

Q1  
2016

# Tucson Land Update



## An Improving Market

### *Platted Lot Acquisitions are Bearing Fruit for Builders*



New home sales are up in 2016. Per SAHBA, monthly net sales from

*Top: Sterling Meadows - DR Horton / Above: Gladden Farms - KB Home*

their 12 member builders so far in 2016 has each been higher than any month in 2015 with the exception of January's 173 net sales which was only one sale less than March 2015 and 10 less than April. The 620 single family permits pulled in Q1 2016 was the 2nd highest in a quarter for the past three years. Q2 of 2015 was higher, but only by 2 permits. 2016 is off to a good start here in Tucson. Much of the success is due to a few strong communities, including DR Horton's Saguaro Bloom, Pulte's Sierra Morado and the newly opened Center Pointe Vistoso by Maracay. Each of these properties has introduced new lots this past year either as a new community or as a continuation of an existing community.

As has been mentioned in prior newsletters, existing and available finished lot inventory is extremely limited in Tucson and what remains has challenges relating to location, lot size or price. Builders have been forced to seek out platted or raw land properties to fill their pipelines, which they try to keep full up to at least two years out. When finished lots were more plentiful, a builder could identify, negotiate and purchase a property in 3 to 6 months and they could begin building homes immediately. With platted lots it can take 8 to 12 months after the lots are purchased to develop the lots and begin constructing homes. Most builders will not close prior to final plat, so any property that needs to be rezoned and entitled can add an additional 1 to 2 years onto the timetable.

As the market has continued to improve, certain communities have enjoyed stronger than anticipated sales and communities are building out faster than initially projected. While this is great news for builders, it also presents challenges as their pipelines need to be replenished sooner. Builders need to be constantly on the lookout for new opportunities and have the foresight to think longer term and take some risks based on future needs and inventories.

Meritage was the first and most active builder to take on platted lots since the downturn. They recognized the need of future lots and identified the Tangerine Corridor in the Northwest submarket as the place to invest in. In May 2012 Meritage purchased two platted lot communities in the Tangerine Corridor – Sky Ranch and Tangerine Crossing

Phase 3. Later that year they closed Saguaro Forest in Dove Mountain with Silverbell Preserve and Rancho de Plata closing in 2013. Meritage skipped 2014 but purchased 3 platted lot properties in 2015 and one so far in 2016 for a total of 9 properties with 695 platted lots. The three platted lot communities purchased in 2012 are now each built out and the two purchased in 2013 are nearly built out with only 5 remaining lots between them. These initial trailblazing purchases have netted Meritage over 250 sales to date. Their early 2015 purchases will be opening in Q2 2016.

DR Horton, Richmond American and Pulte Homes were ranked #1, #2 and #3 respectively one year ago in the number of finished lots owned. In the past 12 months, DR Horton, Richmond American and Pulte Homes are ranked #1, #3 and #2 respectively in the number of homes sold (per SAHBA reports). This correlation extends to the other builders as well. Of the top six builders in lot holdings a year ago, each ranked the same in number of finished lots owned as the number of homes sold within the past 12 months, with the only exception of Pulte being #2 in sales and #3 in finished lots, while Richmond American was #3 in sales and #2 in finished lots.

As of the end of Q1 2016, lot ownership rankings have experienced slight changes. DR Horton remains at #1 with 389 finished lots. Maracay jumped to #2 with 267 finished lots with the opening of its Center Pointe at Vistoso communities earlier this year. Richmond American fell to #3 with 264 finished lots and Meritage jumped up one to #4 with 239 lots. Pulte fell to #5 with 170 finished lots and Mattamy Homes entered Tucson opening its Dove Mountain community and is ranked #6 with 124 finished lots. When looking at sales numbers from just 2016, the top three remained the same, but Maracay jumped from #7 to #4, pushing Lennar to #5 in reported net sales.

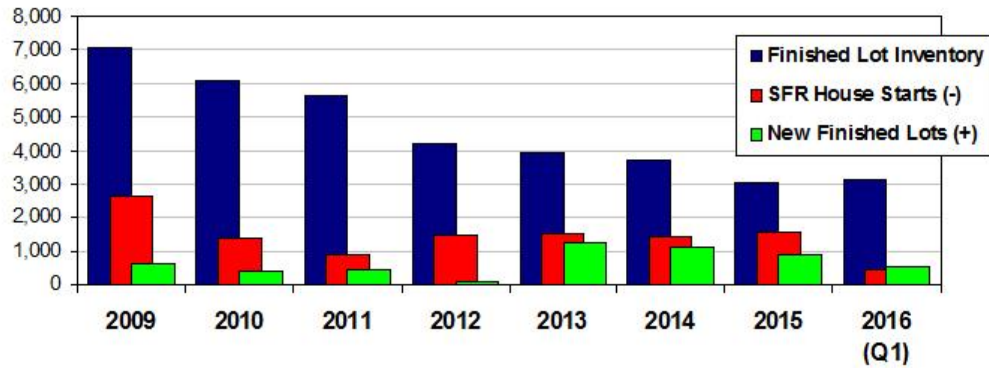
When comparing current lot inventories to lots currently under construction, the finished lot ownership rankings will change even more by the end of 2016. Meritage will take over the #1 spot with over 650 finished lots as it opens. KB Home could jump to #2 as it completes the four new communities currently under construction. Richmond could fall to #6 and Pulte to #8 in finished lot ownership as each are selling well in their existing communities but only have a small number of lots currently under construction that could finish out this year.

Most builders currently have other properties in escrow that will add additional lots to their pipelines in the future, but it will take time to get them ready to build houses on. Any builder who waits too long to secure new inventory can easily find themselves with a lot shortage in 2017 and 2018 and sales will suffer as a result. If their pipelines become too depleted they may be forced into paying higher prices for the remaining existing traditional inventory or developing new product to fit the non-traditional finished lot inventory.

Future employment opportunities coming to Tucson will impact housing needs. Caterpillar recently selected Tucson for its regional headquarters and will bring 600 high paying jobs to the area over the next five years. The Rosemont Mine project is nearing its final rounds of government permitting, which if approved, could be another major source of employment for the area. The trickle down effect of these and other upcoming employment announcements will create even more demand for housing, which in turn will create additional demand for land and lots by homebuilders. Look for an active land market in upcoming years.

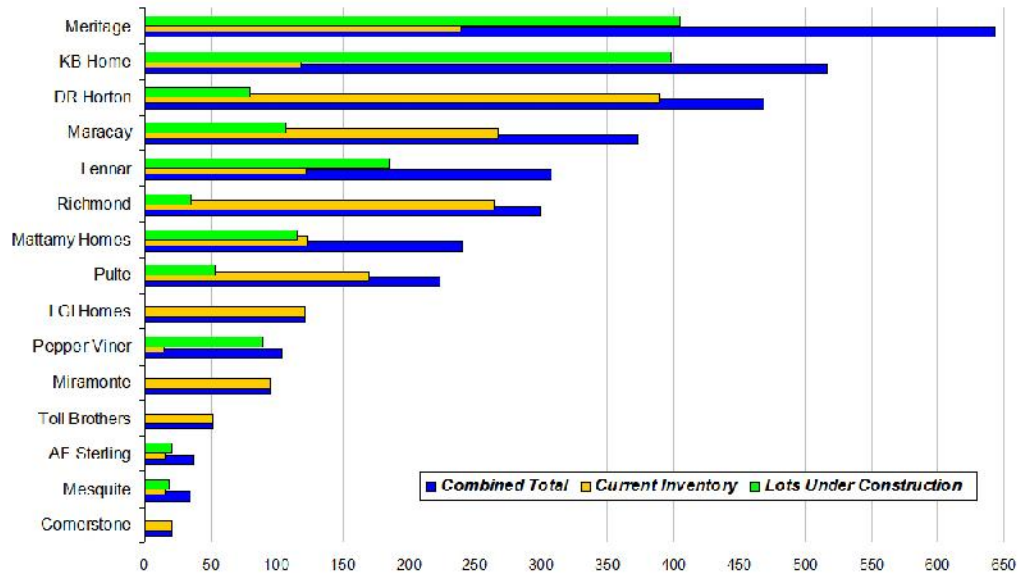
Please [contact us](#) for additional insight and information.

### Finished Lot Inventory vs. House Starts vs. New Finished Lots

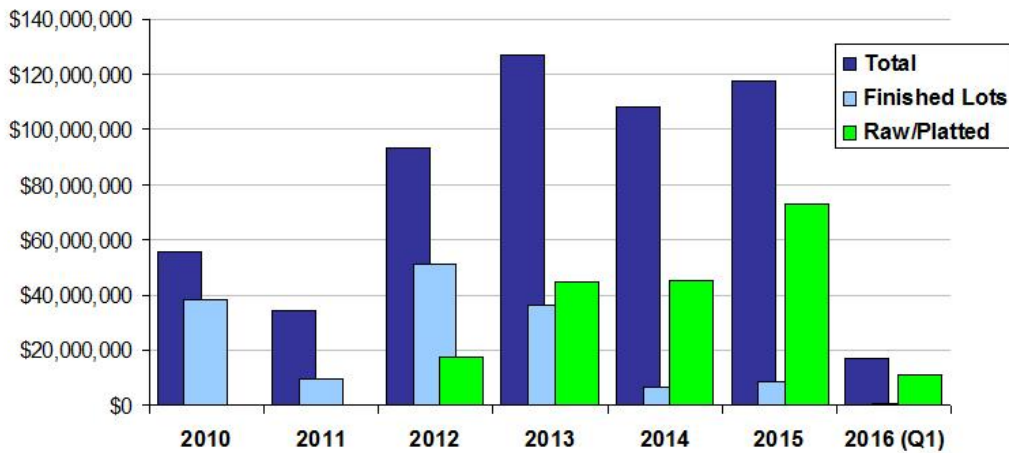


### Tucson Builder Lots

Current Finished Lot Inventory & Lots Under Construction



## Tucson Land Transactions



## 2016 Residential Land Transactions

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#### Builder Cash Purchases - Finished Lots

Area	Property	Buyer	Lot Status	Sale Price	Sale Date	Acres	# Lots	Price/FF	Price/Lot	Broker
NW	Mariposa Trail	AF Stirling	Finished	\$ 154,000	3/7/2016	0.53	5	\$ 684	\$ 30,800	
SE	Sycamore Vista	DR Horton	Finished	\$ 120,000	1/25/2016	0.58	3	\$ 571	\$ 40,000	Chapman Lindsey

#### Builder Cash Purchases - Platted Lots & Unentitled Land

Area	Property	Buyer	Lot Status	Sale Price	Sale Date	Acres	# Lots	Price/FF	Price/Lot	Broker
SE	Civano Parcel	Mattamy	Raw	\$8,240,000	3/17/2016	173	TBD			
SE	Mtn Vail Estates	Lennar	Platted	\$1,174,875	2/5/2016	35.3	57	\$ 575	\$ 25,875	
SE	Vista del Lago Norte	DR Horton	Finished	\$1,145,500	1/28/2016	8.38	79	\$ 322	\$ 14,500	Chapman Lindsey

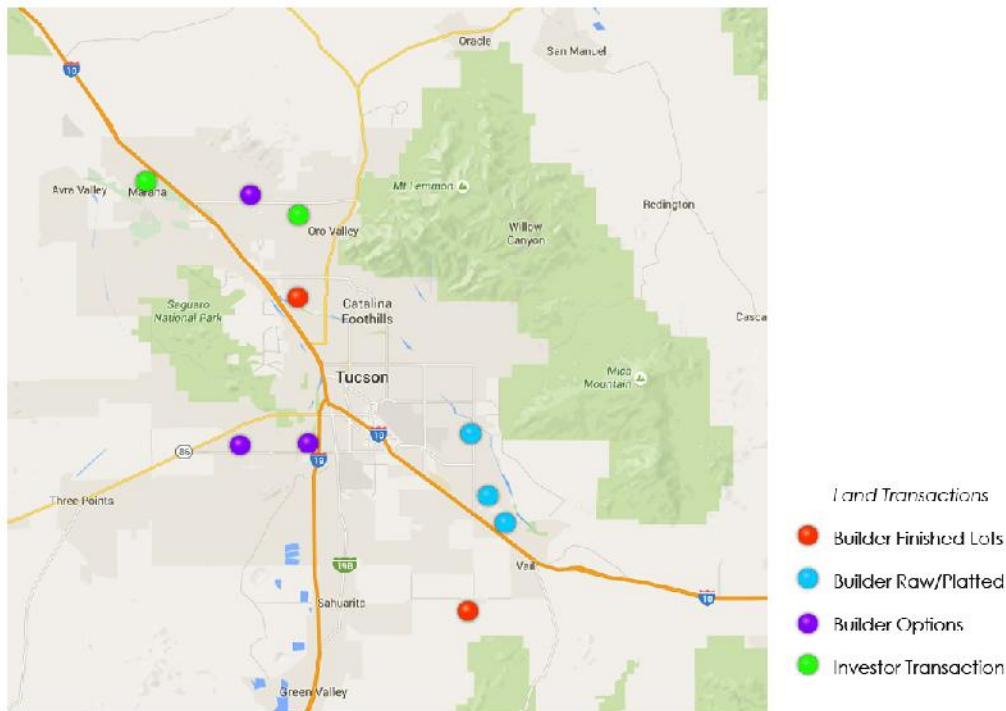
#### Builder Option Purchases

Area	Property	Buyer	Lot Status	Sale Price	Sale Date	Acres	# Lots	Price/FF	Price/Lot	Broker
NW	Tortolita Vistas	Maracay	Finished	\$ 987,087	1/6/2016	5.16	6		\$164,515	
SW	Sunset Pointe	DR Horton	Finished	\$ 305,290	3/30/2016	0.65	6	\$ 048	\$29,123	Chapman Lindsey
SW	Eagle Point Estates	DR Horton	Finished	\$ 712,500	2/3/2016	1.45	6	\$ 536	\$37,500	Chapman Lindsey

#### Investor Cash Purchases

Area	Property	Buyer	Lot Status	Sale Price	Sale Date	Acres	# Lots	Price/FF	Price/Lot	Broker
NW	Shannon & Lambert	Shannon 77 LLC	Raw	\$2,200,000	2/12/2016	77.7	TBD			
NW	Barnett Ranch	RB Land Plnr LLC	Platted	\$2,250,000	1/14/2016	70	242		\$9,298	

Sales data from Real Estate Daily News / RED Comps



## Market Overview

### Lot Supply

The finished lot supply actually increased by 133 lots in Q1 with a total finished lot count of 3,148. The increase was due to the 553 new finished lots added to the market in Q1: 212 lots in Saguaro Bloom (DR Horton); 134 lots in La Estancia (*Meritage*); 85 lots in *CenterPointe at Vistoso* (Maracay); 58 lots in *Sterling Meadows* (DR Horton); 34 lots in *Ranches & Territory at Santa Catalina* (Maracay); 12 lots in *La Canada Ridge* (Insight); 11 lots in *Molino Canyon Estates\** (Mesquite); and 7 lots in *Estates at Tortolita Foothills* (Cornerstone). During Q1 builders began constructing homes on 420 finished lots, 46 more than in Q4 2015.

There are currently 19 communities (1,691 SFR lots) under construction throughout Tucson. Of these up to 589 lots could be completed in Q2 2016. Four new communities could be added next quarter and additional lots will be added to existing communities.

There are approximately 76 active SFR communities in the Tucson Metro area. Six communities were built out during the quarter, but still selling the remaining specs: 3 in

the NW and 3 in the SE submarket. As many as seven more communities could build out in Q2 2016 based on recent building trends.

*\*Communities not yet open for sales*

## **Lot Supply Statistics**

Q1 '16 vs. Q1 '15 vs. Q1 '14

- ■ Finished Lots: 3,148 / 3,645 / 3,906
- ■ New Lots Added: 553 / 231 / 268
- ■ Total New Lots Added - prior 12 mo: 1,161 / 1,136 / 1,328
- ■ Total Quarter Permits \* 620 / 467 / 518

*(Permit data from Bright Future Real Estate Research, LLC)*

## **SFR Community Statistics as of March 31, 2016:**

- ■ 76 active traditional SFR communities
- ■ 6 communities were built-out or closed in Q1 (most still selling specs)
- ■ 5 new communities were finished or opened in Q1
- ■ 19 communities under construction (1,691 lots / up to 589 could be finished in Q2)
- ■ up to 4 new communities could be added in Q2
- ■ other future lots will be additions to existing communities
- ■ 10 residential land transactions in Q1 2016 totaling over \$17.1 million
- ■ 2 finished lot transactions - each purchasing outlying lots in communities
- ■ 3 rolling options in 3 communities
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- 2 investor land transactions - 1 platted, 1 raw land for future development
- 2 platted lot transactions to builders - both in SE Tucson
- 1 large raw land transaction to a builder - needs zoning & entitlements

## Lot Ownership

During Q1 2016 investor inventory remained unchanged.

- Builder controlled lots: 2,271 (72.1%)
- Investor controlled lots: 877 (27.9%)

## Investor Ownership Q1 2016:

- 49.2% Far South submarket (255 lots)
- 28.3% Northwest submarket (405 lots)
- 22.4% Southeast submarket (177 lots)
- 9.8% Southwest submarket ( 40 lots)



*Ranches at Santa Catalina - Maracay*



*Sierra Morado - Pulte*

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## Forecast

There were 271 permits pulled in March which is the most pulled in a month since December 2014 when there was a surge in Tucson permits submitted prior to year end to take advantage of the City of Tucson's impact fee moratorium in eligible communities. There were 620 permits in Q1 2016 which is 80 more than the 540 pulled in Q4 2015 and 150 more than Q1 2015.

In addition to the strong start to permits, home builders started 46 more homes in Q1 than in Q4 2015. The second quarter is typically the strongest quarter of the year for both permits and house starts which is something to look forward to.

New communities trigger additional permits as builders start models and specs as they prepare to open the communities. Of the 19 communities currently under construction, 4 new communities could open next quarter. Other lots that are close to being finished will be added to existing communities. However 7 communities could build out next quarter and as many as 23 in 2016.

We anticipate the overall number of communities will drop in 2016, but we anticipate a modest increase in permits as the new communities continue to open.





*Saguaro Bloom - DR Horton*

*Our lot supply numbers represent only traditional SFR lots. We do not track multi-family, active-adult, or custom lots. Our definition of a 'finished' lot is one that is fully improved and a building permit can be pulled. Lots are no longer considered available once trenching has been initiated. Sales do not affect our counts - only starts. Builder lots include all lots under their control, including options.*

*We currently do not include platted lots in our inventory or ownership counts. However, there is an increasing amount of activity from both builders and investors in acquiring raw and entitled land in the Tucson area. We do track them and will include them in our counts as they are developed.*

*Investor lots include investors, developers and other non-builders.*

*\* Permit data from Bright Future Real Estate Research, LLC*

*Sales comp data from Real Estate Daily News Comps ([realestatedaily-news.com](http://realestatedaily-news.com))*

*Home builder sales data from SAHBA ([sahba.org](http://sahba.org))*

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## **About Our Company**

CHAPMAN LINDSEY Commercial Real Estate Services, L.L.C. was formed in 1991 by successful real estate professionals who wanted to better serve their clients. As a full

service commercial real estate company, CHAPMAN LINDSEY offers brokerage and leasing services with an emphasis in vacant land sales. CHAPMAN LINDSEY's three partners combine over 76 years of commercial real estate experience to provide a focus of expertise in the areas of land, investment properties, property leasing, acquisition and disposition services, and tenant representation.

The company is an active member of the Southern Arizona CCIM (Certified Commercial Investment Member) Chapter and the Tucson Association of Realtors.

Dan Feig and Aaron Mendenhall specialize in the sale of land and developed lots to investors, developers and home builders in Pima County.

## Highlights

- ▪ CHAPMAN LINDSEY has closed over \$600 million in transactions.
- ▪ CHAPMAN LINDSEY has also closed over \$125 million in land alone in the past 6 years.
- ▪ CHAPMAN LINDSEY has exclusively represented the following home builders with the purchase or sale of their own land/excess inventory;

Cornerstone Homes, DR Horton Homes, Ducati Homes, KB Home, Lennar Homes, LGI Homes, Maracay Homes, Meritage Homes, Milestone Homes, Miramonte Homes, Pepper-Viner Homes, Richmond American Homes, Standard Pacific Homes and TJ Bednar Homes

***If you are looking to buy or sell land, please contact us to discuss how we can put our expertise to work for you.***

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