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## Slew of Factors Stunt New Housing Construction

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Since the end of the Great Recession, new home construction has picked up across the nation, but not as quickly as demand for new homes.

In particular, construction of cheaper “starter” homes for first-time homebuyers has been

considerably slower than that of higher-end homes across the nation, states a recent report in The Kiplinger Letter, which forecasts business trends.

That imbalance is elevating home prices and making it harder for first-time and low-income buyers, along with making the process of buying the homes they can afford more competitive.

Especially true here

Real estate and home development experts in the Valley say this is especially true in California, where home prices are among the highest in the country.

Even though the Valley has some of the lowest home prices in the state — with real estate website HomeArea.com ranking Visalia as having the most affordable homes, with Clovis coming in second place and Bakersfield third — experts say new home construction here is also lagging and elevating home prices.

While the situation is worse in communities along California’s coast and southern regions, “we still have a housing shortage, because there’s just not enough new construction going on,” said Realtor J.P. Shamshoian, president of Fresno-based Realty Concepts.

‘Housing crisis’

New home construction in the Valley has actually outpaced the whole of California, but still hasn’t kept pace with demand.



New housing construction in the Central Valley, as well as the whole of California, has been slowed by a number of factors, according to experts.

And like the rest of the country, construction of cheaper homes has been considerably slower than higher-end homes.

“In California, we are experiencing what is most appropriately referred to as a ‘housing crisis’ for that very reason,” said Tom Collishaw, president and CEO of Self-Help Enterprises, a Visalia-based, nonprofit that builds affordable housing and helps low-income families get into homes and rentals.

“Since the recession, we have not been producing housing at the level that we need to in order to ensure everyone has an affordable place to live, and that’s now being demonstrated by a burgeoning homeless population,” Collishaw added.

Wages low, rents high

There’s also a disconnect between income levels and housing prices, Collishaw said.

Making matters worse is that unlike what happened before the housing market crash and recession, this time around rental prices also are rising considerably, with local rents for “decent” apartments starting around the \$1,200-a-month range, and even more modest apartments starting around \$1,000, said Michael Gutierrez, a Realtor and manager of Century 21-Jordan Link & Co. in Visalia

“Most below that are subsidized or substandard,” he said.

Locally, new starter homes should be in the \$180,000 cost range for a lot of first-time homebuyers to afford, but Gutierrez said he hasn’t seen new home prices in that range locally since 2004 or 2005.

“About the lowest price in our neck of the woods is about \$230,000,” he said.

Profit driven

As for why developers are focusing more on building higher-end homes — generally in the \$300,000 range and up — experts say it’s harder to turn a decent profit on lower-end homes because the costs involved have gotten so high through a combination of market and labor trends, government fees and even natural and man-made disasters across California and other parts of the country.

“The construction, labor problem is a big one,” said Collishaw, noting that major wildfires over the past couple of years in the northern part of the state have prompted many construction workers to take jobs there to help with rebuilding.

“Plus, people are just not getting into the construction trade,” leaving a shortage of workers that allows those still working to get premium pay rates for their services.

Disasters across the country are also serving to push up the cost of building materials, said Collishaw, noting that recent flooding in Houston alone drove up prices for plywood here.

Land values

Gutierrez said he sees the rising cost of land as the bigger problem, as prices for agricultural land on which homes could be developed have tripled or more in price since 2004.

Some communities and counties here in the Valley are stifling new home development, with Fresno City Councilmember Luis Chavez saying changes made five years ago to the city’s General Plan restricted construction of new housing to the city’s outer edges and mostly limited new developments to already-developed areas.

"I think when you restrict so much, people go where it's easier to build," and some large developments that could have been built in Fresno ended up going to Madera, Sanger, Kerman and Clovis.

The consequence has been "a drastic shortage of housing here in Fresno that caused prices to go up, because, obviously, if we don't have enough supply, but the demand is still there, then the prices are going to go up for the existing properties, and we essentially price people out of the market," said Chavez, adding that he wants to initiate efforts later this year to again amend the city's General Plan to be more flexible for new home development.

Fee for all

For his part, Collishaw said he sees administrative and impact fees as big drivers elevating new home construction prices, as they can total \$25,000 to \$40,000 to the cost of a 1,400-square-foot home.

He said he has initiated talks with Valley cities and counties to try to eliminate some of these fees or defer them.

"The leadership in Sacramento is beginning to have an impact on this," said Collishaw, noting the state Legislature in 2017 passed a \$4 billion bond to help fund construction and renovations to affordable housing.

Self-Help Enterprises is making use of some of those funds, he said, noting that "We have more in our pipeline going into affordable housing development in the next 18 months than we've had in the past 10 years," which will include building about 600 affordable rental units and 120 single-family homes.

That's a building rate about three times faster than before the bond money was available, Collishaw said.

He also suggested the federal government increase the Low-Income Housing Tax Credit for investing in affordable housing, so investors might want to invest more into low-income projects.