

Building Report

2/8/74

Residential construction in Santa Cruz County has slowed down to a pace less than half of what was being built a year ago although financial institutions believe that the next few months may bring a gradual comeback to the housing field.

A preliminary count of building permits granted in January shows a total of 44 single family units and 11 multiple units or a total of 55 dwelling units for the first month of the year.

January is traditionally a slow month in the construction field because of the inclement weather conditions so the report isn't as dismal as it might seem at first glance.

However, the building rate represents an annual growth of less than 700 units, well below the 2000 built in 1973 and far below the record of 3755 built in 1972.

The total valuation of new construction in all areas of the county last month was a good \$4,743,452, but the total was swelled by the \$2.8 million contract for the expansion of the sewage treatment plant for the City of Santa Cruz.

Thus, the more accurate figure was \$1,943,000, well under previous reports. Pajaro Valley with eight new homes and a duplex started in Watsonville along with considerable construction in the Freedom-Green Valley area of the unincorporated sector.

There were 29 single family units issued

permits in the county along with six single family units and three triplexes in the City of Santa Cruz.

In dollar value county permits totalled nearly \$1.2 million, Santa Cruz \$3.1 million, Watsonville \$353,014, Scotts Valley \$39,566 (including one house) while Capitola had no residential construction and the building permit valuation totalled only \$10,730.

Activity in both new and used housing has declined for several months due to a variety of factors, including higher construction costs and more difficult lending arrangements.

It now appears, however, that lending on both new and used housing will become more available with the possibility that interest rates may decline.

Even though interest rates may drop, there is a growing tendency to add more points onto loan costs as well as increasing some types of service charges on conventional lending contracts.

Spokesmen for several financial institutions, including both banks and savings and loans, believe that money will be more available in the weeks ahead and with any luck a resurgence of building activity could be forthcoming.

We are not quite as optimistic although we believe that there is a good chance that a

more viable money market could open more activity within a month or two.

It appears to us that the chances are greater that the renewed money market may be more interested in used housing than in new construction.

In fact, we wouldn't be surprised to see much more activity in the real estate field than in new construction although there are several major projects in the City of Santa Cruz, including facilities in the Western Drive area as well as a major cluster condominium on the Hammond property near Market and Goss Streets.

The situation for new housing is not bright in the Mid County, an area which handled the bulk of the new housing starts in the past few years.

Today housing seems to be developed in more remote areas including such places as the summit area in the Santa Cruz mountains, the San Lorenzo Valley and parts of the Pajaro Valley.

The trend, at least at the moment, is centered in single family housing and in small multiple units such as duplexes and triplexes.

From an economic standpoint, an increase in new housing would be beneficial if the homes can be built where services are available rather than in non-service areas.