




# In Case You Missed It...



## California Has Density Solutions, but Not Enough New Housing

By Pete Reeb, Principal





The big three housing markets—Texas, Florida, and California—all easily topped 100,000 building permits in 2017. Combined, they account for almost one of every three new homes permitted for construction in the US last year. Only one other state (North Carolina with 65,009) even topped 50,000 permits.

TOP THREE US HOUSING MARKETS	TOTAL BUILDING PERMITS
 TEXAS	169,885
 FLORIDA	118,548
 CALIFORNIA	113,320
 US TOTAL	1,264,051

**Texas** clearly dominates new home construction. Texas added more jobs last year than any other state, adding 288,000 new jobs. Texas has a very efficient permitting process to accommodate the growth, resulting in lots of new housing getting built at very affordable prices. **Our Texas consulting leader [David Jarvis](#) says that it typically only takes about one year to get a subdivision approved, and even master-planned communities only take about a year. In addition, development fees due at permit typically run only about \$6,000 to \$12,000 per house.**

**Florida** is booming. Florida is the number one destination in the US for retirees and is likely to remain so for the foreseeable future. Our Florida consulting leader [Lesley Deutch](#) says that in **Florida it also typically only takes about one year to get a master-planned community approved, and it takes even less time for a subdivision. Development fees typically run from about \$8,000 to \$12,000 per house (and up to \$20,000 in a few markets). The result: lots of new housing at very reasonable prices.**

**And then there’s California** . While California is number three in the country for new home construction, it is number one in population. **The housing shortage has resulted in home prices that are more than 2.4 times higher in California than in Texas and 2.2 times higher than in Florida. Half of California home buyers pay more than \$537,900 per house!**

TOP THREE US HOUSING MARKETS	SINGLE-FAMILY DETACHED MEDIAN SOLD PRICE 2017
 TEXAS	\$224,000
 FLORIDA	\$237,500
 CALIFORNIA	\$537,900
 US TOTAL	\$248,800

**Since we work all over the country, we can tell you that there are three big differences in California:**

- Zoning. California has a very lengthy entitlement process. According to our Northern California expert [Dean Wehrli](#) , it can easily take eight to ten years or more to get a master-planned community approved for development, and it’s a BIG IF that you**




**will even get approvals** , while subdivisions that already have substantial conformance with local zoning laws can take three to five very expensive years.

**2. Fees. Most California municipalities require development fees from home builders that add \$25,000 to \$70,000 in some areas—substantially higher than in Texas and Florida .**

**3. Environmental compliance. While California arguably has lots of land, wide swaths are off limits or require expensive environmental remediation per state laws, the most notable of which is called CEQA .**

Zoning, fees, and environmental compliance combine to make California home building expensive, resulting in very high home prices.



TOP THREE US HOUSING MARKETS	POPULATION PER NEW HOME COMMUNITY	JOBS PER NEW HOME COMMUNITY
 TEXAS	9,683	4,258
 FLORIDA	19,557	8,086
 CALIFORNIA	44,775	19,164

In Texas, they have one new home community under construction today for every 10,000 people. In Florida, they build one new home community for every 20,000 people. In California, the ratio is one community per 45,000 people. **The result is that we have clients who build and sell substantially the same house in Texas for \$300,000 as they build in California for \$800,000.**

Because of this, California builders have become the leaders in providing high-density housing solutions, selling new homes at the most attainable prices possible that also allow for a reasonable builder profit margin. [DesignLens](#) , John Burns Real Estate Consulting’s monthly compilation of the best in housing and community design from across the country, features many great high-density programs from California. California developers and builders have been the first to innovate many new home and community design features such as:

- Pocket parks
- Detached homes with 15 dwelling units per acre (and up to 30 dwelling units per acre in Small Lot Ordinance projects in LA)
- Courtyard / green court homes
- “California rooms” (integrating indoor and outdoor living)
- Staggered garages
- Roof decks on single-family homes

[Pete Reeb](#) , Principal, is dedicated to helping our clients optimize their new home development opportunities through the use of great market analytics and interpreting home buying behavior through our [Consumer Insights](#) surveys of new home shoppers. Give us a call to learn how you can bring some of these great ideas to your market and what sort of pricing you should expect in your location.



## Pete Reeb Principal

If you have any questions, please contact Pete at (858) 281-7216 or by [email](#) .

[Learn more](#) about our research and consulting services.