

FOURSQUARE BUILDERS

It's Time to Build

The opportunities are great right now if you have been thinking of pursuing a new building project or remodeling.

Almost every day I ask myself why more people are not taking advantage of this crazy building climate. By crazy I mean this is a ridiculous buyers market. The answer seems to be fear and/or a lack of motivation. We can't seem to get away from all the bad news. Just turn on your television or your computer and you get overrun with it. I can't say if the fear is justified or not. Each person's situation is unique, and so it is up to them to determine for themselves. But I can tell you that right now there are some really good opportunities for those that choose to pursue them. If you have been thinking of building a new home or remodeling your existing one I suggest seriously pursuing it. If not, you may just be missing the opportunity of a lifetime. I have been in this industry for more than a twenty-six years now, and I cannot remember any time that the market has been more favorable for the buyer. Here are a few of the big reasons:

1. Mortgage interest rates have remained relatively low. However, rates have risen from their low levels below 5% recently to 5.42 percent and will likely continue to increase. Once buyers realize that low rates won't continue, we will see demand increase. This increase in demand will ultimately result in increases in the cost to build. So, now is the time to lock in a great rate.
2. Contractors and subcontractors are highly motivated. In many cases they are working with lower profits just to keep their good people busy. And since they are not that busy, they have the time to dedicate to your project. I know a number of local contractors bidding on projects that are several hours outside of their traditional building area.
3. Lot costs have plummeted. Developers are looking to unload, resulting in a perfect time to enter the market. Additionally, banks now own quite a bit of really nice land. Call up a few of your local banks and ask for their property listings. You might find a great deal by buying directly from the bank. And, because builders have been holding off on preparing lots for future construction, there could be a shortage in a year or so, particularly in desirable locations. For the home building customer, that means values in land that should potentially increase.



4. Many material costs are at 10-year lows. Since no one is building, demand is very low and inventories are up. Classic over-supply and under-demand.

5. Everyone in the process is open to negotiation. Realtors, Land Owners, Architects, General Contractors, Sub-Contractors, Suppliers, etc.

6. New-home prices were flat in the second quarter compared to a year ago. But the stage is being set for higher prices. With less than a three-month supply of new homes available for sale (2 to 2½ months is considered healthy), coupled with significant pent-up demand, I believe prices will start moving back up this fall, due to increased demand and lack of supply.

This feels like the perfect storm - as in the perfect buyers market. It's a great opportunity to build a beautiful project at the best possible value. How long will this last? Nobody seems to know. But statistics are beginning to show an improvement in the sales of existing homes and once inventory is diminished construction costs will begin to rise again. Nobody knows how long this "window" will be open, but we all know it will not be open forever.

Build Smart! If you decide to proceed with a project, make sure you do it smart. For instance "McMansions" have a bad name right now and the builders cannot seem to give them away. This might not be the type of home that will be in great demand even after the turnaround. Folks are starting to look for a more modest, smartly designed and quality constructed home.

Be Smart! Utilize the expertise of professionals (architects / designers, general contractors, and realtors). Don't try to design and construct the project yourself. You will get a better outcome and will carry less burden if you have a good team around you. ■



For more information on building a custom home while the time's right, contact Foursquare Builders President, Wesley Wigginton at 512-944-4520 or wes@foursquarebuilders.com.