

Building Blocks

Homebuilders see slow but steady improvement

By Sarah Baker

Shelby County builders filed 681 new home permits last year, a 13.8 percent increase from 587 permits in 2009 according to the latest data from real estate information company Chandler Reports, www.chandlerreports.com.

[David Clark](#), owner of [David Clark Construction LLC](#) and president of the Memphis Area Home Builders Association, said 2010's jump in demand is in large part due to the first-time homebuyer tax credit. Moving forward, Shelby County can expect more of the same.

"I predict sales for 2011 to stay on pace with 2010 as people want to purchase new homes that have put off doing so for the last few years in this sluggish economy," Clark said.

[Regency Homebuilders LLC](#) led Shelby County last year with 121 new home permits that averaged 2,377 square feet and \$168,390. Regency was followed by [Charles Morgan](#) of [Vintage Homes LLC](#) with 78 permits averaging 2,710 square feet and \$181,430.

Despite the improvement, last year's permit total was 37 percent lower than the 2008 total of 933 permits. Still, [Sean Carlson](#), principal with Regency, echoed Clark's assessment that 2011 should continue the success forged during 2010.

Having only been in business three years, Carlson attributed Regency's growth as a newer company to its banks and word-of-mouth customer service.

"We've started out with a nice bang," Carlson said. "At this point, we've probably written 10 contracts this year, which is outstanding. I actually can't believe we've done that."

While [Grant Homes](#) had a total of 66 permits, its three affiliates ([Keith Grant](#): four, [Kim Grant](#): 14 and [Richard Grant](#): 10) saw a total of 28, bringing the companies' aggregate total to 94.

Homes continue to shrink in size and value. Permits averaged 2,850 square feet and \$210,365, compared with the 2009 averages of 2,973 square feet and \$222,517 and the 2008 averages of 2,979 square feet and \$244,357.

Keith Grant of [Keith and David Grant Home LLC](#) said that trend won't end in 2011 or in the next several years.

"Today's homebuilders are more concerned about getting a good value that they can comfortably afford," Grant said. "We also feel this is largely due to the baby boomer generation starting to downsize and the fact a large part of the market is the first-time homebuyer, which typically purchases a smaller home."



Bubba Cavaliere of Cavaliere Interior Trim works on the trim of a home built by Regency Homebuilders last summer at Franklin Farms in Cordova. (Photo: Lance Murphey)

Bottoming Out Residential Building Permits, 2008-2010
While Shelby County saw an increase in residential building permits year over year, 2010 compared to 2008 paints a different picture.

	2008	2009	2010	% CHANGE 2008-10	% CHANGE 2009-10
NUMBER OF PERMITS	933	587	681	-37.0%	13.8%
AVERAGE SQUARE FOOTAGE	2,979 SF	2,973 SF	2,850 SF	-4.5%	-4.3%
AVERAGE VALUE	\$244,357	\$222,517	\$210,365	-16.2%	-5.8%

Source: Chandler Reports, www.chandlerreports.com

Busy Builders Homebuilders with highest number of building permits, 2010

BUILDER	#PERMITS	AVG. SQ. FT.	AVG. PERMIT VALUE
REGENCY HOMEBUILDERS LLC	121	2,377	\$168,390
VINTAGE HOMES LLC	78	2,710	\$181,430
GRANT HOMES	66	3,062	\$192,120

*Among residential permits for which a builder was listed

The top subdivision in 2010 was [Franklin Farms](#) in Cordova North's 38016 ZIP code, which saw 60 permits that averaged 2,121 square feet and \$152,992. It was followed by Sutton Place East in the same ZIP code (39, 2,057, \$138,048).

While last year's numbers indicate new home sales are continuing to outpace permits – a sign that inventory is slowly becoming absorbed – the sales still fall short of those in recent years. But eventually, high sales will create a shortage of new homes on the market, Clark said.

“With the recession in our midst, builders have been able to negotiate better pricing with subcontractors and suppliers, which in turn creates a better value to the customer,” Clark said. “The downside to this is when demand outpaces the supply of new homes and we see some inflation in new home prices take hold.”

Builders in 2010 sold 954 homes, a 12.9 percent decline from 1,078 homes sold in 2009 and a 47.8 percent decline from 1,410 homes sold in 2008. Last year's builder sales averaged \$222,517, down 7.5 percent from \$239,317 in 2009 and down 21.9 percent from \$271,329 in 2008.

The top home seller in 2010 was Regency Homebuilders, which sold 97 homes averaging \$171,984 and totaling \$16.7 million. Next was Vintage Homes with 84 sales averaging \$150,233 and totaling \$12.6 million.

A normal market will have a two- or three-month supply of homes on the market, Grant said. At the end of 2010, Shelby County only had a four-month inventory of new homes, which is well below the highs of 2008. Sales will continue to outpace permits in 2011, but not by the same rate they have the last three years.

“We should start to have a shortage of new homes sometime in 2011,” Grant said. “This shortage will help to equalize the difference between sales and permits.”

If numbers shot up right away, there would be an underlying factor inflating it, Carlson said, so expect 2011 to reflect a gradual progression for homebuilders.

“I don't think anybody thinks that all of sudden we're going to go from this next year from 600 to 1,200, but I think hopefully we will go from 600 to 900,” Carlson said. “I don't think it's going to grow by leaps and bounds.”

Q4 Permits Dip 33 Percent

Shelby County saw just 122 home permits in the fourth quarter (October to December), down 33 percent from 182 in the same period in 2009.

The quarter's average permit value of \$240,793 was basically unchanged from \$240,551 in Q4 2009. Meanwhile, the average square feet sunk from 2,998 in Q4 2009 to 2,878 in Q4 2010, a 4.2 percent dip.

Regency Homebuilders LLC once again filed the most permits for the quarter with 26 that averaged 2,515 square feet and \$169,893. Vintage Homes had the second highest Q4 starts, with 22 permits averaging 2,538 square feet and \$172,994.

Builders pulled 35 permits in Arlington's 38002 ZIP code, the highest number of the quarter. The highest permit value, however, went to Eads' 38028 at \$1.4 million and 9,292 square feet.

Meanwhile, sales may be up year over year, but fourth-quarter sales took a substantial hit, falling 49 percent compared to the same period in 2009.

– Sarah Baker