Forecasting for 2016

This is the time of the year when predictions and forecasts for the housing industry are all over the news. This year is no different in that respect, but the tenor of this year's forecasts is a little unusual.

The NAHB outlook, for example, may be the most conservative one I received. Chief economist David Crowe sees only a gradual upward trend in 2016, based on employment and economic growth, pent-up demand, affordable prices, and reasonable mortgage rates. He warns that lot, labor, and material shortages could impede the recovery, but if job growth is good, housing will continue to move forward.

Using the same positive factors and impediments as the NAHB, Fitch Ratings draws a slightly more bullish conclusion, and expects home sales to increase by 20 percent and single-family starts to improve by 14 percent. Dodge Data sees a 20 percent jump in starts this year and PNC simply calls single-family home building "a key driver of economic growth in 2016." Goldman Sachs' forecast may be the most positive of the lot, saying: "We expect that 2016 will mark the end of the post-crisis housing market in several respects," citing slowing housing prices, a rising share of single-family housing starts, and stabilization of the homeownership rate.

So, who is right and what can we expect? A repeat of last year's incremental growth or the end of the post-crisis housing market? Perhaps we should look within our own industry for answers.

Last May, in a story on industry consolidation in our Housing Giants issue, Jody Kahn, senior vice president, John Burns Real Estate Consulting, said regarding recent IPOs, "newly minted [publics] are very much in an aggressive growth mode because they have to demonstrate that they are in fact national or at least multiregional and that they can manage growth across geography." This certainly rings true for newer publics such as Houston-based LGI, which has acquired whole companies as well as large portfolios of land in far-flung locations such as Charlotte, Nashville, and Denver.

But established publics are in acquisition mode as well: Last month, Taylor Morrison announced its purchase of Atlanta-based Acadia Homes, just eight months after buying another Atlanta-area builder, JEH Homes. The company also took on three divisions of Bensalem, Pa.-based Orleans Homes—in Charlotte, Raleigh, and Chicago—last July. PulteGroup will close its deal to acquire Atlanta's John Wieland Homes and Neighborhoods in the first quarter of this year. Columbus, Ohio's M/I Homes expanded into Minneapolis when it closed on Hans Hagen Homes in December. And the largest M&A play in the last six months was, of course, the merger of Ryland Homes and Standard Pacific, giving the combined company, CalAtlantic, a reach into 41 major markets in 17 states.

Add to that the infusion of cash from Sumitomo Forestry America into a large private company, Mid-Atlantic–based Dan Ryan Builders, following similar moves by Sumitomo, which has taken a stake in two other regional powerhouses, Texas-based Gehan Homes and Bloomfield Homes, and you begin to see an industry gearing up for expansion. A recent M&A report by PriceWaterhouseCoopers that looks at all industries seems to confirm that supposition. PWC partners Martyn Curragh and Neil Dhar note that "Long-standing competitors are now combining for increased scale and domination," adding, "In an era where growth is challenged and competition is relentless, there is a heightened recognition that if you don't transform, scale, and evolve, growth will be non-existent."

Is this the end of the post-crisis housing market?

And growth is, without a doubt, the name of the game for these companies. If I had to bet on who has a better shot at knowing what will happen in the housing market this year, my money's on them.

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