



Falling California Land Prices Attract Investors

By Alton Gary Simpson

IRVINE, CA -- According to The Hoffman Company, a leading land brokerage firm in Southern California, there has been a significant increase in land transactions over the past several weeks as dropping prices begin to draw the attention of major investors. Land brokers at The Hoffman Group have closed on seven California land purchases across Los Angeles, Riverside and San Bernardino counties since early September. These properties range from key corner properties to swathes of land of up to 56 acres worth a total of \$30 million. The firm also put another \$50 million in land deals under contract over the past month.

Tom Dallape, a principal of The Hoffman Company said, "Year-over-year, if you compare the third quarter of 2006 to the third quarter of this year, our business was up 30% to 40%." He said that these represented just the first wave of land deals occurring at the new reset values.

According to a press release from The Hoffman Company, what has really caught the attention of the company's real estate brokers was not just the volume of sales, but who was buying the land. The release noted that most of the buyers are individuals trying to acquire real estate investments at bargain prices to hold until markets bounce back. Mr. Dallape explained that these 'counter-cyclical' investors were making a bet that while the market may not have hit bottom yet in terms of land prices, it may be close to it. He added that the increasing number of land deals occurring at below replacement value is a good indicator that the real estate market is close to bottoming out.

"The land deals are being completed by disciplined investors and land buyers who know when to get into the game and when it's time to take their chips off the table," said Norm Scheel, the other principal of The Hoffman Company. "These same investors stopped buying in 2003, feeling values had gotten artificially high and unsupportable. They feel the land market could still drift down a bit, but the risk of waiting on the sidelines now is even greater. Getting in too late has them competing with the Wall St. money that could run up land values."

He added that major players in real estate investment have been building their war chests for years and that when the prices really hit bottom, a flood of land deals will inevitably drive up prices. "We are starting to see serious sales after months of stagnation," he said. "Based on 20 years in the business, including the real estate meltdown of the early 1990s in California, I would say it's a strong sign that the California land game is on."

Mr. Dallape, who agreed with his partner about the state of play in the market, said that he expected Southern California to start its recovery by next summer. Among the hot spots for investment activity that both Messrs. Dallape and Scheel see in the region are the Inland Empire, Antelope Valley, Victor Valley and parts of Sacramento. Mr. Dallape noted that in addition to the decline in land values, the factors marking these areas as investment hot spots are their proximity to transportation and employment.