

HOUSING MARKETS THAT ARE SET TO OUTPERFORM THIS YEAR

MANY INVESTORS HAVE BEGUN TO LOOK AWAY FROM THE PRIMARY COASTAL MARKETS FOR DEALS IN SMALLER MARKETS SUCH AS BOISE, ID; CHARLESTON, SC; AND NASHVILLE, CCN'S ERICA BOSE AND MATTHEW WYMAN TELL GLOBEST.COM

By Carrie Rossenfeld

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SAN DIEGO—
Many [housing](#) investors have begun to look away from the primary coastal markets for deals in smaller markets such as Boise, ID; Charleston, SC; and Nashville, **Erica Bose** and **Matthew Wyman**, partners on [Cox](#)

[Castle Nicholson](#)'s joint-venture team, tell GlobeSt.com. The pair recently led an executive roundtable and reception during [PCBC](#) here, co-sponsored by CCN, **Ernst & Young** and the **Concord Group**, during which more than 30 executives from the building industry came together to discuss a wide range of **financing, legislative, economic** and business topics related to the housing industry. We caught up with them afterward to discuss a variety of issues pertaining to the housing market.

GlobeSt.com: What is the general perception of the state of the industry?

Bose: Generally, the feedback we received from the roundtable is that the outlook for the real estate industry is positive even though we are in year nine of the current cycle. No one thinks

the end of the cycle is imminent, but folks are cautious given the continued rise in **construction** and labor costs. There is also concern over the governmental interest in furthering legislation that will impact the homebuilding industry, which in most instances will result in additional construction-cost increases.



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GlobeSt.com: Which housing markets will outperform this year?

Wyman: There wasn't a consensus at the roundtable as to which particular market will outperform, but many have begun to look away from the primary coastal markets for

deals in smaller markets such as Boise, ID; Charleston, SC; and Nashville. There is still a lack of supply for entry-level housing, but some at the roundtable observed that first-time buyers are starting to move to the Inland Empire, Sacramento, Phoenix and Las Vegas seeking a greater supply at lower prices.

GlobeSt.com: What pending legislation will affect the housing market the most?

Bose: AB 199, which affects prevailing wages on new privately constructed **residential** housing, will likely not affect the housing market as much as anticipated now that modifications to the language have been agreed upon. The modifications effectively maintain the status quo, but it's clear to folks in the building industry that they must keep an eye on any **legislative** initiatives that might again attempt to expand prevailing wage requirement for residential **developers**.

California's greenhouse-gas initiatives, such as the AB 378 "command and control" act, and the various affordable-housing measures are also being watched very closely by those in the industry.

Nationally, there are significant revisions to **Dodd-Frank** being proposed. If passed, the changes could result in significantly more **debt** deals for land development and construction.

GlobeSt.com: What are key takeaways from the roundtable? Anything else you'd like to share?

Wyman: Attendees felt that **capital markets** generally remain strong, but good deals are hard to find. Construction **financing** from banks has tightened, with unregulated alternative lenders stepping in to fill some of the void but at a higher cost of capital. The tight regulatory environment may be having the unintended consequence of making it harder to provide affordable housing, which remains undersupplied in almost every market in the country. In comparison to other industries, the housing industry has lagged behind in terms of innovation to reduce costs.