

SAN DIEGO DAILY TRANSCRIPT

April 29, 2010

Housing picking up

Commercial, industrial construction grinds to a halt in San Diego

By THOR KAMBAN
BIBERMAN
The Daily Transcript

SAN DIEGO — While commercial and industrial construction permitting is at a standstill, there may be signs of strength on the residential side.

Zero permits were pulled for any type of commercial construction in March, whether office or retail, according to the Burbank-based **Construction Industry Research Board**.

The CIRB tallied a total of \$30 million worth of commercial work through the first quarter of 2010 — down 36.1 percent from \$46.9 million in the first three months of last year.

“The numbers have been very low anyway,” said Ben Bartolotto, CIRB research director.

But there are positives.

The lack of commercial construction has given retail space the chance to rebound from double-digit vacancy levels that are very unfamiliar, and office landlords a chance to recover from overbuilding that occurred during the middle 2000s.

In terms of office leasing, **Jones Lang LaSalle** (NYSE: JLL) reported San Diego County posted 137,000 square

feet of positive net absorption in the first quarter.

Cassidy Turley BRE Commercial reported a much stronger 485,382 square feet of absorption during the same period.

The differences in results may be attributable to those in survey methodology.

In any case, those numbers are a lot better than the large chunks of negative net leasing of office space during the past two years.

March was the second in the first three months of the year which had zero industrial permits pulled.

The CIRB said February had permits pulled for only

\$638,000 worth of construction.

This may not be surprising in places such as Otay Mesa, which has about 3.5 million square feet of empty industrial space — and a 24 percent overall vacancy, according to Cassidy Turley.

By contrast, while Kearny Mesa returned more than 152,000 square feet during the quarter, its industrial vacancy was only 6.1 percent by Cassidy Turley's accounts.

With landlords needing to lure in new tenants and keep the ones they have, permits for nonresidential alterations and additions remain active, although not nearly as strong as they were in the middle of the last decade.

The CIRB tallied \$37.5 million worth of nonresidential alteration and addition work in March, 37.7 percent more than \$27.8 million in March 2009.

Permits for a total of \$87.3 million in nonresidential alteration and addition work were pulled for the first quarter of 2010, an 8 percent drop from \$94.8 million in the like period a year ago.

See **Permits** on 3B

Permits

Continued from Page 1B

The CIRB reported permits were pulled for 197 single-family homes in March, an increase of 54 from March 2009.

Both numbers are but a fraction of the 300 to 800 permits per month that were common in the middle part of the millenium's first decade.

The CIRB tallied 585 single-family permits for the first quarter, about double the 297 during the like period in 2009.

While this year was the best three-month total since 2007, these numbers are still historically quite low.

In terms of dollar volume, permits were pulled for \$61.7 million worth of single-family homes in March, 59.1 percent more than the \$38.8 million in March 2009.

Bartolotto asked, "Housing is showing some strength. The question is how much."

A total of 101 multifamily permits for apartments and condominiums were pulled in March, the best month thus far in 2010 but still less than a third of the 378 permits pulled in 2009.

Permits were pulled for 256 multifamily units for the first quarter of 2010, a 35.5 percent decline from 397 pulled during the first three months of last year.

The first two months of last year were particularly weak, with only six and 13 multifamily permits pulled, respectively.

Multifamily dollar volume was \$14 million in March, a little more than half the \$26.5 million in 2009.

For the first quarter, permits were pulled for \$35.3 million in multifamily permits — or 15.3 percent more than \$30.6 million in the first three months of last year.

MarketPointe Realty Advisors said the San Diego County apartment market softened somewhat, as units that were converted to condominium have become apartments again, and tenants are doubling up or moving back home.

Despite this trend, the apartment vacancy rate was still just 4.75 percent here in March, according to MarketPointe. A 5 percent

market is considered ideal in the industry.

Residential alteration and addition activity may be down from the mid-2000s, but year-to-year looks relatively strong.

The CIRB reported permits were pulled for \$17.9 million worth of this work in March, 5.3 percent more than \$17 million in March of 2009.

In the catchall category of "other," which includes projects from pump stations to outbuildings, a total of \$5.86 million worth of work in March was a fraction of \$17.5 million in March 2009.

"Other" amounted to \$13.6 million in the 2010 first quarter, down by more than half the \$36.9 million through March of last year.

The total value of all construction permits in March was \$136.9 million, a 13.4 percent drop from \$158 million in 2009.

Total first quarter 2010 permit volume was \$390.5 million, a 9.36 percent jump from \$357.1 million in the first quarter of 2009.

Source Code: 20100428tdh