

The 2019 Land Market Survey

REALTORS® Land Institute
National Association of REALTORS®

Released in January 2020



RLI President's Message

"As the 2020 National President of the REALTORS® Land Institute (RLI), The Voice of Land, I am proud to release the results of our 2019 Land Markets Survey to the industry. Every year, in partnership with the National Association of REALTORS® (NAR) Research Group, RLI conducts and publishes this survey for the benefit of landowners and land real estate professionals across the industry to use as a valuable resource."



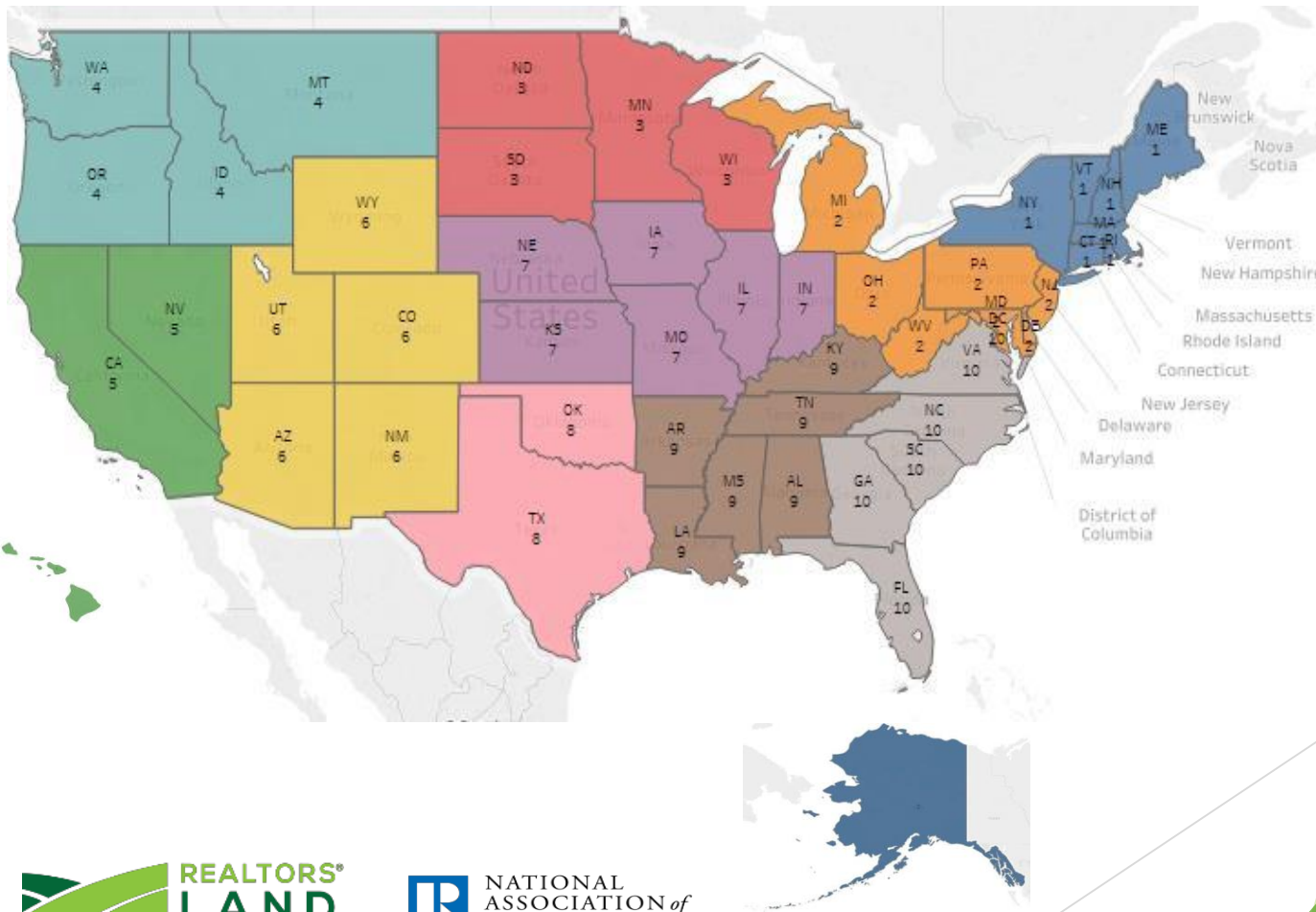
- Kyle Hansen, ALC
2020 RLI National President



2019 Land Market Survey Highlights



REALTORS® Land Institute Regions



Survey Highlights

- ▶ On average, respondents reported a **2.2% increase in land dollar sales volume** during October 2018-September 2019 compared to the level in the prior 12-month period. Sales rose for all types of land, led by residential and recreational land, although at a slower pace compared to the prior period.
- ▶ On average, respondents reported a **2.1% increase in land prices per acre** in September 2019 from one year ago. Land prices rose for all types of land, led by land for office/retail, residential, and industrial use.
- ▶ Respondents expect a **2.2% sales volume increase in the next 12 months**, with the strongest growth for residential, industrial, and irrigated agricultural lands.
- ▶ Respondents expect **slower land price growth of 1.6% in the next 12 months**. Land prices will increase for all land types but at a slower pace compared to the pace in the past 12 months.

Survey Highlights Continued...

- ▶ **Regions 6, 7, 8, 9, and 10 accounted for 78% of U.S. land sales during October 2018-September 2019**, about the same as the 80% share during the prior 12-month period, accounting for variation due to sampling.
- ▶ **The share of recreational, residential, and agricultural land sales during October 2018-September 2019 decreased to 67% from 78% during the previous 12-month period.**
- ▶ **The median price per acre of land transactions during October 2018-September 2019 increased to \$5,500** from \$4,500 during the prior 12-month period. The increase is mainly due to a higher price per acre of residential land.
- ▶ **The median acreage of all land sold decreased to 47 acres**, arising from a lower acreage of timber, recreational, and ranch land sales.



Survey Highlights Continued...

- ▶ ***Land sold during October 2018-September 2019 stayed on the market for a longer time at 120 days compared to sales during the prior 12-month period because of longer selling times for ranch, recreation, and non-irrigated agricultural lands.***
- ▶ ***Owner financing accounted for a majority of the land transactions, at 41%.***
- ▶ ***U.S. economic conditions, financing, and local zoning were the major land issues that 40% of respondents reported.***
- ▶ ***Respondents also reported that impact fees, flood insurance, fire insurance, hurricanes, high real estate taxes, and water availability were negatively affecting land transactions.***

About the Survey

► **Objective**

- *The Land Market Survey is a collaboration of the REALTOR® Land Institute (RLI) and the National Association of REALTORS® (NAR) that started in 2014.*
- *The objective of this survey is to gather information and insights about land transactions among land real estate professionals that can be used as a resource in conducting land business.*

► **Participants**

- *RLI sent out the survey to 1,323 RLI members and approximately 5,500 non-member agents who are engaged in land transactions, a record 826 of which responded to the survey.*

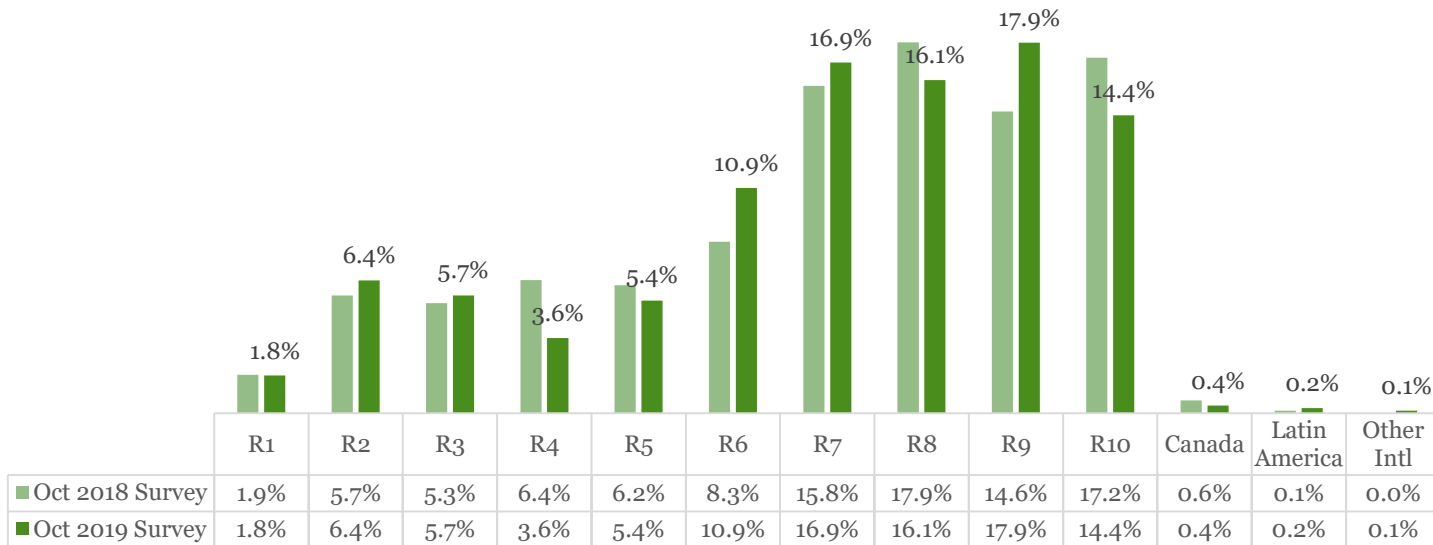
► **Timeframe**

- *RLI and NAR conducted the online survey from October 6–November 17, 2019. The 2019 survey gathers information on transactions during the reference period of October 2018–September 2019.*



Regions 6, 7, 8, 9, 10: 76% of Respondents

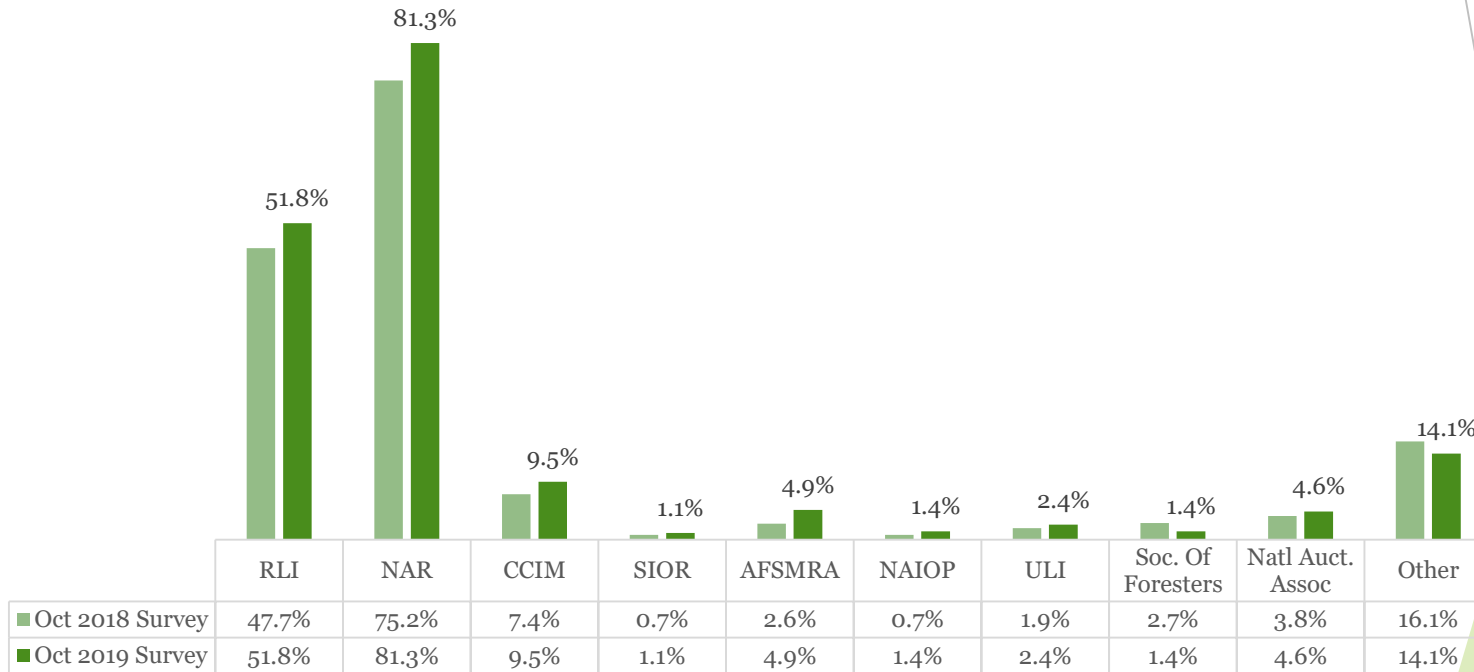
Distribution of Survey Respondents*



There were 809 respondents in the 2018 survey and 826 respondents in the 2019 survey. Of the 826 respondents in the 2019 survey, 66 percent came from Regions 6, 7, 8, 9, and 10. Region 6 covers Wyoming, Utah, Colorado, Arizona, and New Mexico. Region 7 covers Nebraska, Kansas, Iowa, Missouri, Illinois, and Indiana. Region 8 is composed of Oklahoma and Texas. Region 9 encompasses Arkansas, Kentucky, Tennessee, Alabama, Mississippi, and Louisiana. Region 10 includes Virginia, North Carolina, South Carolina, Georgia, and Florida.

Affiliations of Respondents

Professional Membership of Respondents*



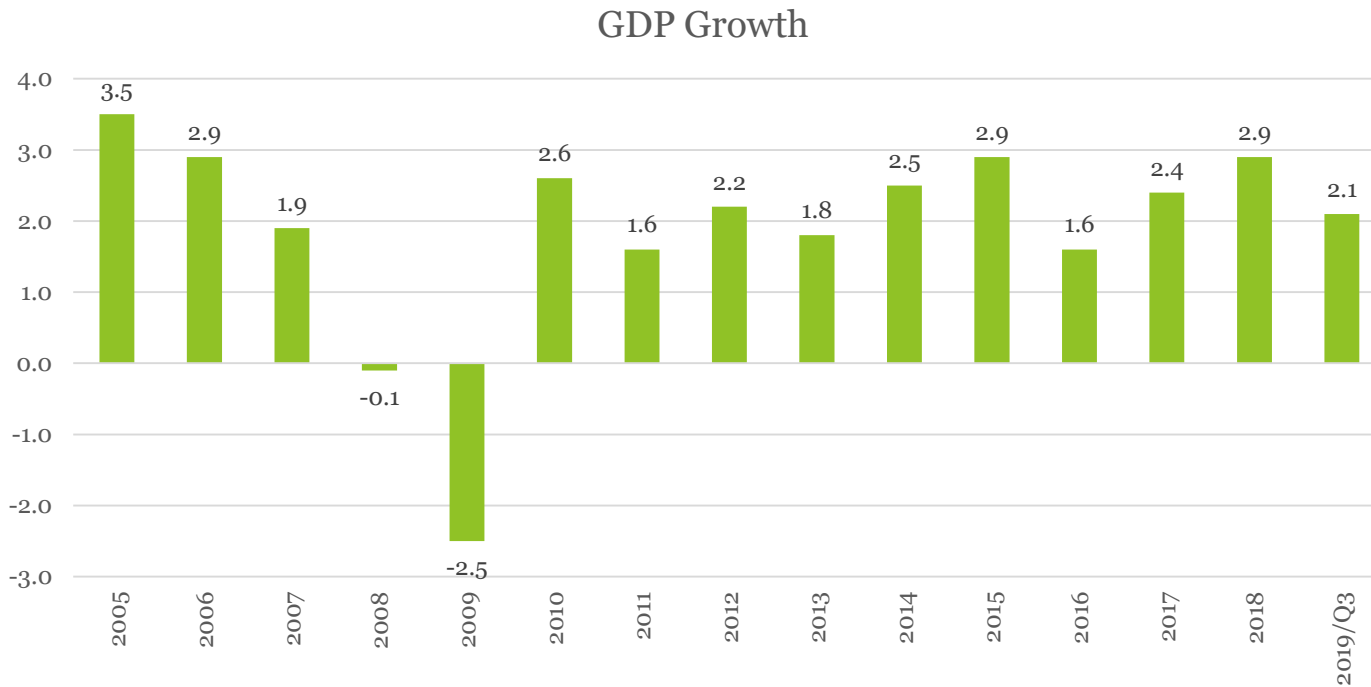
*Multiple responses allowed, so total won't sum to 100 percent. There were 809 respondents in the October 2018 survey and 826 respondents in the October 2019 survey.



Economic Environment



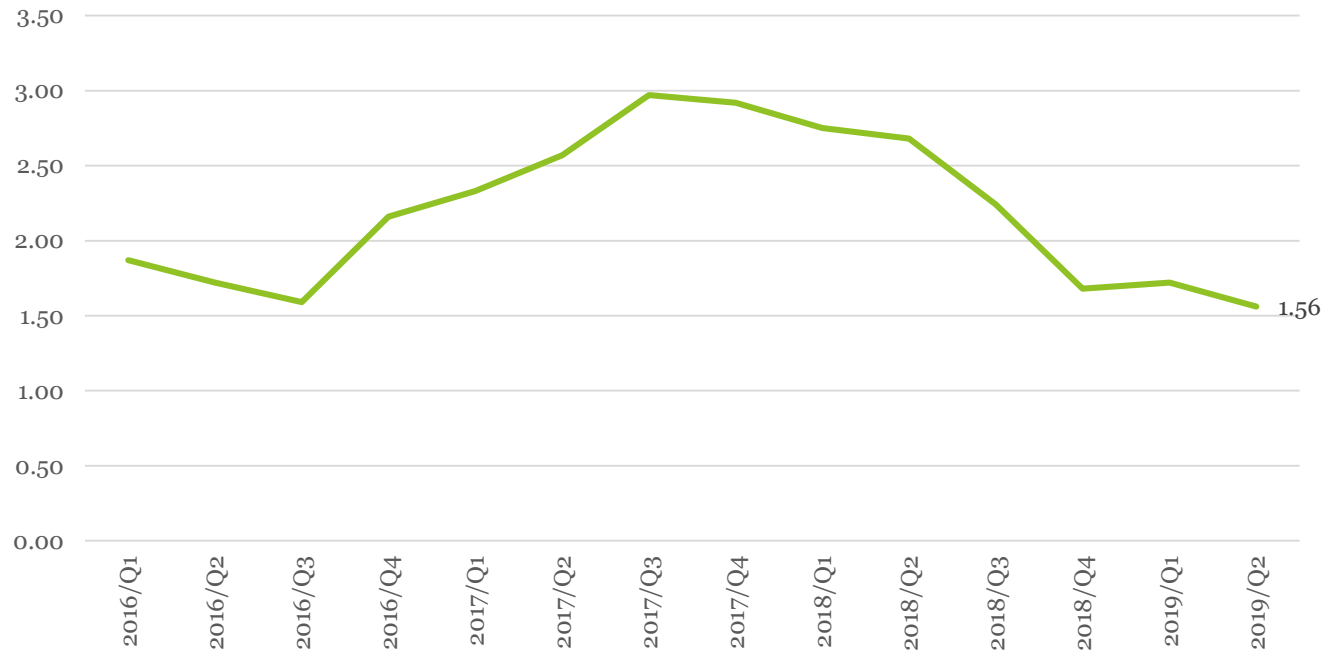
U.S. Economy Continued to Expand Although at a Slower Pace in 2019



The economy continued to expand for the 11th year in 2019 although growth moderated as trade tensions led to a drop in investment spending in the second half of 2019. The Federal Open Market Committee reduced the federal funds rate three times, a total reduction of 0.75%. (Sources of data: Bureau of Economic Analysis; Federal Reserve Board).

Economic Growth Weakened in Many Economies in 2018 and 2019

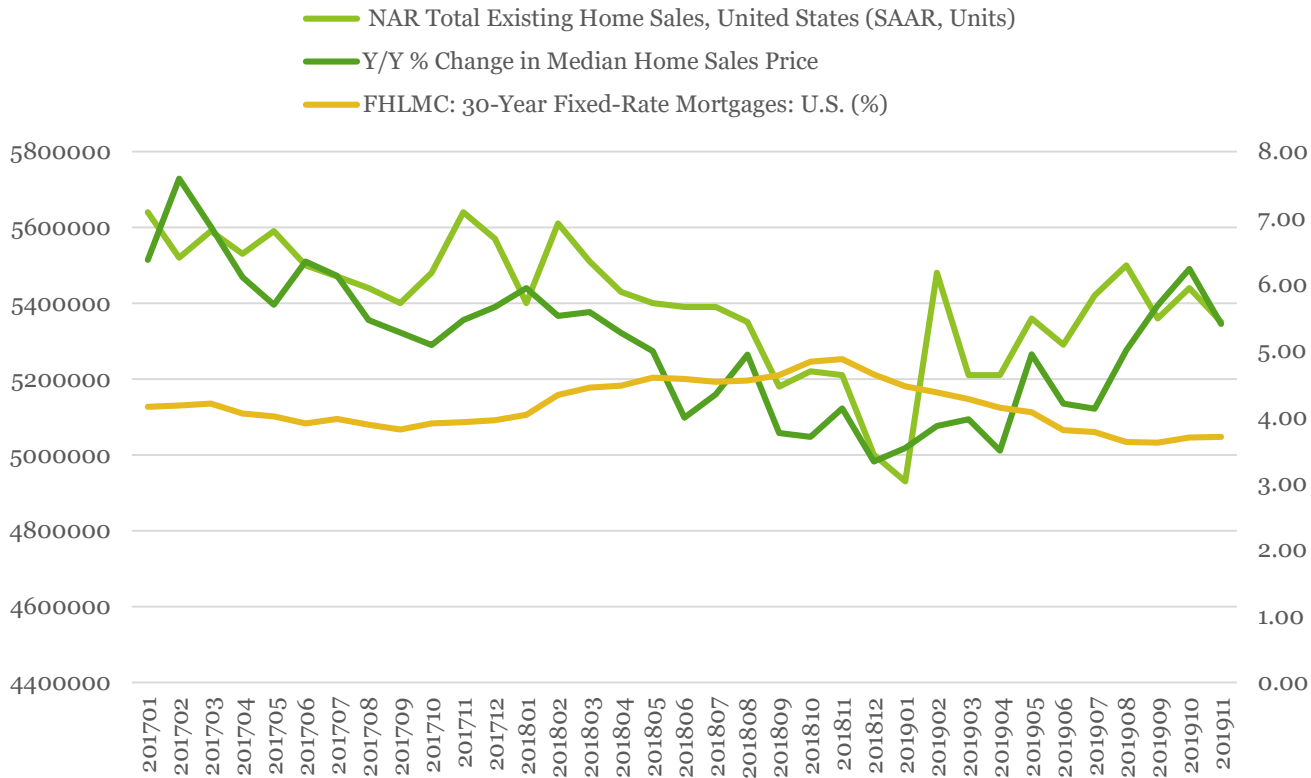
OECD GDP Annual Growth Rate



Economic growth weakened in many economies in 2018 and 2019. Among the 36 member countries of the Organization of Economic Cooperation and Development (OECD), growth slowed to 1.6% in 2019 Q2 from 3% in 2017 Q3. Global economic growth has decelerated since 2017 due to slower economic growth in China which has cut led to a cut in in its imports from from other countries. The Organization of Economic Cooperation and Development (OECD) is a group of 36 countries that includes industrialized economies such as the United States, Canada, the United Kingdom, France, Germany, the United Kingdom, Japan, South Korea, Brazil, and Mexico. (Source of data: OCED downloaded from Haver Analytics)



Low Mortgage Rates Bolstered Home Sales and Prices in 2019

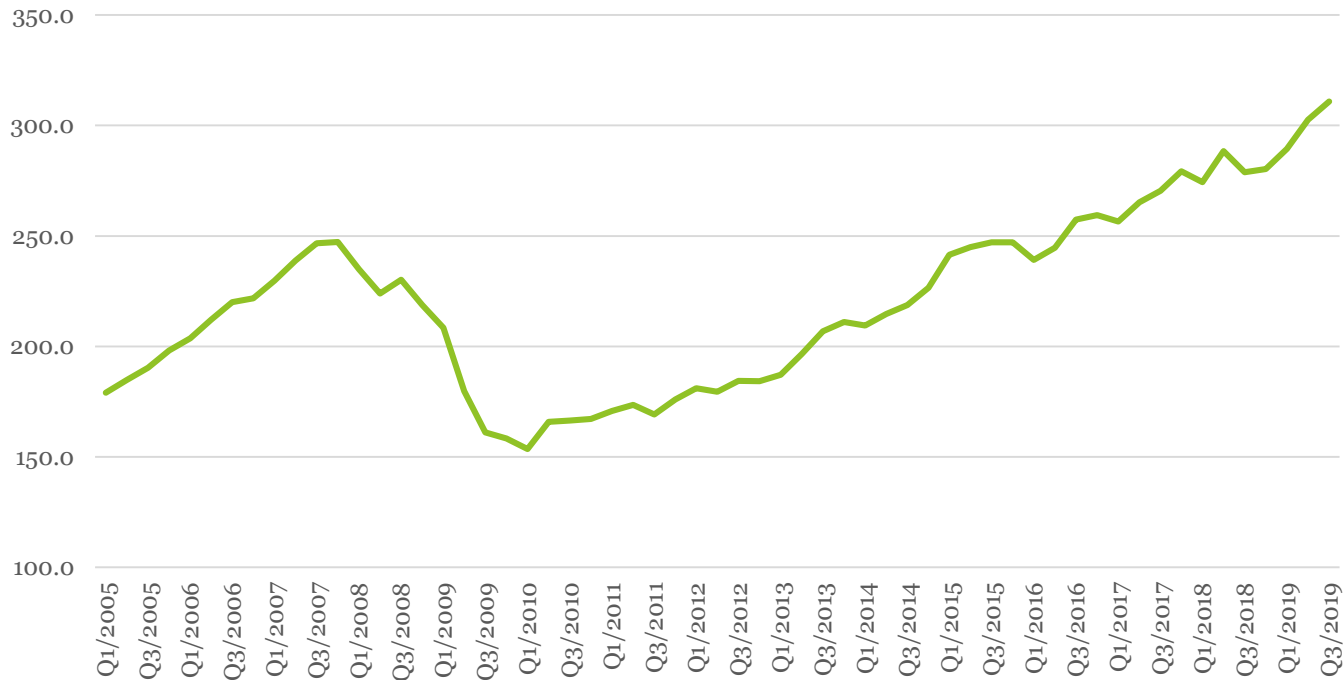


As the Federal Reserve Board cut back the federal funds rate to sustain U.S. economic growth, the 30-year fixed mortgage rate fell by about 1 percentage point from 4.8% in November 2018 to 3.7% in November 2019. As mortgage rates fell in 2019, the housing demand rose, but without enough inventory of homes to meet demand, the median price of existing home sales rose from 3.3% in December 2018 to 5.4% as of November 2019 (Source: National Association of REALTORS®).



Commercial Real Estate Prices Rebounded in 2019

Commercial Real Estate Price Index (NSA, Index)



With interest rates falling, borrowing became less expensive, bolstering the commercial real estate sector. Commercial prices, which had started to trend down in 2018, recovered in 2019. The Federal Reserve Board's Commercial Price Index rose 11.5% in 2019 Q3 from one year ago. (Source: Federal Reserve Board).



Farm and Timber Prices Declined During 2018-2019

Prices Received by Farmers: Food Commodities (2011=100)



Export Price Index: Logs, Lumber, Plywood, & Veneers (NSA, 2000=100)



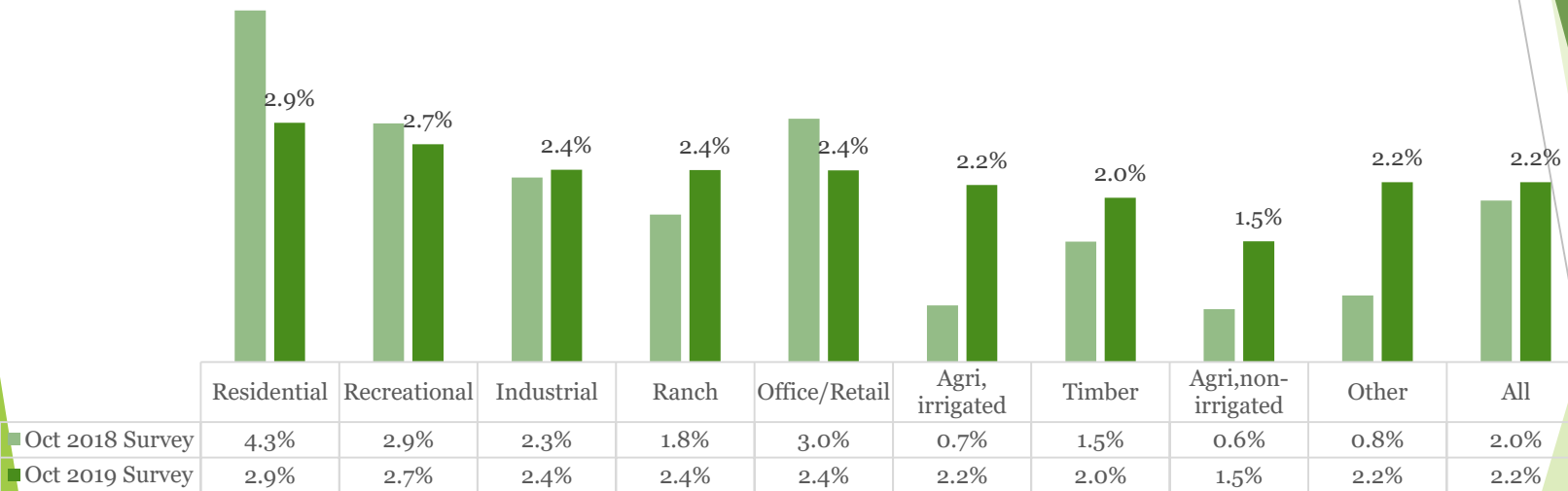
However, farm prices and timber prices continued to decline for most of 2019 as slower global economic growth reduced the demand for and prices of farm commodities and lumber (Source of data: US Department of Agriculture).

Land Sales



Modest Increase in Land Sales for all Land Types: 2.2%

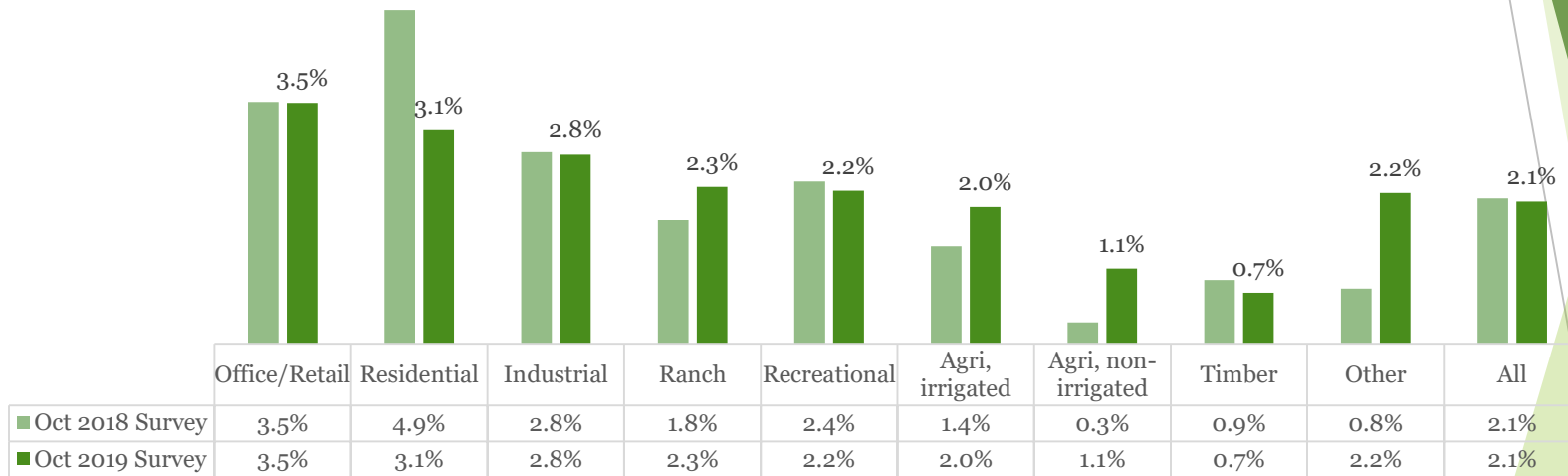
Average Percent Change in Dollar Sales Volume in the Past 12 Months



On average, land dollar sales volume among respondents rose 2.2% during October 2018-September 2019 compared to the sales during the prior 12-month period, about the same as the 2% growth reported in the 2018 survey. Sales of land for residential, recreational, and office/retail use rose at a smaller pace than the prior period, while sales of land for industrial, ranch, agriculture, timber, and other uses rose.

Modest Increase in Land Prices for all Land Types: 2.1%

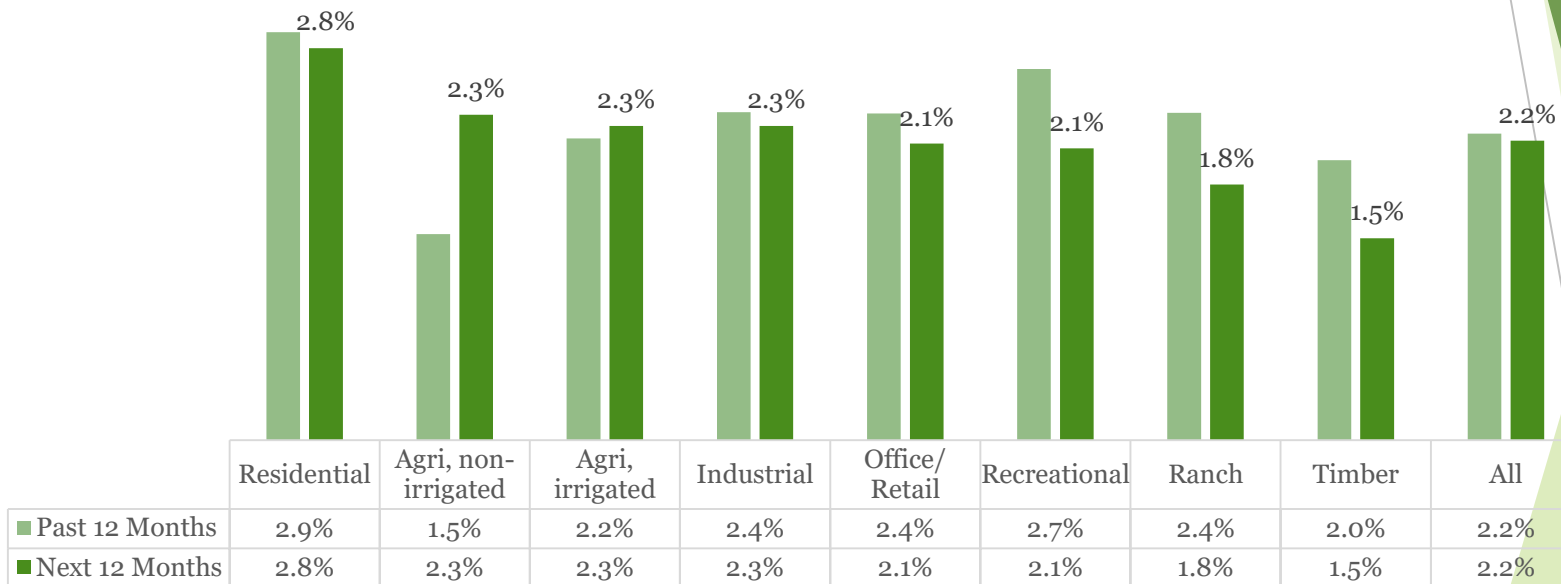
Average Percent Change in the Price of Land (US \$ per acre) in the Past 12 Months



On average, respondents reported that the price of land per acre rose 2.1% in September 2019 compared to prices in September 2018, about the same pace during the prior period. Sales prices of land for office/retail and residential use rose more strongly compared to other land types although the pace of appreciation was slower compared to the prior period. Among major land types, timber land posted the weakest price growth at less than 1%.

Sales Outlook: Modest Increase in Land Sales in Next 12 Months

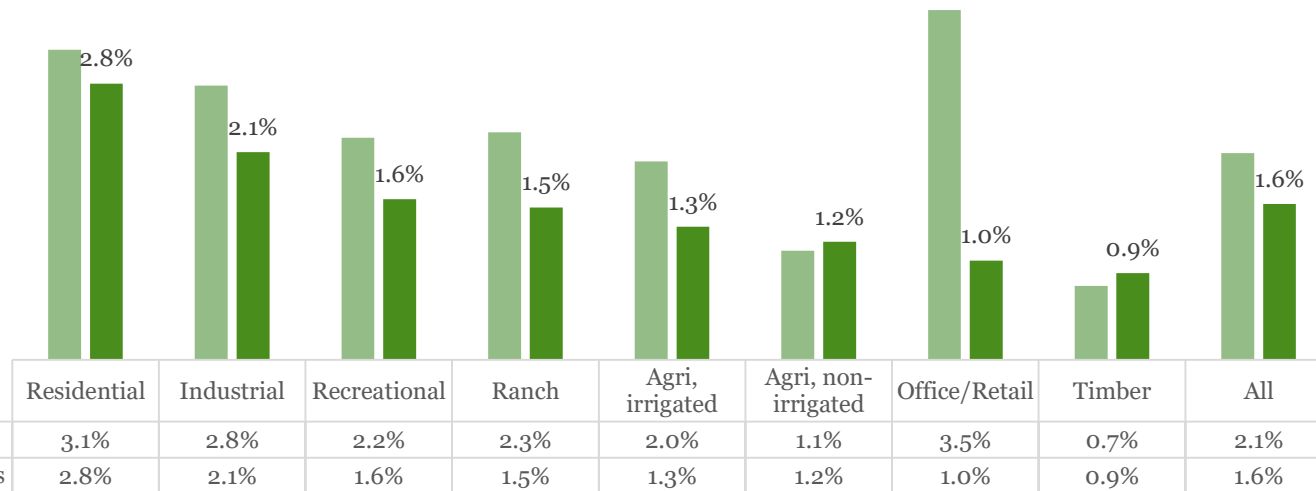
Average Percent Change in Dollar Sales Over the Next 12 Months Compared to Past 12 Months



On average, respondents expect land sales to broadly increase at the same pace of 2.2 percent in the next 12 months, with sales increasing across all land types, led by residential land at 2.8%. Relative to the past 12 months, respondents expect higher sales growth in the next 12 months for agricultural land but slower growth for other land types.

Price Outlook: Slower Land Price Growth in the Next 12 Months

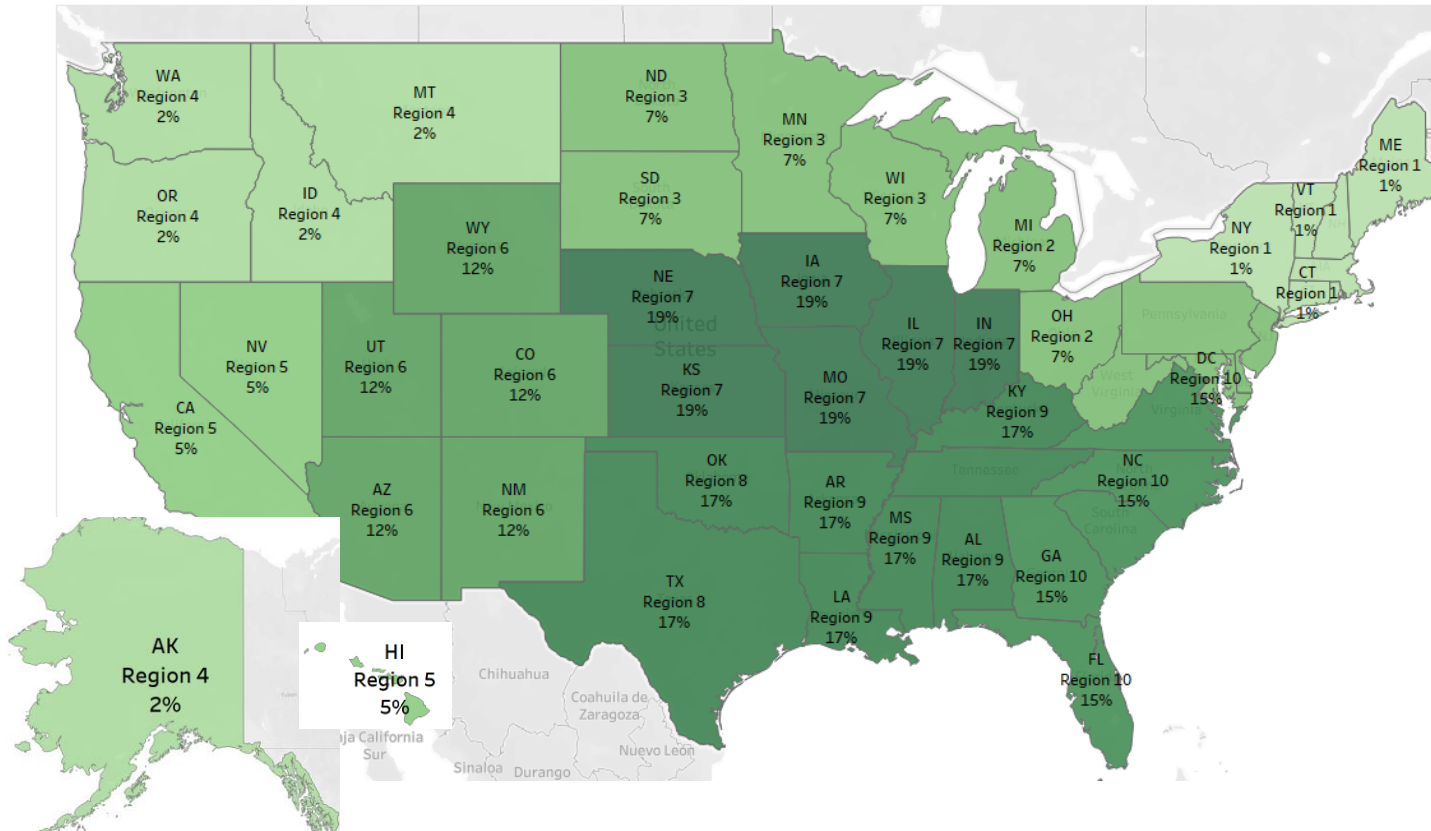
Average Percent Change in the Price of Land (US \$ per acre) Over the Next 12 Months Compared to Past 12 Months



On average, respondents expect land prices to grow at a slower pace of 1.6% during September 2019 to September 2020. Prices for all land types are expected to increase at a slower pace while prices of agricultural non-irrigated land and timber will grow at about the same pace.

Regions 6,7,8,9,& 10 Made Up 78% of Land Sales

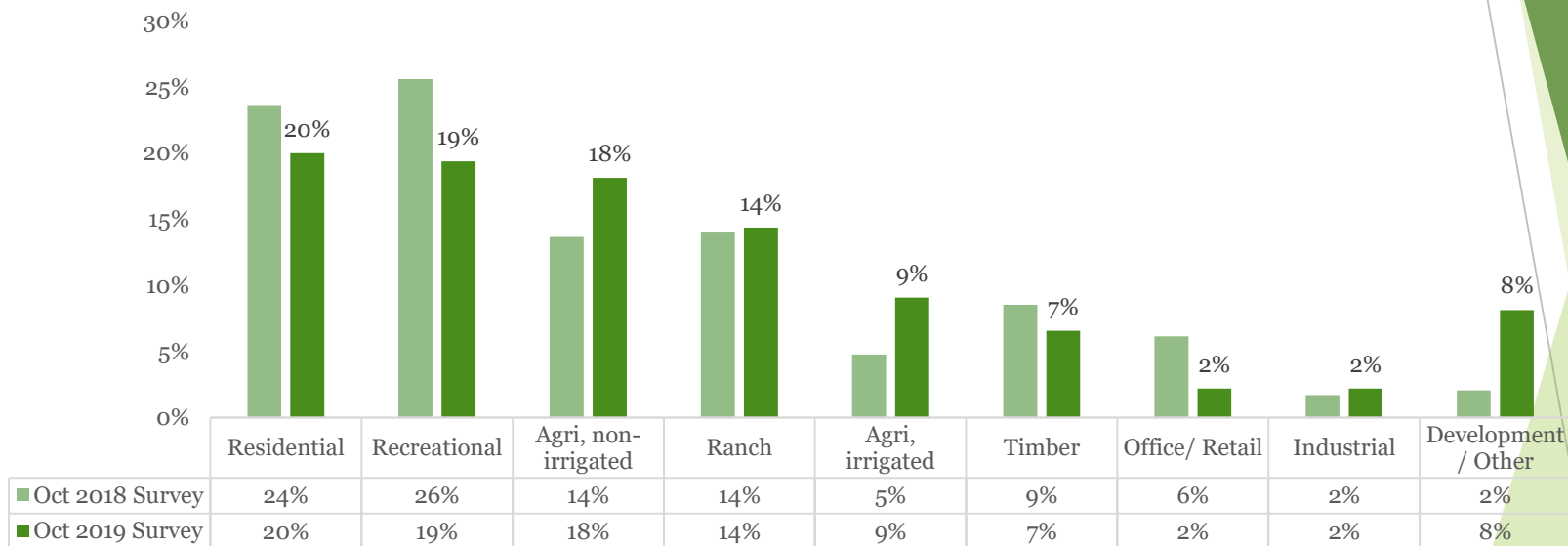
Distribution of Land Sales Across RLI Regions During October 2018-September 2019



Regions 6,7,8,9,and 10 accounted for 78 percent of U.S. land sales during October 2018-September 2019, about the same as the 80 percent share during the prior 12-month period, accounting for sampling error. The distribution of land sales is based on the most recent land sale among respondents who reported a sale and their primary region of business is in the United States

Residential, Recreational, and Agricultural Land Sales: 67 Percent of Sales

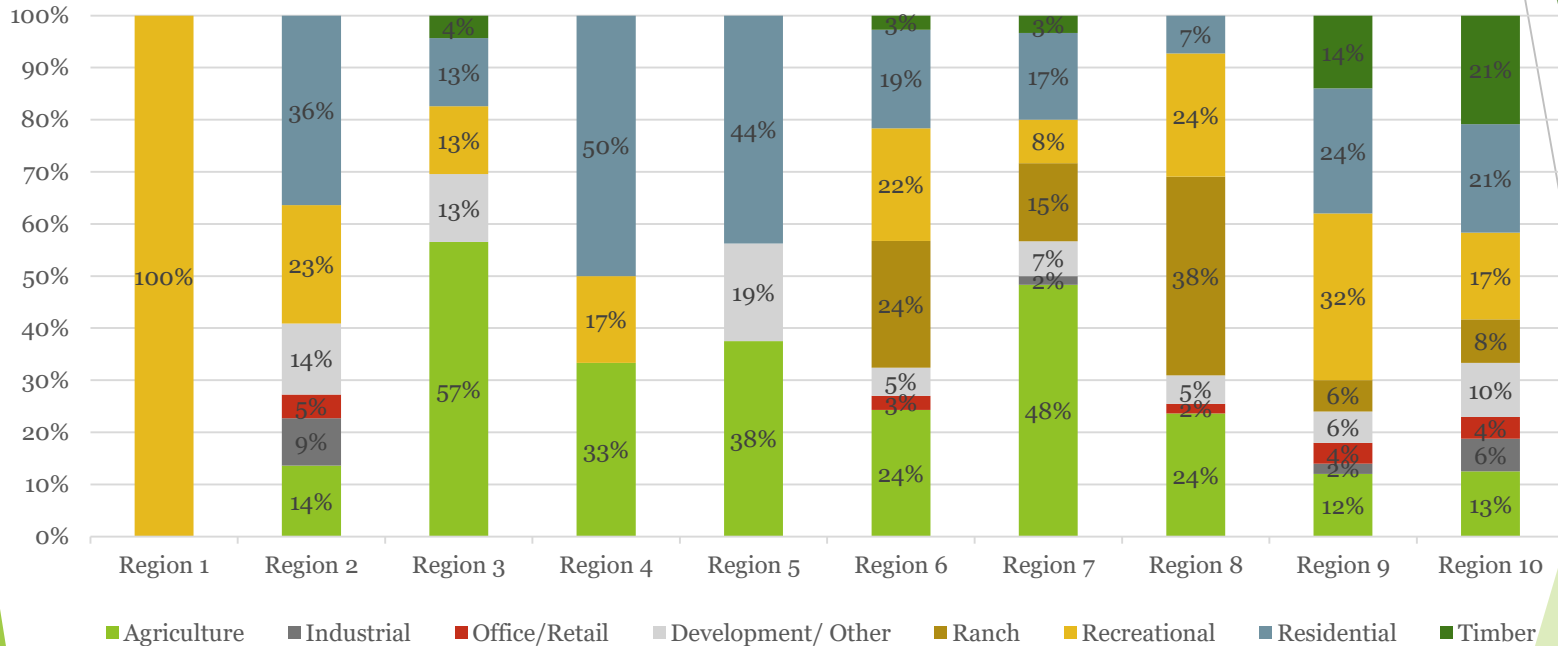
Type of Land Sold



Recreational, residential, and agricultural land sales accounted for 67 percent of U.S. land sales (units) during October 2018-September 2019, from 78 percent during the previous 12-month period. Sales of residential, recreational, timber, and office/retail accounted for a smaller share of land sales compared to one year ago.

Type of Land Sold Varies by Region*

Type of U.S. Land Sold By Region among Respondents

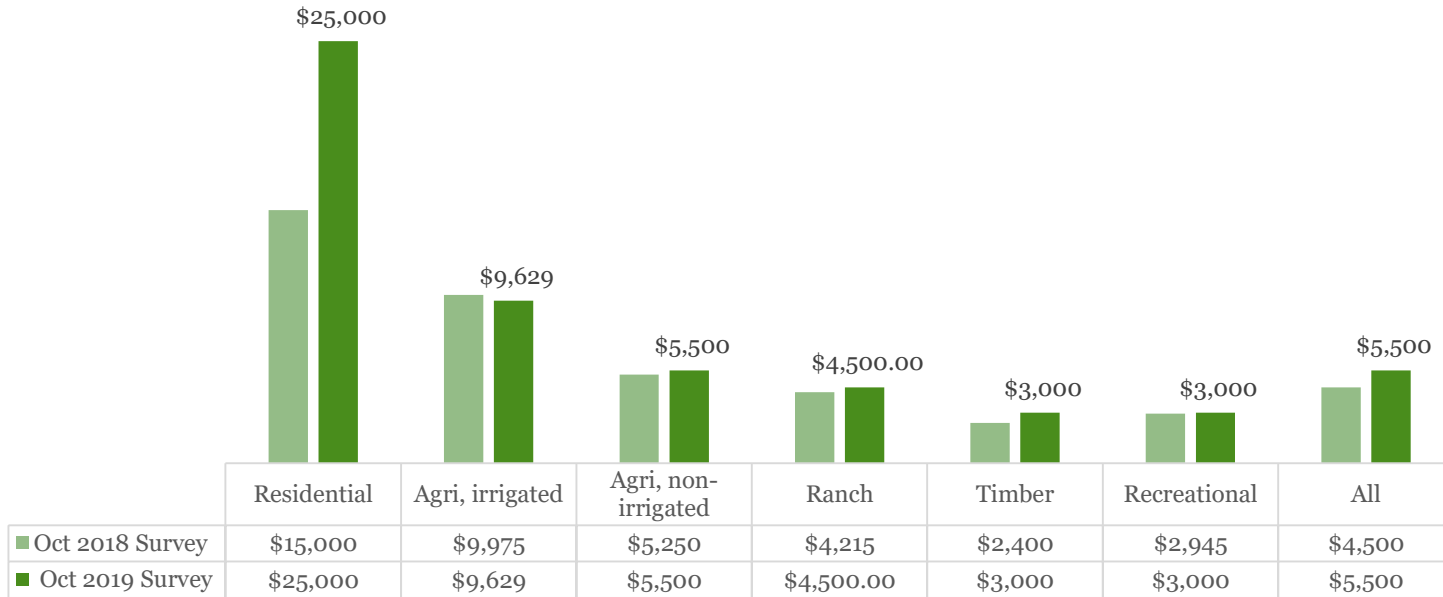


These percentages are indicative of the type of land sold in each region and should not be taken as accurate estimates of the type of land sold because there are less than 30 observations for Regions 1,2,3,4, and 5. Region 1: largely recreational; Region 2: mainly residential and recreational, with largest share of commercial; Region 3: mainly agricultural; Region 4: mainly residential and agricultural; Region 5: mainly residential and agricultural; Region 6: mix of land types, with large ranch sales; Region 7: mainly agricultural, ranch, and residential; Region 8: largest share of ranch; Region 9: mainly recreational, residential, and timber; Region 10: mix, with largest share of timber.



Median Price Per Acre Rose to \$5,500

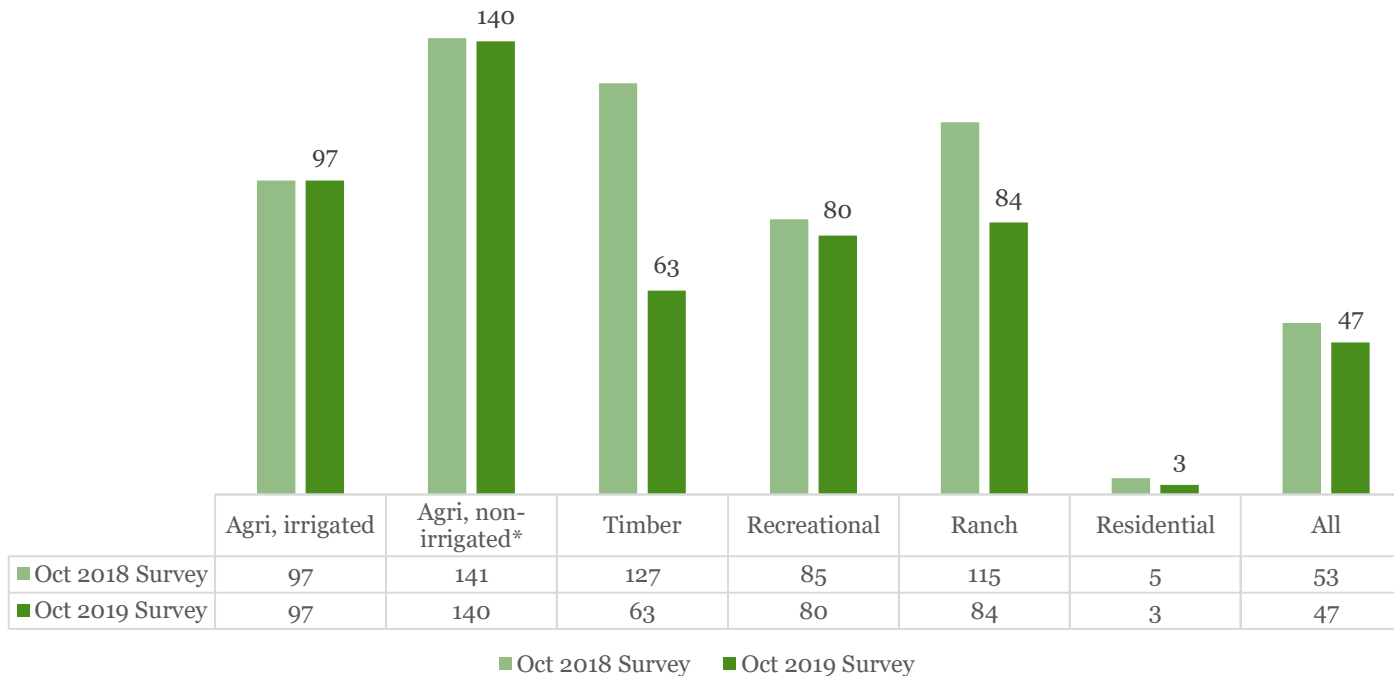
Price/Acre of Land Sold Among Respondents



The median price per acre of land transactions during October 2018–September 2019 increased to \$5,500 from \$4,500 during the prior 12-month period, mainly due to the higher median price per acre of residential land. Developed residential land was the most expensive, at \$25,000 per acre, while timber and recreational lands were the least expensive, at \$3,000 per acre. “All” includes development, commercial, industrial, and other types of land but are not shown separately due to small sample size.

Median Land Acreage Decreased Especially for Timber and Ranch Lands

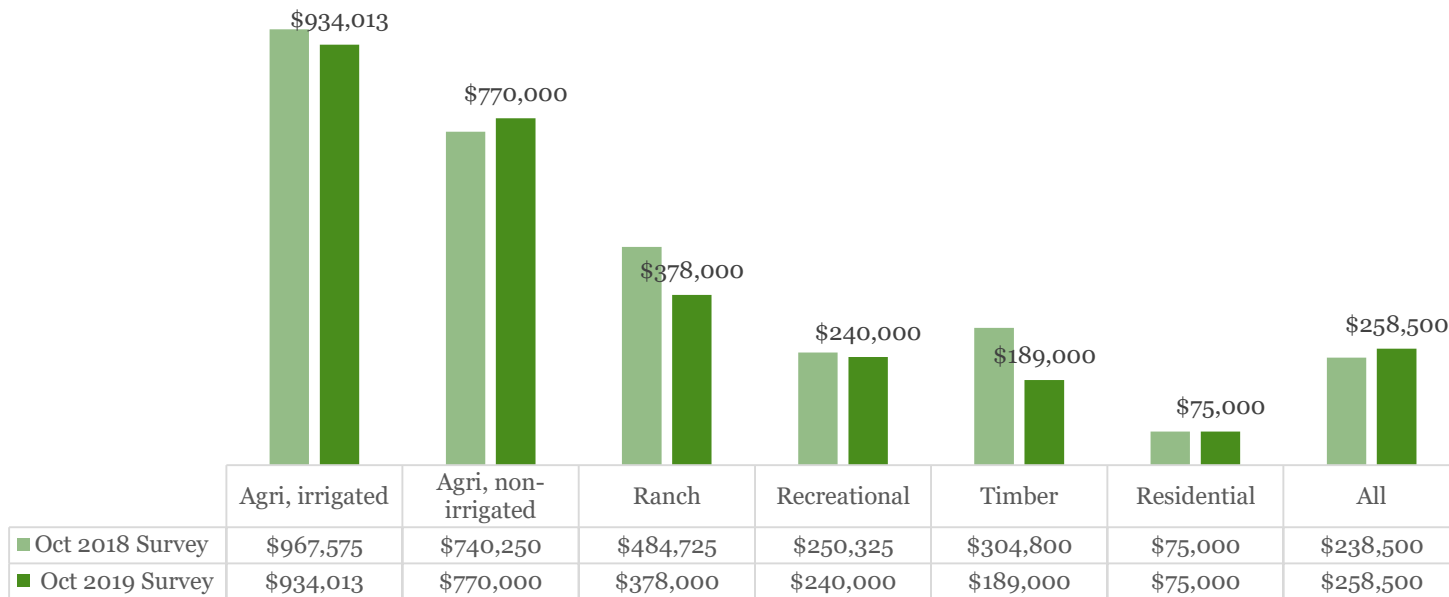
Median Acres of U.S. Land Sold



The median acreage of all land sold decreased to 47 acres due to lower acreage of timber, recreational, and ranch land sales. Non-irrigated agricultural lands have the largest acreage at 140 acres. The median acreage of development land, commercial, industrial, and “Other” types of land are not shown separately due to very small sample size, but they are used in the calculation of the U.S. median acres of land sold.

Typical Land Transaction Value Increased to \$258,500

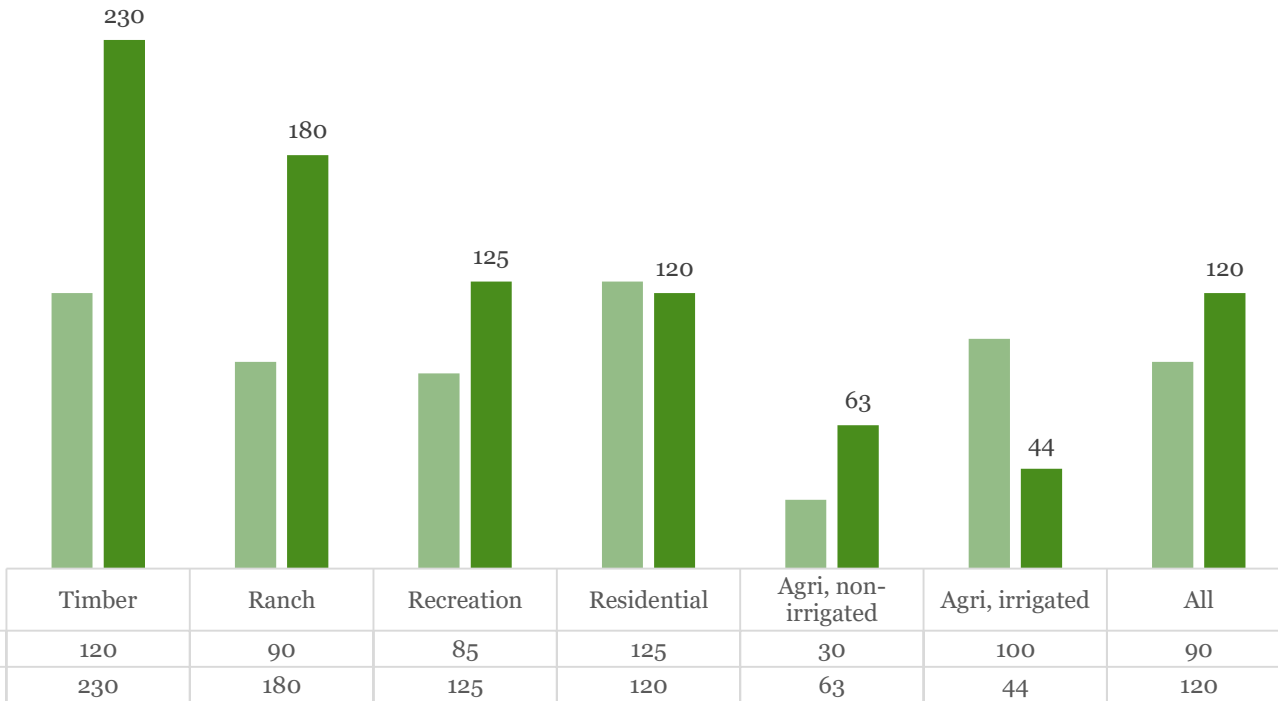
Typical Land Transaction Value



During October 2018-September 2019, the typical transaction value rose to \$258,500 from \$238,500 during the prior period, with the increase due to higher median price per acre. Due to the size agricultural irrigated lands, the transaction value is typically nearly \$1 million. Residential land transactions typically amounted to \$75,000 (about ¼ the cost of a fee-simple new home purchase). The typical purchase value is calculated as the median price/acre x median acres. “All” includes development, commercial, industrial, and other land but the estimates for these types of land are not shown separately due to small sample size.

Longer Time to Sell: 120 Days

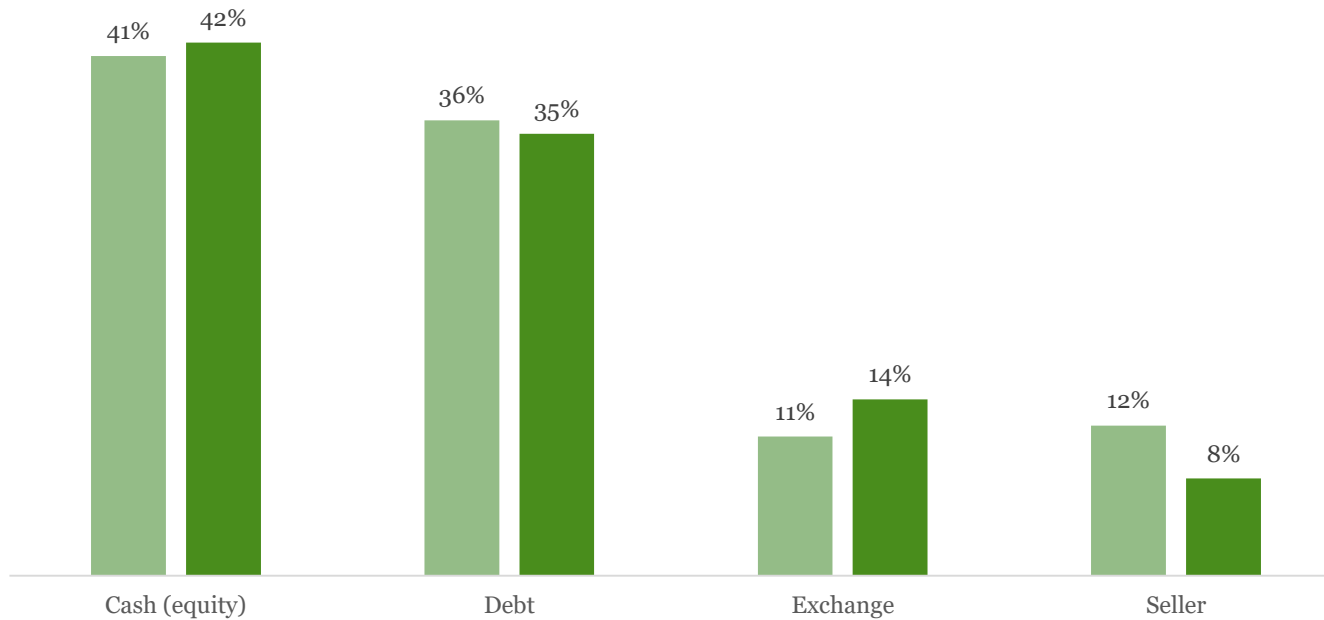
Median Days on Market



Land sold during October 2018-September 2019 stayed on the market for a longer time at 120 days compared to sales during the prior 12-month period, with respondents reporting longer selling time for timber, ranch, recreation, and non-irrigated agricultural lands.

Equity or All Cash: 42% of Land Sales

Land Financing



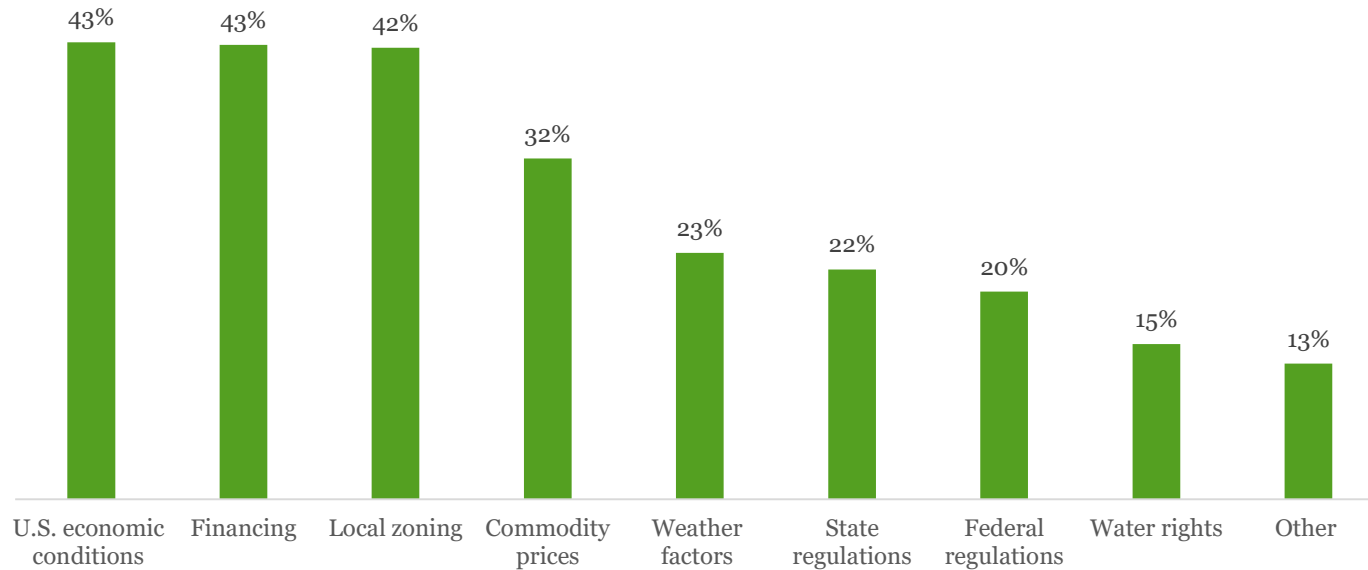
Owner financing is still the primary source of land financing during October 2018-September 2019, with 41% of transactions reported by respondents financed by owner's equity (cash). Section 1031 exchanges accounted for 14 percent of transactions.

Issues Affecting Land Transactions



Economic, Financing, and Local Zoning Were Top Issues Affecting Land Transactions

Percent of Respondents Reporting These Issues



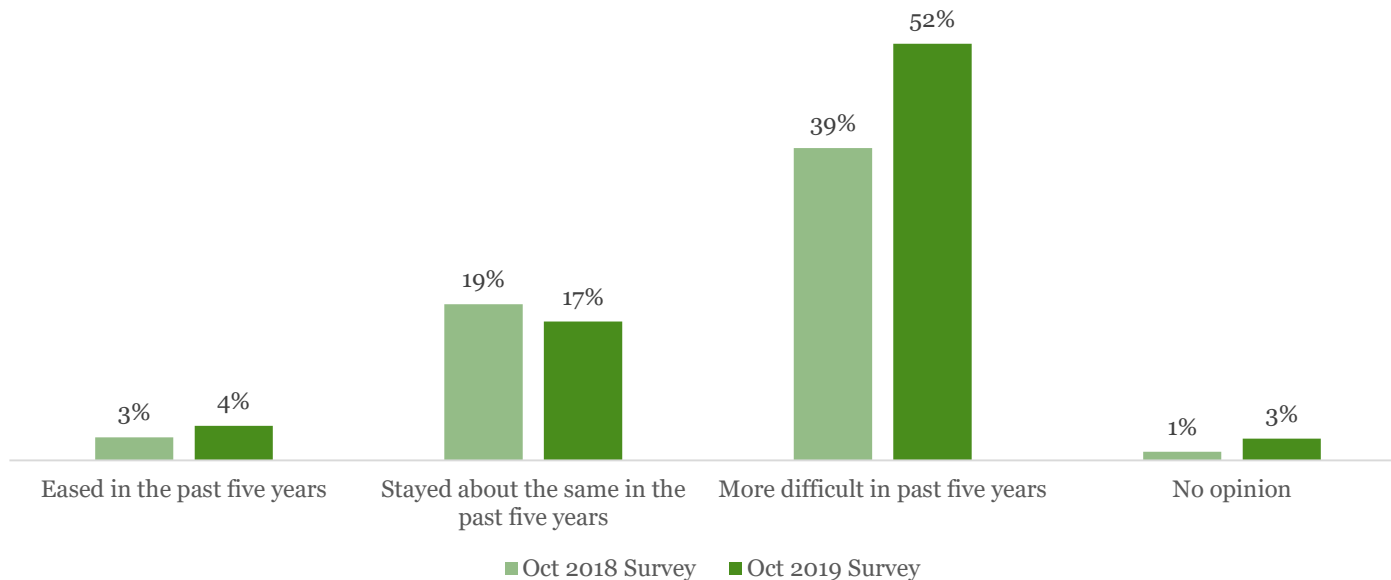
Multiple responses allowed. The figures reflect the fraction of respondents reporting these issues. U.S. economic conditions, financing and local zoning were reported as land issues by about 40% of respondents.

Other Issues Affecting Land Transactions

- ▶ *High impact fees*
- ▶ *Construction and labor costs*
- ▶ *Builder and utility costs*
- ▶ *High real estate taxes*
- ▶ *Flood insurance and need for updated flood maps*
- ▶ *Increasing fire insurance*
- ▶ *Water availability and water rights*
- ▶ *Wind rights*
- ▶ *Not enough farm land for sale*
- ▶ *Migration from other states (California, New York, and Illinois) pushing land prices*

Zoning Regulations Have Become More Difficult in the Past Five Years

How Would You Characterize the Land Zoning Ordinances and Regulations for New Residential Development in the Past Five Years?



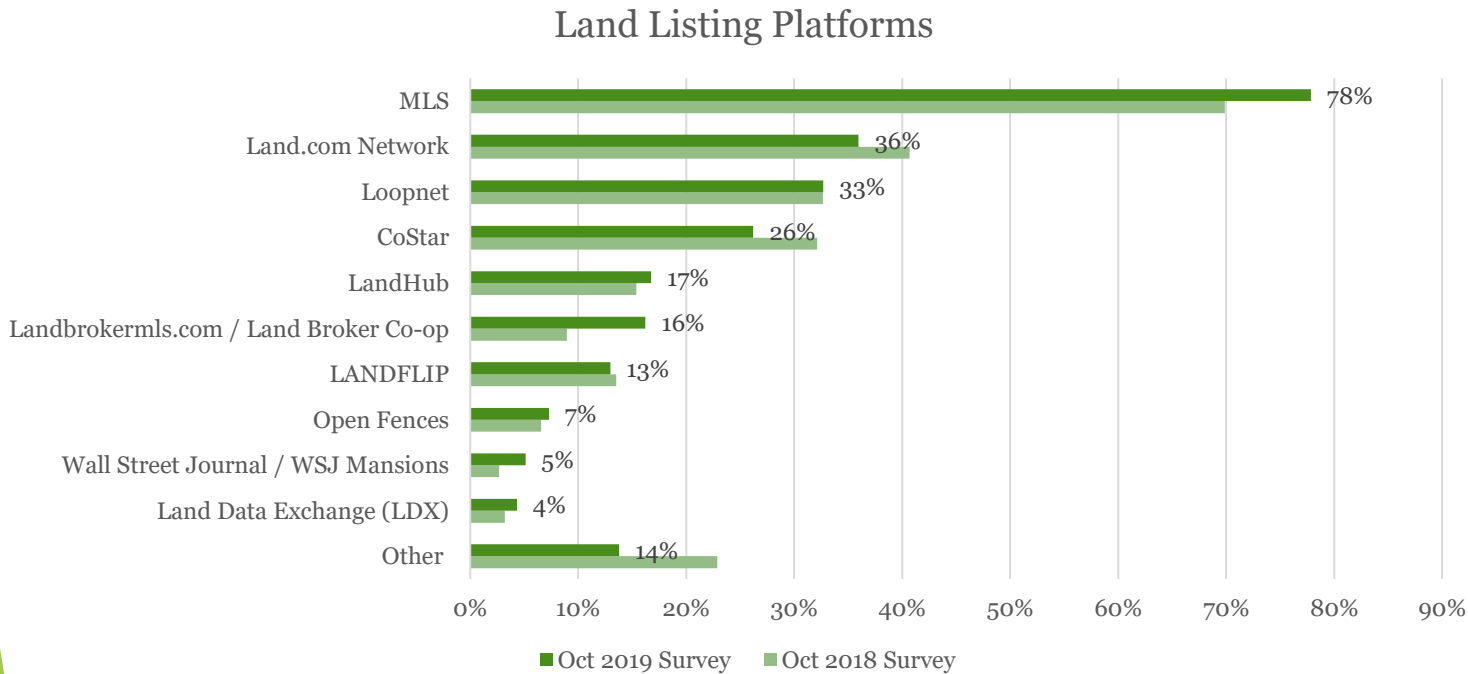
Nearly half of respondents reported that residential land zoning ordinances have become more difficult in the past five years, up from 39% of respondents in the 2018 survey.



Listing Platforms & Sources of Market Information



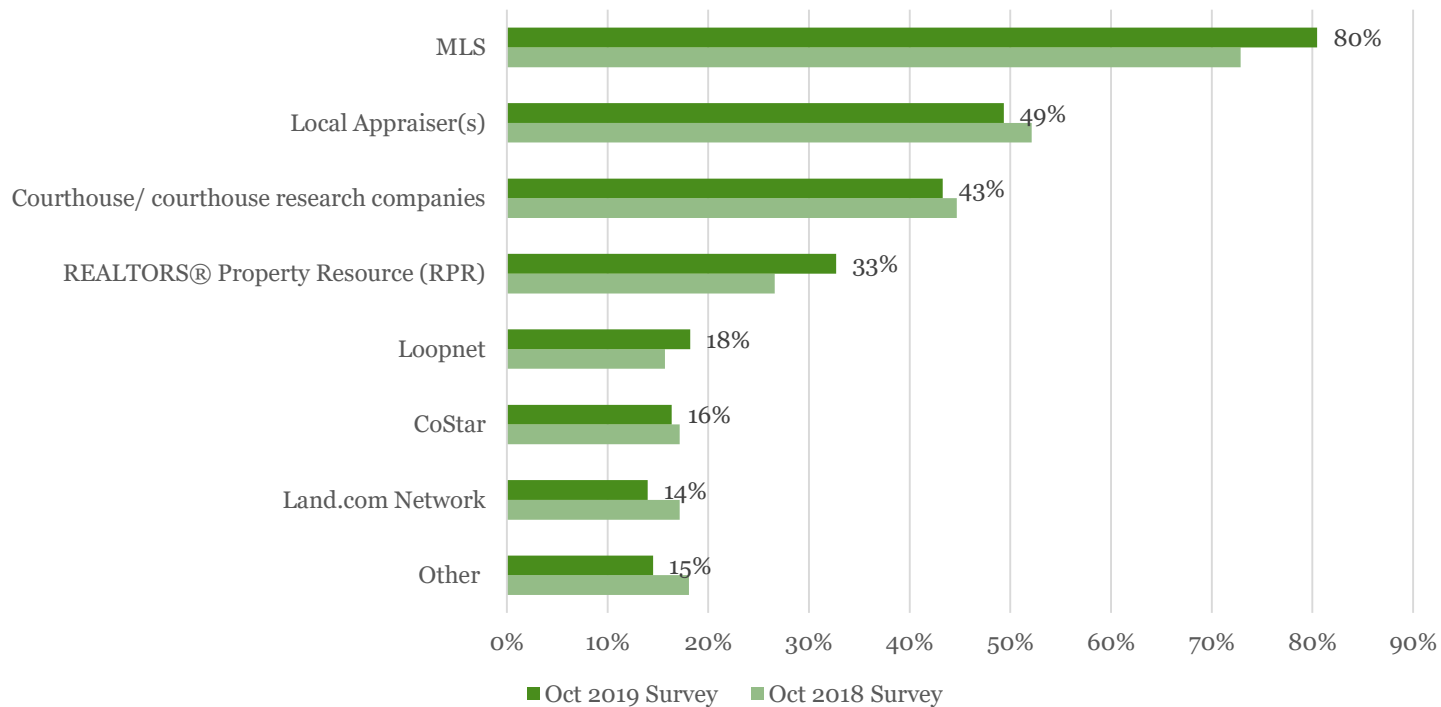
Where Respondents Listed Land for Sale



Percent of respondents who reported these responses. Multiple responses allowed, so the percentages won't sum to 100 percent.

Sources of Land Market Statistics and Prices

Platforms Used in Accessing Land Data and Market Statistics



Percent of respondents who reported these responses. Multiple responses allowed, so the percentages won't sum to 100 percent.

► *The Land Market Survey is an annual survey conducted by the National Association of REALTORS® (NAR) Research Group for the REALTORS® Land Institute (RLI). The findings from this Report can be cited with the proper attribution to NAR and RLI.*

REALTORS® Land Institute

- *Aubrie Kobernus, MBA, RCE, Chief Executive Officer*
- *Jessa Friedrich, MBA, Marketing Manager*

National Association of REALTORS® Research Group

- *Lawrence Yun, Ph.D. Senior Vice President & Chief Economist*
- *Gay Cororaton, MS, Senior Economist & Director of Housing and Commercial Research*



- ▶ *The REALTORS® Land Institute, “The Voice of Land,” provides the expertise, camaraderie, and resources that are the foundation for all land real estate professionals to become the best in the business. RLI continually strives to maintain its status as the acknowledged leader for all matters pertaining to the land real estate profession.*
- ▶ *The NATIONAL ASSOCIATION of REALTORS®, “The Voice for Real Estate,” is America’s largest trade association, representing over 1 million members, including NAR’s institutes, societies, and councils, involved in all aspects of the real estate industry.*
- ▶ *The NATIONAL ASSOCIATION of REALTORS® Research Group collects and disseminates timely, accurate, and comprehensive real estate data and to conduct economic analysis in order to inform and engage members, consumers, policy makers, and the media in a professional and accessible manner.*



REALTORS® Land Institute
430 N. Michigan Avenue
Chicago, IL 60611
Phone: 800-441-5263
<http://www.rliland.com/>



NATIONAL ASSOCIATION of REALTORS®
500 New Jersey Avenue, NW
Washington, DC 20001
Phone: 202-383-1000
<https://www.nar.realtor/>