

2016: What's next in housing



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By Phillip Molnar (/staff/phillip-molnar/) | 5:59 p.m. March 11, 2016



CARLSBAD, February 10, 2016 | Nica Romero, left, Neil Hayes, center, and David Codarrvbias work in one of two model homes under construction at Lanai by Shea Homes, a twenty home development in Carlsbad on Wednesday. | -Mandatory Photo Credit: Photo by Hayne Palmour IV/San Diego Union-Tribune, LLC *San Diego Union-Tribune*

The sound of nail guns and the smell of sawdust fill the air on Pio Pico Drive in Carlsbad.

With up to 60 workers a day, Shea Homes is constructing a community they call Lanai with 20 houses that range from 2,845 to 3,842 square feet.

Built on the site of a former nursery, the homes will likely go for more than \$1 million when completed. Surely set to rise even more, the median home price for new homes in that ZIP code was \$992,500 in 2015, CoreLogic data shows.

Shea Homes is not the only one building. There are [25 single-family housing projects](http://www.sandiegouniontribune.com/news/2016/mar/11/new-homes-2016-development/) (<http://www.sandiegouniontribune.com/news/2016/mar/11/new-homes-2016-development/>) coming on the market this year that will add 2,149 new homes to the mix, said MarketPointe Realty Advisors and home builders.

But it's still not enough to meet demand.

"We're moving in the right direction to somewhat alleviate the shortage of housing that has developed in the county," said Russ Valone, president of MarketPointe. "But, we're still not even meeting the demand numbers."

Projections for home construction this year are about 7 percent less than 2015 but it is still an improvement from recession-era construction. Just 537 homes were built in 2009. But, 2016 will come nowhere near the pre-recession boom.

From 2000 to 2005, builders constructed an average of 6,310 homes a year.

For San Diego County to had have a healthy market in December 2015, it would have needed to come up with more than 6,000 homes that month. At the end of December, the county had 2.1 months of supply (5,851 homes), according to the Greater San Diego Association of Realtors. A six month supply is considered healthy by most economists. The national average is 5.8 months.

Shea Homes has the most active projects, seven, including condos. Other builders include Standard Pacific Homes, Richmond American Homes, KirE Builders, Davidson Communities, Cornerstone Communities, Toll Brothers and Pardee.

Paul Barnes, president of Shea Homes San Diego, said the company has confidence in the region and is aware of the immense need.

"I can guarantee you (all San Diego builders) are satisfying about a third of the demand. Because of that, it causes upward pressure on pricing. It's a problem," he said. "Our region is not going to prosper, overall, if people can't afford a home to raise their family in."

The lack of new housing contributes to home prices and rents rising. One of the biggest critics of the region's housing policy is Borre Winckel, president of the local Building Industry Association.

He argues the county needs more high density projects to curb demand, regulation costs have forced builders to shy away from building entry-level homes and lack of political leadership has hurt chances for solutions.

"Single-family home production is anemic and most of what's built is in the expensive category," Winckel said.

Just 229 single-family homes built in the county last year were under \$500,000, he said.

Trends

For many of the builders in San Diego County, coming up with environmentally-friendly features has been a major part of their job.

Meritage Homes' 44-home Quintessa development in Vista, opening this summer, is advertising energy efficient features, such as low-energy appliances, weather-sensing irrigation, dual-flush toilets and an optional solar panel system.

KirE Builders' Nickel Creek Townhomes come equipped with QuietCool fans (<http://www.quietcoolfan.com/howitworks.html>) in their attics that are designed to move air easily through the house with little noise and limit the need for air conditioning the next day.

Josh Santa, president of KirE Builders, said customers are now looking for ways to save money after the significant financial effort to start paying for a home.

"It's a huge factor," he said of cost savings.

San Diego State University real estate and finance lecturer Seth Kaplowitz said because not all homebuyers care if their new residences are energy efficient, a lot of the growth in energy-efficient housing is based on green-building codes adopted throughout California.

"I think that some (homeowners) care and some don't care," he said. "The people that are sensitive to ecological survivability, that matters to them. They wouldn't buy a house without those features. The people that don't really care are going to get the features anyway."

Land

There are roughly 4,200 square miles of land in San Diego County and builders say land for new projects is becoming increasingly scarce.

Bill Davidson's company, Davidson Communities, has three projects this year totaling 170 new single-family homes.

Davidson said his company has been forced to seek out projects in Orange and Riverside counties, as well as far flung locales such as Sacramento.

He said finding and getting land in San Diego County has become extremely competitive. The stakes are also high to avoid open space designations.

For the first time since starting his San Diego business in 1978, Davidson predicts in a few years most of its work will be outside of the county.

"If you sit on land too long, communities will turn land into a park," Davidson said.

He predicted the future of San Diego County housing will include more condos, smaller houses and mixed-use developments.

However, he said he worries about the next generation, especially because many baby boomers are against new development.

"Millennials? Where are they going to live?" he said.

Sources: MarketPointe Realty Advisors, CoreLogic, Shea Homes, Davidson Communities, CalAtlantic Homes, Richmond American Homes

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