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Builders seek help to survive

Call for federal stimulus plan

JACK HAGEL, Staff Writer

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North Carolina homebuilders say they need federal help to survive the worst slump in decades.

The N.C. Home Builders Association on Thursday joined other U.S. homebuilders in asking Congress to support a stimulus plan that they consider crucial to jolting the comatose housing market and the broader economy.

Triangle builders offered a Main Street perspective via conference call organized by the trade group. They told woeful tales of local industry malaise, while promoting proposals aimed at limiting foreclosures and enabling buyers.

"I've never seen a market come to an absolute stop as ours has here," said Richard Gaylord, a Raleigh builder who is a 29-year real estate veteran. "There needs to be enough incentives put in place that ... [buyers] will quickly muster up the courage, step up and buy."

Three years ago, Gaylord built 26 houses ranging in price from \$500,000 to \$800,000. Last year, production dropped to eight. Today Gaylord isn't building any, and he had to lay off five employees.

Some would consider him lucky. Of the hundreds of homebuilders that were building in the Triangle in 2007, about one in six had fallen out of the market in 2008, according to Market Opportunity Research Enterprises, a Rocky Mount company that tracks the local real estate market.

More than a dozen companies related to the Triangle real estate market have filed for bankruptcy protection in the past year.

"It is getting to the point where something's got to happen very quickly," Gaylord said.

The plea came a day after the National Association of Home Builders and dozens of homebuilders went to Capitol Hill, pushing an aid package of at least \$100 billion. They want tax credits of between \$10,000 and \$22,000 for home purchases through the end of 2009, and they want federal help in reducing mortgage rates.

Builders say the plan is a critical step toward economic recovery.

"Whether you're a supplier or homebuilder or manufacturer or Home Depot store, we're all getting hit with this," said Rick Judson, owner of Matthews-based Evergreen Homes.

Thursday's call was the latest sign of desperation in a region that a year ago appeared poised to sidestep the worst of the national housing bust. Indeed, while sales were off in 2008, home prices have not fallen like in other parts of the country.

But frozen lenders and jittery consumers are punishing homebuilders, contractors and suppliers, who prospered in an era of easy lending.

As lenders have become more risk-averse, they have tightened standards, making it harder for many consumers to buy homes.

Many of those who can qualify for mortgages are wary of job security. Others are waiting for home prices or mortgage rates to drop further. Some newcomers are waiting to unload homes in other parts of the country before they can buy here.

The gridlock drove monthly home sales in the Triangle to an eight-year low in November. And permits for new homes hit a decade low.

Now builders -- particularly those who are holding unsold lots and homes -- are trying to hold out. Their plight is perilous when lenders are trying to strengthen their balance sheets, calling loans early or becoming less lenient with developers that need to refinance.

'Nowhere to turn'

"In normal times, you would have been able to turn somewhere else" to get another loan, said Dan Tingen of Raleigh-based Tingen Construction, whose company has laid off several employees as it grapples with slow sales. "There's just nowhere to turn."

The scenario has trapped some of the region's most decorated homebuilders and developers.

In November, MacGregor Development of Cary sought bankruptcy protection. In December, SunTrust Bank pushed Raleigh developer Creedmoor Partners' ritzy, 934-acre Hasentree project into foreclosure.

And last week, Helton Homes of Raleigh -- named a "2008 Triangle Development Leader" by Triangle Real Estate magazine -- filed for bankruptcy protection, joining Bergen Custom Homes, Den-Mark Homes and other area builders.

The woes of builders have trickled down to land planners, specialty contractors, appraisers and lenders who supplied services but were never paid. Dozens of companies have filed liens and lawsuits against builders such as St. Lawrence Homes and Wakefield Development.

At least a dozen Triangle companies have died waiting for builders to pay. Last week, Diamond Glass and Mirror, a Zebulon supplier of bathroom fixtures, filed for Chapter 7 bankruptcy.

Builders believe congressional action will help stop the bleeding, revive confidence in the market and move a glut of unsold homes.

"The way it's going, we're going to see a virtual collapse of home pricing and land pricing," Tingen said. "It will take many, many, many years to correct."

Others, however, argue that a stimulus plan will prolong the pain, adding that tax cuts might be the path to prosperity.

"The quickest way to get us out of this is tax cuts," said Bernard Helm, president of Market Opportunity Research Enterprises, the Rocky Mount researcher. "Give the American public confidence. Increase what is in the pocket of the consumer, so that he has money to spend and is willing to spend it. Then he will go out and he will buy, and that will create demand and pull us out."

jack.hagel@newsobserver.com or 919-829-8917

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