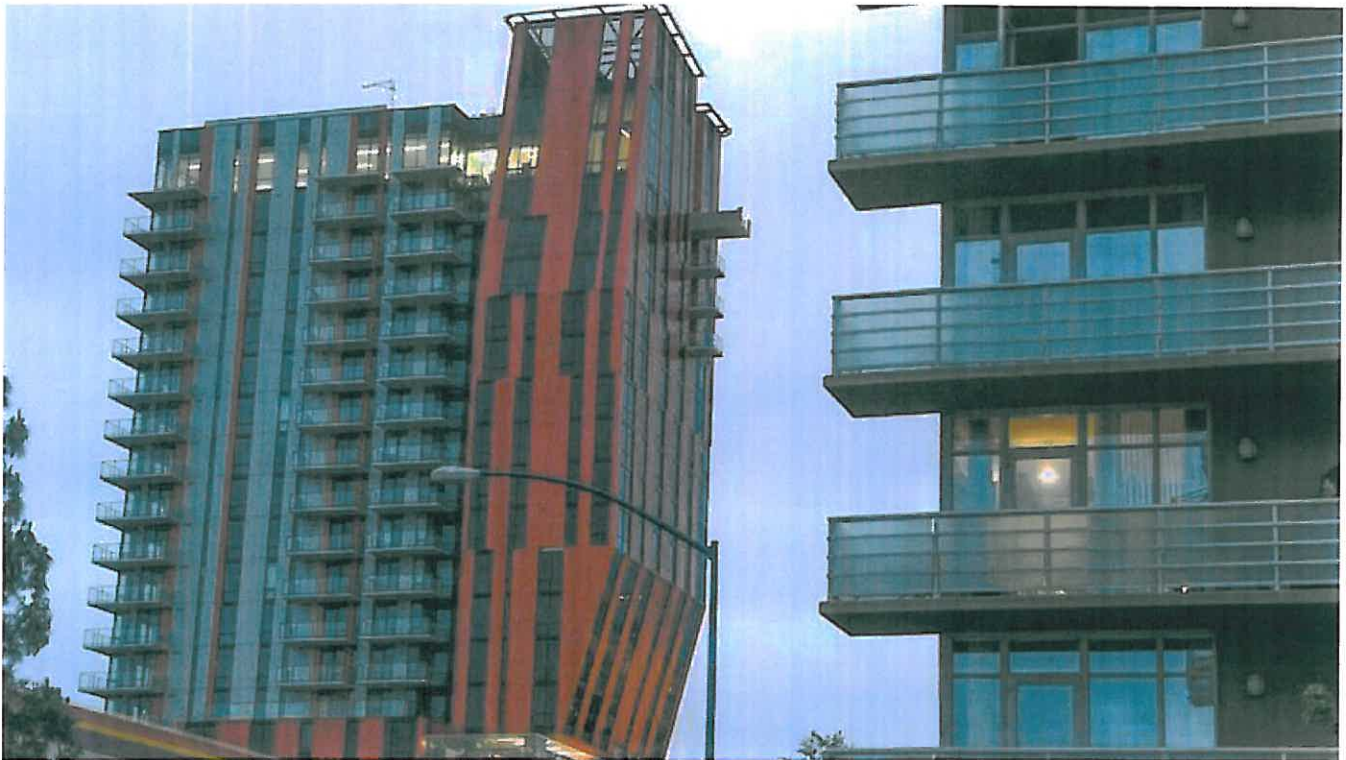


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Apartments lead increase in San Diego homebuilding



Residential building permits were up at the start of 2018 compared to the start of 2017, led by new apartments. Pictured: East Villages's newest apartment building, left, at 1501 Island Avenue in San Diego. (Hayne Palmour IV / San Diego Union-Tribune)



By **Phillip Molnar**

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Residential construction in San Diego County doubled in the first three months of 2018 compared to the same time last year, led by a surge in apartment building, said a recently released construction report.

The Real Estate Research Council of Southern California said that 1,878 multi-family permits were pulled in the first quarter, the second highest in the region, behind Los Angeles County's 3,628.

The latest quarter's numbers were a welcome sign to industry watchers after San Diego had the biggest drop — 37 percent — of residential building in Southern California to start 2017.

Construction tends to ebb and flow based on a number of factors — labor, weather, permit approval — and one quarter doesn't always establish a trend. Even after the rough start to 2017, permits were just down 4 percent by the end compared to the previous year. But, it took a massive increase in building later in the year to pick up the slack.

“The first quarter was pretty solid,” said University of San Diego economist Alan Gin. “I think we'll probably be in better shape than last year.”

As is typical in recent years, the market was determined mainly by multifamily building. More than 2,000 apartments have opened, or are nearing completion, in San Diego County this year, led by downtown construction in Little Italy and East Village.

The traditional home also staged a bit of a comeback. There were 929 single-family permits, an increase of 57 percent from the same time last year, in San Diego County. Still, most Southern California counties had an increase and outpaced San Diego.

In Los Angeles County, 1,465 single-family permits were issued in the first quarter; 1,213 in Orange County; and 1,671 in Riverside County.

It is hard to imagine San Diego County going back to its housing boom levels. In 2004, 9,555 single-family home permits were issued.

Bruce Norris, president of the Real Estate Research Council, said builders in Southern California would likely construct more homes, but making projects profitable with increasing costs is difficult and finding enough capable buyers for new projects is harder than it seems.

“If builders could build 80,000 more profitable homes, they'd be happy to do that,” he said.

A decrease in construction in San Diego County in 2017 came as political pressure to build more housing was growing in Sacramento, eventually becoming a topic in the governor's race.

“I think the high cost of housing in California is just a huge issue,” Gin said, “for the people wanting to buy or rent homes, as well as businesses.”

California industry watchers predict an increase in building permits this year, including the California Association of Realtors, California Department of Finance and UCLA Business Forecasting Project.

Bolstering the prediction: About 26,927 building permits were issued statewide in the first quarter, an increase of 24 percent from the same time last year.

Data for building permits in the research council's report is provided by the Construction Industry Research Board, which contacts all 58 counties and 538 cities in California for permit data. It sometimes is different from the widely used Census data that provides estimates and has been criticized for a wide margin of error. The latest reports are similar.

For instance, the construction industry data said 2,807 residential permits had been issued in the first quarter in San Diego County and the Census said 2,773.

The results for non-residential construction throughout San Diego were mixed. In the first quarter, 29 permits were pulled for office buildings (down from zero at the same time last year), 100 permits for retail (up from 10), nine for industrial buildings (down from 39) and zero hotel permits (down from 70).

* * *

Residential building permits in the first quarter 2018

(County, number of permits and percentage change from first quarter 2017)

Los Angeles County: 5,093, +18%

Orange County: 2,150, -5%

Riverside County: 1,841, +23%

San Bernardino County: 1,179, -15%

Ventura County: 298, -15%

San Diego County: 2,807, +99%

Santa Barbara County: 221, +77%

Source Real Estate Research Council of Southern California

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