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New-home construction at record low in valley, state

By Sue McAllister smcallister@mercurynews.com

With prices down and plenty of houses still for sale in California, new-home construction dropped to a record low in 2009, with fewer homes being built both statewide and in Santa Clara County than anytime in at least 55 years.

Permits were issued to build 36,209 housing units in California in 2009, according to a report Tuesday from the California Building Industry Association. The figure, down 44 percent from the 64,962 permits issued in 2008, includes both detached houses and multifamily homes such as condominiums and apartments.

Housing production last year was down 83 percent from the peak in 2004, when builders obtained permits to put up 176,751 units.

In Santa Clara County, 1,047 permits were issued for new-home construction in 2009, a record low and 72 percent fewer than the 3,671 issued in 2008.

"It's been a rough couple of years for the housing industry, which has had a dramatic ripple effect on the overall economy," said Liz Snow, president of the California Building Industry Association.

The trade group used data provided by the Construction Industry Research Board, a Southern California company whose records on housing permits begin in 1954.

In San Mateo County, builders obtained 608 permits

in 2009, down 36 percent from 942 permits in 2008. The record-low year there was 1993, when 510 housing permits were issued.

Builders typically obtain permits for the homes they intend to build from a local city or county government office shortly

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Gary Ryness, The Ryness Company

before beginning construction, making the permit data a good indicator of how many homes were actually built.

By the end of last year, prices for new homes in Silicon Valley had fallen about 30 percent from their peak, said Gary Ryness, chairman of the Danville-based Ryness Company, which provides research and marketing services for the homebuilding industry. But prices are slowly inching upward, he said, because most of the inventory of new, detached homes in the valley has been sold off over the past two or three years.

Compared with a year ago, however, prices are still down. The median price of the 229 new homes sold in Santa Clara County in December was \$493,250, according to MDA DataQuick, down 1.4 percent from December 2008. In San Mateo County, the median price of the 36 newly built homes sold was \$511,000, down 28.6 percent from December 2008.

Prices are low enough across the Bay Area now that few new homes are likely to be built until prices rise 10 percent or 20 percent, Ryness said.

“New starts are coming out at a snail’s pace because there’s no reason for builders to build at today’s prices,” Ryness said.

As far as new home prices in Silicon Valley, “the bottom has come and gone,” he said. Statewide, the slowdown in new home sales and prices began in late 2005, ahead of the downturn in the resale home market.

A report from Ryness’ company showed that 67 new homes sold throughout a 12-county Northern California region during the week that ended Sunday. That was down from 86 homes during the same week in 2009.

A report Tuesday from Metrostudy, a Texas-based housing research firm, said there were a total of 4,355 new homes for sale in the nine-county Bay Area at the end of the fourth quarter, a 6.2-month supply. Of these, 531 units were single-family detached homes, a 1.9-month supply, the company said.

Contact Sue McAllister at 408-920-5833.