



The Greatest Obstacle To SoCal Housing Development

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IRVINE, CA—Keeping **homebuilding** both profitable for the **developer** and **affordable** for the homebuyer is the top challenge builders face today, **MBK Homes LLC**’s president **Craig Jones** tells **GlobeSt.com**. Jones took over the company reins this month after former president and CEO **Timothy Kane**, who spent more than 20 years with the firm, retired.

Jones brings more than 20 years of experience in **acquisition, asset management**, strategic planning and market research to his new role. He has been with MBK since February 2012, where he developed MBK's **apartment**-investment strategy and the establishment of **MBK Rental Living**, including sourcing and **land acquisition** for the **development** of **multifamily** and **single-family** communities throughout California. In addition, he oversaw asset management of existing apartment communities and product development.

Prior to joining MBK, Jones spent 11 years at the **Irvine Co.**, where he was responsible for apartment-portfolio asset management and the acquisition of more than 7,200 apartment units valued at \$2.2 billion. He began his career managing research and client services at **Grubb and Ellis**.

We sat down with Jones for a chat about his new responsibilities, what lies ahead for the company and the greatest obstacles to housing development in the Southern California region.

GlobeSt.com: Tell us more about your new position and responsibilities.

Jones: I'm moving into a role that's been led by one leader for some time. MBK is a family of people who have worked together for a long time, and there's been a lot of continuity. In my role, I'm leading this group of people in the homebuilding and apartment-building arena. We are both a home builder and a rental-living builder throughout California, and that's kind of unique in the industry. We're a vertically integrated home and apartment builder. Our employees are given the responsibility and ability to operate in both of those businesses. It takes us through the different economic cycles, the ability to have employees take advantage of both. The Millennial generation rents for longer, and as they move through that life cycle of having a roommate and then perhaps getting married and having a family, that life cycle will eventually lead to homeownership. We're providing shelter to both renters and home buyers, with **Baby Boomers** on the back end. Employees like working for a company that offers a more diverse role. I'm excited to take on the role of leading such a dynamic and exciting employee family.

GlobeSt.com: What lies ahead for the company?

Jones: The heart and soul of who we are is really going to remain in place. First and foremost, we're about building happiness; that's the tagline of our company. I've already spoken to our employees about their happiness, but first and foremost, this applies to our customers. Our focus is on building homes for customers to enjoy in the future; that's the cornerstone of MBK. It's a great opportunity for growth, and we're looking at expanding both geographically and within the product we build. For me, our strategy going forward will be focused on that growth and opportunity. From a central focus, we're looking at that opportunity for growth provided by our parent company, **MBK Real Estate LLC**, which owns MBK Homes and **MBK Rental Living LLC** outright and provides all **capital** for investment up to and beyond \$500 million. We have a lot of money to place and the ability to house a lot of people in California.

GlobeSt.com: *Where are the hot regions for housing development, and how are developers approaching them?*

Jones: It's a tale of two cities. Our unique position in the market is that on the homebuilding side, we have very tight supply in urban infill markets—L.A., San Diego, Orange County, the coastal infill markets of Southern California. There's very little supply coming to the market. For us see opportunity on the homebuilding side to provide infill housing consisting of attached and detached homes for sale, that's where we're going to focus most of our efforts. This is for the first-time homebuyer or first-time move up buyer. On the other side of the business—the apartment side—developers have been flocking to the urban core for several years now, but we have taken a different approach: suburban markets. There's a growing disparity between rents and affordability, so we're looking at the suburban Inland Empire market; there are a lot of projects underway along the I-15 corridor in San Diego. We're expanding our geography within the apartment business. We're working on the Central Coast—Sacramento is a very hot market right now—and we're continuing to seek suburban opportunities where there is a large gap between rents in urban cores and rents in suburban areas.

GlobeSt.com: *What do you see as the biggest obstacles to housing development in Southern California?*

Jones: The usual suspects: the California market has high barriers to entry. Whether it's available land, difficulty of entitlement—there are lots of things that I could bring up—but to me, what makes it more difficult to develop in California is the cost and time

it takes to the point where you're bringing sticks out of the ground and actually building a home. You're measuring that against the affordability of that home, whether it's for sale or for rent to your customer. There has to be an ability to make money for the project to go forward: that's the biggest challenge to me.

Obviously, there are regulatory challenges, litigation, project entitlements and CEQA issues. All of that leads to the question of the ability to build product that's affordable to the growing population. Unless you're able to deliver homes to people in California, it's difficult for the population to continue growing.

The bottom line as far as obstacles are concerned is the cost of building and delivering homes in an affordable fashion. For us, that's why our strategy involved infill real estate build to a higher density a for-sale home. The Millennial buyer is more accustomed to that density and can get beyond psychological barriers to that and the apartment side. We're able to locate land opportunities that give us the ability to build that product and keep our lights on.

There are great opportunities ahead. This is a great industry, and we have an amazing mission to provide people with a place to raise their family and live their lives. We have the responsibility to provide quality housing and design homes that are not only attractive but also environmentally friendly. This is a fun business and a great path forward for us.