

## Matter of timing, look for land to bounce back first

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No other part of commercial real estate is more directly tied to the homebuilding industry than commercial land. Which means, it may be the bellwether indicator for when the economy turns around.

It's a question of timing.

"Everyone is pretty much watching residential right now before moving," says Will C. White, of **Land Advisors Organization**. "There is literally billions in land waiting and there are all kinds of investors waiting for the right moment to jump in."

The market for commercial land entered 2008 at or near the bottom of the so called correction, says CB Richard Ellis. By year's end, look for all measures of homebuilding to have normalized.

Signs of normalization will be that consumers can no longer anticipate value erosion during the construction of a new home, nor will homebuilders continue to offer such incredible incentive packages in order to attract and retain buyers.

Consumers who have been on the sidelines, waiting for prices to hit bottom, will realize the news media's often reported real estate "bubble" will not be bursting in Tucson and they should become homebuyers when signs of stabilization begin to capture the headlines.

White sees the turnaround taking a little longer.

"I think 2008 is pretty much shot," he said. "We will shake it all out this year, but we will see some increases in 2009 and start ramping back up."

He said some homebuilders haven't bought land for two to three years.

CB Richard Ellis sees the limited acquisitions happening this year will be done on extremely favorable terms as homebuilders work through their large inventories of unused land and unsold homes that have already been built.

As for the demand of other types of vacant land, White sees acquisition for retail pretty much on hold as developers are slowing their plans to develop property bought during the residential boom years of 2005 and 2006.

Ted Herman, a broker with **Land Advisors Organization**, suggests the planned Passages development near Vail on the southeast side and other projects being done by out-of-town developers might be able to attract retailers and employers not already here.

Airports might provide the focal point for some targeted industrial and office development, according to both White and Herman.

"Anyone who doesn't believe in the northwest side is just crazy," White said. "That will be the spot of some major development in the next few years."

He said "People up there will eventually want to work closer to their homes" and the area around the Marana Regional Airport could be prime for development of office and industrial buildings.

Much of the land around Ryan Airfield on the southwest side is zoned for office or industrial use and retail will follow later.

"Those projects are really going to change the face of the southwest side," says Herman.