

Hard stop to full throttle: Houston's land market generates career firsts in 2020

BY BRANDI SMITH



Kirk Laguarta, Land Advisors



Kristen McDade, Berkadia

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Rounding the corner into 2020, things were looking good for the Houston-area land market.

“Retail was strong, multifamily was acquiring sites for new development, listings were moving and buyers were very active,” said Kristen McDade, who leads Berkadia’s land services team.

As soon as the pandemic took hold, though, the market came to a grinding halt. “Everyone stomped on the brakes as nobody has ever been through a pandemic in the U.S. before,” said Kirk Laguarta, broker at Land Advisors.

He said that one thing did accelerate: the home-buying process. Laguarta suggested the increase was due to low interest rates and many people wanting to get out of apartments into new homes.

“Bottom feeders” also emerged in the spring, looking to capitalize on what they viewed as a wounded market.

“In April, I had a group make a \$25,000 offer on a site listed around \$3 million,” McDade said. “When we all finished laughing, they made another similar offer on another tract. I finally told the guy, ‘Even in the worst of times, this is ridiculous.’”

She said a couple of her deals dropped, but most buyers paused to evaluate whether to close deals they had under contract. McDade said the majority worked out extensions that allowed them to get a better handle on the market moving forward.

As for Laguarta, he and colleague Duane Heckman have been selling land in the Houston area for more than 35 years. The post-pandemic market offered the pair a career first.

“We had one transaction that had all approvals and we were waiting to close in early April. When they didn’t close in late April, they wanted their earnest money back. The seller said, ‘Sorry, but no way,’ so the buyer sued the seller to get their earnest money back,” Laguarta said. “By the end of May, the same buyer came back and agreed to go hard with the earnest money, released the lawsuit and closed on the property in less than two weeks. We’ve never had that happen before.”

Now, he and McDade agree, while prices are flat, there are opportunities in the land sector. McDade just listed 15 acres on the north side of Beltway 8 at Kirby, which is just west of SH 288.

“Because it’s in the city of Houston ETJ, it’s not subject to Pearland zoning. The redesign of the on and off ramps of Beltway 8 provide fantastic access to the site and will be completed by the end of this calendar year,” she said. “The site also has great visibility and plenty of frontage.”

Home builders have also gotten super aggressive in purchasing land for future lot development, according to Laguarta.

“With homebuilders pulling back for two months and now selling more homes and lots faster than they projected, they realize they need to speed up the land buying process to keep pace with the increased rate of home sales,” said Laguarta.

He added that he doesn’t think the home-buying pace will hold for long because of a lack of job creation. That, combined with questions about how retail will function and how long employers stick with a work-from-home model, does add some challenges to the marketplace.

“It could potentially necessitate smaller retail spaces as storefronts due to less demand or the opposite—larger spaces to accommodate social distancing but lower rents to facilitate keeping those doors open,” said McDade. “Office space is moving back to traditional offices, so there will be less open gathering spaces. As more people get a handle on officing from home, less office space may be needed.”

Despite uncertainty, she expressed confidence in Houston’s resilience.

“This is a new test, but we work well for such a large community,” she said. “When dealing with clients or other brokers, have empathy. You never know what challenges each of us are going through both personally and professionally. Have patience. The deals will come around, maybe just a little slower pace. And be happy that we have all learned to be professional and productive in shorts and tee shirts.”

Some heartfelt advice when navigating the land market or life in general!