

Competition for custom Ladera Ranch properties remains high

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LADERA RANCH – Scott Cross has made his career building over-the-top homes in some of Orange County's most exclusive communities.

On any given day, crews from his SC Homes might be hanging a Ferrari from a roof or installing a 40,000-gallon shark tank in an entryway.

When it came time for Cross to build a dream home for his own growing family, he and his wife wanted something larger than their 3,200-square-foot home and with more of a community feel than

Irvine's Columbus Grove.

Drawn by the family lifestyle, schools, lot sizes and “views of the Ortegas,” which remind Cross' wife of her native Indiana, the family moved in February to the only gated village in Ladera Ranch.

“Within the first couple of months of living there, our mind was made up,” Cross said.

They are leasing a home in Covenant Hills for now, until they're able to snatch up one of the increasingly scarce custom lots that remain in the development.

Ripples of the economic implosion still are being felt in Covenant Hills, with a sharp divide between prices on developer-owned properties and resales. Rancho Mission Viejo held the line, though, with a recent flurry of construction and stiff competition among aspiring buyers validating that decision.

THE VISION

With the highest elevations in Ladera – allowing for views of the ocean to the west and Santa Ana Mountains to the east – Dan Kelly with Rancho Mission Viejo said it was natural to site the community's priciest real estate behind gates.

“You reach a certain price point where a gated community makes sense,” Kelly said. “It provides a sense of security and a sense of exclusivity.”

Construction on Covenant Hills, Ladera's final community, started in 2003 amid an expanding economy. And demand was high, Kelly said, with an extensive wait-list and lottery for potential residents.

Rancho Mission Viejo put some of the 232 lots on the market in phases for buyers to build custom homes. Another set of lots was sold to custom builders, so they could develop homes on spec or to suit buyers under strict architectural and design guidelines. The majority of lots went to builders such as William Lyon Homes to develop 14 neighborhoods of semicustom homes.

Buildout originally was anticipated in 2011. But with buying at a fever pitch in those early years, insiders

predicted all Covenant Hills homes would be sold by 2006 and custom sites could be gone in 2007.

NAVIGATING THE RECESSION

"We were really within a year of having everything done when the economy took a hard turn," Kelly said.

Even as Ladera became known as the "foreclosure capital of Orange County," Rancho Mission Viejo refused to budge from its minimum \$500,000 price for custom lots in Covenant Hills.

"We had the ability to wait it out, so we did," Kelly said. "We knew these were some of the best lots left in this part of Orange County, so we were not going to join in a race to the bottom or join a fire sale to get out."

While properties still owned by Rancho Mission Viejo sat largely untouched, many that already had sold went through the recession's spin cycle – to the benefit of some aspiring Covenant Hills residents.

Sam Tang and his wife, Tammy, were among Ladera's earliest homebuyers in Oak Knoll.

In 2010, they decided to make the most of market conditions, submitting offers on several bank-owned lots in Covenant Hills. A year later, they moved into their custom-built French revival home, with a pedestrian bridge connecting the second story's two wings.

"The home was designed really with the idea that we would be empty nesters soon," Tang said. With one daughter off to college and the other not far behind, they took advantage of the opportunity to make the floor plan work for them.

"It's still one of the few places where you can build a custom home."

WHAT'S NEXT?

Though Kelly said there's "not a hint" of the recession left in Covenant Hills, there's still one kink in the recovery chain: resales.

Because Rancho Mission Viejo opted not to lower prices, Cross said similar custom lots might be offered at \$1 million through the developer and \$500,000 through private sellers. So while developer lots are available now, when resales become available with prices that more accurately reflect the turbulence of the past five years, Cross said they go fast.

"I personally know of four people looking for lots in there," Cross said.

Many builders who sat on their properties for years are moving forward, with custom homes being built on either side of the Tangs and in Warmington Homes' Legacy Collection development.

There also are no bank sales or distressed properties left, Kelly pointed out. And custom home sites are being offered through Surterre Properties above pre-recession prices, with 23 custom lots sold in the past two years.

"We're really going to focus on the lot and find the one that's perfect for us," Cross said, "because we plan on being there for a long time."

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