

# Orange County Business Journal

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## Land Buyers Look for Opportunities as Building Slows

By Mark Mueller - 2/9/2009

Orange County Business Journal Staff

Opportunistic investors are looking for a way to profit from Orange County's tough housing market.

But it still may take a while to see a big local deal completed, according to market watchers.

Land owners, including homebuilders and developers, are "still battenning down the hatches," and holding on to properties, said Tom Reimers, president of Irvine-based land brokerage Park Place Partners Inc.

That's creating a disparity between what buyers want to pay for properties and what sellers are willing to part with them for.

But with the housing market in a standstill and some lenders getting antsy, owners may have to get ready to deal.

"We're hopeful this is the year that buyers and sellers close the gap" on pricing for local properties, said Lorry Lynn, managing principal for Corona del Mar-based Meyers Builder Advisors, a homebuilding consultancy.

So far, that hasn't happened.

"There's a lot of acquisition capital still on the sidelines," Reimers said.

### Riding it Out

Some investors are waiting for a fire sale, but few big builders are liquidating.

Large builders such as Miami-based Len-nar Corp. say they're willing to wait out the downturn in the local housing market, even if it means keeping large projects here under wraps for now.

Lennar will hold off building at Irvine's Heritage Fields development, and Ana-heim's Platinum Triangle, where a combined 10,000 homes are planned, said Emile Haddad, Lennar's Aliso Viejo-based chief investment officer, at a conference last month put on by the University of California, Irvine Paul Merage School of Business.

Sales of completed low- and mid-rise condominiums at the builder's Central Park West project in Irvine are being kept on hold and additional construction at the site is being delayed until market conditions improve, Haddad said.

Lennar's not alone. Other big landholders are slowing down projects. Big housing plans on Tustin's former Marine base and Rancho Mission Viejo have been put on hold. Communities such as Irvine Company's Portola Springs have seen delays.

### Legal Issues

Other developers with smaller projects in the works are largely focusing on resolving entitlement and legal issues for their land, rather than considering whether to sell properties that were bought during better times.

Proposed projects in the 2,800-acre Irvine Business Complex—where some 14,000 homes are planned—have been delayed while lawsuit-related issues over traffic and environmental issues are sorted out.

Don't expect to see any movement on projects until this summer at the earliest when new studies are completed by the city, said Tim Strader Jr., principal for Irvine-based Starpointe Ventures, a development consultant that's worked on a number of projects in the Irvine Business Complex.

The tough housing market has forced local investors to look elsewhere to make deals.

So far, select areas such as the Inland Empire are where deals are being made.

And it's savvy local investors—such as Irvine-based Shopoff Group and Foremost Communities Inc. of Irvine—that have bought land, rather than big institutional players.

A real estate investment trust overseen by Shopoff recently completed a deal in Southwest Riverside County and is nearing the completion of another sale in Lake Elsinore. Foremost, meanwhile, bought property in the high desert and in Chino.

Projects on the periphery of large markets—such as those in the Inland Empire—were the first to become distressed. They were also the first to come back on the market and the first to be repriced, said Reimers, whose company is handling the listings for a number of projects in the area.

Projects in more desirable locations, including those in OC, could come into play soon—perhaps in the next six months, Reimers said. The timing largely hinges on the decisions of the banks that made the project loans, he said.

There's likely to be more pressure this year on builders from their lenders to make decisions on their local land holdings, according to Lynn of Meyers Builder Advisors.

“Distressed loans are going to be called,” she said. “Builders will start to run out of options this year.”

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