

## High Desert Land Trends

The Market is Coming Back

**The Dirty Little Secret**

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## High Desert Land Trends

### Forward

I would like to thank the Brokers and Agents who gave of their time and significant market knowledge to assist us in the development of this report.

The reported analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Practice, which include the Uniform Standards of Professional Practice. This report is not intended as an appraisal in whole or part and only utilized to assist in the determination of current market trends.

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# Regional Trends

## Palmdale / Lancaster Areas

The market in the Palmdale/Lancaster area for vacant land is slowly waking up from its deep sleep of the great recession. From 2009 – 2012 very few parcels of vacant land sold and those that did were deeply discounted.

The typical buyer profile was a long term investor who was paying a deeply discounted price for all cash or a mostly unformed buyer who was buying the land from an online auction site with less than 10% down at 7-10% interest.

The Broker sentiment is that the market will see a 20% increase in listings and sales this year. The Brokers reported that they anticipate a 15-20% increase in the price this year with the trend continuing through 2015.

### In-Fill Lots

Of the 15 Brokers and Agents interviewed for this report, 12 have noted significant activity in buyers looking for infill lots. These buyers want parcels that have water, electric and sewer where available. The Brokers and agents report that the average days on market for these lots have dropped dramatically to less than 90 as of January 2014. The lots that are selling the best are priced in the range from \$25,000 – \$50,000 depending on the area.

### Vacant Parcels

The larger vacant parcels of land in areas north of Littlerock and on the eastern corner of LA County can anticipate value to remain in the \$3,000 - \$7,000 per acre range. Most buyers are speculative land investors with little knowledge of the area or capacity to develop the land. Most parcels can anticipate days on Market in excess of 150.

## Victor Valley

The market in the Victor Valley for vacant land has increased significantly in 2013. Pending's and Listings are on the rise through-out the valley and most of the Brokers and Agents interviewed report robust activity.

The typical buyer profile is changing from the long term investor who was paying a deeply discounted price for all cash to a buyer builder or speculative owner who is looking for good long term investment.

The Broker sentiment is that the market will see a 20 - 30% increase in listings and sales this year. The Brokers reported that they anticipate a 15-20% increase in the price this year with the trend continuing through 2015

### In-Fill Lots

Of the 22 Brokers and Agents interviewed for this report, 20 have noted significant activity in buyers looking for infill lots. These buyers want parcels that have water, electric and sewer where available. The Brokers and agents report that the average days on market for these lots have dropped dramatically from over 100 in January of 2012 to less than 30 as of January 2014 with some selling in less than 2 days. The lots that are selling the best are priced in the range from \$25,000 – \$40,000 depending on the area. Overpriced lots are still sitting stagnant on the market and can anticipate extended Days on Market.

## Adelanto

Most of the vacant land activity in Adelanto will continue to be focused around the north side of SCLA. This area has seen steady activity from mostly out of area buyers that are purchasing land on the belief that development around the airport will continue to expand over the next 10 -20 years. As you continue north from the airport the zoning changes from ADD to residential. The buyers are still paying a premium mostly on the belief that the zoning will be modified at some point.





# Regional Trends

## Victor Valley Cont.

### Adelanto continued

The areas further north closer to Shadow Mountain and Kramer Junction have seen increased activity but sales are still limited. Most of this land has limited development potential due to lack of infrastructure and potential mitigation issues. Land values in this area are expected to remain flat and possibly see a modest increase as the area benefits from the overall market trend.

Adelanto has less residential infill lots when compared to the other cities, and this will limit the amount of growth in this area. Adelanto is expected to see continued development of previously mapped parcels as the residential market expands and increases demand for new homes. Some of these parcels will sell, however there are very few that are currently being offered and the prices for finished or Blue Top lots is expected to increase due to the supply factor.

### South Apple Valley / Deep Creek

Activity in this area has increased and sales are up slightly when compared with the 1<sup>st</sup> quarter of 2013. According to the Brokers and Land agents interviewed for this report, the trend is expected to continue as prices are still near what most consider to be the bottom of the market.

The pace at which it will expand is less certain as the range of opinions is vast. The more pessimistic of the brokers expect to see the rate of sales increase around 5% and the more optimistic expect to see volume increase around 30%. As for price it is the opinion of the majority that prices should increase between 15% and 25% in the area.

Lack of roads will remain the key factor going forward with the expansion of value in this area as many buyers are not willing to take a chance on a residential lot that requires a 4x4 for access. The views are what will help to overcome some of the issues that potential buyers will have with buying land in these areas.

### Apple Valley

Apple Valley is experiencing similar market trends as its neighboring communities. The residential infill lots are selling at a much faster rate, with sales volume and listing volume both increasing since the 4<sup>th</sup> quarter of 2013. The 1<sup>st</sup> quarter of 2014 is expected to see this trend continuing as more buyers are becoming aware of the investment opportunity that land presents.

The growth in population in the region has further expanded the need for development and it appears that buyers are becoming aware of this fact. The Town of Apple Valley has become a hot spot for development and the trend has continued around St Mary Medical Center.

The residential land north and east of the hospital is increasing in demand and the land values are appreciating. This coincides with the increase in value that residential homes have experienced in the same area as part of the overall market recovery.

The area around Sycamore Rocks is seeing more interest as buyers continue to look for opportunity to own land that can be developed close to town. The potential of E220 has not appeared to influence most of the buyers according to our interviews of the Brokers and Agents who are selling land in this area, however most of the buyers and sellers are aware of its potential.





# Regional Trends

## Victor Valley cont.

### Milpas Highland

The land in Milpas is expected to see an increase in activity as the market moves forward in 2014. In large part driven by the same factors that are driving the values in the rest of the valley. Owner builders are expected to take a closer look at this area due to its views, utilities and the rural lifestyle that it offers. The market in Milpas is still considered to be at its bottom as values have increased only slightly in the area. Activity was very limited through the first 3 quarters of 2013, but in the 4<sup>th</sup> quarter activity picked up significantly. Since the beginning of the 4<sup>th</sup> quarter of 2013, there have been 11 sales of residential parcels in the Milpas area, none of which were found listed on the VVMLS. The highest price paid was \$26,000 and the lowest was \$3,000 with a predominate value at around \$16,000. None of these sales were found listed on the MLS which signals that buyers are not willing to pay high commissions for marginal representations and are looking beyond the realtors for opportunity. As of the publishing of this report, Feb 2014, There were three properties found listed and none pending. Looking deeper at this trend it becomes evident that the market is moving and most realtors aren't even seeing the opportunity to make a sale.

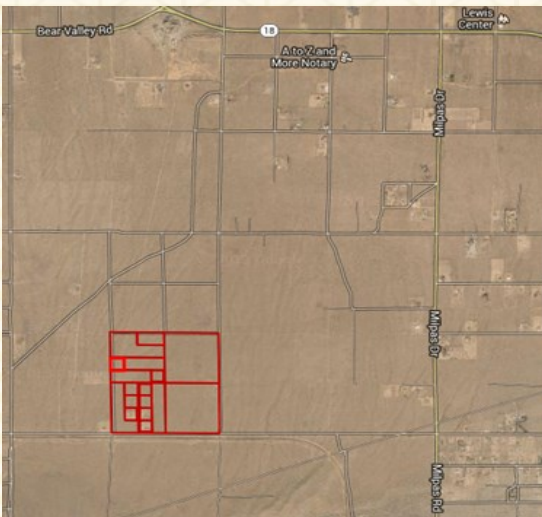
### **Danger HIGH VOLTAGE !!!**

Of the three listings found in the Milpas Highlands / Mariana Highlands Area none of them noted the future power line corridor that is being purposed for the area. The fact is that SCE is planning to develop a new power line up the canyon between Milpas and the Marianas and then up the western flank of the plateau that makes up Milpas Highlands.

#### What this means:

The view that has made Milpas so popular for so long will forever be altered in a negative way. Additionally, SCE will be developing a 160 acre substation at the base of Milpas just west of Milpas Rd that will serve as a major substation for the new 500 kV power lines that will impact the area. The project is slated to begin development in 2016 with completion in 2018. The substation will be on 160 acres of land and be in the vicinity of Desert view Road and Bowen Ranch Road.

### North Peak Wind Farm



The Bureau of Land Management has reported that EON Climate and Renewables, Inc. has filed an application for a 120 MW wind farm. This proposed project consists of up to 42 wind turbines, a new access road, an on-site substation, and a 220 kV interconnection line to the Southern California **Edison** Desert View Substation. Location borders the Town of Apple Valley, San Bernardino National Forest, Juniper Flats and the OMYA Mine.

Be aware that this means that the power lines from DesertView Substation and the wind farm will have to connect and this will ruin the view that is so valuable from the highlands.

Remember **"If You Sell it You Must Tell It"** so be sure to make your buyers aware of its existence.





# Regional Trends

## Victor Valley Cont.

### Hesperia

Most of the vacant land activity in Hesperia will continue to be focused around developing In-Fill Lots. Hesperia has seen steady activity from Owner Developer type buyers as well as out of area buyers that are purchasing land on the belief that demand for single family residence will increase in the next 6 – 18 months.

Hesperia has seen significant stabilization and recovery from the lows of the past recession. The City is reaping the benefits of exceptional civic and community planning which has brought about a new wave of excited buyers and would be residents. This planning includes adding the new Walmart, Civic Center and completion of the Ranchero Underpass. These developments, coupled with Hesperia's proximity to Interstate 15 and the Metro Inland Empire has spurred demand for land in the City.

Our research has indicated that the averages days on market have dropped from 166 for the first 3 quarters of 2013 on average to 102 in the last quarter of 2013 and the beginning of the 1<sup>st</sup> quarter 2014. The prices have begun to rebound as well and it appears as though the market is heating up significantly.

Residential infill lots less than .20 acres in size, are seeing prices range from \$15,000 to \$18,000. Sellers can anticipate less than 30 days on market. The trend for sales of conforming ½ acre infill lots are ranging from \$18,000 to \$30,000 and sellers can anticipate 30 – 45 Days on Market for these lots on average. 1 acre lots are seeing sales come in at a range of from \$30,000 to \$40,000 with days on market as low as 10. The typical seller should anticipate 30-45 days on market at the current pace as indicated by the market data.

Finally the 2 -2.5 acre lots are beginning to show signs of life with the market beginning to move in the 3<sup>rd</sup> quarter of 2013. Conforming 2 – 2,5 acre lots in SW Hesperia and Oak Hills are now seeing prices ranging from \$40,000 – \$55,000 with days on market averaging around 30 and some of the **sales** with as few as 6 days on market.

### Victorville

Most of the vacant land activity in Victorville will continue to be focused around developing the existing subdivisions and previously mapped parcels of land. Victorville will continue its renovation of the downtown area and there will still be limited sales of vacant in-fill lots. Victorville is an older community and the amount of potential infill lots is limited. The civic leaders are aware of the population boom that is happening and the need for more multi-unit development to cope with the expansion.

Our interviews with Brokers and Agents who specialize in land has led us to conclude that residential land will see modest growth and the limited amount of infill lots will begin to sell in the areas south of Bear Valley and north of Green Tree on the east side of the 15 freeway. This trend is similar in the Mountain view Acres area west of the 15 freeway.

Prices for infill lots in the city do not vary dramatically from neighborhood to neighborhood and the trends are indicating that a conforming .4-.5 acre lot zoned for single family is ranging from \$12,000 - \$20,000 and it appears that the prices may be moving higher by the pending sales. Smaller lots ranging from .12-.15 acre in size are ranging from \$10,000 to \$20,000 depending on the area. Activity has increased according to the Brokers interviewed and it is anticipated that the trend will continue.

Overall vacant residential land for single family occupancy is beginning to see more activity. The market appears to have stabilized and the days on market are continuing to decrease.

This analysis does not include comment on Spring Valley Lake as It is considered a separate community.





# Regional Trends

## Phelan

### Phelan

Most of the vacant land activity in Phelan will continue to be focused around acquiring larger residential infill lots ranging from 2.5—5 acres in size. Larger lots, those being 10—30 acres are also seeing significant activity and the values are increasing. Phelan/ Baldy Mesa / Pinion Hills are all seeing increasing demand from buyers coming from down the hill in anticipation of the residential market increasing in value. Land is a solid investment for their money and real estate agents for the San Bernardino / Inland valley are showing a renewed interest in the area.

Phelan has seen significant stabilization and is showing signs of recovery from the lows of the past recession. The Community is reaping the benefits of the upturn in the market. Our interviews with local Brokers and agents who sell land in and around the community has led us to the conclusion that Phelan's biggest issue is the lack of infrastructure, however unlike Lucerne Valley, the civic leaders have and are continuing to make progress in the expansion of services. Phelan has a pro growth mentality when it comes to welcoming business to the area and this has benefitted the value of land in the Phelan and Pinion Hills area.

In analyzing the market for Phelan we focused our research on the most common of vacant parcels sold in the Valley, the 2—5 Acre residential lot. Our research has indicated that the averages days on market have increased from 390 for the first 3 quarters of 2013 on average to 538 in the last quarter of 2013 and the beginning of the 1<sup>st</sup> quarter 2014. The prices have decreased as well from an average sales price of \$22,909 in the first 3 quarters of 2013 to \$18,383 in the last quarter of 2013 and the beginning of the 1<sup>st</sup> quarter 2014.

This may seem to be a negative trend and an indication that things are beginning to go downhill, but a closer look at the data reveals that the opposite infact is occurring. The reason for the increased days on market is that a significant amount of the sales are of properties that have been on the market for more than 1,200 days that are finally selling.

Sellers who refused to sell their parcels below what they considered to be the bottom are now being rewarded with the buyers now meeting the price. This is evidenced by the fact that through the first 3 quarters of 2013, a total of 11 sales were found listed on the MLS. However in the last quarter of 2013 and the beginning of the 1<sup>st</sup> quarter 2014, a total of 12 sales were found. This means that buyers are now back and the old inventory is now being bought out.

Our research indicates that demand is increasing and prices are stable. A seller can anticipate fewer than 60 days on market if the property is priced between \$20,000 and \$30,000, based on location and access to utilities.

### Pinion Hills

In analyzing the market for Pinion Hills, we focused our research on the most common of vacant parcels sold in the Valley, the 2—5 Acre residential lot. Our research has indicated that the averages days on market have increased from 117 for the first 3 quarters of 2013 on average to 131 in the last quarter of 2013 and the beginning of the 1<sup>st</sup> quarter 2014. The prices have increased as well from an average sales price of \$27,720 in the first 3 quarters of 2013 to \$28,000 in the last quarter of 2013 and the beginning of the 1<sup>st</sup> quarter 2014. This is an increase of 27% in four months.

This is a positive trend and an indication that things are beginning to look up for the area. A closer look at the data reveals that the asking price has also increased for lots from \$30,630 on average to \$44,000. This may have an impact on the amount of sales in the area and the data shows that while the prices are going up volume is slowing down. A total of 10 sales were recorded in the first 3 quarters of 2013, however in the last quarter of 2013 and the first quarter of 2014 on 4 sales have occurred. The slow down is not huge but is still evident. Overall the trend is positive and our research indicates that the volume should remain steady at 1-1.5 sales per month. Prices should increase between 10-20% in the next 2 quarters.





# Regional Trends

## Lucerne Valley

### Lucerne Valley

Most of the vacant land activity in Lucerne will continue to be focused around acquiring larger lots ranging from 2.5—10 acre in size. Lucerne, much like the rest of the high desert, has seen steady activity from Owner Developer type buyers as well as out of area buyers that are purchasing land on the belief that demand for single family residence in the area will increase in the next 6 – 18 months.

Lucerne Valley has recently seen significant stabilization and is showing signs of recovery from the lows of the past recession. The Community is reaping the benefits of the upturn in the market. Our interviews with local Brokers and agents who sell land in and around the community has led us to the conclusion that Lucerne Valleys biggest issue is the lack of Infrastructure. This and the reputation as a rural community with lots of land but no appetite for growth will remain the anchor around the neck of the community going into this next market boom. Lucerne is fiercely independent and proudly proclaims itself a “Community of Characters”

In analyzing the market for Lucerne Valley we focused our research on the most common of vacant parcels sold in the Valley, the 5 Acre lot. Our research has indicated that the averages days on market have dropped from 359 for the first 3 quarters of 2013 on average to 157 in the last quarter of 2013 and the beginning of the 1<sup>st</sup> quarter 2014. The prices have begun to rebound as well and it appears as though the market is heating up significantly.

Residential 5 acre lots are currently seeing prices range from \$9,000 to \$12,000 on average with a few sales at the extreme end of the range. The most significant factor appears to be location as properties in the Cove area and the area south of Hwy 18 and west of Custer aka the (Banana Belt) appear to command a higher price and have less days on market.

### Water

Larger lots in lucerne, those being in excess of 20 acres in size are also beginning to see a bit more activity. However the value of land in Lucerne will be driven by water. Lucerne is located in the Este Management area that is controlled by the Mojave Water Agency.

The water in Lucerne is what drives price for land. The water on the north east side regularly test for over 500 parts per million of dissolved sediment. What this means is that the water is considered brackish and mostly unusable without significant cost for remediation. This is a major factor in the price of land as informed buyers are less willing to purchase land north of Rabbit Springs Rd and East of Hwy 247 as this area is known for its poor water quality. The division line in the cove area is The Helendale Fault Line with almost everything on the west side being usable while the water on the east is brackish. The trade off is that the land on the south side of the valley has more rocks and the roads tend to be poor.

### Gem Tract

Parcels in the Gem Tract portion tend to be less than .20 ac in size and have great views. The roads in the Gem tract are also paved and most of the parcels are on community water. The parcels in this area have not seen much activity since the end of the recession as the prices of single family residence have been so low that it would not have been prudent to invest in vacant lots in this area. The market in this area is beginning to settle and the market is showing signs of life. Prices for lots in this area are hovering around \$10,000 for these lots and the Brokers interviewed for this report believe that we should see activity pick up in the Gem Tract this year. Therefore we expect that based on our interviews with the brokers in the area a 20% increase in price is anticipated. Days on market are expected to decline and an increase in sales is further anticipated.

Overall Lucerne Valley should expect to see a price and volume increase for the next 2-4 quarters





# Regional Trends

## Silver Lakes / Helendale

### Silver Lakes/Helendale

Parcels of land in Silver Lakes have begun to sell and activity has picked up in the last 2 quarters. According to the agents and Brokers interviewed for the report, infill lots are becoming more attractive to buyers and prices are slowly rising. Very few lots are available on the course and those that are, are having fewer days on market compared to those in the surrounding neighborhoods.

#### Golf Course Lots

The Lots on or surrounding the Golf Course are not listed very often and are commanding a higher price. According to the brokers interviewed for this report, buyers can expect to pay between \$30,000 and \$50,000 for these lots. Days on market are continuing to decline and the trend is expected to continue. Builders have yet to develop on these lots as the recovery has not yet made development profitable. Only 1 active listing was found For \$59,000 and 1 pending was found for \$35,000.

#### Neighborhood Lots

These lots are considered to be lots that are in the surrounding neighborhoods with access to power, water and paved streets and are not adjacent to the golf course or on the lake. The buyers of these lots are entitled to the full privileges as any other homeowner in the community and must pay the monthly association fee of \$165. These lots have seen a rise in activity as sales have finally began to happen. Sales of lots in the neighborhood areas are ranging in price from \$6,000—\$10,000 per lot and the Days on market are decreasing.

#### Lots on the Water (Finger Lots)

Finger Lots are the lots that are on the Lake in one of the coves. They are commanding a premium, however they are not the most expensive. Finger Lots are now beginning to sell and several that have sold within the past year have now been relisted at almost double the price. No Flips have been found as of the date of this report, however several are out there.

#### Finger Lots cont.

Finger Lots have seen the days on market drop rather dramatically in the last quarter of 2013. From the 1st quarter through the 3rd Quarter of 2013, a total of 4 finger lots were sold. The prices ranged from \$24,000 - \$28,000 with an average of \$25,000. In the last quarter of 2013, a total of 2 lots were sold for \$34,000 and \$27,500 with an average price of \$30,750. The parcel that was listed for 27,500 had a total of 5 days on market. There is currently 1 pending sale that was listed for \$34,000. It was on the market for 48 days. Our research also found 3 active listings, ranging from \$50,000—\$69,000. This indicates that the market perceives additional value and is anticipating continued growth.

#### Open Water Lots

Open Water Lots are the most valuable of the lots in Silver Lakes as evidenced by the sales. A total of 2 sales were found listed on the open water portion of the lake in 2013. The sales were for \$54,000 and \$63,000. There is currently 1 sale listed on the open water portion of the lake for \$99,000. If this lot sells it would reflect a significant gain in the value of the land in the sector of the market. Overall no difference was noted in the value from North Lake To South Lake and the market was considered to be stable and growing.

#### New Bridge Coming?

The Shadow Mountain Road Grade Separation (proposed project) includes the extension of Shadow Mountain Road (east) which terminates at a new "T" intersection at National Trails Highway. Shadow Mountain Road extension would result in the construction of two bridges, one over the Mojave River and the other over the BNSF rail line. In addition, Vista Road would be extended south, parallel to the BNSF right-of-way, to meet with the new Shadow Mountain Road extension.

What Impact will this have on the community?  
Stay tuned...

