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Recovery: RIBA members see cause for cautious optimism



Paul Eno, New River Press

The proverbial "light at the end of the tunnel" seems to be getting a little brighter. With cautious optimism, both the National Association of Home Builders (NAHB) and the Rhode Island Builders Association (RIBA) are noting signs that the housing market is beginning to pick up, both nationally and locally.

NAHB reports that "more buyers are finding the current historically low interest rates, stabilizing prices and tax credit refund incentives irresistible."

The National Association of Realtors agrees. The number of homes under contract increased in March by 3.2% from February, according to that group's Pending Home Sales Index.

National optimism is reflected in an April 16th Gallup Poll finding that 71% of Americans say that now is a "good time" to buy a house, an 18 point increase from one year ago and the highest level in four years.

A May 6th statement from NAHB cited one buyer, Natasha Smith, who had monitored interest rates and home prices for a year, then decided to take the plunge when the \$8,000 first-time home buyer tax credit was enacted in February. The 25-year-old closed on a condominium in the Washington, D.C., suburb of Hyattsville, Md., in April.

"I wasn't in a rush as I continued to watch prices fall, but when I heard about the \$8,000 tax credit, I knew it was the perfect time to buy," Smith was quoted as saying. "Combined with the low home prices and interest rates, the tax credit was the extra push I needed to get out of the family home and into a home of my own."

Recent conversations with RIBA's builder members have shown signs of a brightening horizon.

"People are beginning to stick their heads up out of the sand," said Ronald Smith of Ron Smith Homes LLC, based in Wakefield. "Lower-end homes are beginning to sell again. I think people could only take this gloom and doom for so long, and now they want to loosen the purse strings and start buying again."

Vincent Marcantonio of Marcantonio Design Build echoed the cautious optimism from his base in North Smithfield. "There does seem to be more movement in the market. Some people who were sitting on the sidelines are starting to make their moves," he said.

Existing single-family home sales in Rhode Island tweaked upward in the first quarter by 0.4 over the first quarter of 2008, though the median sales price was \$180,000 this year as opposed to \$245,000 last year, a 26.53% drop, reports the Rhode Island Association of Realtors.

Sales of distressed and foreclosed properties accounted for much of the price drop.

Meanwhile, a double dose of good national housing news sent the S&P 500, considered by some to be Wall Street's most important indicator, up 3.4% on May 4th, erasing the last of its losses for 2009.

On that day, it was announced that pending home sales nationally rose more than forecast and had their second straight monthly gain, while construction spending rose unexpectedly in March after five straight declines.

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