

## 8 Reasons Why Now Might be the Best Time Ever to Build a New Home

by Scott Stroud, Selling More Homes Media

I should have bought stock in Google when it was first released. I knew it then, but I didn't act. I was scared off by the nay-sayers in the media. I hesitated, and the ground floor opportunity didn't wait. Within a year, Google's stock was up 800%.

Today, the opportunity to build a new home is similar to Google's initial stock offering – an excellent investment and a short window of opportunity.

What... housing? A good investment? Is this a joke?

It's no secret that the housing industry has been in a downward spiral for the past five years. Housing prices have fallen in most markets – some up to 40% or more from their 2005 values. Banks and mortgage companies that extended themselves with bad loans and unrealistic lending programs have restricted their credit standards, gotten out of the mortgage arena, or gone out of business. And, builders and contractors who were too busy to return phone calls are now looking for work, and grateful if they get it.

It's scary, we know. But, these very same factors make now an excellent time for those that can do so to act on building their dream home. Here are eight solid reasons, as expressed by housing expert, Ross Robbins, why those who take action now will save thousands and the construction of their new home, and what to do to take advantage of these favorable – that's right, *favorable* – market conditions.

### 1. Housing is cyclical.

The period from 1987 – 2005 was one of the strongest housing booms since WWII. By 2004, it became obvious to many that housing starts were growing at unsustainable levels. Land, materials, and home prices were escalating and the term 'housing bubble' was coined to describe the frightening pace at which new homes were being built. Like all bubbles, everyone knew it couldn't last forever, but the economy had become so dependent upon the housing sector that it was hard to ease it back gradually. The 'pop' came in late 2005, and by 2006 huge inventories began to erode builder profits and housing values began to fall. Just like 20 years before.

Historically, housing 'booms' last 8 – 12 years. This one lasted 18 years. But, these cycles typically run 'hot' for about 10 years, then 'cool' for 3 – 4 years. Then, the cycle starts again.

Today, new home inventories are being absorbed and markets are stabilizing. Projections are that by mid-2011 the market will start heating up again as a new up-cycle begins. In fact, in some areas this has already begun. That growth, just like that of past upturns, will mean a reinvigoration of the market... and rising costs to go with it.

### 2. Interest rates are at historic lows.

As this is being written, 30-year fixed rates are under 5% and 15-year rates are well below that number. Those are the lowest rates in the past 40 years. True, credit is tighter than it was five years ago, but that only affects those with marginal credit. The vast

majority of home buyers will not be impacted by more stringent lending standards. Low mortgage rates, combined with the lowest material and land costs we're ever likely to see, mean that right now you can build more house for the money than you will when the housing market recovers.

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**3. Materials costs are rising, and will continue to do so.**

Higher fuel costs are being applied to building materials, as they are to just about everything. However, many building materials are very energy-intensive to produce, and so might be more impacted than most consumer goods. The largest cost in producing drywall, for example, is the energy to fire the kilns to dry it. Do you see energy costs going down in the near future? Neither do I.

Now, compare that with the fact that the homes being built today are 30% - 50% more energy efficient than older homes, even those built 5 years ago. As energy costs go up, a new home will become even more valuable in energy savings.

**4. Builders, Contractors and Tradesmen are available.**

When housing is strong (and it will be again soon) there is a waiting list for contractors. At the height of the housing boom, one of the most discussed topics at builder meetings was the fact that fewer people were entering the trades and builders were having difficulties hiring enough experienced people to form full crews. Today, there is a 'window of opportunity.' When crews are available without long waits, homes are built and finished in less time, requiring less interest on construction loans. This favorable situation is temporary – cyclical, remember?

**5. Land is available... while it lasts.**

In boom times, bigger builders and developers monopolize the best land and lots, driving up costs and leaving scattered-site builders and home buyers to fight over their leftovers. Now, the large-volume builders are bogged down with excess inventories (homes they built and have all their cash tied up in,) and many aren't liquid enough to make land investments. That means that lot prices are about as low as they will be, and the choice and availability are at their best.

**6. Housing demand will soon outstrip existing inventory, and is on the rise.**

This might be the biggest incentive to act now to build. New families are being formed in the U.S. at a record pace – far faster than new homes are being built to accommodate them. It seems nobody is looking ahead. By the end of this decade it is projected that there will be a need for nearly 2 million new homes per year to handle the population growth in this country. The housing industry has never produced homes at that rate, and with the labor issues that were felt during the past housing boom, it is questionable whether those quotas can be filled.

Today, we're on the brink of the next wave in housing. It will start as a trickle, but will gain momentum as the demand for new, energy efficient and sustainable homes continues to grow. When it happens (and no one is sure exactly when it will happen, just that it will) the door will close on individuals who are waiting for the media to give them the 'all clear.' Housing costs will continue to rise, labor shortages will create long delays,

interest rates will rise to try to control inflation, and homes will become less and less affordable.

What all this means is that buyers who sell their homes today might get 8% - 10% less than they would have gotten back in 2005, but the cost of new construction is currently down by nearly 20% from those same levels (but already climbing.) Sure, when the market recovers existing homes will regain their previous value, but they won't keep up with the rising costs of new construction.

**7. Your needs have changed... And continue to change.**

From the mid-1990s through 2005, the theme of the housing industry was 'bigger is better.' Today, as the economy has shrunk back and society in general is taking a more sensible approach to all products, from automobiles to appliances, that is no longer the case. Just as we've given up our Hummers and SUVs for more practical and efficient vehicles, the 'McMansions' of the past decade no longer fit the needs of socially- and environmentally-friendly families.

As mentioned, homes built today are much more energy efficient than those built even a few years ago. But that's not all. New 'smart home' innovations make today's homes more livable and comfortable. Wireless technology has changed the way we live, and current homes that incorporate charging stations, media centers and home office spaces have adapted to fit a new set of requirements. And, thoughtfully laid-out floorplans are actually giving more livability and comfort in less space.

**8. The sooner you build; the sooner you'll enjoy your new home.**

This may seem overly simplistic, but so many people are waiting for 'permission' from the media and others that they are overlooking one of the fundamental reasons for building a new home: lifestyle. Today's homes, more than at any time in the past, are extensions of how we live and who we are. For many of us, putting off the decision to build is tantamount to putting our lives on hold. And for those with the means and circumstances to move forward, acting now to build will return the highest value, financially and emotionally.

These points discussed here are common knowledge and common sense. No, there are no guarantees that the market will recover on schedule, or that some unforeseen event won't cause another recession next year, or that there won't be an energy crisis, another terrorist attack, floods in the Midwest or another hurricane. We don't know what the future holds, other than that housing is historically cyclical, that families are forming faster than houses are being built, that energy costs will never go back down, and that the term 'affordable housing' may be something our children only read about.

And that, if you want to realize your dream of owning a new home, there may never be a better time to act on that dream than right now.