

Condo Market Rebounding

The recent condominium market may have good news to offer the building industry. A rebound in certain market areas indicates buyers are returning to this segment. Residual inventories in the for-sale condo segment have interfered with rental markets. As this inventory diminishes, the rental market also should rebound, possibly creating further need for multi-unit construction.

“We’ve had fairly strong rental demand for quite some time now, but the unsold condos and single-family homes coming back into the market as rentals were hampering the rental apartment sector,” says Steve Patterson, chief executive officer (CEO) of ZOM USA, which builds and manages apartments throughout the Southeast. “With many of those units now selling, the so-called shadow market is starting to dissipate and the multifamily market overall is getting healthier.”

Bill Donges, CEO of the Atlanta-based Lane Company, which has condominium developments in several cities, including Hollywood, Fla., says he senses a rebound in his area as well.

“We are definitely emerging from a difficult time and seeing some light in the condo market,” Donges says. “The condo lifestyle—especially in urban areas—is very attractive, and with the interest rates low and the selection good, we are seeing buyers come back into the market,” he explains.

According to the National Association of




The condo market is rebounding in some areas, possibly offering dealers an opportunity to fill the gap created by lower single-family construction starts.

Homebuilders (NAHB), at the height of the housing boom, condo starts accounted for 4.5 percent of all multifamily starts annually. Aligning product offerings with this segment may be a solid long term plan, because NAHB estimates that when the market rebounds, the condo market should continue to hover between 20 to 30 percent of annual multifamily starts.

Donges says he thinks the recent change could signal a permanent upswing.

“The real difference we’re seeing now is that all our buyers want to live in the condos,” Donges says. “The speculators are gone, which is a good thing, so we are optimistic that, except for the most overbuilt markets, the worst is behind us.”

Patterson says that multifamily housing developers on both the for-rent and the for-sale side slowed construction activities until the market is able to liquidate excess inventory. Preliminary estimates from the Census Bureau indicate that 2007 witnessed a total of 275,700 starts of buildings with five or more units. That number represents a six percent decrease from the previous year and the lowest number of starts in this sector since 1996. NAHB has decreased its forecast slightly for multifamily starts in 2008, to 250,000. But light commercial and nonresidential products shouldn’t sit in inventory long, as the association expects that number to rise in 2009, to just above 260,000. 

	2004	2005	2006	2007	2008	2009
Housing Activity						
Total Housing Starts	1,949	2,073	1,812	1,344	1,066	1,184
Single Family	1,604	1,719	1,474	1,040	781	888
Multifamily	345	354	338	304	285	296
New Single Family Sales	1,201	1,279	1,049	778	671	752
Existing Single-Family Home Sales	5,914	6,182	5,708	4,963	4,325	4,700
Interest Rates						
Federal Funds Rate	1.35%	3.21%	4.96%	5.02%	2.89%	3.25%
Prime Rate	4.34%	6.19%	7.96%	8.05%	5.89%	6.25%

Source: National Association of Home Builders