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STEVE LOPEZ:

Some who bet on boom in growth may go bust

July 18 2007

I'm cruising south from Riverside on the 215 Freeway, past dozens of new-home billboards and fields of dusty boulders, straight into the heart of California's future.

"Visit Our New Neighborhood," says an ad for Meritage Homes, and there are others for The Lakes, Thornbury, Waterford, Canterwood and so on and so forth.

advertisement



midcentury. But a new report says a slump in the Inland Empire real estate market is contributing to a 36% drop in Southern California home sales.

So what should we believe? Is the party over in the Inland Empire, or has it only just begun?

I didn't know if I could answer that, but I decided to try.

Last week I called Ron Goldman, Riverside County's planning director, who told me he needs 10 new employees to process 5,000 development applications, even though there's been a downturn of late in actual construction. As he sees it, the rate of growth may slow a bit. But it's still coming.

And what will planners in the already congested area do about highways, traffic, air quality, jobs and water?

"We're certainly looking at all those issues," Goldman said.



But are they looking hard enough, I wonder, as I pull off the 215 at Newport Road in Menifee. Grading equipment and new rooftops are visible as far as I can see. At the first intersection I come to, I'd need six hands to scribble the names of all the new developments listed on a sign, with arrows pointing every which way.

I drive past several of them before entering a "master-planned community" called The Lakes, with nearly 1,000 homes built or under construction. Near the sales office I see workers landscaping the shores of one of three man-made lakes.

"Where's the water come from?" I ask two laborers, wondering if "The Dunes" would have been a smarter concept than "The Lakes," given the state's water shortage.

They say they have no idea and refer me to the sales office, where no one can answer the question. But I pick up a brochure that says, "Lake Newport, Stillwater Lake and Southshore Lake are stocked with enough fish to delight any catch-and-release angler."

If you believe the state Department of Finance, Riverside County will be California's second most populous county after Los Angeles County by

<p>Obituaries Crossword, Sudoku All Sections Corrections</p>	<p>Who will have time for fishing, I wonder, in a development that will include a Community Bay Club, Sports Park, Splash Pad, Water Slide, Junior Olympic Pool, Lap Pool, Biking Trails, Paseos and Gated Entrances?</p>
<p>BUY, SELL & MORE Jobs Cars Real Estate Apartments Personals Deals at Local Stores Coupons Newspaper Ads</p>	<p>"It doesn't get any better," says Anthony Neal, 25, the first new resident I see.</p> <p>Neal, a manager at LA Fitness in Riverside, is getting into the black Hummer parked in his driveway. He moved in two weeks ago with his fiancée, he says, buying his three-story, four-bedroom house for \$380,000.</p> <p>"I just like space," he says, and he thinks this will be a great place to raise the children he hopes to have one day.</p>
<p>PLACE AN AD LAT Media Group latimes.com</p>	<p>On my way out of The Lakes I notice a cluster of portable buildings at the Menifee Union School District office. Is the district growing so fast that it can't build enough permanent buildings to keep pace?</p>
<p>MY SETTINGS Sign Up Log In Personalized News</p>	<p>That's essentially it, says Scott Mann, the district's risk manager. The retired Navy officer, who has an "Operation Iraqi Freedom" photo of warships on his wall, says administrators are projecting a 7.6% growth in the 8,600-student district this year after two straight years of 14% growth.</p>
<p>SITE SERVICES Help Contact Us  RSS L.A. Times Archives</p>	<p>It's slowed down a bit, he says, but it's still coming. A day earlier, Mann attended the groundbreaking for a shopping center that will include a Super Target, Lowe's, BJ's, TGI Friday and Red Robin.</p> <p>"No longer will the residents of Menifee have to drive to Sun City for a good sit-down meal," Mann says.</p>
<p>HOME DELIVERY Customer Support Subscribe</p>	<p>The growth is a mixed bag, says Dan Wood, assistant superintendent of the district. He tells me there's much more traffic and a change in the pace of life, but more arts and services as well, including a new Temecula library that he raves about.</p>
<p></p>	
<p>LOCAL ADS Buy a link</p>	<p>But Wood has one very big worry on his mind: He isn't sure the district will make his 7.6% growth projection in the coming year. If it doesn't, that could screw up the budget. Wood shows me a list of 26 developers he's calling one by one, asking how many homes they think they'll sell in the coming school year, and he's worried about what he's hearing.</p> <p>"I'm sweating bullets," the former Marine says.</p> <p>Driving around a little more, I see lots of for-sale signs in nearly new developments, including one offering either \$1,000 or a "free plasma TV" to the lucky buyer.</p> <p>I dial the agent, Richard Sprunger, who won't tell me why the owner is selling. But he says that of the 580 homes for sale in Menifee, 122 are owned by people who got in over their heads with sub-prime financing.</p> <p>"They now owe more than the house is worth," said Sprunger, who is a San Diego firefighter when he's not selling houses.</p> <p>And this house, listed at \$420,000, could be hard to sell, since The Lakes and other new developments have dropped prices on new houses into the \$300,000s.</p> <p>Even Sprunger is feeling the heat. Sprunger bought in Menifee last year for \$460,000 when he couldn't afford a place in San Diego. But the same model is now selling for \$412,000.</p>
	<p>John Husing, an Inland Empire economist, sums up the Menifee market like this:</p>
	<p>"That was the spot of excess. Too many developers, prices too high and too far out."</p>

So now there's a glut, and prices are falling.

At Menifee Lakes Estates, I meet Joe Ivins and his sister, Katie, after they tour a four-bedroom model that's just been reduced by \$20,000 to \$449,000. Ivins is an appraiser and an investor, and he's not reaching for his checkbook. He thinks prices are going to continue to fall.

If so, that will open the market to many more potential buyers. Dan Wood will stop sweating bullets, the fish will be jumping if The Lakes don't dry up, and nobody will have to travel far for a good sit-down meal.

steve.lopez@latimes.com

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A dog-gone mess

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