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Land Prices Pass Bottom, Still Below Peak

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By Bob Howard



Dallape

IRVINE, CA—The prices of finished lots have risen in 38 of 50 geographic regions in Southern California since hitting bottom about a year ago, but they remain below their peak of 2005, according to a new issue of the Hoffman Land Index. The locally based company's latest survey shows that the price of a finished lot in 80% of the region has risen for the past 18 months straight.

The latest prices for a 7,200-square-foot finished lot represent “a remarkable increase” compared to the bottom of the market a year ago, according to Hoffman co-principal Tom Dallape. He notes that Hoffman brokered more than 30 land transactions for a total value of more than \$300 million in the first two quarters of this year, primarily in the Inland Empire, a figure that is more than double the transaction volume of a year ago.

Dallape also points out “a clear distinction between remote areas and those closest to major job centers” in terms of land prices. For example, along the Interstate 15 corridor of the Inland Empire, land values climbed by 50% to 80% in more than a dozen markets.

Competition over finished lots heated up over the past year—especially among public homebuilders fortifying their positions for a recovery—and that has pushed up land values, which almost doubled in 2009 compared to 2008 in prime locations, according to the Hoffman report.

“Prices are starting to stabilize and there are fewer deals available in top tier markets, but we’re still seeing robust activity on the buy side,” Dallape said. “As far as finished lots in A-markets, almost the entire inventory is now in the hands of builders who are starting to look at lots with tentative maps.”

The most dramatic land value recoveries have been in Riverside County where public builders have been buying finished lots by the hundreds. For example, a finished lot in Temescal Valley south of



Corona now costs 137.5% more than it did in early 2009, while prices have risen 85% in Wildomar and Moreno Valley since the market bottom. Prices also climbed in Northeast Los Angeles County, where Santa Clarita led the way with an 80% percent increase over the last year.

“The exceptions are far-flung cities in San Bernardino County such as Adelanto and Victorville—where land prices continue to spiral downward—and the Coachella Valley where high desert lots prices have remained stagnant since dropping more than 60% from their peak in 2005,” the report states. On the other hand, the gap between the 2005 peak and the 2009 low is narrowing in some cities. For example, the price of a finished lot in Corona was \$300,000 five years ago, hit bottom at \$125,000 last year and is now back up to \$200,000.