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Spring is here and we hope it brings the sustained recovery we have been waiting for

March 21, 2013 - Spotlights

The real estate market seems to be going a little crazy as we approach spring. We as architects are hoping for a good year but have seen this activity several times before in the last few years only to see it disappear after a few months. Maybe this time it is different and the real estate industry is truly in a sustained recovery mode.

The figures for sales of new and existing homes in the Boston area are solid and a new issue seems to be a lack of inventory. The rents are rising on a year to year basis and house prices appear to be on an upward trend for the first time in a few years. This may be the start of a sustained recovery that we have all been waiting to happen.

When we dig into the facts related to the construction industry we find good things. The National Association of Realtors reported that previously-owned homes sold at an annual pace of 4.92 million homes, 9% higher than this time last year. Home prices were up 12.3%, taking the median to $173,600. That marked the biggest percentage gain since January 2005. The price rise is being driven by tight inventories, increased demand from buyers, and a drop in sales of distressed homes, such as those in foreclosure.

The Federal Housing Finance Agency (FHFA) and S&P/Case-Shiller (CS) released home price indexes for the end of 2012. The monthly FHFA national indexes were up 0.6% for the month (December over November, seasonally adjusted), 1.4% for the quarter (average fourth quarter months over average third quarter months, seasonally adjusted) and 5.9% for the year (December 2012 over December 2011, non-seasonally adjusted). The quarterly CS national indexes were up 2% for the quarter (fourth quarter over third quarter, seasonally adjusted) and 7.3% for the year (fourth quarter 2012 over fourth quarter 2011, non-seasonally adjusted).

These gains were broadly distributed around the US. The FHFA indexes for all 9 Census divisions were up on a year over year basis and 7 of 9 were ahead for the month. The CS indexes showed all 20 cities in the composite index up for the month and only New York down slightly on a year over year basis. Both FHFA and CS show all regional markets safely above their cyclical troughs.

After a long challenging period this is an impressive end to 2012 for house prices. We expect 2013 to be a continuation of the gains made in 2012 with further improvement in the overall housing sector.

The better-than-expected February jobs report got a big lift from 48,000 new jobs in the construction industry. Builders have added 151,000 jobs over the last five months, the sector's best hiring surge since the 2006 housing bubble. The employment numbers reiterate what other housing reports have found: Home prices are up, as are home sales.

One interesting side effect that we have not heard of in years is related to jobs. "Our members are hiring so much that they're starting to get worried about finding enough labor out there," said Paul

Emrath, economist with the National Association of Home Builders. "Most are talking about adding people." The same is happening with employment in the design industry. Employment at architect's and engineering firms is up and firms are hiring again.

Locally I see additional activity with clients asking me to look at several properties. Most of these are smaller rental properties which need upgrading or land with potential for redevelopment. The improvement in the rents now allows cash being available for improvements to properties which were not economically feasible even a year ago. Occupancies have improved as well and people are looking for quality units to rent. The upgrading of these units has a ripple effect where the investment in these properties lifts many other segments of the local economy. Housing is now contributing to the recovery instead of being a drag on it.

It is not just developers and builders that are back in the housing market it seems. Inquiries from homeowners looking to renovate or add to their homes have increased in the last month or so. Our office has several projects for homeowners for the first time in years with more inquiries every day it seems. In fact looking at the remodeling industry nationally, private residential construction spending jumped 2.2% on a month-to-month basis during December 2012. The initial estimate of a 0.4% gain for November was moved up slightly to a 0.6% increase, but the October number was pushed appreciably higher from 1.3% to 3.2%. Spending has registered nine uninterrupted months of growth, as well as 16 of the last 17 months showing expansion. The nominal dollar level of spending has now reached its highest point since late 2008 and the average from the last three months is 32% above the cyclical low of a short while ago.

So as we approach the spring time, I think we finally have a recovery which has some substance behind it and I hope will be around for the immediate future.

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