



StreetSmarts

FEBRUARY 2019

Crystal Ball: 2019

What's ahead in Development & Land Use

With the political disarray in Washington, tariffs, labor shortages in key sectors, the parallel growth of YIMBYism and NIMBYism, and homelessness on the rise, 2019 is sure to be full of real estate challenges and opportunities. We asked local ULI members to share what they see as the most significant real estate and land use challenges – or opportunities – on the horizon:



“Create housing for families. The Mayor got it almost right when he recently proposed height and density near transit centers. But it is more important to focus on housing for young families near employment, or with access to employment centers. We need to take old suburban neighborhoods into the 21st century by allowing modest density increases from 6 sf homes to an acre, to 45 rowhome and townhomes to an acre. Such a proposal would only modestly densify neighborhoods, without significantly changing their character.”

Gary London, Senior Principal, London Moeder Advisors



“My focus for the next 12 months includes critical issues of Obtainable Housing for broad segments of our San Diego Communities, Homeless Solutions that deal with both the mental illness and addiction and the economic displacement of this demographic, and improving infrastructure in both San Diego and Tijuana to adapt to new climate change factors and regional mobility. One opportunity lies in reinventing our shopping centers in the region into mixed use pedestrian oriented lifestyle centers, creating new connections to individual communities and neighborhoods through diverse mobility options and celebrating cultural diversity through urban design and park design.”

Brian Mooney, Principal, Rick Engineering Company



“As a small scale infill developer, The most significant land use challenge for 2019 will be the continual bid ask gap in development opportunity values. Vacant land in the metro area simply doesn't exist, and if it does, it has been passed on for decades for good reason. The prime sites have existing buildings that have increased in value with the rising tide of the market. As a result, development inventory has decreased because existing use value exceeds the land residual value for development. When development opportunities are available, brokers inflate the FAR and unit count regurgitating affordable housing bonus density law with no support of how to park the project or how to feasibly build it- physically or economically, leaving nothing on the bone for the prudent developer. The most significant opportunity may be that there are signs of softening values in the single family home market which is prime inventory for small scale infill developers. If 1-4 unit residential values soften, it also means that the for-sale townhome developer's time is up, they no longer become a competitor for development sites, and some of their inventory will turn over as pre-construction or under construction broken development deals (softening for-sale values all the while rising construction costs).”

Rammy Cortez, Development Partner, Hub & Spoke Communities