

Strip Malls to Homes: analysis of commercial to residential conversions in California

California Community College Real Estate Education

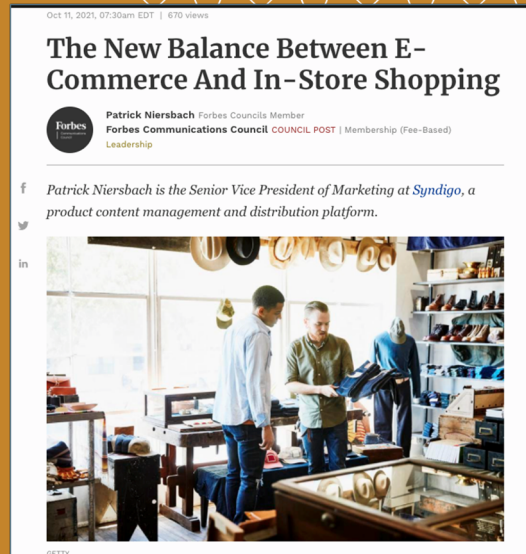
David Garcia, Policy Director



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Why is this important?

- There is an intense need for more housing in California
- Political interest in commercially zoned land
- Pandemic has accelerated retail and office trends



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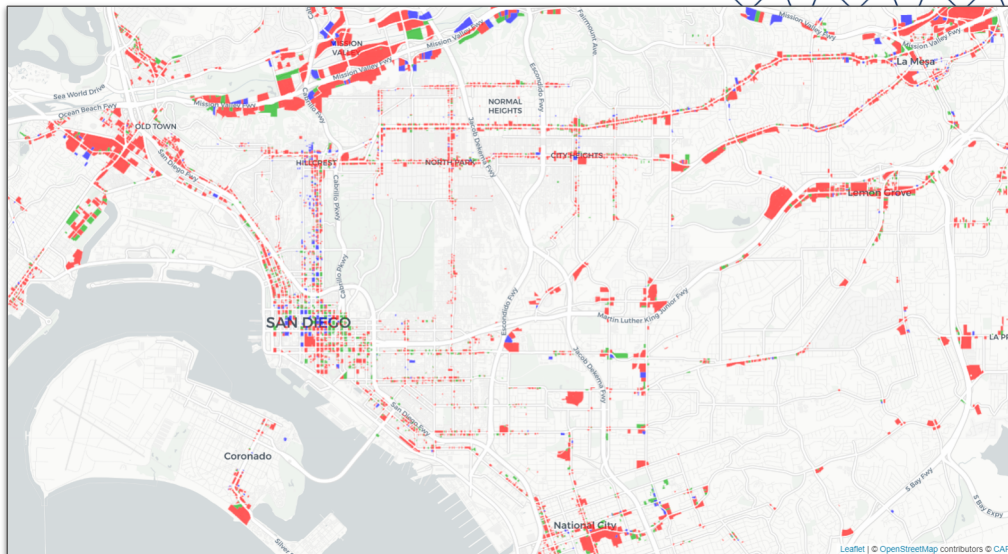
Research goals:

- ❖ *What does commercially zoned land look like?*
- ❖ *How much housing can we expect to be built on commercial land given status quo land uses?*



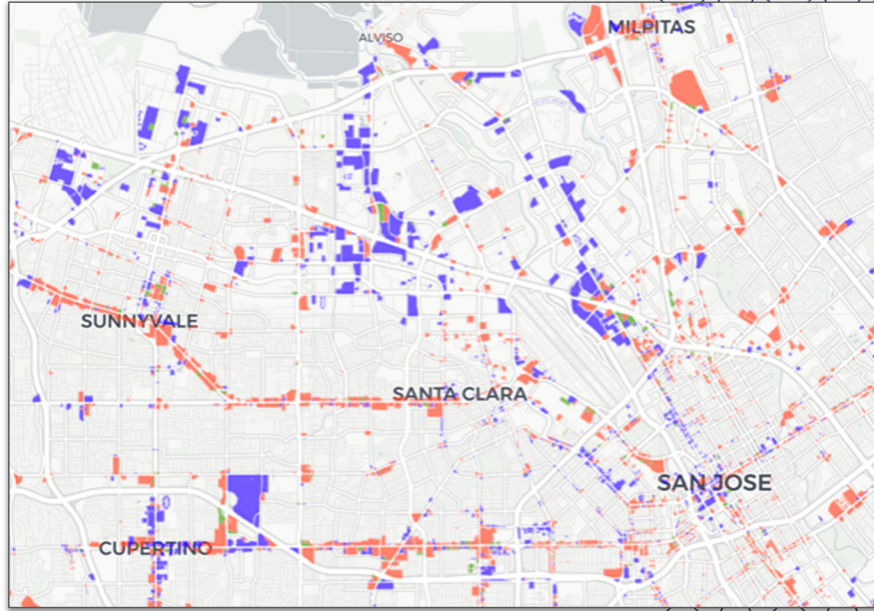
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Commercial land is everywhere!



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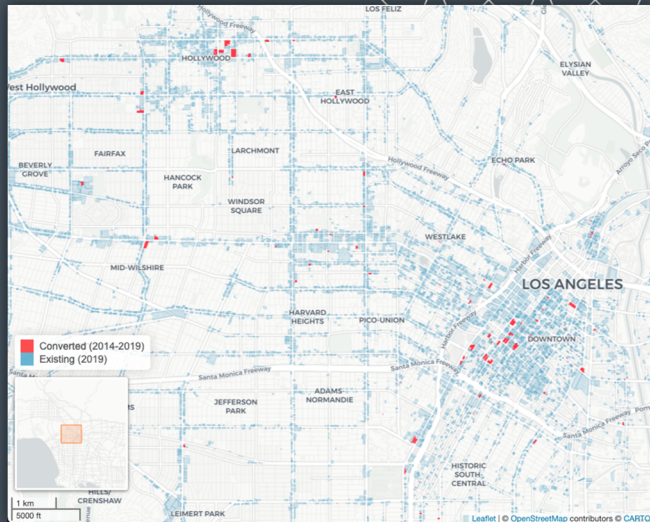
Commercial land is everywhere!



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In recent years, commercial conversions have been rare in California overall...

2014 - 2019 commercial to residential parcel conversion rate by region	
Los Angeles	0.72%
San Francisco Bay Area	0.95%
San Diego	0.36%
Sacramento	0.41%



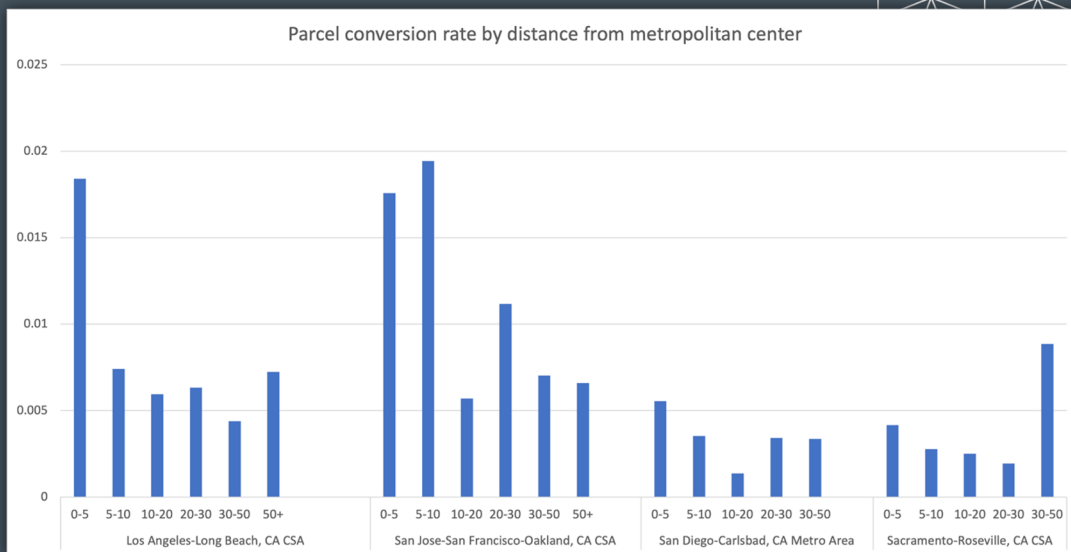
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..but in places where conversions are encouraged, they make up a meaningful share of new home production

Region	Total New Homes ('14-'19)	Homes built on Commercial land	Share of total homes built on Commercial land
Los Angeles MSA	202,544	28,011	13.83%
LA County	78,418	23,984	30.59%
Orange County	53,019	2,955	5.57%
Riverside County	42,640	405	0.95%

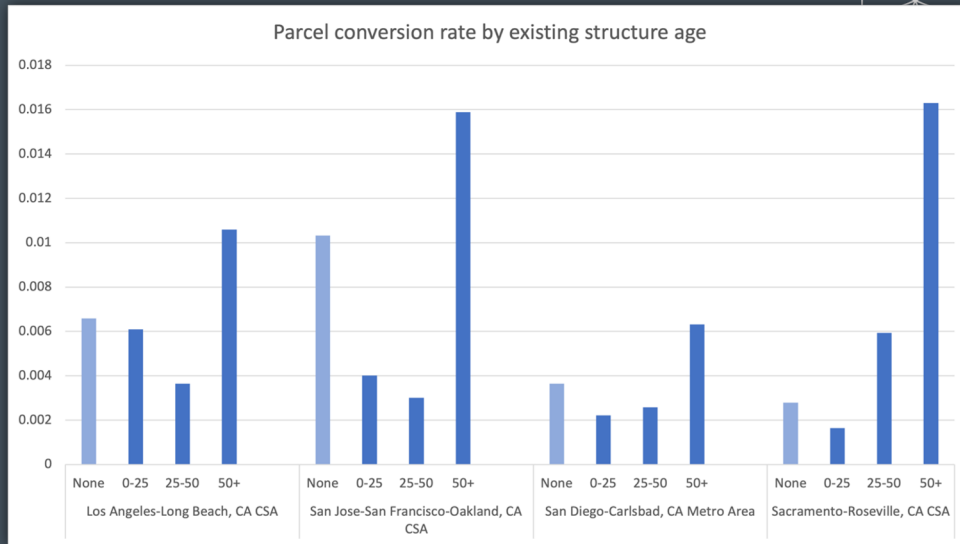
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Most conversions took place in urban cores on parcels with older buildings



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Based on past trends, commercial to residential conversions will not be enough to meet housing goals

Region	8-year Housing Production Goals (RHNA)	Prediction of conversions as share of total housing goal	To meet goals, prediction needs to increase by a factor of...
Los Angeles	1,341,827	3.8%	26.5
San Francisco Bay Area	441,176	4.1%	24.3
San Diego	171,685	1.8%	54.8
Sacramento	153,512	1.0%	101.9

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What can we do?

- Cities should proactively explore policies to encourage more homebuilding on retail and office property
- State and regional funds should support these planning efforts
- Create statewide standard for how much housing should be allowed on commercial land everywhere

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