



REAL ESTATE

Ray Huard | rhuard@sdbj.com

Renovation Business Coming Back to Life

Turnaround Started in June as Home Sales Began to Rise

■ By RAY HUARD

Business is slowly getting back to normal for an El Cajon company that helps people fix up their homes for sale.

Greg May, owner of **Renovating Lives**, said his renovation business has come back to life after coming to a complete halt as people pulled their homes off the market because of the COVID-19 pandemic.

"For a good month that went by, we went to flat line, zero, nada," May said. "It was bad for us but even worse for the subcontractors I work with. Nobody wanted them in their homes. Everybody was a little leery about the future of the economy, so they were pulling back on renovations."

As of the last week in June, May said there's been a turnaround.

"We started to get some more calls," May said. "We're just now starting to ramp back up."



Greg May

Pandemic's Effect

Prior to the pandemic, May said he would typically go on 10 to 15 calls a week from people who wanted to renovate prior to putting their homes on the market.

"Those literally went to nothing," May said. "We're not entirely dependent on helping homeowners fixing up their house for sale. The guys who were depending on renovations, they were hurting. They were calling me every week, asking if I had work."

In addition to the renovation side of his business, May said he also builds ground up homes on spec, and that part of his business kept going.

"We were selling homes right through the pandemic, no problem," May said.

With housing inventory at a low point, "It's an awesome time to sell," May said. "I've been doing this 31 years and I've never seen the inventory so low." Because of pent-up demand and low interest rates, May said he sees homes selling at a near record pace.

Freddie Mac reported that as of June 25, the 30-year fixed rate mortgage averaged 3.1% nationally, down from 3.7% for the same period a year ago.

May's observations reflect a recent report by Zillow, an online home real estate company.

Homes Selling Quickly

For the week ending June 20, **Zillow** reported that homes in San Diego were selling far faster than they were for the same period in 2019 and faster than the national median average.

The median San Diego home was on the market for 14 days compared to 25 days at the same time a year ago and compared to a national average of 21 days for the week ending June 20, according to Zillow.

"The broad story nationwide is that home sales slowed down in April and May in the sense that any typical home that we saw pending on Zillow took longer from being first active to going pending than at the same time in 2019," said **Jeff Tucker**, an economist at Zillow.

Pending means that an offer has been made on a house.

"In the last few weeks, that trend has reversed itself and homes are selling at a faster pace than they were in 2019," Tucker said. "San Diego homes are moving exceptionally quickly now."

Tucker said San Diego home sales in June were back up where they were prior to the pandemic.

"It's shaping up to be a very brisk selling season in San Diego this season," Tucker said. ■

County Sees Slight Drop in Apartment Rents

Overwhelming Majority Of Tenants Keeping Up With Payments

■ By RAY HUARD

Apartment Rents Drop

Apartment rents are slightly falling in San Diego County as the result of the COVID-19 pandemic.

The drop has been about 0.6 percent since March, but this reverses what had been a steady upward trend.

Despite the slight drop, because rents had been steadily rising before the pandemic hit, rents are still slightly higher in San Diego County than they were a year ago – about 0.4 percent higher in June 2020, according to Apartment List, a national online apartment listing company.



Kendra Bork

Meanwhile, the **Southwestern Apartment Owners Association** based in San Diego reports that the overwhelming

majority of apartment renters were keeping up with rent through mid-June.

"It's holding steady," said **Kendra Bork**, president of the Apartment Owners Association and owner and CEO of **Cambridge Management Group** in San Diego.

Uncertainty Ahead

"People were paying a little slower this month. I'm not sure if it's an anomaly or the start of something," Bork said. "The fact that people have been paying their rent the way they have means they have been prioritizing their rent. The rent collection numbers show they're willing to pay, but their ability to pay, it will be interesting to see what happens over the next few months."

Bork said about 92% of tenants in the 1,100 apartments that her company manages are current with their rent payments, which she said is about normal.

"I'm hoping it will continue to stay steady," Bork said.

The fear is that payments could drop after people spend their stimulus checks and unemployment benefits run out.

Bork said owners of B and C level property are likely to feel the crunch the most because they provide workforce housing for people in service and retail jobs where layoffs and furloughs had hit hardest.

"I'm hoping it will continue to stay steady," Bork said.

Rent Drop Notable

The drop in apartment rental rates since March is notable "because March to June is one of the busiest

times for apartment hunting activity, meaning that rents are usually growing faster during these months," said **Chris Salvati**, a housing economist with Apartment List.

“

The rent collection numbers show they're willing to pay, but their ability to pay, it will be interesting to see what happens over the next few months.”

KENDRA BORK

"In fact, the current 0.4 percent year-over-year growth rate is the lowest that we've seen at this time of year in San Diego over the history of our estimates, going back to 2014," Salvati said.

The median monthly rates in San Diego County stood at \$1,573 in June for a one-bedroom apartment and \$2,041 for a two-bedroom apartment.

Carlsbad had the biggest drop in rents, although it was so small – 0.3% – that it hardly registered. Carlsbad also had the highest monthly rents in the county at \$2,540 for a median two-bedroom apartment,

according to Apartment List. National City had the lowest monthly rent, at \$1,323 for a two-bedroom apartment.

Commercial Tenants

On the commercial side, at least one property owner reports that most of his company's tenants have done well in keeping up with rents so far, and the company is working out agreements with those that are struggling.

"We're running about mid 80s (%) in rent collections," said **Mark Hoekstra**, managing director of **Intersection**, a commercial real estate investment and development company based in downtown San Diego.

Among the properties the company owns are the Old Poway Village retail center.

Hoekstra said Intersection early on in the pandemic helped tenants apply for federal assistance and bank loans to carry them through.

"In the beginning, what we were doing was sitting down with each of our tenants and walking them through the PPP (Payroll Protection Program) and helping them with the loans," Hoekstra said. "Not only were we able to help them get it but we were able to get it quick."

As the pandemic drags on, Hoekstra said Intersection is again meeting with tenants individually to negotiate rent deferments. The terms of the deferments will vary, he said, depending on the nature of the business and whether they're able to reopen. ■



Chris Salvati



Mark Hoekstra

SAN DIEGO BUSINESS JOURNAL

THE COMMUNITY OF BUSINESS™

Delivered straight to your inbox.



Sign up for our free daily eNews at sdbj.com/enews-signup