

BEHIND THE BUILDER

A conversation with
Bill Ryan
SVP Development
Barry Swenson Builder

Where is your development activity taking place, and what do the next two years hold?

I'm seeing strong rental activity in all sectors of the market: office, retail, industrial and residential. Apartment rentals have led the way over the last couple of years. I believe this sector of the market will remain strong over the next several years due to low inventory and high demand. Current construction of new apartments is insufficient to meet the growing demand. Several projects that were originally planned as rental units are converting to condominiums. BSB currently has plans to build more than 2,500 units over the next several years to meet the growing demand for both rental and for-sale housing.

Retail demand has been steady. An increase in household incomes in the Bay Area has given rise to many older retail properties being renovated and re-tenanted to accommodate a shift in consumer preferences. Since the beginning of the year, downtown San Jose retail has seen a flurry of activity as businesses rush to take advantage of the anticipated increase in population due to several housing projects set to break ground this year. I had three offers to rent one of our downtown restaurant locations before the space became available.

What is the current status of investment in the valley? Who's lending and for what kind of work?

Lenders are beginning to ease their criteria for traditional debt. In this environment of low interest rates and property appreciation, the underwriting on many of our projects has become more favorable in the last few months. Investment in the valley has been strong for the past year. I believe this trend will continue for the near future. We all expect interest rates to increase over the next few years, but I don't believe the increases will be large enough to slow the current rate of growth. In fact, I think real estate valuations should increase for the next several years.

The investment community is beginning to see real estate as a favored asset class again. Much of the activity over the last five years has been from investors looking for undervalued assets. I'm seeing a shift in the profile of our equity partners to a more traditional strategy of buying and holding long term for both income and appreciation.

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