

Local county, city regulations inhibit commercial projects, investor says

Santa Cruz County and its cities have created a series of regulatory roadblocks that make getting approval for a new commercial project both expensive and difficult.

That's one of the conclusions of a survey just completed by the investment real estate firm of Hirsch and Associates.

Owner Ron Hirsch, whose Capitola-based firm deals extensively in commercial property in Watsonville and operates throughout the western United States, said Santa Cruz County is similar to other investment real estate markets in several ways:

- A lack of investor confidence in the economy;
- Financial institutions not willing to make loans on certain types of buildings and new projects; and
- Sellers are not realistic about the price and terms in today's marketplace.

But the county differs from other marketplaces, he said, in a couple of ways:

- Not much land is available for commercial or multi-residential projects; and

● The county and various cities make getting approval on a new project both difficult and expensive.

"While the demand for well-maintained and -located apartment buildings has remained strong, resulting in continued high prices being paid, the price a buyer is willing to pay for duplexes has declined, resulting in buying opportunities," Hirsch said.

"On the other hand, with few exceptions, the value of commercial property, including office buildings, shopping centers and industrial buildings has remained quite consistent.

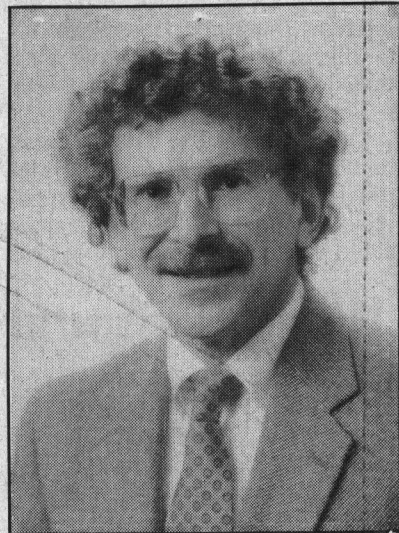
"This has resulted in relatively slow activity in the commercial area."

All of this translates into time and delays for the commercial property owner wanting to sell, Hirsch said.

"Properties which took three to six months to sell two to three years ago now take nine to 18 months," he said.

The exception, Hirsch said, has been the investor who wants to exchange his properties.

"Those who accomplish tax-



RON HIRSCH
 Local real estate investor

deferred exchanges aren't as sensitive due to the significant increase in property value and the leveraging that occurs when, for example, an owner exchanges a four-unit apartment building for a 10-unit apartment building," he said.