



Buildable Lots & Land

Update #1, February 2014

Finally, Hope Has Arrived!

The hardest hit category of real estate during the past 7 years has been buildable lots & land. This includes lots in town including full sub-divisions, and buildable acreage parcels. We have enumerated the reasons for this several times in past reports. In this report we want to look at the recovery of new construction in 2013 and evaluate our challenges and prospects for 2014. Another category, luxury properties, also took staggering losses of about 50% of value during that time but as the market began its turn in early 2012 (Portland area), people snatched those properties up greedily and the prices corrected quickly. Not so with lots and land.

Portland has now enjoyed 2 full years of recovery and is in a seller's market again. The farther-out one goes, the less impressive the recovery; perhaps more accurately, the slower the recovery's arrival. Yamhill County saw its first positive movement of housing sales in mid-2012 and then experienced its first truly good year of price stability and some appreciation in 2013. Newberg, in and out of the city, has done well; McMinnville is struggling but catching up; the rest of the county is still working on standing up. We do expect a much better year in 2014 but still with some challenges. Rural residential acreage sales, and buildable lots and land are awaiting an impressive recovery, but at least it has begun!

New construction goes hand-in-glove with 'buildable lots and land'. The rebirth of new construction required 1) less expensive land to begin with, 2) aggressive cost cutting methods of building, 3) the ability to find financing, and 4) finally the stability of the re-sale housing market with appreciating sales so that it would be no longer much cheaper to buy than to build.

Virtually all builders/developers have had to rely on private investors, or 'hard money' lenders, to kick-start their industry. Supply of 'cheap' buildable land by 2012 was strong with an abundance of bankrupt sub-divisions and partially sold distressed developments. New housing requires specialty financing known as 'construction to permanent loans'. Initially, pioneering builders parlayed their private financing to provide this financing for their buyers- which also attracted even more buyers. The resale market recovery became strong in Oregon's urban centers and prices rose in 2013; new construction was a beneficiary of that.

Yamhill County is experiencing the budding of the new construction recovery. We have reason to believe 2014 will see it flower. The expectation is positive but we still have to contend with the following issues:

- The inventory of buildable properties is high; prices remain low
- We still have a very competitive buyer's market in this category which generate low offers
- We have not yet see the stream of out of state buyers which normally fuels our rural acreage sales
- There are still great bargains in our area for re-sale homes

LOOKING BACK AT 2013: The Beginning Of Recovery

Lots in Yamhill County:

Sub-divisions in almost every town in the County are now under new ownership. Many builders sold off what they had left in their current developments. For the purpose of this study, I have divided buildable lots into 2 categories, 'production lots' for production type homes- these currently sell for under \$80k, and 'premium lots' for custom homes at \$80k and well above that.



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52 production lots were purchased in the past year in Yamhill County but it is likely that the number is double that because of numerous bulk sales at a package price. Some other sales were private and did not go through the multiple listing system. Prices were amazingly low- down to about \$10,000 per lot in some areas.

Premium lots are usually sold individually for custom homes. These are usually larger lots in desirable neighborhoods and carry a substantial price. 16 such lots sold in 2013 in town or just outside the city limits. Almost all of these were in McMinnville. West Wind, a Measure 37 development, was the big winner.

Buildable Acreage Parcels in Yamhill County:

From **1.25 acres up to 10 acres**, YC saw 25 sales throughout the county last year. Pricing started at \$63k for 2.8 acres up in Eagle Point in McMinnville, and topped out at \$385k for a 2.5 acre piece on prestigious Wilsonville Rd in Newberg. Bald Peak, Parrett Mt, and the Dundee hills scored the best prices. The median price was \$165 reflecting bottom of the market pricing overall.

From **10 acres to 50 acres** there were 13 properties sold in Yamhill County in 2013. The prices ranged from \$79k for 10.6 acres in the Walnut Hill area of Amity to \$375k for 31.33 acres on Parrett Mt in Newberg. That was also the largest acreage sale in that group up to 50 acres. The median price was \$225k for 12.6 acres on Chehalem Mt in Newberg. These prices are about half-priced compared to the top of the market in 2007.

Yamhill County is huge, over 700 square miles. It is bordered by the Willamette River on the east and includes three valleys within this northern Willamette Valley area- The Chehalem Valley, The Yamhill Valley, and the West Valley. It has many hills and several ranges, and lots of flat valley farm land. Put in perspective, it is amazing but **only 3 buildable parcels larger than 50 acres** sold in the public marketplace. 80 acres sold for vineyards, 83 acres sold for a home, and 52 acres sold as dividable for 3 parcels. The prices ranged from \$265k to \$1,100,000.

Beginning in 2014: What Are We Starting With At The Beginning Of The Selling Season?

Housing starts are up nationally and locally. Everywhere one drives in the Portland metro area the construction of homes, apartments, and commercial projects is again evident. New construction is also alive in Yamhill County and we will soon see if it is well. Our rural properties have languished for lack of out of state buyers but we are told that Oregon is a hot state for moving into right now, so we anticipate noticeable improvement this year.

Current inventory: Acreage Parcels

Working backwards now, there are 16 properties for sale over 50 acres compared to the 3 that sold in 2013. That is over a 5 year inventory at the 2013 rate of sales. The pricing begins at \$159k for 60 acres in Grand Ronde near Spirit Mountain Casino, and tops at \$2,862,500 in Yamhill for 80 acres of grape land. There are no pending sales for this category currently.

From **10-50 acres** we have 5 pending sales from \$145k for 10 acres in McMinnville, to \$359,500 for 39 acres in Willamina. Active competition in the 10-50 acre range consists of 30 properties compared to the 13 sold in 2013 (a 2.3 year inventory). Properties range from \$145K for 10 acres in Willamina to \$1.5 million for vineyard land in Yamhill.

Small acreage parcels under 10 acres are always popular and usually affordable. A buyer has 61 properties to choose from! We did sell 25 last year but that is still almost a 2½ year's worth of inventory.

Current inventory: Lots: For Production and Custom Homes

There is only 1 pending lot right now and it is a bank-owned, \$25,000, 8170 sq ft, lot in Newberg. The lack of pending sales in all these categories and price ranges reflects the softness of the market during the last half of last year. It is troubling to my optimism!



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There are 31 lots under \$80k available from \$20k to \$70k.

There are 48 premium lots available for custom homes from \$90k to \$230K. The highest price lot sold last year for \$185k in West Wind for 1 acre.

Summary Synthesis:

SUMMARY:	SOLD IN 2013	CURRENT 2014 ACTIVES	PENDING SALES
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Production lots to \$80K	52 (but likely 100+)	31	1
Premium lots \$80K+	16	48	0
1-10 acres:	25	61	0
10-50 acres:	13	30	5
50+ acres:	3	16	0

Final Thoughts...

We need our demand to catch up with our supply. We need the rate of sales to at least double this year. We need more people who want to live in the country in an age when the trend is towards urban living. We need more people to move here from out of state since they traditionally fuel our rural sales. This is a lot to ask for.

We offer buyers many options, bottom of the market competitive pricing, and a gorgeous landscape of the earth with great diversity and a wide variety of land. We are still in close proximity to the urban amenities. Oregon's wine region has its epicenter right here and it continues to expand and flourish. Vineyard land has been one of the bright spots for land sales in the past couple of years; yes, it also suffered during the housing depression but it has recovered quickly and corrected its pricing nicely.

We are glad to send you more focused data and help you understand what your property should be worth in the current marketplace; just ask. We can help you understand your competitive position in the marketplace and try to understand how much time it should take to move your property. We strive to give our clients the very best market data so they can make the best decisions to meet their goals.

Best regards,

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