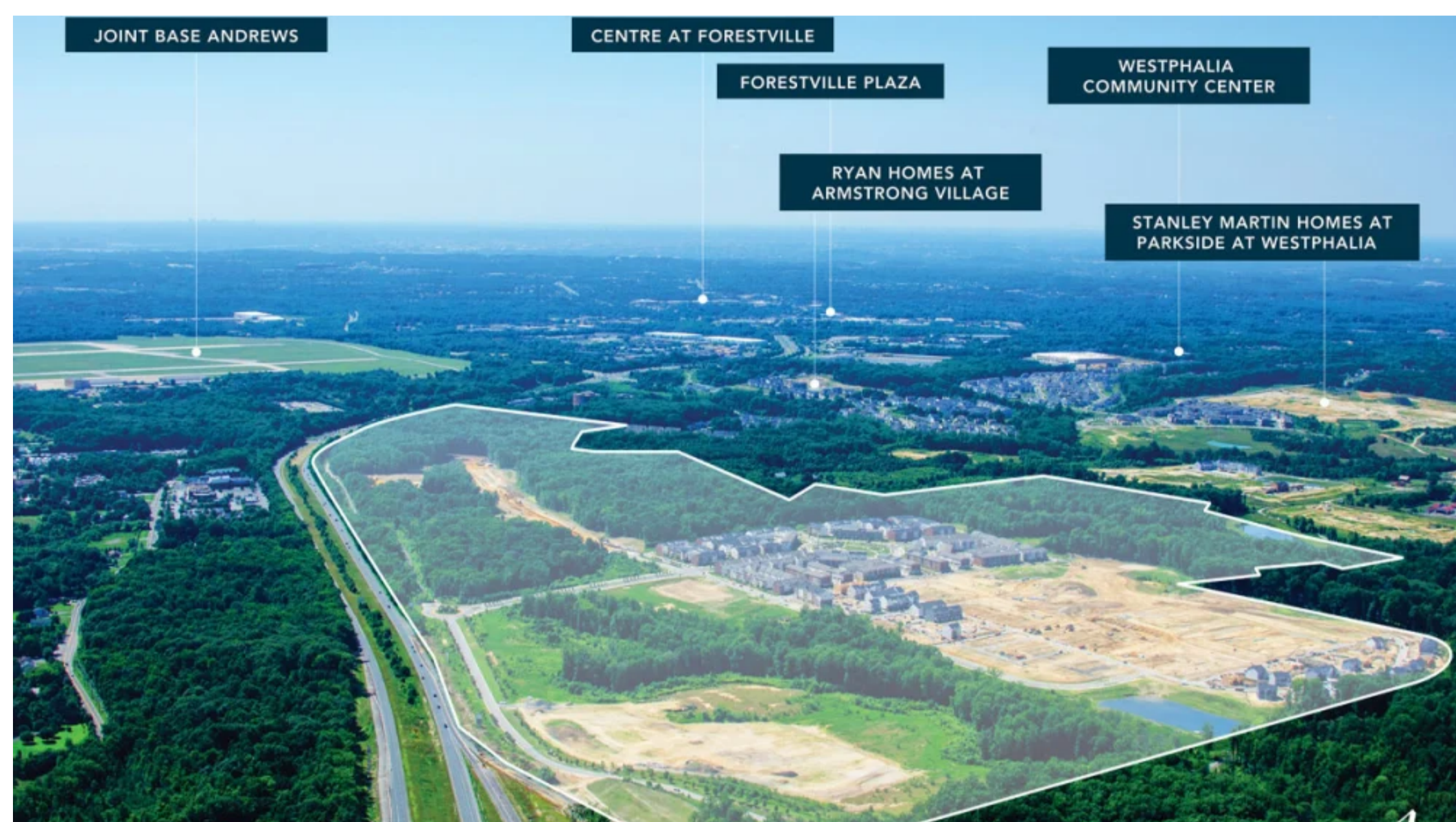


TOPICS // DEVELOPMENT AND CONSTRUCTION

Land Light: U.S. Homebuilders Embrace Strategies to Preserve Capital and Meet Demand More Efficiently

By [Jordan McKenzie](#)
May 13, 2024



Walton Global's Westphalia Town Center in Prince George's County, Washington, D.C., and Maryland. (Walton Global)

It all starts with land.

The very first step in the supply chain for any new real estate development, whether it's a new shopping mall or a sprawling tech campus, is land. It's an often misunderstood asset in our collective ecosystem.

In the residential space, that asset is everything. Economists routinely quote a shortage of at least one million homes in the United States, a result of being massively underbuilt in the years following the Global Financial Crisis. Homebuilding simply did not keep pace as millennials, our largest generation, were coming of age, starting families, and looking to settle into homes. As a result, homebuilders are constantly looking to find efficiencies to meet that demand.

Many publicly traded homebuilders are now using a "land light" strategy, working with third-party land asset owners to identify opportunities in the path of growth, and studying migration patterns, development, and economic vitality. In doing so, they take possession of the land as "just-in-time" inventory and keep their capital focused on building more efficiently and expanding market share.

With nearly 45 years of experience and more than 90,000 acres (36,400 ha) in land holdings, Walton Global has been at the forefront of this strategy, partnering with the country's largest homebuilders to ensure that once they take ownership, they can quickly develop and, more importantly, sell homes.

Historically, homebuilders carried the liability of raw and untitled land on their balance sheets for several years before even breaking ground. They now have access to a healthy pipeline of assets in desirable locations, allowing them to be closer to realizing a return on their investment in far less time—something Wall Street values. The percentage of land assets homebuilders have under option contracts continues to increase year over year.

Perhaps 90 percent of existing homeowners have a mortgage rate at or below 5 percent, motivating them to stay put. With the resale market down nearly 50 percent, increased new home inventory provides first-time homebuyers, many in the millennial and Gen Z demographics, a greater chance to purchase their first home.

Affordability remains a big issue, and more homes added to the housing supply across the country will lead to more affordable options. Higher mortgage rates are clearly part of the equation, but they are expected to come down further in 2024. Till then, homebuilders are working with buyers to buy down the rate to the best of their ability.

Consider what we've seen in 2023 and why new home buyers and builders have optimism in 2024: in certain markets, new home sales represent as much as 30 percent of all home sales today, a number that is typically closer to 10 percent. New homes are historically 27 percent more expensive than resale homes, but due to the continued imbalance, that number is now just 4 percent.

Follow the money. Real estate investment has traditionally been focused on asset classes other than homebuilding, but that's changing. The office market is distressed with an uncertain future, and increased interest rates are making it difficult for multifamily developers. Many are shifting their sights to the single-family market as they come to understand just how underbuilt the country is.

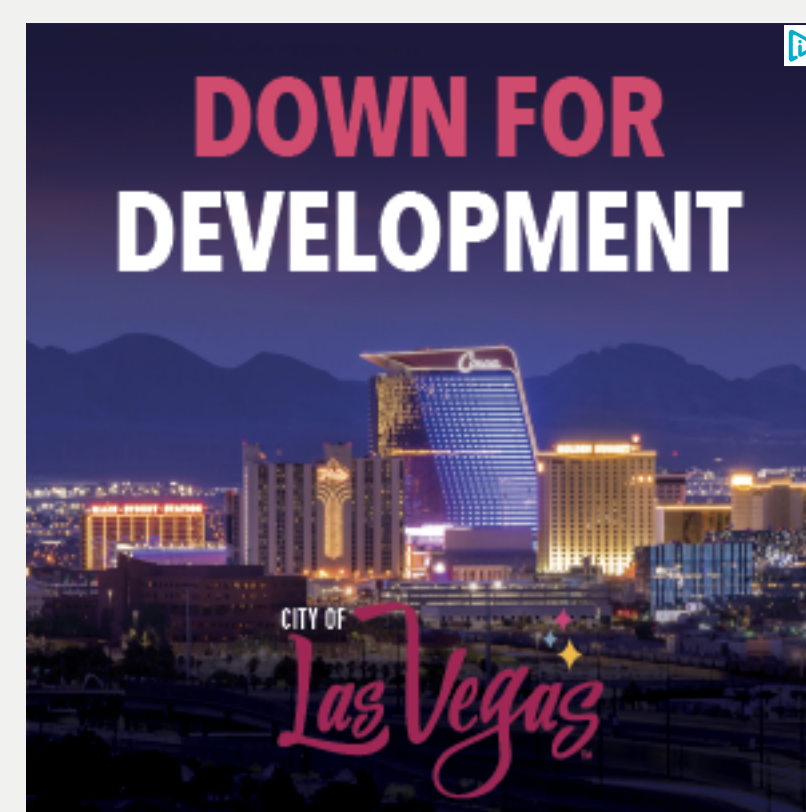
Even if homebuilders could deliver a million new homes a year for the next 10 years, it wouldn't be enough. As a result, stocks of the publicly traded builders are performing extremely well and attracting high-profile and institutional investors. Of note, we are seeing increased capital from overseas as international investors react to the strength and stability in the U.S. market.

There continues to be a significant housing shortage in the United States, but it is clear that homebuilders are determined to work within market conditions to deliver much needed inventory as quickly and efficiently as possible with innovative solutions. It starts with the land.



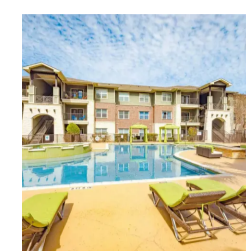
Jordan McKenzie

Jordan McKenzie is executive vice president for finance and portfolio management at Walton Global.

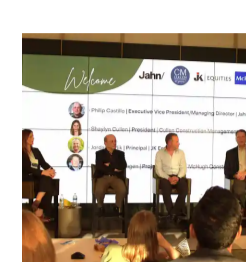


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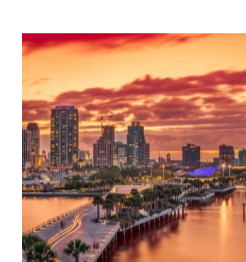
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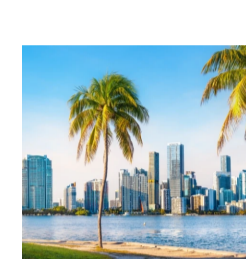
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