

Inland Valley Daily Bulletin

Builders Upbeat

National index falls, but I.E. outlook improving

Sandra Emerson, Staff Writer

03/15/2010

A survey released Monday showed a decline in homebuilder sentiment nationwide, but some developers in the Inland Empire are feeling more positive.

The National Association of Home Builders said Monday its housing market index, which tracks industry confidence, slipped this month by two points to 15, back to its January level.

Readings below 50 indicate negative sentiment about the market. The last time the index was above 50 was in April 2006.

Michelle Parker, new home counselor for Santa-Ana based developer CenterStone, said home builders have a much more positive sentiment in Southern California.

CenterStone is completing Harmony at CenterStone Estates, a solar home community just south of the 210 Freeway near Base Line Road and Live Oak Avenue.

"The first quarter of this year our foot traffic has been up. Sales have been up," Parker said. "Another big difference we noticed the buyers last year, we would still often times struggle with their qualifications.

"We're seeing well-qualified buyers coming through the doors this year."

The dour national outlook comes as record snowstorms in January and February struck the eastern parts of the country, keeping many would-be homebuyers too buried to shop for a home.

In regions outside of the wintery blasts, homebuilders continue to struggle with competition from foreclosures and other sharply discounted existing homes.

"The continual flow of distressed

properties priced below the cost of production is having an adverse effect on new-home appraisals and also making it tough for builders' customers to sell their existing homes," said NAHB Chairman Bob Jones.

However, Michael Maples, principal of Trumark Homes, said he is seeing the opposite in sales of the company's newest development, Wyeth Cove in Upland.

"We feel actually good about it," Maples said. "We're opening a new community next month in Granada Hills. In both cases we're in a competitive price point as the resale market."

Maples said he believes many new home developments in the area are doing fairly well.

"We don't feel like 2010 is going to be off the charts good, but we think it definitely will be a stabilized market that's going to gain some ground by the end of the year," Maples said.

While the pace of homes lost to foreclosures has been slowing, levels are still above last year's. The number of households facing foreclosure last month grew 6 percent from a year ago, according to RealtyTrac Inc.

The foreclosures had an adverse effect on consumers' attitudes toward new homes, Parker said.

"When the economy had its downturn there were negative connotations associated with new home building and that has certainly come back around," Parker said. "I think a large part of that there were so many bank-owned properties out there that the bidding wars really started leaving a really bad taste in everyone's mouth."

Near the end of 2009, many of the potential buyers walking into CenterStone's sales office were looking to negotiate.

Now, hardly any negotiating is necessary, Parker said.

"We have not negotiated on price, and we have been consistently reducing the amount of incentives, and we're just about down to the point where we're not offering any really," Parker said.

High unemployment and tighter mortgage-lending standards are also keeping some buyers out of the market. And sales could also take a hit if mortgage rates start to rise once the Federal Reserve stops buying mortgage-backed securities at the end of this month.

Still, many homebuilders are betting buyers will turn out for the traditional spring shopping season and seize on tax credits set to expire at the end of April.

"The tax incentives of course have been wonderful in inspiring the whole idea of purchasing now versus later, but it seems like the overall feeling that the sense of doom that was going on last year has kind of evaporated and doesn't really exist anymore," Parker said.

Several of the industry's largest companies, including Hovnanian Enterprises Inc. and Ryland Group Inc., have been buying land and ramping up construction.

"The inventory of new homes on the market is at an extremely low level, and we do expect a 25 percent improvement in new-home construction in 2010 over 2009 to rebuild inventory and meet expected pent-up demand," said NAHB Chief Economist David Crowe.

Experts forecast home sales will pick up in the near term, but weaken after tax credits expire.

The Associated Press contributed to this report.