

NEW RULERS OF THE LAND

Land developers and financiers pay attention to the needs of the multifamily industry. Firms like **Foremost Communities Inc.**, and **CityView** take on special ventures to develop, entitle or just finance land for residential projects, which could include apartments as well as single-family homes. Firms like **AvalonBay Communities Inc.** take advantage of the housing slowdown to pick up prime parcels. **Principal Real Estate Investors** buys its first parcel in Las Vegas to capture the rental market. Greystone Group bids for a parcel in Phoenix, beating homebuilders in the race. Land developers recognize the shift in demand and extend their footprint towards multifamily.

Land developers diversify their residential component to include multifamily in the wake of the housing downturn. Apartment firms like Greystone and AvalonBay replace homebuilders like **Pulte Homes** and **D.R. Horton** on land deals. The lack of demand in housing forces builders to get rid of excess land inventory and options that don't fit their business model. The homebuilder about-face presents a perfect chance for multifamily players to swoop in and snap up parcels, sometimes at good bargains and definitely at less inflated prices. There exists little difference when developing a finished single-family lot versus a superpad for apartments. Costing works out in a similar fashion. The major difference: For a superpad, the developer just grades a huge parcel and doesn't need to add streets or similar infrastructure because most apartment companies provide their own intricate street layout within the community — along with entry and access systems.

Who are the major merchants and who takes on the shopping trip?

Foremost Communities President and CEO **Steve Cameron** will entitle and develop raw land in the Southern California region and takes a peek at any good parcel stretching from Los Angeles to San Diego. He keeps in mind the mixed-use rage when looking for deals and aims to include apartment, commercial or retail components along with the primary focus — single-family homes. Many of the options include infill land for re-use and redevelopment, especially in Orange County, Calif., which moves toward urbanism. The infill sites seem a perfect choice for multifamily developers searching for higher density. The existing job base makes for a ready target market of young professionals who are more likely to rent. New development opportunities seem to crop up further east from Interstate 15. Despite a slight drop in occupancy rates, the San Bernardino and Riverside Counties will continue to draw renters, priced out of the steep Orange County rental market. Land prices also show the price differential. It costs several million dollars per acre in Orange County while it cost just hundreds of thousands of dollars per acre in Riverside County. Cameron teamed with **Starwood Capital Group Global LLC** to create **Forestar Land Partners LLC** to buy more than \$250M worth of land in Southern California.

CityView gets the nod from various California pension funds to develop and finance construction for a variety of uses like apartments, single-family homes, condos and condo conversions. Managing Director for CityView Los Angeles Fund **Con Howe** sees growing demand for affordable product in the Southern California market and hopes the initial investment of \$100M from the fund will kickstart the movement. CityView has financed its fair share of condos and condo conversions using funds from CALPERS. The firm usually teams with construction and homebuilding companies.

AvalonBay dives in to buy land from major homebuilders who shed their options in Southern California. Out goes **Hovnanian Enterprises** and in comes AvalonBay for **Block 8 MPC** in Little Tokyo area of Los Angeles. The property is already entitled and zoned for condos — a sweet deal for AvalonBay. For now VP Development **Chris Payne** intends to keep the property as apartments but holds the option to switch the units to condos, thanks to the zoning.

Continued on Next Page

NEW RULERS OF THE LAND...

Continued from Page 1 AvalonBay also buys a prime spot near Fashion Valley in San Diego from the nation's top builder, D.R. Horton, after the builder decided to forfeit construction. Word on the street indicates about \$19M changed hands in the deal, \$3M less than D.R. Horton paid for it. The location near Fashion Valley mall will provide a readymade upscale renter pool.

Principal Real Estate Investors partners with **Vested Housing Group LLC** to acquire a 16-acre parcel in Las Vegas. This will be the first ground up development for Principal. The duo purchased the southeast site for \$10.5M and intends to offer a designer loft-style community with 350 units. The Class-A property also will incorporate 10' ceilings, granite countertops, luxury clubhouse and pool. The amenities should be a good draw for the elite working group, especially since the site sits just five miles from McCarran Airport and the Strip.

Westfield-Greystone Group partnership bid more than \$28M for a 26-acre parcel in the **Desert Ridge MPC** in Phoenix. Preliminary plans outline a 350-unit luxury multifamily project with groundbreaking set for early 2008. During the housing boom major homebuilders ruled the Arizona State Land auction scene and Greystone's victory definitely shows the shift in the land buyer group to multifamily companies.

CONTACT

Foremost Communities Inc.: 2151 Michelson Drive, Suite 190, Irvine, CA 92612. Steve Cameron, President.
(949) 748-6714, stevec@foremostcommunities.com