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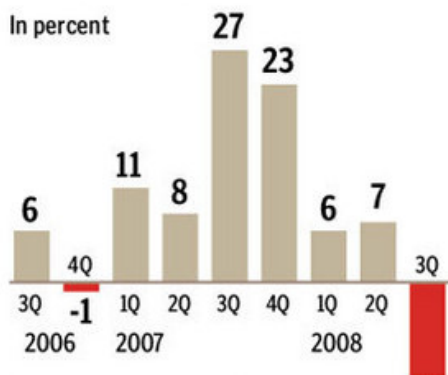
Charlotte-area lot prices latest to take hit in real estate

Significant changes in the third quarter reflect steep declines as median prices fell nearly 11%.

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 Slideshow

Housing lot prices

Prices for Charlotte-area single-family home building lots tumbled in the third quarter, the first major lot price decline of this downturn. Here are percentage changes in median prices, comparing each quarter with the same period a year earlier:



SOURCE: MORE report, Newton Graham Consultants

Research: STELLA HOPKINS

Chart: DAVID PUCKETT

-11%

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Multiple measures show Charlotte-area home prices continued weakening in the third quarter, although the region is still holding up better than once super-hot spots such as Miami, Las Vegas and several markets in California.

The median price for all homes sold in the third quarter slipped 3.4 percent, to \$183,500, according to Market Opportunity Research Enterprises. The previous quarter saw a 1 percent decline, the first regionwide dip into negative territory during the current downturn. The MORE report, based on actual sales data, is the most complete analysis of price and other housing information.

Existing homes, weighed down in part by foreclosures, drove the decline with a drop of nearly 5 percent, to \$158,000. New-home prices rose 1.5 percent, to \$232,000, in part because of higher material costs.

The MORE report results are in line with a closely watched measure of home-price appreciation. The Charlotte area, long one of the few showing gains, has been in decline for five months, according to the S&P/Case-Shiller Home Price Index, which tracks repeat sales of existing homes. The index, which doesn't report actual prices, showed a 2.8 percent decline in Charlotte for the 12 months through August, the most recent data available.

The Carolina Multiple Listing Services handles nearly all existing sales within about a 50-mile radius and roughly one-fourth of new sales but does not distinguish between the two. The average price of homes sold through the MLS fell nearly 9 percent in September, to \$214,927, compared with September 2007. The MLS likely will release October results early this week.

Stella M. Hopkins

The crippled Charlotte-area real estate market is feeling a new pain: Sales prices of home-building lots have taken a double-digit dive.

Waning home sales had driven the number of lots sold down sharply in the past year, but lot prices had continued rising in the region. That changed dramatically in the third quarter as the median price of lots fell nearly 11 percent compared with the same three months last year, according to sales data released last week.

That's the first significant lot price drop in a slump that has whacked the building chain, from plumbers, masons and cleanup crews to lenders and lawyers.

"Everybody is taking a haircut," said Stephen Pace, a 30-year industry veteran and owner of Pace Development Group in Charlotte. "It's a natural process, but it's an ugly process."

Charlotte's market began deteriorating about a year later than most, but local declines this year have far outpaced the national average in the worst housing market for more than a century.

Sales of new and existing homes in the eight-county area fell 38 percent during the three months ended Sept. 30, compared with last year, according to Market Opportunity Research Enterprises, a Rocky Mount firm that tallies sales data from public records. That marked six consecutive quarters of decline, with the past three registering drops above 35 percent.

New-home permits, a key indicator of future sales, fell 48 percent. Lincoln County led with a drop of 69 percent, followed by 63 percent in Iredell. The number of lots sold dropped by far more than 50 percent, the worst of this downturn, according to the MORE report. And the area's supply of available building lots reached a historic high, according to national industry tracker Metrostudy.

There were nearly 41,500 vacant, developed lots on the Charlotte market at the end of September. That represents more than three years of supply – the highest number and length of supply ever recorded in the area. A supply of 18 to 24 months is desirable for a good balance, said Ed Dunnivant, director of Metrostudy's North Carolina division.

"In the past year and a half, we have seen the Charlotte new-housing market finally succumb to the weakening

economy and tightening credit conditions," said Dunnivant, who has 40 years of experience. "The credit just stopped flowing to the homebuilding industry back in the middle of the summer. In my lifetime, I've never seen it stop that abruptly – like you just hit a wall."

Share the pain

The falloff in new-home sales prompted builders to discount heavily. In turn, they have pressured suppliers and now developers to cut prices.

"They're astute business people," said Jon Hardy, Pulte Homes' Charlotte area division president. "They know they need to share in the pain."

Pulte is both builder and developer on some projects, such as Sun City Carolina Lakes, the huge active-adult community in Lancaster County, S.C. But the builder also buys from developers. Hardy said he negotiated lot price reductions of about 5 to 10 percent and passed those savings to customers. "I'm making no more money because of any reduced lot price," he said.

Pulte, like other national builders, has posted big losses in a market wracked by tighter lending, rising foreclosures, job losses and anxious consumers. Several builders have written down the value of land or unloaded parcels at deep discounts, especially in once overheated bubble markets.

At least one national forecast calls for steep losses on builders' lots next year. Local experts aren't expecting a severe devaluation in lot prices, just as home prices haven't fallen nearly as steeply as in the bubble markets. Prices didn't rise as sharply and so don't have as far to fall. The area also didn't see as much overbuilding as some and is buoyed by the flow of newcomers.

There are factors other than new home construction's precipitous decline and economic weakness that likely contributed to lower lot prices in the last quarter. Buyers might have chosen smaller or lower-priced lots. Builders or developers also might have had only lower-priced lots available for sale. Those shifts wouldn't be reflected in the MORE report, which records the price paid for building lots, not differences in size, location or other factors. But the swift, steep price decline signals new pressure on the industry.

Builders, struggling to get financing for construction, are likely to remain under the most pressure to shed lots. Developers sometimes have more leeway, especially if they haven't already invested heavily in preparing lots for sale to builders.

"Most land investors have been choosing to wait it out," said John McIlwain, the Urban Land Institute's senior fellow for housing.

Bill Daleure, division president for land development with Crosland, said builders have been asking for lot discounts.

"We may adjust them a little for certain conditions, but no, we're not wholesale discounting," he said. "If you're financed properly, you can wait and skip that dip where you're giving something away."

Outlook

Local experts had expected the second quarter would be the area's worst, that by now there would be positive signs.

Then came more severe upheaval in the banking industry and the financial markets during September and October. Consumers, confronting overwhelming uncertainty, aren't spending on much of anything.

"Fourth quarter is going to be a bear," said Chuck Graham, a longtime Charlotte real estate consultant.

Besides the overall economic issues, an ongoing problem has been that new arrivals can't buy here because they can't sell houses in weaker markets. Job growth also has slowed and unemployment risen. Both are likely to be a bigger problem as Wells Fargo closes on its deal to buy Wachovia. The San Francisco bank signaled last week it will downsize businesses that account for some of Charlotte's highest-paying jobs. Bank of America's acquisition of broker Merrill Lynch also puts at risk some well-paid local jobs.

The bank deals could put more houses for sale on an already glutted market.

Charles Teal, chief executive of Saussy Burbank, looks for the fourth quarter to be "extremely bad." Teal, an owner of the privately held Charlotte builder, hasn't had any lot price reductions but he's delayed taking lots from developers because of slow sales. He expects the market to ease somewhat early next year but nothing resembling a recovery until 2010.

Mired in the slowdown, builders are likely to be pressing developers for more lot discounts.

"Everything is having to be adjusted for people to survive," said Pace, the developer, who has trimmed lot prices. "It's all a function of trying to keep the market going because we all do believe the market will come back."


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rockingruvin wrote on 11/10/2008 06:45:47 AM:

Some lots go for 10k, some go for 400k. That help?

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rockingruvin wrote on 11/10/2008 06:44:35 AM:

I don't know, ol' duuuuuhhhhhhbyer may have broke it too bad.

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Producer wrote on 11/09/2008 11:41:00 PM:

Don't worry, the slate just voted in will fix all this...

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NLP wrote on 11/09/2008 04:50:10 PM:

Percent change is important, but it'd be interesting to know the price/acre in the Charlotte area and how that compares with national numbers.

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mbh wrote on 11/09/2008 09:35:54 AM:

Chuckyates - the graphic provided with this article shows a decrease in values averages 11%. You do the math. Unfortunately, the information in this article is

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