

Spaces and Places: Home builders' solution for state's housing slump

By Katherine Conrad
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As head of the Northern California Home Builders Association, Joseph Perkins has a plan to jump-start the state's ailing housing market, but he'll need federal action to succeed.

Perkins, executive director of the San Ramon-based, 1,000-member trade group, said he will work in 2008 to raise the so-called "conforming" loan limit from \$417,000 to \$600,000. That refers to loans eligible to be purchased by either Fannie Mae or Freddie Mac. Loans above that level are considered jumbo mortgages and typically have a higher interest rate.

"The conforming loan ceiling of \$417,000 is totally inadequate," Perkins said in an interview Friday. "If we can get an exemption for Californians, that will do more good than the governor jawboning lenders to extend the adjustable rate mortgages another year."

He plans to work with the association's new president, Cheryl O'Connor of Warmington Homes, to persuade House Speaker Nancy Pelosi, D-San Francisco, and Sens. Barbara Boxer and Dianne Feinstein, both California Democrats, to bring the issue to the forefront.

"Housing generates \$273 billion in economic output in this state," he said. "Our governor has declared a fiscal emergency due to diminished tax receipts because of the housing downturn. It makes sense to jump-start housing again by creating some incentives."

He'll need to work fast if he wants to turn around a housing construction industry that is posting its lowest numbers in a quarter-century. According to the state's Building Industry Association, new-home construction in November sank almost 50 percent from the previous year to 3,200 houses, and more than 20 percent from October.

Perkins said he had been hopeful that the limit would be raised, but the Office of Federal Housing Enterprise Oversight, which makes the determination, refused last month, saying it was not necessary.

For most of the country, that is true. While the national median price of a home is \$295,000, in the Bay Area the median price exceeds \$600,000.

Since that decision, Perkins said he decided to bring the political muscle of the home builders to bear on the problem.

He noted that not all regions in the United States are bound by the loan limit. Buyers in Alaska, Hawaii, Guam and the Virgin Islands can borrow up to 50 percent more than the limit. Despite California's well-documented unaffordability, however, the loan limit has remained the same across the continental United States.

Perkins said other high-cost regions in the country also could benefit from a formula that took an area's prices into account rather than using a one-size-fits-all approach.

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"If we raised the limit to the median-priced home in the Bay Area, the interest rate that the home buyer was paying would be lower and the monthly mortgage would be lower," Perkins said.

"That would be a boon to our home builders, and the resale home market as well."

Before it's even over : The fourth quarter still has a week left, but CB Richard Ellis issued reports on some Bay Area commercial real estate markets anyway, showing that rents continued to rise on the Peninsula and in downtown San Francisco. The Silicon Valley report was not released.

The Peninsula has shown the most impressive gains in the past year with rents rising a remarkable 43 percent. Menlo Park recorded the highest Class A rents at \$8.05 per square foot per month, with Palo Alto at \$6.50. Vacancy for the region was just under 9 percent.

In San Francisco, which calculates rents on an annual basis rather than monthly, asking rates for prime space was just shy of \$50 per square foot, a 28 percent increase over a year ago.

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