

Tampa Bay Business Journal - September 22, 2008

<http://www.bizjournals.com/losangeles/othercities/tampabay/stories/2008/09/22/focus15.html>



Friday, September 19, 2008

Cash is king in buying land in slow-market times

Tampa Bay Business Journal - by [Bill Eshenbaugh](#)

What a difference a few years makes in the land business.

When I first entered real estate brokerage 25 years ago, my licensing instructor repeated the mantra of "Location, location, location" as a basic rule for all real estate licensees and developers to follow. I learned over the years, however, that maybe even more important for land brokers is the adage of "Timing, timing, timing" as being equally if not more important as a guiding principle.

In 2004, I wrote an article entitled "The Land Business-What a Wonderful Time." My, how times have changed here in the third quarter of 2008.

The land market has fundamentally shifted from a sellers' market to a buyers' market, and buyers with cash set the price and terms. Land pricing, especially for residential land, has fallen back to levels of about the 2002 or 2003 markets, long before the huge spike-up in pricing that peaked in 2005-06.

In 2008 and headed into 2009, the capital markets have paused when it comes to participating in Florida developments for apartments, retail, industrial and office. At a symposium of lenders in June, more than 20 lenders indicated they will not provide any land loans for speculation and only for land if it is with a leased development and an experienced developer with lots of equity in the deal. Personal guarantees are required.

Latest in residential

On the residential side, virtually no financing is available for condominium projects while lenders are foreclosing existing projects, developers have filed bankruptcy petitions and auctions are being scheduled for failed projects.

Single-family builders have almost three years of a major downturn and have dramatically curtailed their land positions, sold off undeveloped land, retrained sales and customer service representatives, and right-sized their products to today's buyer profile.

Unfortunately, smaller residential land developers have had their loans called by banks or the



Eshenbaugh

[View Larger](#)

loans have fallen into non-performing categories and investors are attempting to buy the loans at significantly discounted values.

Some land owners today may want to sell but are still thinking about the offers or prices they heard back in 2005. Others find themselves in a position that they must sell — perhaps a loan is due — and find that the buyer's market is willing to pay far less than the 2005 pricing.

Appraisers may have the toughest job of all real estate professionals today as they struggle to find values of land. Typically, they have used comparable sales of similar parcels as a good measurement of value, but without adequate market activity and a lack of good comparables, they have a much tougher job.

Recently, appraisers also have been tasked to find two values — the value of a parcel of land exposed to the market, for say 15 to 24 months, and a second value being a “liquidated” value if the seller had to sell and close in 30 to 60 days.

While there are many investors with reportedly billions of dollars for Florida land, our experience is that for them to buy and close in 30 to 60 days, they expect a major discount of 60 percent to 80 percent of the current appraised value that would normally take up to 24 months to sell.

Not many transactions have occurred at that level yet, but we did read of a Wall Street fund that bought an \$80 million bank portfolio of land loans for about 42 percent of value. It is hard to get actual verification of these numbers as there is no recording of land transfers when the loans are sold.

Looking ahead to banks, etc.

While credit likely will remain tight and financing tougher for some time to come, we believe there will be significant land buying opportunities in 2009. There will be a focus on the liquid acquisition funds acquiring bank portfolios of loans and foreclosed properties.

We believe a significant number of bank failures will occur going into 2009. That will create opportunities to acquire their land assets on loans that were made on residential land.

As land brokers, we are working hard to find the right pricing of our listings, offering significant time-sensitive buyer's-broker bonuses and focusing on sellers who “must” sell not just “want” to sell. My associate-brokers Ryan Sampson and Nancy Surak and I have tried to be pro-active, not reactive to the market forces in 2008.

We believe there will be land purchases made over the next year or so that will provide the buyers with some of the greatest potential for profit that we've seen in a number of years.

Bill Eshenbaugh is a Tampa-based land broker and can be reached at 813.287.8787 or Bill@TheDirtDog.com.

All contents of this site © American City Business Journals Inc. All rights reserved.