



Finding the Silver Lining

David Godlewski • published in the March 2023 issue

On the heels of two exceptional years, most homebuilders anticipated another strong year in 2022. After all, those companies had successfully navigated a global pandemic, an unprecedented supply chain crisis, skyrocketing material pricing and chronic labor challenges. What could possibly derail the momentum of back-to-back years of double-digit permit increases?

Last summer, we found out that the answer was very likely to be relentless interest rate hikes enacted by the Federal Reserve to combat record high inflation causing mortgage interest rates to double in a very short amount of time. As a result of this, home sales slowed and permitting dropped. The industry began feeling the crunch.

As we look ahead into the coming months of 2023, we know that the housing industry will continue to experience some rough waters. We learned many things from the pandemic years, but what I have found most remarkable of these lessons is how the leaders in the housing industry proactively choose to seek creative solutions and navigate challenges with innovation and collaboration. We can find the silver lining in even the darkest clouds.

The major buzzwords tied to the housing industry in 2023 are “affordability” and “housing supply.” Home prices nationwide rose significantly in the last two years as the costs to build a home—from land to labor to supplies—increased dramatically. This was coupled with ramped up demand fueled by remote work and stimulus dollars. Add increasing mortgage rates that reduce a buyer’s purchasing power to the equation and it is clear why housing affordability is a key concern. As fewer people can afford to buy a home, home builders will build to that decreased level of demand and the supply of new homes will continue to be stunted. The supply of resale housing has improved slightly but is still behind what experts would generally consider to be “normal” or enough for a healthy market.

SAHBA works at the local, State and national level (through the National Association of Home Builders) to find solutions to the issues that are driving up home prices and impeding the ability of builders to supply more homes. We engage on a broad range of issues including: supply chain disruptions, materials pricing, tariffs, immigration reform, workforce development, environmental issues and excessive government regulation. All of these issues have a cost in terms of both time and money. They all impact affordability and supply.

We are at a critical moment in 2023 where collaborative efforts among elected officials, municipal leaders and housing industry advocates will be required to increase the housing supply and tackle affordability issues. Our ability to meet the housing needs of our community and continue the economic momentum we have built depends upon it.

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SAHBA works “in the trenches” on our members behalf. We continuously seek engagement and partnership with government to problem solve and expand home ownership opportunities. There have been recent small wins on this front. Local governments are realizing the importance of streamlining the permitting and plan review processes. Pima County Development Services will have reduced fees by 5% for three consecutive years. The City and the County are nearing approval on code changes to ease development constraints. Ten out of eleven candidates endorsed by SAHBA were voted into office last Fall.

The other major concern in housing in 2023 is more regional in nature—water availability. SAHBA and its members have very actively participated in the ongoing dialogue at the local and state level including as a member of the Arizona Reconsultation Committee. As a state, and an industry, we must plan in a thoughtful manner to continue growing in a future where there will be less water. Creative solutions from desalinization to potable reuse to conservation to interstate transfers must be part of the equation.

We have the pleasure of working in a dynamic industry. Home building fuels the local economy. We have learned to be resilient and adaptable in a business landscape that is typically cyclical. The current housing slowdown isn't all bad. It will create a much-needed opening for more home buyers in a less frenzied market. Affordability will improve. Supply chain problems will start to unwind. The slowdown will also allow labor and trades to catch-up and help shorten the time it takes to build a home. Investors will step aside and allow average home buyers the chance to bid on a home under more typical market conditions.

These shifts will bring more homes within reach to more buyers who have been put off by both time and cost. Home builders and mortgage companies will expand their menu of creative solutions to higher mortgage rates, further supporting buyer opportunities. The industry will come together to ensure that home buyer demand is met and all efforts are focused on supplying as many homes as possible in 2023.

We look at the silver lining on the clouds in 2023 and are optimistic of the positive outcomes in front of the homebuilding industry!

David Godlewski is President and CEO of the Southern Arizona Home Builders Association. He has been with SAHBA since July 2008, when he was hired as the Government Liaison. He has been President since April 2011. David can be reached at david@sahba.org.

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