



NORTH STATE
BUILDING INDUSTRY
ASSOCIATION

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Demand for Sacramento-Area New Homes Likely to Remain Strong, Homebuilding Experts Say

Panelists at BIA's Regional Housing Forecast See Strong Market for the Next Three Years

A panel of housing experts convened by the North State Building Industry Association agreed that despite some challenges, the next few years look bright for the housing industry in the Sacramento region.

At the BIA's 21st annual Regional Housing Forecast, housing analyst Greg Paquin, principal with The Gregory Group in Sacramento and Orange County, said new home sales this year should top 7,200, which will be the highest since 2007, just before the Great Recession hit. That would be a 20.6% increase over sales in 2019.

For 2021, he expects sales will climb by another 10% to just under 8,000 in the five-county Sacramento region.

"Total inventory is up as more projects have entered the market. I think the market will remain strong, but perhaps not as frenzied as it is now," he told about 60 builders and developers last week who attended the event at The Grounds in Roseville and another 300 who attended virtually via You Tube.

Leonard Miller, CEO of The New Home Company – a move-up builder with communities currently open in Folsom, Rocklin, Davis and Natomas – said despite such challenges as a labor shortage, high lumber prices and the difficulties of building in California, he was optimistic about the local market.

"The industry hasn't felt better since 2004," he said. "If it still feels healthy in March, I think we will have a nice run for a couple of years. I'm guardedly optimistic that 2022 and 2023 will be good years for the housing industry."

Miller said the market in Sacramento is being driven primarily by first- and second-time move-up buyers who are safely employed and want to take advantage of historically low interest rates. New home sales have benefitted by the fact that there are few existing homes on the market, and the ones that are listed often go into escrow within five days after coming on the market.

Paquin also said employment for people with college degrees is actually up slightly from before COVID-19 hit, unlike less-educated Americans who have seen sharp increases in unemployment this year. And he noted that demographic changes are influencing homebuying decisions.

"Every baby boomer (people born between 1946 and 1964) can now qualify to buy in age-restricted communities," he said. "And (many in) the first edge of millennials, those between 25 and 40, have already bought a house, and now the next wave is starting to buy their first home while the first edge is beginning to buy move-up homes. There are 62 million people moving through this process."

The local market is also being driven in part by an influx of buyers from the Bay Area – especially tech industry workers who have been told they can work from home for the foreseeable future. But the panelists thought that while some workers will continue working from home most or all of the time, others will go back to the office full time and some will split work between home and the office.

“I don’t expect some of these (work from home) trends will be permanent,” said Sanjay Varshney, an economics professor at Sacramento State who also is the co-owner of Goldenstone Wealth Management. “Some companies will revert back to how they used to do business,” citing Yahoo’s decision in 2013 to bring all their employees back to the office.

Paquin agreed. “For some, working from home will be easy. But if you want to be the head of IT someday, you can’t work from home. You have to see and be seen in the office if you want to move up the ladder,” he said.

Despite uncertainties about trends, BIA President and CEO Michael Strech said the bottom line is that the industry quickly saw what needed to be done after the pandemic hit and was able to continue to build at a time when many industries were shut down.

“It is important to recognize just how quickly our industry addressed the challenges and focused upon safety and compliance, which all lead to the ability to respond to the tremendous demand for new homes,” Strech said. “Our industry will once again be a critical part of moving the larger economy out of the recession, just as it has done so many times before.”

About the North State Building Industry Association

The North State BIA is the leading advocate for the home building industry in the greater Sacramento region. Representing more than 530 members, including 55,000 industry jobs, the North State BIA is committed to preserving and furthering the economic interests of its members, while also working to enhance the industry's standing as a significant contributor to the regional economy. For more information, visit www.northstatebia.org.

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