

SILICON VALLEY / SAN JOSE

# Business JOURNAL

## Are rentals passé? Trumark chief on why for-sale is taking off



*Courtesy of Trumark*

Momentum at PACE consists of 43 single-family homes at the PACE development in Milpitas. Velocity at PACE includes 91 townhomes. Trumark Homes is building the community, as well as Centered on Capital, which has 94 townhomes in San Jose's Berryessa neighborhood.



Nathan Donato-Weinstein  
Real Estate Reporter- *Silicon Valley Business Journal*

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Trumark Homes is so bullish on the region's for-sale housing prospects, it now counts a backlog of roughly 2,000 developable lots in Silicon Valley and is actively looking for more.

The company, a division of Danville-based the Trumark Cos., just started construction on a 134-unit community in Milpitas called PACE. It is also working on a 94-unit townhouse project in East San Jose, dubbed Centered on Capital.

Trumark is no stranger to the Bay Area housing market, with more than 20 years of active development experience here. But it's poised for increased activity as the rental trend of the last few years makes room for more for-sale development. In a sign of how far the market has come,

it's even now exploring entering markets in the Sacramento area and Arizona — once major "bust" areas.

"We feel as though apartments are in the seventh or eighth inning," [Michael Maples](#), co-founder and managing member of Trumark Cos. "Good sites will still do really well, but we feel in Silicon Valley and Downtown San Francisco, there's a swing back to for-sale."

I caught up with Maples by phone recently. In the following interview, which has been edited for length and clarity, Maples talks about current projects, market trends, density and how to get projects approved.

**Your Milpitas project includes a rarity in the Bay Area: Single-family detached homes, in addition to attached townhouse. How did you get approval for that?**

It's very difficult to find a development where you can do single family detached in the Bay Area. By doing higher-density townhouses, we were able to meet the city's density requirement and do some single family detached. I think we brought a solution that was a good balance for the property.

**How does the density requirements affect the kind of homes you're building?**

We're pushing more people into three-story product. Because the footprint is smaller, most of the living space happens on the second floor. We've come up with innovative product to make it feel larger: For example, on living spaces, we're doing larger decks that are 12-feet deep and 20-feet wide. And we'll have a sliding glass bifold door that opens to a 12-foot opening. You've just extended your living room to an outdoor area.

**What's driving the interest in sale product?**

The Millennials are bigger than the baby boom population. They're at the point where they want to start buying homes. During the recession, people bundled up -- they lived with people they didn't want to live with, and got apartments. Now in some places, it's cheaper to own than you can rent. And with the pricing going up, it's allowing certain people already in the market to get above water on their mortgages, allowing them to buy something new.

**What's going on with pricing?**

In last six months, everyone's been shocked at how much appreciation has come back to the market. We think in the next 24 months there will be significant price appreciation and then normalize to 2-4 percent a year. We could easily see 10-plus percent this year and next.

We don't want to get way ahead and create a bubble. We're doing a catch up. As long as we don't let it get out of control and over-swing the market, there will be a catch-up, then a pause.

**What concerns you?**

We're always worried about global events, but in Silicon Valley and San Francisco the tech market has been strong. If you add a national recovery, the pressure on the Bay Area will be very significant.

**Do you ever worry about oversupply?**

It would be almost impossible to oversupply the Bay Area. We could overprice the product in the Bay Area and create a problem.

**The Bay Area isn't an easy entitlement environment. What is your approach?**

We look at it from four perspectives: First, what does the neighborhood want? What does the city want? What does the marketplace want? And fourth, what can you get financed? All need to come together to make it work.

(With city and neighborhood concerns), we try to listen well and make realistic changes to make something better. If you don't listen and aren't authentic, people see through that pretty quick. Sometimes we get into the middle and feel we won't be able to get there. And we don't move it forward. Sometimes you listen and realize this isn't the best thing here. You have to listen and bring new ideas and work together.

Nathan Donato-Weinstein covers commercial real estate and transportation for the Silicon Valley Business Journal