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Land Sales Rise, Venture Seeks Sites

By *Bob Howard*

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Banks

ALISO VIEJO, CA-A company formed by two former Lennar executives is set to buy distressed land in anticipation of the eventual recovery in the economy and the building markets, and a local land brokerage says that sales are already on the upswing as investors and developers want to be ready when the time comes to build.



Perrin

The two former Lennar execs are Tom Banks and Jason Perrin, co-founders and principals of Greencrossing Real Estate Cos., who say that conditions now represent a limited-time window of opportunity to buy distressed residential land. The brokerage firm reporting the sales upswing is the Irvine-based Hoffman Co., which says that land is changing hands in Southern California at a faster pace than anytime in the past three years.



Dallape

Banks and Perrin, who left Lennar in 2006 to start their own company, formerly led teams that helped Lennar Corp. acquire prime land holdings, attract joint venture capital and ride the wave of the last residential real-estate boom in the Inland Empire. Much of their work at Greencrossing to date has focused on consulting to land owners and financial institutions to help them dig out from the housing collapse and position them for the future. Now they see properties beginning to move and feel the timing is right to re-enter the market.



Scheel

"Clearly there's enough evidence locally and nationally that the residential real estate

market is at or near the bottom," Perrin says. He says that Greencrossing believes now is the time to attract capital to be ready when the recovery arrives.

The Greencrossing founders cite statistics over the past few months that suggest the housing market is bottoming out. Certain national housing data such as Standard & Poor's Case-Shiller index show price stabilization as prices rose in all 20 major US markets surveyed and posted their biggest monthly gains in almost four years.

Additionally, over the past five months, housing starts and new home sales have remained flat to slightly higher after declining for three and a half years, the Greencrossing principals point out. In some instances, some properties are generating in excess of 15 offers from qualified buyers, including public home builders which have been completely out of the land market for years, they add.

Execs at the Hoffman Co. cite a similar increase in land deals. The Irvine-based brokerage reports more than 22 transactions over a recent three-month period, including 12 in the Inland Empire, five in Los Angeles County, two in Northern California and one each in Orange and San Diego counties, as well as Las Vegas.

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Tom Dallape, co-principal of the Hoffman Co., says that the upswing in sales reflects "an increase in confidence from both the investment and home building sides of the market" and "a belief that we have hit a bottom in select markets and are beginning to see a rebound in those better locations."

Norman Scheel, Hoffman Co. co-principal, points out that on one of the company's deals, Hoffman "received almost a dozen offers from public builders, which meant that almost every publicly traded home builder in California put in a bid." The bids from the publicly held builders tend to be

higher than those from most private or institutional investors, which has pushed prices up as much as 15% for finished lots in some markets, he adds.

The land sellers represented by The Hoffman Co. primarily have been banks, investment funds and financial services firms that wanted to dispose of distressed property. The firm's current clients include Bank of America, J.P. Morgan Chase, First Private Bank & Trust and AmTrust Bank. The majority of successful bidders have been investors, although several projects were purchased by both private and public builders that are starting to ramp up their development efforts again.

According to Dallape, new home builders are starting up in California and "cautiously picking up everything from raw land to finished lots." For example, Trumark Homes, a new home-building company launched earlier this year to take advantage of opportunities in the distressed real estate market, recently bought 11.84 acres in the Orange County city of Lake Forest for \$4.8 million, a deal in which the Hoffman Co. represented both buyer and seller.

According to Banks of Greencrossing, market conditions today represent window of opportunity that will only last for a limited time. Investors, builders and developers need to be making moves in the land market now to be in position to capitalize on the housing turnaround that is "just on the horizon," he says. Over the last couple of years, major sources of investment capital like Wall Street, private equity and hedge funds were going nowhere near residential real estate, but they're now looking to get back in, he says.

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