

# **New home construction setting records as Y-S market sizzles**

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New home construction in the Yuba-Sutter area is continuing at a feverish pace with building permit activity likely to surpass last year's record pace.

"Everyone I've talked to is going about as fast as they can go," said Lew Hudspeth, president of the Yuba-Sutter Builders and Developers Association.

With a number of subdivision projects in the pipeline, the near term looks "real strong," Hudspeth said.

Building permit figures from Yuba City and Yuba County - the busiest areas for home construction - show this year's building season is likely to set new records.

Yuba City figures through August show the city issued a total of 680 permits for single-family homes so far this year.

The figure is already close to beating last year's record tally of 750 permits issued for single-family home building in Yuba City.

Home construction in Yuba City started picking up the second half of 2003 when the city issued 549 permits, more than twice the number for the first six months of 2003.

Driving the permit activity are dozens of subdivisions approved by the city. One of the largest projects, Dunmore Homes' Canterbury subdivision, broke ground within the last month. The first model units of the project's 400 homes are expected to be open by December.

With a waiting list of buyers for its Providence subdivision that is farther along, the company is not worried about a slowdown in the housing market in Yuba City.

"We've had some areas slowing down, but we're not seeing that in Yuba City," said Diana Sanger, Dunmore Homes' director of marketing.

Home buyers in Sacramento and Placer Counties are being squeezed by high home prices, prompting them to take a look up the road on Highway 99 to Yuba City, about an hour commute to Sacramento jobs.

There is also a steady stream of Bay Area buyers, though the numbers have slowed from a year ago.

"There are still a lot of people relocating in Northern California," Sanger said.

At the company's Providence subdivision, releases of homes sell in less than a week, Sanger said. The first homeowners are scheduled to move in this month.

Yuba County also has been granting permits at a high rate. It has a number of major subdivisions approved.

Last year, the county issued 578 permits for single-family homes. The figure for this year is up to 938 permits - already an annual record. The county had only issued 114 single-family home permits for the same period last year.

There are days when the county sets records for the most inspections in a single day, said Pete Calarco, assistant director of Yuba County Community Development Department.

The 1,400-home Edgewater development in Linda is well under way. One builder, Reynen & Bardis Communities, is selling two homes a week on average with 100 homes expected to be delivered this year, said Mike Winn, vice president. The company plans to build 600 homes in Edgewater.

Winn said the sales pace is dictated by the construction schedule. The pace of home building has not slowed he said, but is settling in. Winn said the county is very deliberate in its entitlement and building process. And the company only builds homes as fast as it can build them well, he said.

Yuba County officials have lobbied the Board of Supervisors in recent months to add more staff. The planning and building departments face a crush of work brought on by thousands of new homes in the county. The hiring of seven building division employees was approved this month, and more planners could be hired soon if supervisors approve a budget amendment.

Once the homes are finished, they go quickly with 10 homes selling in three to four days, Winn said.

While there are some concerns that real estate prices are expanding so quickly that the market might pop in a bubble as did the inflated stock market three years ago, Sanger said she is not seeing that.

Recent interest rate and inflation figures flash a green light rather than a yellow caution for home construction.

One key to the housing market is mortgage rates. They are below 6 percent, and though they could rise through the end of the year, Frank Nothaft, chief economist for home mortgage buyer Freddie Mac, said last week they would still be at historical lows even at 6 percent.

"Low mortgage rates will sustain a brisk housing market, leading to record home sales and single-family construction this year," he said.

Consumer price figures suggest that higher oil prices, another possible damper on the home-buying spree through gas prices, have not hit as hard as was feared.

Nothaft noted Thursday that Consumer Price Index figures showed the run up in oil prices has not been inflationary at the consumer level.

"And price stability in products other than oil have allowed for more money to go toward home buying and home prices," Nothaft said.

The Labor Department Thursday reported a 0.1 percent increase in the CPI. That's less than the 0.2 percent economists had predicted.

People's confidence in the outlook is also an important factor in the home-building economy, Winn said.

Once homes are built, Hudspeth said the long-term outlook for construction in Yuba City is good. When home building levels off, commercial projects, including retail chains, should follow, attracted by the population increase and a bigger market.

The Associated Press contributed to this story.