

THE REAL DEAL

LOS ANGELES REAL ESTATE NEWS

SoCal's building blues

Low supply across the counties outside LA has driven prices upward as the struggle to bring more housing online continues

January 19, 2018 – By Kavita Daswani



Ventura's Solana Heights, developed by CalAtlantic, is due to be completed this summer.

San Diego County

For would-be homebuyers, it was quite a bit more challenging to find a potential residence in San Diego in 2017 than it had been the year prior.

November 2017 listings for single-family houses, townhomes and condominiums were down 23.3 percent over the same month in 2016, according to the most recent statistics released by the San Diego Association of Realtors. The median sales price for all residential properties was up 11.1 percent, the report found.

Sluggish growth when it came to housing starts certainly didn't help. At a conference in early December on the local housing outlook, experts noted that the region produced roughly 10,000 new homes a year in 2015 and 2016, but within the first nine months of 2017, 18 percent fewer residential building permits had been issued, the San Diego Union-Tribune reported.

There are, however, a handful of residential and mixed-use developments underway. Tesoro at Vista del Sur is a 134-townhouse development near the Ocean View Hills area in South San Diego by homebuilder Cornerstone Communities and lender Presidio Residential Capital, both based in San Diego. The development recently opened presales on the first phase, with homes ranging in size from 1,410 to 1,702 square feet. The properties are priced between \$350,000 and \$380,000 and will be move-in-ready by the end of January.

Contour Lofts, in the Little Italy neighborhood in downtown San Diego, will be a 35,320-square-foot mixed-use project with 17 residential units. The project received a \$9.2 million construction loan from Encinitas-based ABP Capital last year and is scheduled for a summer 2019 completion.

One nonresidential project of particular note is the Manchester Pacific Gateway in downtown San Diego, which will replace the Navy Broadway Complex. The \$1.3 billion, 12-acre development will include a 17-story office building to be used as the U.S. Navy regional headquarters, alongside four other office buildings, two hotels, a museum, a retail promenade and a 1.9-acre park. The project is slated for completion in 2020.



Contour Lofts in San Diego, due to open in 2019, will feature residences and offices.

San Bernardino County

The San Bernardino housing market is going strong, with a jump in the median sales price of single-family homes from \$225,000 in November 2016 to \$270,000 at the same point in 2017, according to a market report by the Inland Valleys Association of Realtors (IVAR).

“It’s been a solid year,” said Mark Dowling, CEO of IVAR. “We’ve seen growth in the residential market for the last four years in a row.”

The high demand is fueled by lack of inventory. San Bernardino County overall is grappling with residential overcrowding, reports show. In a January 2017 presentation compiled by the Economics Department of California State University San Bernardino, the county ranked ninth highest in terms of residential overcrowding in the state.

The report also stated that between 2010 and 2016, San Bernardino had one of the lowest rates of new home construction in the state. Over the past several years, the county has constructed fewer than 2,000 new homes annually, according to the report, which noted that it would take seven years to meet current home ownership demand if the same rate of construction continues.

It attributed the slower building pace to “significant regulatory challenges at the federal, state and local levels.”

On the entertainment scene, expected for a Q4 2018 completion from C.W. Driver Companies is San Jacinto’s Soboba Casino, which in December had its topping-off ceremony. The renovated complex will feature an 83,500-square-foot casino floor with 2,000 slot machines and 24 table games. The property will include bars, restaurants and other amenities in addition to a 200-key hotel.

Riverside County

Riverside is reaping the benefits of being “in one of the hottest industrial markets in the nation,” said John Boyd, principal of the Boyd Company, which counsels major firms on where to locate their facilities and has advised corporations to consider the Inland Empire area, including Riverside County.

“There is 24 million square feet of industrial space coming into that market next year,” he added, noting that retailers are increasingly setting themselves up to compete with Amazon on its same-day delivery service by being geographically positioned to serve Los Angeles and San Diego counties.

“Wal-Mart, Target, CVS — they are all getting into that same-day delivery market,” said Boyd.

Monthly industrial space rentals are around \$0.56 per square foot per month in the Inland Empire, according to a third-quarter Colliers International report. By contrast, in the San Fernando Valley and Ventura County it was \$0.69, the report found. And there’s another favorable factor for potential tenants in Riverside: Labor costs in the county are reportedly eight percent lower than in Los Angeles.

“The growth in the industrial sector will be a driver for movement in home ownership,” said Boyd, adding that the median home in Riverside is \$354,600, which compares with \$270,000 in San Bernardino County, \$650,200 in Los Angeles County and \$696,200 in Orange County, according to local MLS data.

Ventura County

After the devastating Thomas Fire, which in December burned 280,000 acres in Santa Barbara and Ventura counties, the city of Ventura’s offices are returning to business as usual.

“We’re back to issuing permits, and giving people all that they need as they continue their developments,” said Jeffrey Lambert, community development director for the city of Ventura.

Some prominent commercial projects are getting back on track, like the \$350 million, 250-room, 350,000-square-foot Community Memorial Hospital construction project in Ventura, slated to open this spring. The new hospital is a redevelopment of the existing one, which was more than 50 years old.

Lambert said permits have also been issued for a new Marriott Residence Inn, a 138-room hotel off the 101 freeway, to be built on a lot that has been vacant for more than a decade.

On the residential front, sales are underway for Solana Heights, a development by CalAtlantic Homes that is slated for completion in the city of Ventura this summer. A mix of townhouses and single-family residences, the homes are 1,658 square feet and up, with prices starting at \$525,490.

Also under construction is a 173-unit rental development, Parklands Apartments, from developer Westwood Communities Corporation at the city of Ventura’s west end.