



# nerej

## **The signs of recovery are around us and if we are smart and diligent in our efforts we can benefit**

May 22, 2012 - Spotlights

We have all been through a lot of hard times and a slow tough economy over the last few years. Many have had to reinvent themselves or redirect their companies to survive. So now we are all here ready to capitalize on the recovery and expand or grow but is it here?

Many of us have become discouraged in our effort to seek out new jobs. We have become complacent when it comes to getting new work because we are so used to there being little work and few opportunities in the industry. We have little recent work to show prospects that are fresh and innovative. But it is not too late, the signs of recovery are around us and if we are smart and diligent in our efforts we can benefit.

Scattered pockets of the country are registering a pulse, and not just tech-heavy places such as San Jose, Calif., and Austin, Texas, cities that some would argue never felt the pain the way others did. Boston seems to be waking up and showing improvement with home prices inching up, increase in rents, and an increase in sales. We closed 2011 with positive trends on several fronts for housing. Starts and permits were higher in 2011 than 2010. Most improvement was in multifamily, but single-family improved in 27 of the largest 100 markets. In existing-homes, we saw a shift away from distressed sales and toward regular resales.

So what's behind these signs of life? This is fact, not folly. Analysts, including Patrick Newport, U.S. economist at IHS Global Insight, cite first-time buyers as a driving force. Young people, it seems, are champing at the bit to move out of their parents' place and strike out on their own. The numbers are not products of wistful crystal ball gazing, either. They're index-based, with several indices reporting improvement. Gallup's Economic Confidence Index is up again. According to the Census Bureau, new housing permits, which began a climb this past fall, are at their highest level in more than three years. Even The American Institute of Architects Architecture Billings Index (ABI) is up for the fifth straight month. After all the false starts, even builders are feeling cautiously optimistic. The NAHB/Wells Fargo Housing Market Index (HMI) reports that builder confidence is at its highest level in five years.

If you're still in doubt, follow the money. A banker I know just developed a list of approved small residential projects inside Rte. 128 to contact and see if they needed bank financing. When was the last time you heard a banker looking to lend? The banks seem to be loosening up, especially in close-in suburbs.

It was reported that there was hope among the builders, gathered at the circle of tables at the Waldorf-Astoria in New York City that "The Great Housing Recession" was over—and somewhat less hope that "The Great Housing Recovery" is in the offing. It was Tim Eller, former CEO of Centex Homes and current principal of Cordalla Capital, who threw out the term "Great Recovery," to the group gathered to kick off Builder magazine's 2012 Housing Leadership Summit, only to add

quickly, almost apologetically, "At least I am hoping we will" have one.

It is not fashionable or safe anymore to proclaim that recovery is underway. Many have thought that before, only to be kicked in the teeth time after time by impediment after impediment. Much more common are statements like this one from Robert Schottenstein, CEO of M/I Homes: "In terms of the big picture, things are getting better," he said. "I think we'll know it when we see it, and I don't think we are seeing it yet. We are clearly seeing a modest improvement in traffic to our models. We are cautious. ... We still think there are a lot of land mines out there." We all thought 2011 was the year of recovery but 2011 was the worst year for home building since the Depression.

Some surprises in our industry have occurred recently. Florida markets dominated the list of the largest markets that experienced significant improvement in healthy home closings in 2011. Florida also led the list of markets with improving shares of healthy home closings out of total home closings, so it wasn't just growth in overall home sales but that distressed sales were also declining. Of course Florida was one of the hardest hit markets as well.

Boston is a market which tended to see home-price appreciation in 2011. According to preliminary estimates on home sales in 2012, the positive trends will continue. Expect to see growing healthy sales, rising employment related to construction activity, and home-price stabilization as the year progresses.

We need to understand where the opportunities are, we need to network and connect with our peers. We all have resources in our contact list which we may have neglected or lost touch with. There are also ways to get back in the game quickly and come up to speed. Participate in your industry organizations, they have been there through this to support you, provide resources and opportunities. And speaking of opportunities, The Home Builders of Greater Boston is organizing its 2nd annual Greater Boston Home Tour this fall, look for details at [www.greaterbostonhometour.com](http://www.greaterbostonhometour.com) If you become involved, you can become successful.

David O'Sullivan is president of O'Sullivan Architects, Inc., Reading, Mass.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540