

Construction of new homes in San Jose metro area, state plunge in August

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Bay Area News Group

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Construction of new homes in the San Jose metro area and statewide plummeted in August, bringing home-building to a relative standstill, a building industry trade group said Wednesday.

Builders obtained just 92 permits to construct single-family houses in the San Jose metropolitan area last month, or about 59 percent fewer than in August 2007, according to a report from the California Building Industry Association. And for the first eight months of the year, permits were down 38 percent compared with the same eight-month period last year in the San Jose metro area, which includes Santa Clara and San Benito counties.

The numbers were similar for almost all other Bay Area counties as well. New building permits for single-family housing construction fell by 60 percent in the East Bay during August compared with the totals for the same month the year before, the association said.

"This is the worst since the Great Depression," said Michael Ghielmetti, president of Pleasanton-based Signature Properties, and an officer with the Home Builders Association of Northern California.

The downturn in the South and East Bay activity was steeper than California, which suffered a statewide decline of 58 percent in new-home building during the 12 months that ended in August. San Joaquin

County single-family building fell by 65 percent. The San Mateo-San Francisco-Marin region slumped by 31 percent.

Solano County was the statewide bright spot with a 3.3 percent increase over the yearlong period.

"What's happening now is worse than anything else we have gone through," said Jeff Schroeder, senior vice president with Pleasanton-based Ponderosa Homes, and an officer with the regional home builder's group, which is based in San Ramon.

The builders say they have a decades-long perspective to be able to compare the current retrenchment in residential construction to other sluggish periods.

"My dad has been in this business for 42 years and he has never seen it this bad," Ghielmetti said.

The nose dive in new-home building was more severe than anticipated by a statewide group.

"We have been taken aback by the dramatic cutback in single-family home production in California," said Alan Nevin, chief economist with the California Building Industry Association.

The grim results prompted the Construction Industry Research Board, which compiles the home-building data, to revise downward its estimates for residential construction in California.

The research board now predicts that 70,000 units, including single-family and multi-family housing, will be constructed in California during 2008. Only last month, the board projected that 75,000 units would be built. And next year looks about as difficult: The research board predicts that only 74,000 units will be built in 2009.

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Solano County was the strongest California market during the August 2007-to-August 2008 period. The 3.3 percent improvement meant Solano was the only metro area in California, out of 28, that experienced an increase in new-home construction in that period, the research board reported.

The largest decline during the 12 months that ended in August occurred in the Yuba County-Sutter County area, which was hammered by a 93 percent drop in single-family home construction.

"Most metropolitan areas have seen their single-family permit activity decline by half in the past year, with little indication of improvement in the last third of the year," Nevin said.

Construction executives remain concerned that it's tough for people to land financing to buy a house, even when they are willing and able to purchase a residence.

"Because of the breakdown in the credit markets, it's hard for people to qualify," Schroeder said. "And even when they do qualify, they still find it difficult to get loans."

Still, builders are confident the market will rebound, primarily because the Bay Area and California remain attractive regions for people to live and work.

Mercury News Staff Writer Sue McAllister contributed to this report

BUILDING SLUMP Construction of single-family homes plunged in the East Bay and California during August. The numbers are the percent change in building permits over the 12 months that ended in August. Region % change from last year
Santa Clara, San Benito-59%
East Bay -60.1%
Solano County +3.3%
San Mateo-S.F-Marin -30.8%
San Joaquin County -64.8%
Bay Area -52.3%
Source: Construction Industry Research Board

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