

# *Inland Valley Daily Bulletin*



## **Is the I.E.'s new home market slowly rebounding?**

By Matt Wrye, Staff Writer

*Created: 06/21/2009 07:09:45 PM PDT*

The Inland Empire's depressed home-building industry could be on the brink of slowly bottoming out.

It doesn't mean the broader housing market will stabilize any time soon, but the possibility of builders finally pulling more building permits would be good news for contractors out of work.

However, "it's not going to be a major surge of building permits," says Michael Maples, co-principal of Danville-based Trumark Homes, a subsidiary of Trumark Companies development firm, which is starting a project in San Bernardino County.

By August the home builder will begin erecting 39 homes - each to be between 1,700 and 2,400 square feet - in Upland, the builder's first project ever.

When it comes to buying land, the company says it's on the hunt for deals, so it can undercut competitors who bought inflated lots between 2003 and 2007.

As far as the industry goes, "We're slowly burning through inventory," Maples said. "Everybody feels like the markets are starting to stabilize. I think it'll happen by the fourth quarter of this year."

He could be wrong.

It might take two or three years before the home-building industry gains enough momentum to regain its title as the Inland Empire's driving employment force.

But it seems building permit applications couldn't drop any lower before hitting zero.

Builders pulled about 1,250 single-family housing permits in San Bernardino and Riverside counties between January and April this year, according to data published by Burbank-based Construction Industry Research Board.

In contrast, about 14,500 single-family permits were pulled across both counties over the same four-month period in 2004.

However long it takes, part of the bottoming out has to do with housing inventory.

Like overstocked product in a retail store, home builders constructed houses in anticipation they would still be flying off the shelves throughout 2007 and beyond.

It's taken about 2 1/2 years to sell off thousands of homes across San Bernardino and Riverside counties.

In the meantime, home builder strategies changed.

"The idea is to come up with homes that meet lifestyle demands that compete with resale (homes)," said the president of KB Home's Southern California division, Steve Ruffner, about the builder's "Open Series" - a relatively new product the builder is selling in its Fontana-based Bonita Canyon neighborhood.

One of KB Home's most recent buyer surveys shows that more families are craving one-story homes than they were a few years ago, Ruffner said.

"They're just buying the space they need," Ruffner said. "The monthly load on bills is dramatically better than owning a much bigger square footage home. They want efficient space and low monthly energy costs."

Several Inland Empire developers spent millions of dollars during the housing bust to change land entitlements and blueprints so they could fit more homes on less land. They also stopped building and focused on selling.

Those moves are finally paying off.

What's also helping: state and federal home buyer tax credits.

First-time home buyers across California who meet certain requirements are qualifying for \$18,000 in credits.

Because of this, home sales have doubled across the state, and foot traffic in sales offices, on average, has jumped 80 percent from a year ago, said Tim Coyle, senior vice president for Sacramento-based California Building Industry Association.



"The super good news is that (building) permits are being pulled," Coyle said.

"We met the other day in San Francisco with several major builders ... One builder originally had no plans to build for the rest of the year, but traffic has been so high that (the company) just got permits for 90 new homes."

California's \$100 million pot for home buyer tax credits is near dry, prompting the builder's association to push for more.

Coyle isn't sure if the same amount will be allocated because of the state's budget fiasco, but he is hopeful.

Even if another tax credit is passed, the Inland Empire new home market's bottoming out could take much longer than anyone anticipates, former home builder Mark Gardner said.

After 21 years in the home-building business, Gardner - former owner of Redlands-based Gardner Construction - got out. He's now branch manager for Prime Lending in Redlands, a mortgage lender.

Gardner doesn't foresee new home starts in the Inland Empire picking up for a long time.

"I think they'll be flat for a while," he said. "For most small builders ... there's still no construction (funding) out there."

It's only logical the two-county region's new home market will be the first to recover because it was the first to get hit and the hardest, some say.

Gardner isn't buying it.

"We're going to be the last to recover out here," he said. "With prices coming down ... people would rather be closer to the beach areas. They won't wanna drive all the way out here if they don't have to."