

Is There A Construction Boom in Orange Beach?

1100 words

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Executive Summary

I am optimistic. Building Permits have more than doubled in the last six years, indicating increased spending and investment in residential and commercial properties, lingering in the background is the bitter taste of recession like a spoiled fish, making me glad we invested in housing when we did, being cautious of rising interest rates, spending less now that we have had a few good years, dusting off my Recession-Management Plan in case it is needed.

Essay

“What is a building boom?” I thought.

Prosperity makes peoples’ lives better, fueled by dramatic increases in residential, commercial and government construction, fostering economic development, providing larger paychecks for workers, perhaps more opportunities for businesses and families in Orange Beach.

This story is complicated, understanding that 40 percent of private-sector jobs were created in the housing-construction industry from 2001 - 2005 (pre-recession), according to the Federal Reserve¹, giving us a glimpse of just how vital construction jobs are to economic growth, referencing the above article by John Richmond of the Federal Reserve Richmond, saying the Recession was over in 2009, being evidenced here in 2016 by the number of new homes being built, underscoring how long the road back has been and how construction activity affects the economic health of small-town communities.

“How can we stop a recession from happening in the future?” my wife asked.

One piece of legislation that deserves attention is the Dodd-Frank Wall Street Reform and Consumer Protection Act for its sheer scope, basically requiring financial institutions to have a Living Will, addressing how their survivorship will be handled without bringing down the entire financial system.²

¹ The Federal Reserve History, Accessed January 4, 2016, <http://www.federalreservehistory.org/Events/DetailView/66>

² Federal Reserve History, Dodd-Frank Wall Street Reform and Consumer Protection Act, Accessed January 4, 2016, <http://www.federalreservehistory.org/Events/DetailView/59>

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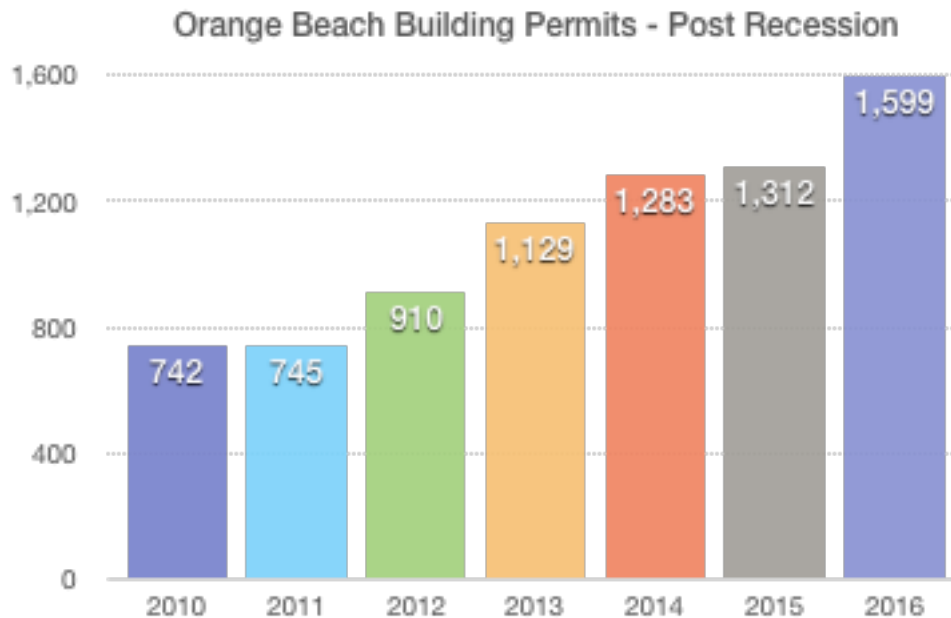
Today's Republicans (115th Congress) want to repeal Dodd-Frank, arguing it is too cumbersome, overly regulating, choking innovation and costing jobs. Obviously protecting the taxpayer, eliminating the need to provide public monies for saving private corporations is arguably an ethical stance, protecting taxpayers from government bailouts.

"How can I survive a recession?" a small-business owner asked.

Having a grasp of the balance between cutting costs, increasing efficiencies and investing for growth, will help you survive a recession, being well placed to overtake your competitors when the storm subsides.³ This piece of wisdom is from the Harvard Business Review, expressing the necessity for strategic planning, but a house builder cannot invest in R&D or create a new type of nail, it is not what he does. He may lay-off people and invest in building lots when land prices fall, positioning himself for the market upturn, planning a new housing development in a middle-income neighborhood when prices rebound.

A strategy of cost cutting and strategic investment is the recipe for survival, being careful not to cut too much spice or expand with too much sauce is the chef's secret, realistically increasing operational efficiencies creates a good dynamic, encouraging employees to buy in as an alternative to lay-offs.

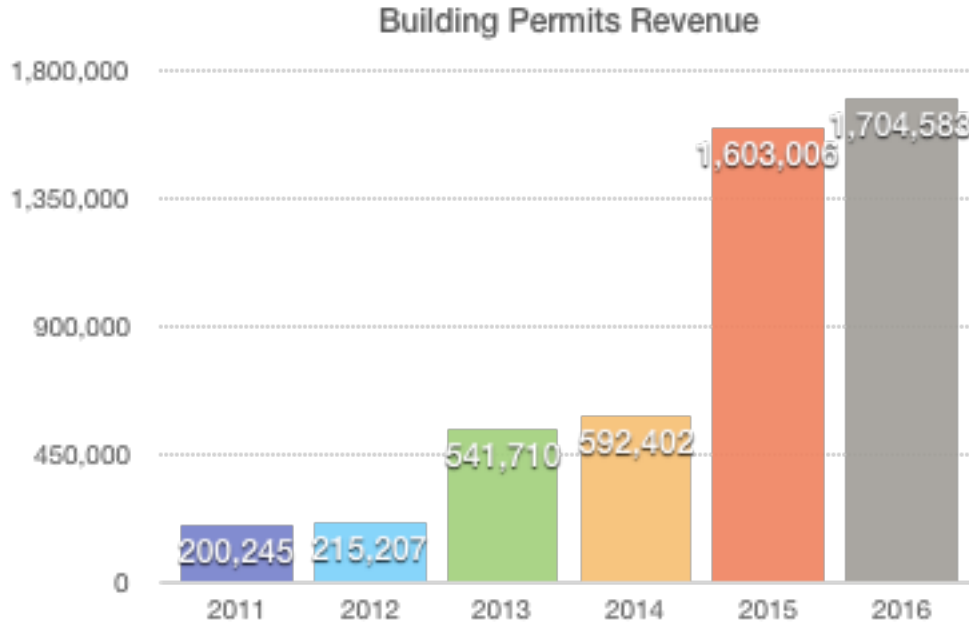
As a local economic indicator, looking at Orange Beach Building Permits after the Recession shows the upswing: 2010 - 742, 2011 - 745, 2012 - 910, 2013 - 1,129, 2014 - 1,283, 2015 - 1,312, 2016 - 1,599,⁴ clearly illustrating an increase in residential and business construction, perhaps even a bellwether of confidence in the economy.



³ Harvard Business Review, *Roaring out of a Recession*, Accessed January 4, 2016, <https://hbr.org/2010/03/roaring-out-of-recession>

⁴ Orange Beach Community Development, Permits Technician Data, Accessed January 5, 2017

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Optimism is a good thing and the building-permits data indicates we should be optimistic,⁵ raising from \$200K in 2011 to \$1.7 Million in 2016, understanding the long-term fluctuations in the capital economy keeps optimism grounded in reality, having a Recession-Master Plan is as necessary as an Growth-Management Plan when there is a downturn. Look around you at the builders who survived the Recession. They held money in reserves, invested in land when it was cheap, developed realistic markets, preparing to win when the upswing returned

The stock market is cresting towards 20,000, reflecting confidence in the economy, investing in new homes is on the rise, questioning if this is another pre-recession bubble. Every two-term president has presided over a recession within 12 months of taking office, excepting presidents who ousted their predecessors after one term.⁶

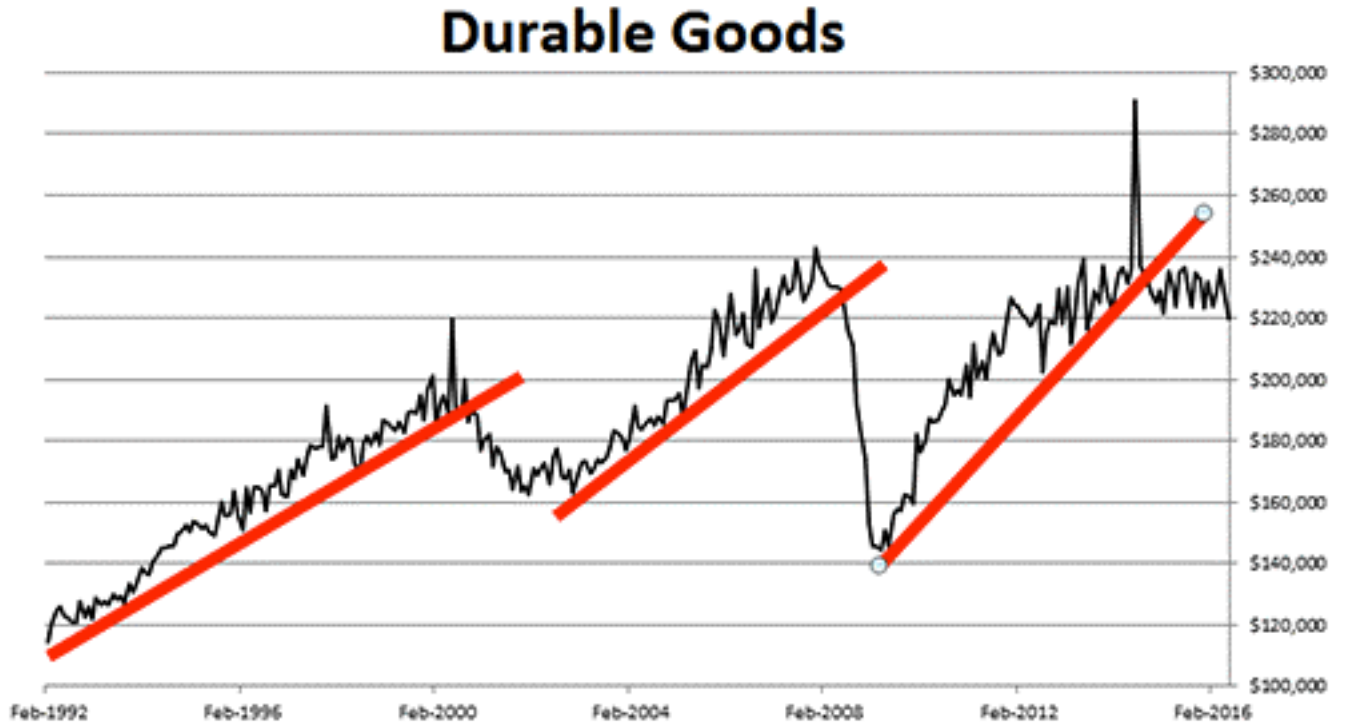
Given that Durable Goods are an indicator of consumer and corporate confidence in the economy, being those corporate investments outside of mergers and acquisitions, telling a story in data that is hard to argue against when coupled with presidential terms, indicating that a recession or steep correction is on the horizon for 2017.⁷

⁵ Orange Beach Building Official: Lannie Smith, *Building Permits Revenue*, Accessed January 6, 2016

⁶ The Daily Reckoning, *100% Chance Trump Faces Recession in 2017*, Accessed January 5, 2016, <https://dailyreckoning.com/100-chance-trump-faces-recession-2017/>

⁷ The Sovereign Investor, *New Signs of an Economic Recession in 2017*, Accessed January 5, 2016, <http://thesovereigninvestor.com/us-economy/new-signs-economic-recession/>

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President-elect Trump plans massive-government spending on infrastructure, increasing the debt, seeing this capital infusion as a preventative, combating recession and promoting growth, perhaps discounting the consequences of rising debt, fueling stimulus through government-infrastructure investment and interest-rate increases as a realistic means to an end.

Yes, I can say emphatically that Orange Beach is in the throes of a building boom, driving economic development and individual prosperity. The remainder of 2017 may be a different story, having a Recession-Master Plan is as necessary as an Emergency-Management Plan when disaster strikes. Be ready for a recession if the economic upturn fades-away like that lazy-three pointer, used in the schoolyard. Be flexible in your adjustments to economic conditions and do not over-react, letting your employees help reduce costs, increasing efficiencies.

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