

'90 building permits fall sharply

Level is lowest since recession of early 1980s

By Andre Mouchard

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It's flashback time for Orange County's construction industry.

Local building permits — an indicator of future building activity — fell in 1990 to levels last seen during the recession years of the early 1980s, according to a report issued Wednesday by the Construction Industry Research Board.

On the residential side, local builders took out 11,975 permits last year, down 28 percent from 1989. For commercial construction, measured in dollar volume, permits were worth about \$1.17 billion in 1990, down 24 percent from the year before.

Overall, 1990 was one of the slowest years for building permits in Orange County since 1967, when the construction industry board began tracking permit statistics.

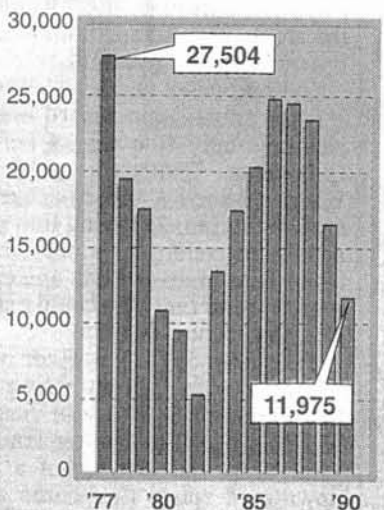
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Building in Orange County

Orange County in 1990 had one of its worst years for new building since records began being kept in 1967. Dollar-valued data have been adjusted for inflation.

Housing

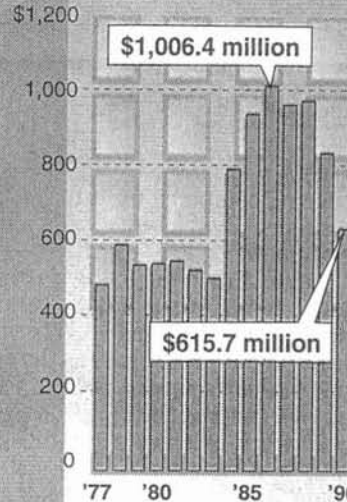
Number of homes, condominiums and apartments that builders took out permits for.



Source: Construction Industry Research Board

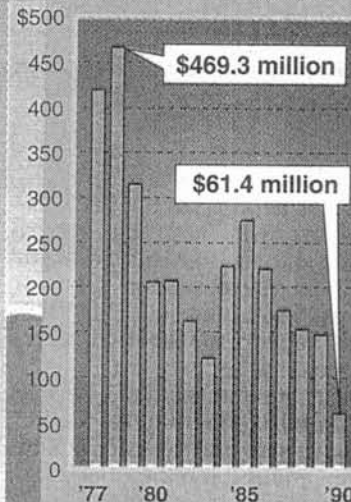
Commercial building

Value of permits taken out for new office and retail space, in millions of dollars.



Industrial

Value of permits taken out for new industrial space, in millions of dollars.



Nam Nguyen/The Orange County Register

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PERMITS: Analysts say slowdown could hasten recovery

FROM 1

As a result of the downturn, real estate analysts said construction of single-family houses, offices and industrial buildings this year will be at about the same rate as 1981 to 1983, years that many building experts have described as a "real estate depression" for Orange County.

"This is the most dramatic slowdown in new construction the county has ever seen," said David Dickey, senior economist for Market Profiles, a Costa Mesa real estate consulting company.

But a building slowdown isn't necessarily a bad thing.

Dickey, like many other real estate analysts, predicted the downturn in permits during 1990 could be the first step toward a real estate recovery in late 1991 and early '92.

If fewer houses and commercial properties are built, Dickey and others believe consumer demand eventually will catch up with supply.

"(Taking out fewer permits) is a prudent thing for builders to do," Dickey said.

"The construction industry overall is going to be in a more healthy position at the end of this cycle than it has been in other cycles simply because demand is being allowed to catch up with inventory," he added.

Still, Dickey and others conceded that the first step toward a real estate recovery is going to be a painful one for those who earn a living in construction.

In 1990, the county lost about 12,000 construction jobs, a shrinkage of about 13 percent in the in-

dustry, according to the state Employment Development Department.

This year, with even less construction expected, those looking for jobs in the building trades could find the going even tougher.

"From a recovery perspective, less building will help (commercial) vacancy rates and demand for housing," said Dennis Macheski, director of research for Price Waterhouse Real Estate Group in Newport Beach.

"But less building will mean even less construction jobs — and a multiplier effect will result from that," Macheski said.

Overall, it is believed that one non-construction job is created for every construction job in Orange County.

The slowest segments of the

construction industry in 1991 are likely to be single-family houses, industrial buildings and offices, which all saw significant drops in permits during 1990.

For the year, 3,419 permits were taken out for single-family houses, a 57 percent drop from the year before and the second slowest year for single-family permits since 1967, according to construction industry board figures.

The yearly total ended with the two slowest single-family permit months in recent history, with 86 single-family permits taken out by builders in November and 73 permits pulled in December.

Multi-family permits remained constant. There were 8,556 permits pulled last year for multi-family housing, including condominiums, townhouses and apartments, compared with 8,608 multi-family permits issued in 1989.

On the commercial side, the permits for industrial buildings — including warehouses and manufacturing facilities — were valued at more than \$61.4 million in 1990, down 57 percent from 1989. Permits for office buildings were valued at \$232.4 million, a 41 percent drop from the year before.

Permits for retail buildings, including stores and restaurants, were valued at \$213.7 million, up 11 percent from 1989.