

Builders trying to keep up with housing market demands

By Stuart Korfhage
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Lack of inventory is holding back sales of new homes in the country, according to a report from the Commerce Department released Monday.

As reported by The Associated Press, new home sales dropped 7.6 percent last month to a seasonally adjusted annual rate of 609,000 units. That followed a surge in sales in July when they jumped 13.8 percent to a rate of 659,000, the fastest pace since October 2007.

Locally, activity has been brisk as new home construction is on pace to best last year's numbers.

One problem weighing on the industry is a lack of available homes for sale, both in the new home category and existing homes. Sales of existing homes slipped 0.9 percent in August to an annual rate of 5.33 million units.

At the August sales pace, it would take 4.6 months to exhaust the supply of new homes on the market. That's up from 4.2 months' supply in July. Both months represent low inventory levels, even though construction of new homes has accelerated for most of this year. Builders would like to boost construction even more, but they face rising land and labor costs, the Associated Press reported.

In North Florida, which has been a popular area for homebuyers, the inventory at the end of August was 4.0 months' supply, according to the Northeast Florida Association of Realtors.

Local developers and builders are adjusting how they do business in order to accommodate buyers who might not have the time or desire to have a custom home built. Builders are adding more "spec" houses to the inventory as they compete with resales in a tight market.

The busiest development in St. Johns County is Nocatee with more than 800 new homes sold this year.

Nocatee has 18 neighborhoods with homes offered by 12 different builders, said Kelly Ray, director of marketing for Nocatee developer The PARC Group.

She said Nocatee builders maintain a Pinterest page with a list of new homes that will be completed within the next 60 days. She said there are currently more than 80 such homes available right now.

"Most builders in Nocatee will build quick-move-in and showcase homes in addition to furnished model homes," Ray said in an email to The Record. "Prospective buyers generally have the option to purchase a home that is further along in the design or construction process if they desire to move in quickly."

Nocatee isn't the only community with builders confident enough in the strength of the market to build homes before a contract is signed.

David Smith is president of the Jacksonville division for AV Homes. The builder is part of The Grove at Bannon Lakes community in the county. He said spec or inventory houses are simply part of the business plan.

“We have inventory available right now in every one of our communities,” he said. “We have standing inventory that we’re just finishing.”

AV Homes is also building in Nocatee and Stone Creek in St. Johns County and has other projects in North Florida.

Smith said the popularity and affordability of the area makes it an easy decision to build right now.

“Demand far exceeds supply,” Smith said. “There’s not enough inventory of homes. We have no hesitation building inventory homes. A considerable amount of my business comes from having an inventory home available. What we find is we have to have the inventory in place because if we don’t have it, people are going to go where they can find it.

“We know the market is singing along when we see that happen, when our supply can’t keep up with demand.”

Nationally, even with the August decline, sales of new homes are up a solid 20.1 percent from a year earlier. Jennifer Lee, senior economist at BMO Capital Markets, pointed to a number of positive factors helping the housing market.

“Homebuilder confidence is up and price growth has slowed, which is good news for first-time homebuyers, as are easing credit standards and low mortgage rates,” she wrote in a research note.

The median price of a new home sold in August was \$284,000, down 3.1 percent from July and 5.3 percent lower than a year ago.

By region, sales fell the most in the Northeast, dropping 34.3 percent. Sales in the South were down 12.3 percent, and they fell 2.4 percent in the Midwest. The West was the only region of the country that saw a sales increase last month, a rise of 8 percent.

Material from The Associated Press was included in this report.