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Wieland's Gittleman points to opportunities for buyers

By Curtis Seltzer

Barry Gittleman, vice-president for Strategy and Land at John Wieland Homes ([!! HYPERLINK "http://www.jwhomes.com/" ¶ www.jwhomes.com[⊥]](http://www.jwhomes.com/)), works for a major residential developer who has built more than 30,000 semi-custom homes in Atlanta, Charlotte, Raleigh, Charleston and Nashville since 1970.

His take on the current residential market is straight forward: Current conditions offer a home buyer better circumstances than he is likely to see again.

Gittleman is a scheduled speaker at the first Land Think Summit ([!! HYPERLINK "http://www.getlandsmart.com/" ¶ www.getlandsmart.com[⊥]](http://www.getlandsmart.com/)) to be held at the Gwinnett Center in Duluth, Ga., on September 30, 2010. He is responsible for land acquisition, asset management and strategy, both corporate and neighborhood. He is a graduate of the U.S. Naval Academy and earned an MBA from Harvard Business School.

Wieland, like other residential developers, is coming off a couple of dreadful years for home sales and prices. Gittleman believes a corner is about to be turned. Timely and sensible, selective buying now will pay off down the road.

His unedited answers to my questions follow.

1. If you were investing your personal money in land for a 10-15 year horizon, what type of would you buy? Do you prefer some locations to others? Why would you choose this type of land and location over alternatives?

Bank-owned developed lots in Atlanta, absolutely. The closer to in-town, the better. There are lots being sold for less than the cost of development, in some places, so the raw land is essentially free in those deals, and that certainly will not be an opportunity for too long. I expect the public builders and private builders with capital, to be rebuilding their lot supply the next two years, so it may be tough for investors to out-bid builders (end users) on these deals, but if they can get some, they should make good returns.

I say Atlanta [as a preferred location], because that market has more developed lots on the ground than any other city in the nation.

Other opportunities include raw land or developed lots in any city where I expect a strong economy in 5-10 years in locations or submarkets where I think they will be building new homes in 5-10 years. I would include parts of Raleigh and Charlotte on that list. And I would stay away from non-residential land, which I don't think has bottomed yet.

2. Do you think farmland and timberland are currently priced above, at or below market in terms of their intrinsic values (defined however you want), and why? What's driving current valuations? Do you see a change in valuation drivers in the future?

Below market, just because everything associated with real estate has fewer buyers than sellers these days, especially land that can't be converted to cash quickly by selling it to a builder or building a home on it today.

4. Has the second-home market been impacted more, less or about the same as residential home sales during the last several years in your area?

More, since those buyers are more discretionary buyers than other home buyers, and if you were reading the headlines from 2006-2009, you would have been very scared about putting a lot of money into a home, even a second home. In reality, 2009 and 2010 will probably be the best years during our lifetime to purchase a home of any type, if you take the time to do your homework and make sure you get a great deal.

5. How would a steep "crash" in commercial real estate or a crisis with loan resets in 2011 impact residential and second-home sales?

It would have some impact, since it would negatively impact employment for all of the people in the commercial real estate industry, but I think the positive news about an improving overall economy and jobs market will outweigh the negative news of what it likely to be a very rough

couple of years for the commercial real estate industry.

6. How dependent are home sales on the mortgage-interest deduction? Do you think the mortgage-interest deduction should be increased, reduced or left unchanged? Why?

The mortgage interest deduction definitely helps, and should be left unchanged. Consistency in government policy is a good thing, as it allows people and businesses to make wise decisions, but changing the rules in the middle of the game often has negative unintended consequences.

On the special home purchase tax credit, it probably helped a little, but I don't think it was a huge impact on home sales in 2010. I think they let it expire at just about the right time, since it had to go away eventually and the more positive news about an improving overall economy and jobs market, combined with the typical positive seasonality of residential real estate in the summer, should outweigh the negative impacts of the expiring tax credit and interest rates that are likely to rise before the end of 2010. I was surprised when we had four new homes go under contract on May 2, two days after the tax credit expired. It is anecdotal evidence, but why would those people not have gone under contract two days earlier if the tax credit really mattered to them?

7. Is urban sprawl an inevitable consequence of metro residential land development?

Only to the extent that populations are usually growing and people need places to live, but it can certainly be managed.

Are there ways that a home developer can organize its projects to minimize sprawl and incorporate sustainable, smart designs into its projects?

Absolutely. Smart growth initiatives have been around for a long time. Higher-density and mixed-use development are likely to be big part of the future of smart cities. Many people won't soon forget when gas was \$4 per gallon, and they are placing more importance on convenience to work, school, friends, and activities when they choose their next place to live. We speak with more customers every day who want to be closer to in-town than where they used to live. Traffic and transportation planning will also be a big part of the cities that are thinking ahead about what the lives of their citizens will be like in 20 years.

Curtis Seltzer is a land consultant who works with buyers and helps sellers with marketing plans. He is author of How To Be a DIRT-SMART Buyer of Country Property at www.curtis-seltzer.com where his weekly columns are posted.

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