

Valley's new-home builders expect recovery soon

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By Sanford Nax / The Fresno Bee

The new-home market is skidding along the bottom but is poised for recovery after a tough 2009 that featured a stubborn recession, increasing unemployment and competition from low-priced foreclosures, home builders say.

Last year was "a challenge for home builders to be profitable," said Guy Asaro, president of McMillin Homes, which builds throughout the Valley.

Just-released figures verify that. Sales of new houses in Fresno County fell 21.1% to 2,011 in 2009 from 2008. In Tulare County, the slide was 29.4% to 915 houses, according to year-end figures from MDA DataQuick, which tracks real estate activity.

But builders -- noting that this down real estate cycle has lasted longer than the typical slump -- are preparing for an uptick. Some are buying land and subdivided lots to replace a dwindling inventory.

"We're in heavy acquisition mode," said Asaro. "We've seen prices stabilize, and buyers have low interest rates."

A reflection of the stability: The median new-home price of \$244,750 last month in Fresno County was a 1.1% decrease from December 2008.

Lennar Homes bought dozens of finished lots from other developers in five deals in November and December in Fresno and Visalia.

"We're sensing an upswing," division President Mike Miller said, citing low interest rates, a limited supply of foreclosures for sale and government tax credits available to buyers.

Darius Assemi of Granville Homes said the worst is over.

"We've had four years of a correction, and the correction cycle is typically three years," Assemi said. "Once we see job losses decline substantially, we know we've started our recovery."

Yet the real estate market remains troubled. Foreclosures are still a force, and the 16.8% unemployment rate in Fresno County last month was an increase from 16.5% in November.

The stubborn recession prompted market tracker First American CoreLogic to revise its 12-month projections downward. It still projects a modest recovery in the the spring, but says it will be more shallow and later.

Real estate economists John Burns and Sean Fergus are a little more bullish. Citing a boost in the hiring of temporary employees and longer work hours, they predicted in California Builder magazine that market conditions will improve this year.

"By the end of 2010, we expect the new-home market to have improved measurably from the start of the year," they concluded.