

THE BUSINESS OF BUILDING REDEFINED

JANUARY
twentyeleven

builder news®



BNmag.com
\$4.95

FORECAST 2011

OPTIMISM MEETS SKEPTICISM

TIMOTHY W. JONES, LANE POWELL PC

FORECAST

T W E N T Y E L E V E N

CHALLENGES AND OPPORTUNITIES

ABOUND FOR THE UPCOMING YEAR

BUILDERnews ASKED INDUSTRY EXPERTS

THEIR TAKE WHERE THE BUILDING

INDUSTRY IS GOING IN 2011 AND HOW

BUILDERS CAN GET BACK ON TRACK.

PROGNOSIS? BETTER THAN LAST YEAR,

BUT STILL A STRUGGLE.



TIMOTHY W. JONES
ATTORNEY, LANE POWELL

There is a scene in the recent comedy *Date Night* where the real estate broker Claire Foster, played by Tina Fey, is showing a Tuscan-style mansion to a couple of prospective buyers. Claire tells the couple that the mansion was originally listed at \$1.8 million, but the listing price has been reduced to \$320,000. The couple reply that they think the price will probably come down more. Claire responds with disbelief, “Good call, better to wait it out.”

In this market, and continuing into 2011, the majority of buyers will demand “instant” equity and be attracted to properties they believe are undervalued or have great upside potential. Buyers will stay on this course until there is a general belief that either distressed properties are no longer available for purchase at will, or the economy has corrected itself and much of the available inventory has been absorbed. Where does this leave homebuilders in the interim?

Nimble homebuilders who are savvy during all stages of the development process will likely prosper during 2011 and beyond by paying close attention to the changing financial, regulatory, and market landscape. The one bright spot is apartment construction. Institutional lenders will lend money for multifamily

The one bright spot is apartment construction. Institutional lenders will lend money for multifamily projects in 2011.

projects in 2011. And, although we have seen these same institutional lenders shuttering their homebuilding lending groups, nontraditional lenders may be willing to finance homebuilding construction. Also, some developers will

continue to buy distressed subdivisions from banks with the plan of selling new single-family homes in 2011 and 2012 for dramatically less than comparable single-family homes that were completed in 2007 and 2008. Urban development will focus on infill opportunities, using smaller footprints that implement green building techniques.

The housing market may never look like it did before the Great Recession, but banks will eventually want to lend more money, renters will eventually want to own and residential deals will eventually get done—without sellers having to give million-dollar discounts.

TIMOTHY W. JONES IS AN ATTORNEY AT THE LANE POWELL LAW FIRM, WHERE HE FOCUSES HIS PRACTICE ON REAL ESTATE FINANCING, PURCHASE AND SALE TRANSACTIONS, PROPERTY MANAGEMENT, TENANCY IN COMMON AGREEMENTS, COMMERCIAL LEASING AND DISTRESSED REAL ESTATE.
SEATTLE | 206.223.7275 | JONEST@LANEPOWELL.COM