



Would Anyone Buy Land Today?

By Jim Shaw, Vice President

It is always with anticipation that we speak to the business of land.

Will Rogers supposedly is credited with having been a proponent of land as a Real Estate investment when he said "They ain't making anymore..."

The issues facing the market are indicative of what we read daily in the news and hear over and over again on the radio and TV, when they say, "The economy teeters on slipping into recession and the housing market is receding to a great extent".

We are sure that the above is true, in varying degrees even here in Fort Bend County.

We see retrenchment in the retail market with the closing of several major furniture outlets and the departure of national chain stores and other providers of consumer goods.

We are seeing subdivision sales in some instances with significant drops in sales and new development.

The latest news, from the sages of future prognostication, is that we will only build in the range of 30,000 to 35,000 new homes in the greater Houston metro area in 2008. That compares to the high 40,000's in 2006. To address this point as a retrenchment and ominous to land development and land sales is a mistake. Especially when realizing that 30,000 plus new homes represents near record starts. It is important to understand that "only" 30,000 new homes require 10,000 acres of land.

All of the ominous talk causes concern because in Fort Bend County most of the reality is so totally different.

Granted, with some consumers being impacted by more difficult underwriting of home mortgages, sales of new homes in the \$90,000 to \$150,000 price range have seen significant slowing. Generally these buyers have less money available for down payment and less income to qualify for loans.

Conversely the middle to upper end market in Fort Bend County has grown, not diminished. We will define middle and above as homes above \$350,000.

The smaller, lower priced home product is primarily in west Fort Bend County which is significantly off projections of home starts.

Another major reason for the slow down of home construction in a portion of the County is the lack of large tracts being developed as master planned, mixed use projects. With buyers being more diligent and cautious the requirement for an amenity package is absolute. By amenity package we mean; possibly a golf course, a clubhouse, park sites, water features, variety of housing choices and certainly services being readily available. The planned communities such as Sienna Plantation, Riverstone, Telfair and Cinco Ranch, with their onsite amenity feel, continue to have good home sales even now in the slowing market.

Smaller tract subdivisions generally do not have the "amenity packages. They have streets and houses.

Large tract land sales continue but with evident differentiation in the type of activity. Activity in the land, priced and positioned by price for land developers, to buy has slowed significantly.

The main reason for that being that land developers need home builder's commitments for lots.

Generally they need these commitments early on in the development process. With most, if not all, major



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home builders in retrenchment because of slowing in the home sale market nationally, we have seen little interest in future commitments for lots.

The interest in large tract land purchases by long term investor buyers has not decreased at all. That group of buyers is not interested in the immediate market. They are interested in Fort Bend because of the growth that “will” occur even with a small slow down. Time will create value.

The result of the above is that smart sellers and buyers need to assess with “knowledgeable” professional input what they are trying to accomplish and be more diligent than we have seen with some of the transactions in the recent past. It actually is a great time for a seller with large holdings of land to enter the market.

Jim Shaw is a licensed Texas Real Estate Agent and Vice President of Indermuehle & Co., 2333 Town Center Drive, Suite 300, Sugar Land, Texas 77478. Jim can be reached at 281-207-3706 or jshaw@icotexas.com.

For more information please contact:

Jim Shaw, Vice President

Indermuehle & Co.

2333 Town Center Drive, Suite 300

Sugar Land, TX 77478

jshaw@icotexas.com