

Home builders buying up land, pushing up values

By **LESLIE BERKMAN** The Press-Enterprise, July 15, 2010

Homebuilders have been buying ready-to-build land in Riverside and San Bernardino counties at a fast clip, pushing land values sharply above what they were in 2009, according to a leading land brokerage firm.

The Hoffman Co., which is based in Irvine but is an active player in many Inland Southern California real estate deals, said the most land purchases have been closest to major job centers, such as along the Interstate 15 corridor. More than a dozen markets there have seen a 50 to 85 percent increase in land values -- which nonetheless remained significantly below their peak.

The most dramatic recovery in land values since the real estate bust, the company said, has been in Riverside County, "where public builders have been snatching finished lots by the hundreds."

A report from the brokerage firm showed that a finished lot in Temescal Valley south of Corona now costs 137.5 percent more than it did in early 2009, while Wildomar and Moreno Valley have seen price increases of 84 percent since the market bottom.

However, prices continue to "spiral downward" in areas such as the High Desert communities of Adelanto and Victorville that are far from employment centers, the company said.

Tom Dallape, co-principal of The Hoffman Co., said that in the first six months of this year, the firm closed \$300 million in sales of ready-to-build lots and raw land.

He said that was more than double the number of transactions the firm closed in the first half of 2009.

He also said this year more land is being sold directly to builders rather than to investors.

Because all the ready-to-build lots have been purchased in the most coveted Inland markets, Dallape said, in the past 90 days builders have started to buy land that comes with government-approved plans but still needs improvements such as streets, lights and gutters before homes can be built.

The next stage, which Dallape said has just begun, is for developers to buy raw land without government entitlements that will take at least 36 months to get ready for home building.

He said developers are attracted by what they consider bargain prices on well-located real estate.

"There is quite a bit of bank-owned real estate out there and that is where people perceive the best deals to be had," he said.

Dallape said after this initial splurge, he expects builders will slow land purchases until they are more certain about where the economy is headed.

"It hasn't been a banner year for sales of new homes and there is caution out there because of that," he said.