



## The New SoCal Land Rush

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Posted by Jeff Collins

Southern California land sales are at their highest level in three years, according to Irvine-based land broker The Hoffman Co. The firm reported that it closed more than 18 transactions since June, including one in Orange County. We spoke with Tom Dallape, one of the firm's principals, who last appeared in the Insider Q&A two years ago.

**Us: You say that sales picked up over the summer. But in late 2007 you said the same thing, and we now know that 2008 was a disaster. Why should we believe you now? How have things changed since 2007?**



*Dallape*

**Tom:** Land sales have picked up dramatically in 2009 – Hoffman's total year volume of closings has doubled over the land sale activity in 2007 and 2008. In late 2007, we did see a pickup in land sales by investors in the second quarter, but nothing to rival what we're seeing today. You mention that 2008 was a disaster; however, the land investors who continued to purchase improved lots in late 2007 and into 2008 are now beginning to sell these sites to home builders at substantial profits. The real difference between that market and today's conditions are the category of buyers. In 2007 and 2008, most buyers were cash investors. Today we have seen a resurgence of end users - the homebuilders - buying lots to build homes for delivery in spring of 2010 and beyond.

**Us: Some builders, like Standard Pacific Homes, say they're ramping up buying foreclosed properties and other types of distressed land deals. What's driving the market today?**

**Tom:** Like Standard Pacific, most public builders have returned to the land market. In many cases on the best sites, we have received dozens of offers to purchase housing sites. We have closed or have current transactions in process with almost every major public builder that operates in Southern California. The driver for this is the dwindling supply of new homes, stabilization of pricing in "corrected markets," and the simple fact that there have been few lots created in the market since 2006.

**Us: Which markets in SoCal and Orange County are the most active?**

**Tom:** The land market in Orange County is always difficult to assess, as the majority of buildable areas are in the hands of few sellers. We have been fortunate in representing several available developments sites that are available, including the 201-lot Blue Canvas site in Huntington Beach. We have had tremendous response on all of our sites in Orange County because it is such a supply restricted area. The most active markets in Southern California are in the Inland Empire and follow the I-15 Corridor. These are market areas in which the housing values have corrected and stabilized. The land prices for the I-15 Corridor hit bottom during the height of the credit crunch in the 4th quarter of 2008. Since that time, we have seen lot values in select markets increase by as much as 75% - but still down from the peak by as much as 35% - which is an improvement of the 50% decline we had seen.

**Us: Who's buying? Vulture funds? Foreign investors? Builders? Are the majority of the buyers intending to build over the next few years or sit on it until the market recovers?**

**Tom:** Today's buyers range from homebuilders stocking up on improved lots to investors - both value and foreign - purchasing the more speculative sites. The homebuilders who are buying land intend to build homes as soon as possible, while the investors typically will hold it for 3-5 years.

**Us: Who's selling?**

**Tom:** Our sellers today include lenders who foreclosed on sites, investors who purchased lots in 2007 and 2008, and some homebuilders and land developers who are still shedding a few legacy projects.

**Us: Two years ago, SoCal land prices were down as much as 40% to 50% from the peak. How are prices today?**

**Tom:** Two years ago, land prices were down 40-50%. In many markets, a bottom for land prices was hit in 4th quarter of 2008. Prices today on finished lots, which is land that is ready for housing, are on the rise. Due to the short supply, we expect land prices will continue to increase, but at a slower pace.