popular.

“There are a tremendous amount who live there with families, and the Radford schools are great. There are only three other lots to build on in High Meadows, so that dictates not touching the price of the lot, but that's not the case in other subdivisions, where one can find sharp discounts,” he said.

BUILDING STATISTICS

❖ According to the National Association of Home Buyers (NAHB), despite the recession, builders are continuing to reduce the inventory of new homes for sale, which has been reduced to 231,000 houses, its lowest level since April 1971, despite an 80 percent increase in the number of U.S. households since that time.

❖ Also from the NAHB, single-family housing starts fell to an average annual rate of 456,000 in December 2009, down from 490,000 in November, when many builders may have decided to rebuild their inventory of lower-priced homes to continue to take advantage of the tax credit.

❖ Multi-family starts in 2009's first quarter averaged a seasonally adjusted annual rate of 169,000, about half what it is during a good year, and then fell to 81,000 by the fourth quarter. Multi-family starts in 2009 totaled a 110,000 units, compared to 283,000 in 2008, 309,000 in 2007 and an average of 342,000 for the 10 years from 1997 through 2006.

