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# Urban residential and mixed-use development still a great investment in Southern California

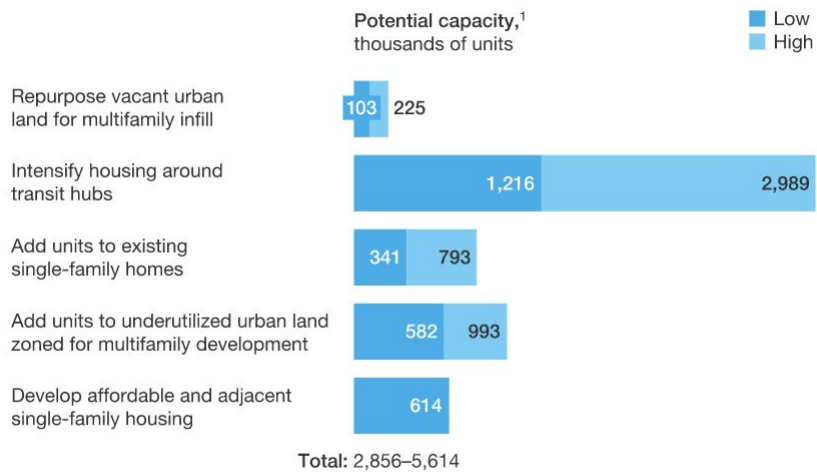


## **Office and retail down; housing (as always) up.**

A [recent analysis](#) of the Southern California commercial real estate market reveals several key truths for investors. While retail and office space appear to be overabundant in most sectors, and while industrial and special use properties are holding steady or declining slightly, urban residential and mixed-use development is in high demand.

Despite a variety of challenges in the sector (e.g. financing, parking, neighborhood opposition, and affordability chief among them), there is no question that the need for urban housing is dire. [A recent study by the McKinsey Global Institute](#) ranked California 49th in housing units per capita, and pointed out the huge capacity for growth, especially around transit hubs:

## California has room to build more than five million new units in 'housing hot spots.'



<sup>1</sup>Highly conservative estimate, based on only 3 counties: Contra Costa, Sacramento, and San Bernadino.

McKinsey&Company | Source: McKinsey Global Institute analysis

As the writers at [UrbanLand](#) pointed out, while the demand for urban housing may not be entirely a new phenomenon, there has been a major change in scale:

One challenge for developing housing in California's major cities is the lack of large land parcels for development. Developers typically must pay a large premium for parcels of one acre or more or hope to assemble such parcels by purchasing multiple lots, which is difficult. It is easier and more cost-effective to acquire smaller lots or two adjacent lots to create projects of about a quarter acre or less. These smaller projects, which often consist of ten to 20 units, will play an important role in addressing California's housing shortage.

This changing landscape will present many opportunities for savvy investors who can navigate the challenges surrounding the urban housing market, and is a trend that seems destined to continue - and intensify - over the coming years.