

On a solid foundation

Developer knows good decisions by all are key to a recovery

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Starting today, we begin a weekly series of interviews with people making news in San Diego business. This week, staff writer Roger Showley talks to Nat Bosa, developer of numerous high-rise condominiums in downtown San Diego. Some excerpts:

Question: What do you make of the recession and downturn in housing?

Answer: In 1981, we had a huge crash in Vancouver. I told the banks at the time . . . "We were only pigs, you guys were feeding us. We were getting money and getting out of control. And we became hogs and then we all got slaughtered, including you." It was their fault. Remember, it is critically important for banks to do their homework.

This time was even worse. When I started hearing the word "subprime" four or five years ago, I just cringed. How you can sell a house to somebody that can't afford it? But because they can't afford it, you're going to give them cheaper interest rates and you're going to raise it over the next few years. If he can't afford it today, how's he going to afford it tomorrow? Of course, for one reason: Everybody thought housing prices are going to keep going up and that bails everybody out. And, of course we know what happened — everything has a peak — all of us end up paying the price and the consequences. That's where we are today, trying to work our way through the system.

Q: But don't developers bear some responsibility?

A: Now, the "pigs" had some responsibility, but I tell you where the difference comes in. A lot of pigs were not using their equity money — they were using other people's money and using the banks' money afterward. I don't know how many developers there are that go to bed at night and really get cold sweats. With me, it's literally my money. I don't have partners; my only partners are the banks, the ones that give me the money. And it's always been my custom to make sure that they get paid back, and I don't intend to change that.

I think what puzzles me is this. Everybody was screaming (in 2004), "House prices are way too high." But where is the affordable housing today? It's stinking cheap, it's ridiculous. What are people waiting for? You know what — it's their loss. But guess what happens when it turns around: Prices are going to rise instantly by 20 (percent) to 25 percent from where they are today. You know why? I've seen it every time.

Q: How does Canada compare with the United States in home buying?

A: In Canada you cannot walk away (from a bad mortgage). They can seize your wages and salary, everything. It makes you responsible. The ability to give the keys back (in the United States) is so wrong. It is just like giving a plate of food to your kid and he just doesn't like it and throws it away and waits for the next one. Before you sign on the dotted line and you're going to be responsible, you'd better know what the hell you are going to be doing.

One of these years it will happen and it should be developed over many years — that (as in Canada) you can't write off your mortgage interest on your income, because it promotes high mortgages and it gives no incentive to pay it off. That's wrong.

You've got to realize one thing. I'm the contrarian, and my peers hear me talk like this and say, "You're crazy! We'll get hammered!" That's not the point. If you look only for your own good, we're not going to get anywhere. You've got to look for the good of the ship.

Q: How will the building industry begin to recover?

A: There's one way that this thing could exit out and into the healing process. You know what it's called? Lending to purchasers *today*. But banks are still not lending to purchasers. Where the only thing you needed to do (five years ago) was be able to stand up for a few minutes while they interviewed you and they would give you the home that you wanted, all of sudden it's become even if you have 25 percent (in a down payment), they want your DNA. And not only 25 percent, but 25 percent after prices are down 30 percent. So where are the risks to the banks today? Today it's incredibly hard for people to get mortgages still. And if that was to ease up somewhat, you would see the inventory disappear automatically. The minute the banks start lending with common sense, the quicker they will come out of the problem. The quicker the tide rises, there would be less homes under water.

Q: When will things pick up?

A: I cannot tell you; I have no idea; I don't know. This thing here is so murky that I don't know. But you know what's going to happen — the minute the government thinks we're truly coming out of the recession, you know what's going to happen (he makes a gesture that interest rates will go up) — absolutely, unquestioned.

This thing is going to turn around. The question is when, and when it does turn around, the banks are not going to be allowed to keep the pace the way they did. Before they lend money to anybody (to build new projects), they are going to make sure that your skin is engraved in a hot plate. You're going to have to have a lot of equity. You've got to let the market dry out first, which it is.

Q: How about in San Diego?

A: Here, you're not going to see anybody start something for quite a while, because banks are not going to give any money. The earliest I could start something here, if I pressed on the accelerator right now, would be the end of next year. But I've got to get my drawings finished, my approvals, so I'm saying the middle of 2011 to be safe. By the middle of 2011 you would have hardly any inventory left, and basically you're going to have a lot of buildings full of people, which is great. See, these things are needed, in a way. That's how the population shifts. People who never thought they would have an opportunity to live downtown, all of sudden find themselves living downtown and they're going to like it. And they're going to talk to more people.

Q: How long will you stay in the game?

A: I'll be 65 on Christmas Day. I was saying this year — I have two sons that do what I do — that this is great opportunity to bow out, and I'll tell my kids, I'll be your partner, one in San Francisco, the other in San Diego.

But you know, I do a lot of bike riding. I play golf and go skiing. I like the active life. But I realized one thing. I'm not the type of guy you can give a book to and sit in front of a fireplace and say, "Good boy, you stay here."

I decided I'm not ready for that yet. I'm actually getting excited about the next revival. I hear an air of optimism out there. I would be very disappointed if it was to halt and had a reversal. That would be bad; that just wouldn't be fun.

The bottom line is it's an opportunity. It's not good for developers, but it's an opportunity to buy. That's the way I see it.

Union-Tribune



Nat Bosa stood next to his Bayside condominium tower. He says it is too hard for people to get home loans today. (Nelvin C. Cepeda / Union-Tribune) -

NATALE 'NAT' BOSHA

President, Bosa Development Corp.

Personal: Age 64. Born in Treviso, Italy. Moved to Canada with his family when he was 13. Lives in West Vancouver. Married; four children and three grandchildren. When he visits San Diego, he stays at his condo at his Park Place project and makes time for mountain biking and golf.

Education: Dropped out of school in eighth grade.

Local projects: After succeeding in high-rise condominium development in his adopted hometown of Vancouver, he opened his first San Diego project in 2001: Horizons in downtown's Marina district.

He has built seven projects with nearly 1,700 units, including the Legend overlooking Petco Park; Electra, rising above the former SDG&E power plant at the foot of Broadway; and the two-tower Grande, just west of the Santa Fe Depot. Immediately north is his latest, the 232-unit Bayside, which opened this year with prices now ranging from \$569,000 to \$3.4 million.

Bosa has at least five more downtown sites to build on, starting with property just east of Bayside on Kettner Boulevard, where construction may begin in mid-2011.