

Analytical Indices and Instincts

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Indices have long been an effective tool to track investments in markets over time. General indices track such things as the stock market, and sectoral indices analyze the performance of a particular industry or sector like oil, lumber, or housing. Real estate indices are a relatively late entrant to our leveraged list of tools available to salespeople and builders.

Decision making today to entitle land and build on spec is made so much easier when indices consistently point in one direction. The choice is made simpler still, when the analytic pointers match up with your instincts that now may be the time to build.

The brokerage industry monitors inventory levels, broken down by price point. We also look at selling prices per foot (PPF), velocity rates (VR), average selling prices (ASP), days on the market (DOM), list to sell price ratios, (LP/SP), and so on, all indicating it currently remains a sellers' market. We track the age of our

housing stock, and we monitor approved building permits throughout our state, indicating the needs outpace new product building. Understandably, we must acknowledge creeping mortgage interest rates and the rise of the Case Schiller Home Price Index reflecting the tightening of affordability. Yet, after all the quantitative review has been completed, along with the requisite gut check, the housing market and need for new product remains quite strong and will trend that way for some time to come.

Builder's confidence, on the national level seem to echo this broker's optimism. According to the National Association of Home Builders (NAHB)/Wells Fargo Housing Market Index (HMI) there have been recent monthly gains in builder confidence. "With the largest monthly increase for builder sentiment since June 2013, excluding the period immediately after the onset of the pandemic, the HMI indicates that incremental gains for housing affordability have the ability to price-in buyers to the market," said NAHB Chairman Alicia Huey, a custom home builder and developer from Birmingham, Ala.

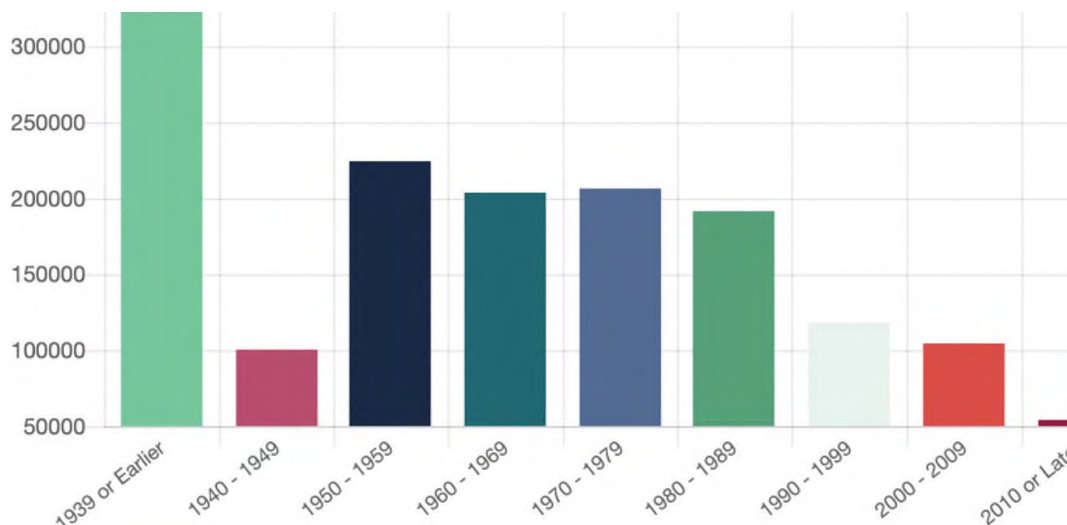
"The nation continues to face a sizeable housing shortage that can only be closed by building more affordable, attainable housing."

Putting it all into context, for many years we have seen a declining trend in projects submitted to Connecticut planning and zoning commissions. NIMBY, the well-known acronym for the phrase "not in my back yard," has characterized the historical opposition of residents and their commissions to proposed developments, as well as their support for strict land use regulations. The indices show the historical effects of the decline as they show the lack of inventory in the market, the aging of the housing stock and need for new product. What they can't show, is the welcomed shifting mindsets of some commissions and their willingness to work with developers to satisfy the market needs. The indices, the actions of some P & Z commissions, and my instincts are all aligned in the belief the time for new and innovative product in our markets is now. ■

Inventory Levels



Connecticut Home Construction By Decade



Source: Point2