

Influx of new homes helps fuel active year for real estate



The streets for The Cannery development north of Covell Boulevard at J Street are mapped out in this aerial photo taken last October. Model homes should be open by July. Fred Gladdis/Enterprise photo

By Jeff Hudson

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Prospective home buyers in Davis will witness something later this year that they haven't seen in almost 15 years: a significant number of newly constructed homes, being built in several parts of town. Model homes should be ready by late 2015 and early 2016.

This pending increase residential construction is also occurring at a time when Davis home prices, as measured by the price per square foot, have pretty much caught up with the previous peak of the real estate cycle.

Prices topped out around \$330 to \$340 per square foot in 2005-06, then dipped during the long recession. But over the past three years, the price per square foot has been rising — from \$267 in 2012, to \$297 in 2013, to \$321 in 2014, to somewhere in the \$330-\$340 range now.

Existing homes in Davis are selling at a median price in the mid to high-\$500,000s, and the average asking price is edging into the \$600,000s (due to a number of high-end properties in the \$1 million-plus range that are currently for sale).

This trend appears to be prompting some potential sellers who have been waiting for prices to rebound to consider listing this spring, which could create a larger inventory of existing homes for sale than Davis has seen in recent years.

Several factors indicate this trend could be underway. According to Cory Gold, vice president of Coldwell Banker-Doug Arnold Real Estate, there were 73 residential listings on the market in early March, as compared to 59 listings at the same time last year.

And a mid-March check at Davis City Hall found that during the first three months of 2014, 163 homes went through a resale city inspection, in preparation for going on the market. This year, that number was 204 with 10 days remaining in the month at that point — a noticeable uptick.

Spring and early summer are traditionally the busiest time of year for home sales in a university town like Davis, where the end of the academic year in June drives the decision about when to move for many local families.

This year, there's also an additional factor: New homes will be for sale in late summer and continuing into early 2016. Some prospective sellers want to jump into the market this spring, before they face competition from new homes. Others are waiting to see what the new homes look like; if they like what they see, they may decide to buy a new home and put their existing home up for sale.

The Cannery

The first new home project to hit the market will be The Cannery, a 547-home community on a 100-acre site at East Covell Boulevard and J Street, which once was the site of a Hunt-Wesson tomato plant. Grading and improvements have been underway for months, and several model homes are expected to open in July.

The Cannery homes will come in a variety of sizes; two neighborhoods have been announced thus far. There will be a neighborhood of 72 "row homes" (1,404 to 2,016 square feet, up to four bedrooms) called Heirloom. And there will be a neighborhood of 73 "park homes" (1,943 to 3,535 square feet, up to six bedrooms) titled Sage.

The New Home Company of Roseville is the overall developer, and will be building some of the new homes. Shea Homes also will build a portion, and other builders may be announced as well.

Three projects for Fouts

Local home builder Don Fouts also expects to get construction underway soon for three new-home projects:

* Sixteen condos known as The Villas at El Macero, overlooking the 12th hole of the El Macero Golf Course. Fouts hopes to break ground early this summer and have the first homes ready for move-in during the first quarter of 2016.

He said most of the condos will have master suites on the ground floor, as well as other features like wider hallways that will appeal to older home buyers for whom access may be an issue.

* Forty-one homes on 8.4 acres on Grande Avenue, which Fouts purchased from the Davis school district last December. The district took the property through the city's entitlement process — converting the land into home lots — before Fouts bought the site.

The Grande project will have eight "affordable" units, six "middle-income" units and 27 market-rate homes that will be consistent with existing homes in the neighborhood.

"All the homes will include photovoltaic (solar) systems," Fouts said. "The project has a community garden, multiple bike paths and walking paths, and improvements to existing bike paths. I anticipate breaking ground in the summer. The first units will hopefully be ready for move-in by year's end."

* Ninety-six homes on the approximately 12-acre Chiles Ranch property, north of East Eighth Street and east of the Davis Cemetery. The city approved this project in 2009, but the recession intervened and construction did not begin at that time. Now that economic conditions are improving, Fouts is ready to proceed.

"We will have 17 different floor plans, from 1,350 square feet to 2,650 square feet — an average of about 1,800 square feet," he said. "It will give Chiles Ranch the feel of a custom home community, not a tract."

Fouts added that there also will be "extensive greenbelts, walking paths and two community gardens," as well as a barn-like structure rising above a patio with picnic tables where residents can gather for barbecues and other gatherings.

"Homes should be available for move-in sometime in first quarter 2016," he said.

Fouts — who has built custom homes in Davis in recent years — said all three of his projects will have opportunities for buyers to customize their homes to reflect their tastes.

There are a few other small infill projects moving ahead as well, like the six-home Paso Fino project by Taormino and Associates in the Wildhorse neighborhood.

West Village homes on hold

There is no action this spring on one other new home development that has been on the horizon for several years: the proposed 132 single-family homes in the West Village neighborhood west of Highway 113 at UC Davis.

The university initiated the 224-acre West Village project — including student apartments and single-family homes affordable to faculty and staff, as well as the Sacramento City College Davis Center and some retail shops — about 10 years ago, with the idea that the project would be complete by 2015.

But then the recession hit and home prices dipped, so the single-family portion of the neighborhood was put on hold. Streets and utilities are in place but construction has not started, and no timeline has been announced.

The apartment complexes — The Ramble, Viridian and Solstice — are complete and are largely fully leased.

Prices still unknown

Price is always a critical factor in any real estate transaction — and prices for The Cannery and in Fouts' projects are still unknown. But it's a hot topic of conversation among local real estate professionals.

Inferences could be drawn from nearby communities. In Woodland, the Camellia development in Spring Lake — featuring solar-equipped homes ranging from 2,616 to 2,981 square feet, with three or four bedrooms — is priced from \$466,990 to \$501,990.

Woodland's price per square foot has been in the \$170-\$180 range.

In Davis, prices for existing single-family homes have been on the rise. In 2012, the median sold price was in the mid- to upper \$400,000s. For 2013, that jumped into the lower \$500,000s, an increase of about 10 to 12 percent.

For 2014, the median price moved into the mid-\$500,000s, up by roughly an additional 10 percent. And currently, the average asking price is in the \$600,000s, pulled upward by some high-end homes in the \$1 million-plus range.

Gold, of Coldwell Banker-Doug Arnold Real Estate, said 20 Davis homes sold for \$1 million or more in 2014.

Kim Eichorn of Lyon Real Estate sees prices rising again this year. And she thinks more existing homes will be coming on the market.

"There is a lot of pent-up seller readiness," she said. "There are people who were ready to sell, but did not, because they lost equity (during the recession). But now they have largely recovered."

Gold and Eichorn both said they are seeing a number of all-cash offers (with no mortgage involved).

Affordability?

Several analysts have recently expressed concern that rising home prices throughout California and the nation have shut out too many potential buyers.

On March 17, California's nonpartisan Legislative Analyst's Office released a report titled "California's High Housing Costs: Causes and Consequences," which urged legislators to pass laws that would promote more density for housing in urban areas, particularly along the coast, as one way to make housing more affordable.

And RealtyTrac, a company based in Irvine that tracks real estate statistics, released a report on March 26 that found nationwide home

price appreciation has outpacing wage growth by a 13-to-1 ratio over the past two years.

The California Association of Realtors offered this perspective in a March report: For homes in San Francisco, Marin and San Mateo counties, where the median home price is in the \$1 million-plus range, an annual income of \$200,000 is needed to purchase a home.

Statewide, the median home price was \$467,280 in the third quarter of 2014, and an annual income of \$94,880 was needed to purchase a home at that price.

The National Association of Realtors calculated the median home price for the nation as a whole at \$208,700 during the fourth quarter of 2014, with an annual income of \$42,260 needed to purchase a home at that price.

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