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Major Land Deals in Southern California

Residential land activity remained strong in the second half of 2011, with over \$230M in transactions throughout Southern California. Land deals varied widely from raw land and paper lots to finished lots selling in the region. Homebuilders continue to be focused on centrally-located markets in or around employment nodes, particularly in Los Angeles and San Diego Counties. Mapped lots, and particularly finished lots, are becoming even more difficult to find in core markets. As a result, competitive bidding has driven up prices for the best lots in prime locations.

- **The second half of 2011 saw a heavy focus on multi-family and mixed-use land deals in Southern California, particularly in Los Angeles County.** Of the transactions identified, half were for deals in Los Angeles County, and a quarter were for land in San Diego County. Despite the continued sluggishness of the new home market, the constraints of the entitlement process should keep the Southern California land market competitive, as homebuilders search for prime locations that they can make pencil. Recent notable purchases include Pulte's acquisition of Fairbanks Country Villas in San Diego for almost \$275k per finished lot (\$426K total finished with FBA fees) and **TAAG Investment Management's purchase of \$175k per townhome unit in LA.**
- **REO land deals are becoming more difficult to find.** In particular, finding deals in the Inland Empire land market have been especially difficult to make pencil. Major REO deals have dried up, with the \$10M New Model Colony project in Ontario expected to be one of the last for the area. The New Model Colony is currently proposed for 361 units in a mixed-use development, with the raw land selling for about \$26k per lot.
- **Multi-family land transactions continue to account for a larger portion of the market.** As homebuilders compete with the distressed market for home sales, more are focusing on the attached and multi-family sector. Not only is money more widely available for multi-family developments, but population trends and homebuyer credit issues will continue to concentrate development dollars in the rental market. In many cases, multi-family developers can outbid for-sale developers for land, particularly for close-in areas near employment centers.