

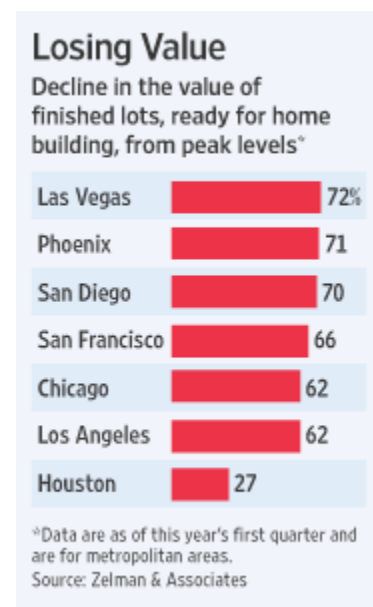
Homebuilders make grab for land

U.S. home builders, long burdened with excess holdings of land, now are shopping for more of it.

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By JAMES R. HAGERTY
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Though it will take years for builders to make use of all the land they bought at inflated prices during the housing boom, some are starting to see irresistible values for finished lots -- land ready for building, with streets, sewers and other improvements in place -- in prime locations. Many of these lots are owned by banks that acquired the property through foreclosures.

Ivy Zelman, chief executive officer of Zelman & Associates, a housing-research firm, said home builders have plenty of land already, but it is mostly in the wrong places, "beyond the 'burbs," far from where most people work. In prime areas, though, builders have dwindling supplies of lots and so feel the need to buy more. Demand for lots in top-tier locations appears to be increasing, particularly in Phoenix, near Washington, D.C., and in parts of California, she said.



[Meritage Homes](#) Corp. recently paid about \$2.9 million to California Bank & Trust, a unit of Zions Bancorp, for a loan backed by 81 finished lots in the Quail Springs subdivision of Chandler, Ariz., a suburb of Phoenix, said Steve Davis, chief operating officer of the home builder. Meritage then foreclosed on that loan to gain control of the lots and expects to begin offering homes there within a few months, Mr. Davis said.

The price for the lots works out to roughly the costs of the improvements, including roads and sewers, already in place, Mr. Davis said. In effect, Meritage is getting the land for free and paying only for the improvements, he said. A spokeswoman for California Bank & Trust confirmed the transaction.

The lots Meritage is buying in Chandler would have cost about three times as much in 2005, said **Howard Weinstein, a land broker at Land Advisors Organization in Phoenix**. The average cost of a lot of 6,000 to 7,000 square feet in the Phoenix suburbs of Gilbert and Chandler soared from about \$36,000 in 2001 to a peak of \$120,000 in 2005. Since then, the cost has sunk to \$35,000, Mr. Weinstein said.

Chandler is attractive because it is home to major semiconductor plants, providing high-wage jobs, and is more affordable than nearby Scottsdale, Mr. Davis said. Meritage expects to build homes priced at \$180,000 to \$200,000 on the Quail Springs lots, he said.

Meritage has bought about 3,000 finished lots in the Phoenix area over the past year and also has made smaller purchases of lots near Sacramento, elsewhere in California and in the Denver area, Mr. Davis said.

[Lennar](#) Corp. and D.R. Horton Inc. also have recently bought lots in California, said **Tom Reimers, president of Park Place Land Advisors**, a land broker in Irvine, Calif. Lennar declined to comment. Horton officials didn't respond to requests for comment.

Though the pace of deals has increased in recent weeks, "it's a trickle," Mr. Reimers said. Many banks are holding out for prices well above what builders will offer.

Rich Samit, chief executive of Fraser Forbes Co., a land broker in McLean, Va., said builders in the past two months have shown much more interest in buying lots in the most appealing parts of the Washington, D.C., suburbs. A rise in home sales is prompting them to "reload" their lot inventories, he said.

Ms. Zelman prefers to see builders focus on well-located lots that can be turned swiftly into salable homes. In the past, many builders speculated by purchasing large amounts of land that they wouldn't need for years.

Since the beginning of 2006, 13 large home builders tracked by Zelman & Associates have taken \$23.5 billion of write-downs on the value of their holdings of land and houses, producing net losses. The land and homes they held as of the most recently reported quarter had a recorded value of \$28.4 billion, down from \$73.1 billion three years earlier. Further write-downs on that land almost certainly will be needed, Ms. Zelman said.

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