

## ***Land prices plunge***

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The value of undeveloped parcels of residential land dropped 40.1% in Riverside County and 40% in San Bernardino County since December, according to data released by The Hoffman Co., a land brokerage firm in Irvine.

Highland posted the largest percentage drop of the 29 communities surveyed in both counties, from \$175,000 at the end of 2007 to its current level of \$85,000, a drop of 50%.

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Seventeen Inland communities recorded drops of at least 40%. None registered a drop of less than 27% during the past five months, according to the quarterly Hoffman Land Index.

The report used 7,200-square-foot lots, the parcel size used about 75% of the time by residential developers in both counties to build single-family homes, said Tom Dallape, principal with The Hoffman Co.

Only empty lots that were ready to be developed - meaning parcels that had been graded and permitted - were included in the data, said Dallape and Norm Scheel, also a principal with The Hoffman Co.

Dallape and Scheel compiled the report, which was released May 27.

Like single-family home median sales and prices, the value of raw residential land has dropped precipitously since the two-county region's housing market reached its peak during 2005: in Corona, the value of a 7,200-square parcel fell from \$240,000 to \$150,000 during that time, while an identical piece of raw residential property in Riverside fell in value from \$210,000 to \$140,000, drops of 37.5% and 33.3% respectively.

Dallape and Scheel said the latest survey represents the largest drop in land values they've ever seen in Riverside and San Bernardino counties.

"With the housing market as bad as it is, you couldn't be surprised by these numbers," Dallape said. "Land values go up and down with housing sales, and the Inland housing market had to slow down at some point.

Two years ago we might have been shocked by these numbers," he said, "but not now."

## **Trying other land uses**

Residential developers usually are comfortable with a two-year inventory of unused lots, but the Inland market has slowed so badly that some developers have a five-year inventory within the region.

"There are limits to what you can do with residential land if houses aren't selling," Scheel said.

"Sometimes you can convert it to industrial land, but that's difficult to do, and even if you can do it there's no guarantee there will be a demand for it.

"Most of the time, all you can do is wait for the market to get better."

Speculative land buyers buy residential parcels and wait for housing sales to pick up, perhaps during 2009.

"A lot of developers are putting projects on the shelf for the time being," Scheel said. "Some savvy people are going to be out buying residential land."

The Hoffman Co. was founded in 1978. It represents residential, multifamily, commercial and industrial property owners, and it has brokered about \$4 billion worth of deals - about 1,100 transactions - during its 30 years in business, according to a company release.

The Hoffman Co. has booked about \$500 million in transactions annually for the past five years, according to the release.