

REAL ESTATE

Housing market drags down value of luxury lots

As hard as it's been to sell a million-dollar home in the Tucson area, getting rid of a vacant luxury lot can be even tougher.

There are plenty of custom homes in premier Tucson locations (see story on A1), so why spend more than \$1 million to buy a lot and build a house when you can get a posh spread in the Foothills for \$800,000? You



Dale Quinn

might not get exactly what you want, but you can get close and save some dough.

When it comes to luxury lots, prices across the board have dropped anywhere from 40 to 50 percent from the peak of the market, said Rick Sack of Long Realty.

"The definition of luxury lots has changed dramatically," he said.

A lot in the Catalina Foothills that's now on the market for \$350,000 would have gone for somewhere in the low \$600,000s

a few years ago, he said.

Price points have dropped and sales have slowed. The lots that do sell often get picked up by investors who sit on them, waiting for the market to improve. And that means a serious slowdown in luxury-home building.

Tom Witthoft, president of Sundown Builders Inc., built a

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house in Hacienda del Sol Estates and is now struggling to unload it. While the price of the land itself has dropped, construction costs haven't fallen as much, he said.

If a house were to get built, its appraisal — which would be based on nearby home sales — would likely come in lower than the cost of construction. So there's really no point in even getting started on any projects. "In luxury it's a no-win situation," Witthoft said.

Witthoft's company is a small one that contracts out most of its work. Rather than relying on new-

home construction, Witthoft said he's shifted his business to remodels. He's not moving forward with any new luxury products unless he has a buyer already in place, and even then the entire profit structure has shifted downward.

"The only thing you can do is build for a person who really understands what's going on in the market," Witthoft said.

Entire developments have been plagued by the downturn. Land in Marana's Saguaro Ranch, which touted pristine \$1 million lots in a scenic desert landscape, is now selling for a fraction of its original price.

Stone Canyon and other high-end Oro Valley developments have

struggled with foreclosures. Lots in Butterfly Mountain, near North Thornydale and West Moore Roads, also fell into foreclosure.

Even if a buyer were interested in picking up some vacant land, it's tough to get financing to build. So there hasn't been much activity on the high end, and there's not likely to be any until some of those existing million-dollar homes get sold, said Mick Cluck, an investment specialist with Tucson Realty & Trust Co. "There's not going to be a demand for this stuff until we move through the existing product," Cluck said.

On the plus side, it doesn't take as much cash to get into the luxury market as it used to, said Sack, of

Long Realty. Also, some wealthy people aren't going to be satisfied with an existing home. They want to build their own.

And every once in a while — though it doesn't happen much nowadays — brokers do come across a special kind of buyer: one who's recession-proof.

Those are the ones who don't mind spending extra to ensure everything about their home is exactly the way they want it.

"A lot of people are very fussy in the upper-income category," Sack said. "They really want what they want."

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