

INLAND EMPIRE RESIDENTIAL LAND MARKET

Finally, Some Good News!



Where Have Land Prices Been Over the Past 10 Years?

- Quick Review
- Land Bottomed in 2008 and Peaked in 2013
- Values had Flatlined or even Decreased Due to These

Influencing Factors:

- FHA Cap for Conforming Loans
- Rising Cost of Construction
- Increases in Development Fees

What's the Good News?

- Home Sales have been Strong
- When you have Good Sales Rates, you have Price Appreciation
- Influencing Factors:
 - Strong Job Growth
 - Low Interest Rates Still
 - Less Product than Demand

What is the Current Land Market Like?

- Builders are Back Buying
- Sellers can Transact now due to Higher Revenues to offset cost increases
- Revenues are saving deals, first time in many years
- Builders are still Pretty Optimistic
- Apartment Builders are looking in the IE

What are the Trends in Residential Land?

- Costs will continue to be a problem
- Entitlement Challenges will keep Getting Tougher
- More Infill, Less Master Plan Communities
- Apartments Becoming More Prevalent Due to Housing Supply

Increasing Costs

- Horizontal costs keep rising for labor and materials
- Vertical costs keep rising, especially for lumber
- Immigration policy will keep pressure on size of labor market

Entitlement Challenges

- Planning Staff are Very Busy
- Water Quality Control – Only Getting Tougher
- New Landscape Requirements & Building Codes
- Increased Fees

More Infill, Less Masterplans

- Upfront Costs for Both Entitlement/Development
- Timing to Get Major Projects Approved is Longer, Often Challenged
- Less Risk with Infill Projects
- Projects are Closer to Jobs and Demand

Apartments Becoming More Economically Viable

- Strong Rental Rate Growth
- Lack of Product Competition in Certain Markets
- Lack of Affordable Housing – Can't meet demand
- Buyers Inability to Qualify for a Loan

What land is in the highest demand?

1. Land that is developed
 - Improved lots from Developers of the IE: Lewis, Brookfield, Foremost.
2. Final Maps
 - Projects that have ready to Record Final Maps and can pull a grading permit.
3. Tentative Maps
 - Projects that can be processed fairly quickly

What Does the Future Look Like?

- As good house sales continue, so do price increases and land sales.
- It will always be hard to meet demand due to the lack of approved sites.
- While house prices are increasing, costs will continue to hamper land price increases.



CONTACT US FOR MORE INFORMATION

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