

Open House: Condo construction rebounds

by Jim Woodard

The building of new condominiums is on the rebound. Condo builders and developers are reporting improved market conditions, according to a report from the National Association of Home Builders.

"The condo market is coming back toward balance following a period when the pendulum swung from red-hot to seriously cold," said David Seiders, NAHB's chief economist. "What we are looking for, and likely to find this year, is a healthy and sustainable level of condo production that will fall short of the unsustainable levels during the earlier boom period. But that will meet our current market demands."

Condos have long been the preferred residential property type for many young married couples, singles, and retirees. An increasing number of upper-end condos have been offered in downtown areas of metropolitan districts, close to points of employment. These luxury units, either new construction or converted from rental apartments, have been particularly popular with business executives.

One special problem facing today's condo builders and developers is the rising cost of insurance. More than 70 percent of those surveyed report a significant increase in property insurance premiums.

Just over half of builders reported up to 24 percent increases in premiums. About 18 percent said their increases were between 25 and 49 percent, 3 percent reported premium increases between 50 and 99 percent, and 8 percent said they received increases of 100 percent or more.

Such increases can have a serious impact on affordability, Seiders noted.

- - -

This column recently addressed the subject of real estate appraisers who accommodate their clients by bending their ethical rules and coming up with unrealistic values, usually for the purpose of qualifying a large mortgage for a home buyer. The response to this column segment was substantial.

For example, reader Warren Cohen wrote: "The pressure on appraisers to 'hit specified numbers' is staggering. Realtors and mortgage brokers are sometimes vultures and should be dealt with in a strong way. What you relayed is only the tip of the iceberg. Thank you, on behalf of many professional appraisers."

Another e-mailed message: "My broker said he had the perfect appraiser for establishing the value of the house we were looking at. I smelled a fish but let it go through and I purchased the home. The house was overvalued by at least \$30,000. I'd like to expose my broker and the crooked appraiser."

We should note that most appraisers are professional and ethical in appraising properties. But there are always a few exceptions in any market. When buying a home and applying for a mortgage loan and you "smell a fish" in discussions related to lining up an appraiser, express your concerns and check out another appraiser.

- - -

Another noteworthy comment on another subject, this one from Michele Thomas: "I'm a mortgage loan broker and read your recent column about shared housing. I'm in the process of ironing out kinks in a new Web site that is geared toward pre-qualifying and matching potential co-owners in shared housing arrangements. I read your columns often to keep up with what is happening in real estate.

"My idea for co-ownership actually came from my younger and senior home buying clients. The younger ones have been priced out of the market locally. The seniors, often widowed or divorced late in life, are lonely and are living on limited retirement income. Yet they are too healthy and vibrant to want to move to assisted living arrangements. They have very special needs."

- - -

Q: When is home building activity expected to rise again?

A: Home construction activity is now rebounding. In February (last reported period), there was a 9 percent increase over January in the number of construction starts. That follows a 14 percent decline in January, according to a report from the U.S. Commerce Department.

Home building permits (not affected by weather) fell 2.5 percent in February to a seasonally adjusted annual rate of 1.5 million. Permits are down 28.6 percent compared with February of last year.

Completion of home construction jobs fell 9.4 percent to a seasonally adjusted annual rate of 1.6 million - reflecting an indication that builders are ramping down their inventories. It's the lowest number of completions

since August 2003. It takes about six months for a home to go from groundbreaking to completion.

Housing markets, with their biggest boom periods in 2004 and 2005, will be the slowest to return to normal levels of activity and markets that showed more restraint will be the first to get back on track, according to a report from the National Association of Home Builders.

"Nationally, the pace of housing starts in the fourth quarter of last year was down more than 29 percent from its peak in the third quarter of 2005, NAHB analysts said. "In local markets, half of the 100 largest metro statistical areas that NAHB forecasts were down between 15 percent and 40 percent from their 2005 level of production, while some of the most severely affected markets were down 50 percent or more from their 2005 highs."

Q: Are FHA mortgages affected by the reduction in high-risk loans?

A: Federal Housing Commissioner Brian Montgomery is indeed joining others in clamping down on high-risk mortgages, and that could lead to changes in FHA loans.

"Many first-time and minority home buyers face significant challenges when trying to purchase a home," he said. "In recent years, such difficulties have resulted in many of these individuals assuming risky, adjustable-rate, subprime loans. The impact on minorities is particularly profound.

"There needs to be a mortgage alternative that will qualify a wide swath of borrowers and simultaneously provide them with the loan option they need - a modernized and reinvigorated FHA."

- - -

Send inquiries to info@bendweekly.com. Questions may be used in future columns; personal responses should not be expected.

Â© Copley News Service

Open House: Condo construction rebounds by Jim Woodard