

2020 Land Market Survey

REALTORS® Land Institute
National Association of REALTORS®

Released April 20, 2021



A Message from the REALTORS® Land Institute

“I am proud to share with the industry at large the REALTORS® Land Institute’s 2020 Land Market Survey.

The data in this report reflects the steadfastness of land as an asset during difficult times. I hope landowners and land professionals alike find value in these insights as our industry continues to evolve in 2021.”



Renee Harvey
2021 National President
REALTORS® Land Institute



A Message from the National Association of REALTORS®

“The acute housing shortage facing the country means the continued need to build more homes.

The very first step requires land acquisition. Therefore, I expect the land market to continue to show robust growth this year. In addition the acceleration of e-commerce will be another major force that will continue to drive the demand for land for new warehouses and distribution centers.”



Lawrence Yun, PhD
2021 RLI National President
Chief Economist and Senior Vice-President, Research
National Association of REALTORS®



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

There were 314 respondents who reported a land sale in the 2020 commercial real estate quarterly surveys. The REALTORS® Land Institute defines a land transaction as one in which the value of the land is at least 51% of the value of the transaction.



Summary

► Land Sales Rose 3%

While the COVID-19 pandemic battered the commercial real estate market in 2020, the land market held up to the pandemic's severe blow, according to survey participants. The 3% increase in land sales contrasts starkly with a 40% drop in commercial sales transactions of properties or portfolios of at least \$2.5 million.

► Land Sales Prices Rose 2%

Respondents reported that land sales prices increased by 2% on average in 2020. In contrast, the Green Street Commercial Price Index, an appraisal-based index of the properties held by REITS, indicates that commercial real estate prices fell 6% in 2020.

► Strongest Price Increases in Residential and Recreational Land

Respondents reported that the sales price of residential land rose 6.8% on average in 2020.

Recreational land had the next highest price gain, at 3.6%. The price of land for industrial use rose 3.4% while the price of ranch land rose 3.1%.

As previously discussed, the price of land for these land uses follow the robust demand in home sales especially in the suburbs and for vacation homes and the acceleration in e-commerce sales.

Summary

► Strongest Growth in Residential and Industrial Land Sales

Respondents reported the strongest increase in residential land sales of 6% on average, followed by sales of land for industrial use at 4%, and recreational and ranch lands, each at 3%.

The strong demand for residential land is underpinned by strong home buying activity. Existing home sales rose 5.6% in 2020, propped up by low mortgage rates, with the 30-year fixed rate declining to an average of 3.11% in 2020 from 3.94% in 2019.

The COVID-19 pandemic appears to have increased the preference for nature- and rural-based recreational activities, driving the demand for residential land in the suburbs and for recreational land. NAR's monthly REALTORS® Confidence Index Survey of members who are primarily engaged in residential transactions showed more home buying activity in the suburbs and for vacation homes. In 2020, 83% of homes sold by REALTORS® were in the suburbs, an increase from the 80% share in 2019. Vacation home sales accounted for 5.5% of existing-home sales in 2020, also an increase from the 5% share in 2019.

Sales of land for industrial use are being driven by the continued shift towards electronic and mail-order shopping, with sales now accounting for 16% of retail sales from just 13% in 2019.

Meanwhile, even as home sales have been rising, demand for timber land remained flat in 2020. Timber production declined in 2020 due to COVID-19-related work stoppages and falling U.S. wood exports. Wood products exports fell 10% in 2020 as the global economy shrank by 4.4%.

Summary

► Fewer available developed lots and more difficult zoning regulations

Residential land sales account for most of the land transactions of NAR members, even those primarily engaged in commercial real estate. However, residential land sales are being constrained by the lack of developed lots and more difficult zoning regulations. Seventy percent of respondents reported very little developed residential lots. Sixty-one percent of respondents reported that land zoning ordinances have become more difficult in the past five years.

► Positive Outlook for Land in 2021

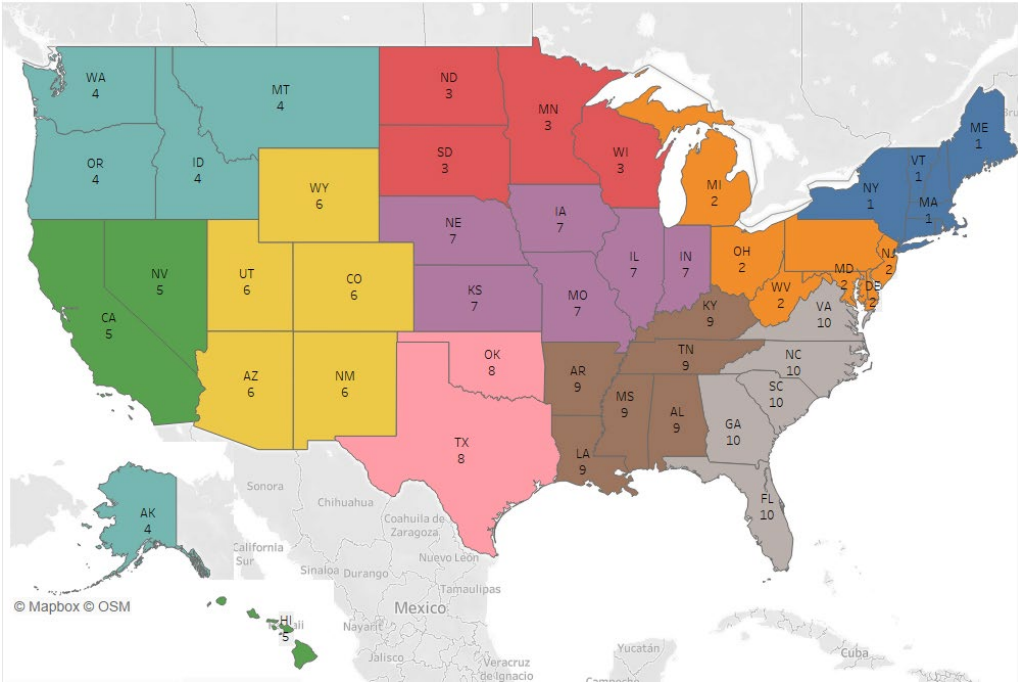
Respondents expect an increase in land sales and land prices for all types of land in 2021, except for sales of land for office, retail, and hotel use. Respondents expect the strongest sales growth in sales of residential land (5.9%) with prices rising on average by 5%. Sales of timber land are also expected to remain flat.

Respondents expect the strongest price growth for industrial and recreational land, each growing at 3% in 2021.

The background features abstract, overlapping green geometric shapes in various shades, including light lime green, medium green, and dark forest green, creating a modern and dynamic feel.

2020 Land Market Survey Results

REALTORS® Land Institute Regions

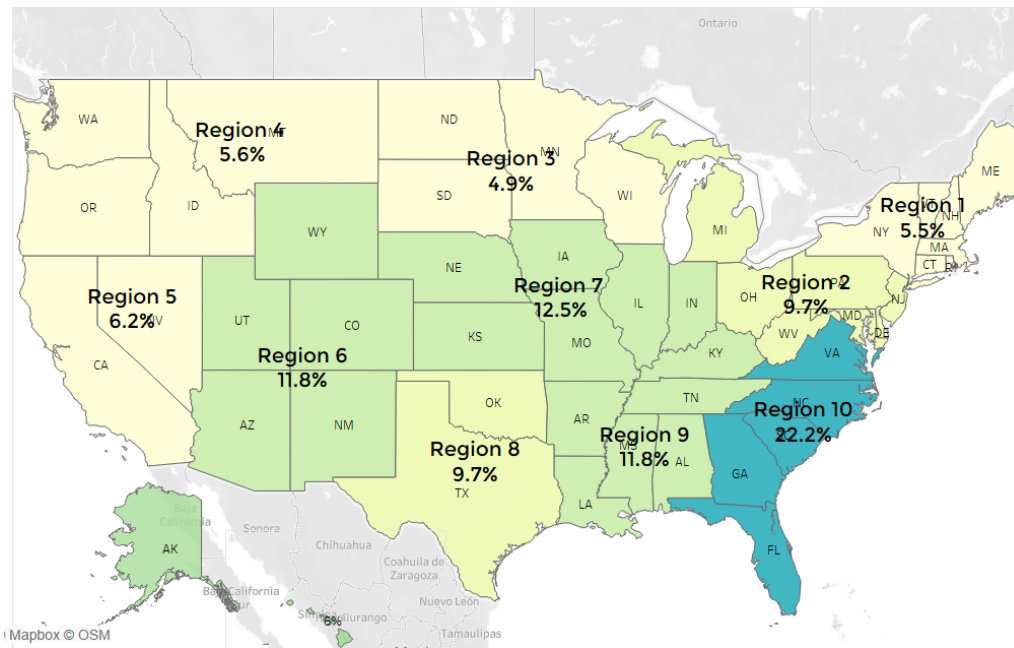


RLI Regions 6,7,8,9 & 10 Accounted for Most Land Sales

Most land sales in 2020 occurred in RLI Regions 6, 7, 8, 9, and 10. These regions accounted for 68% of respondents who reported a land sale in 2020.

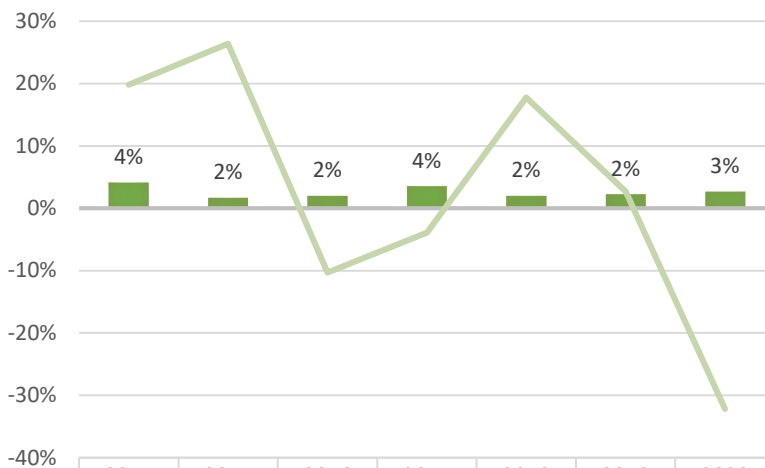
RLI Region 10 had the largest fraction of respondents who reported a land sale (22.2%), followed by Region 7 (12.5%), Region 6 (11.8%) and Region 9 (11.8%), and Region 8 (9.7%).

PERCENT DISTRIBUTION OF NAR/RLI MEMBERS WHO REPORTED A LAND SALE IN 2020



Land Sales Rose 3%; All Other Commercial Sales Decreased

PERCENT CHANGE IN LAND SALES COMPARED TO
COMMERCIAL REAL ESTATE SALES



| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|------|------|------|------|------|------|------|
| Land Sales | 4% | 2% | 2% | 4% | 2% | 2% | 3% |
| Commercial Real Estate Sales of \$2.5M or over | 20% | 26% | -10% | -4% | 18% | 3% | -32% |

Source: Land sales reported by respondents in NAR/RLI Surveys, sales transactions of properties or portfolios of at least \$2.5 million reported by Real Capital Analytics

Land Sales Prices Rose 2%; Commercial Real Estate Prices Fell 6%

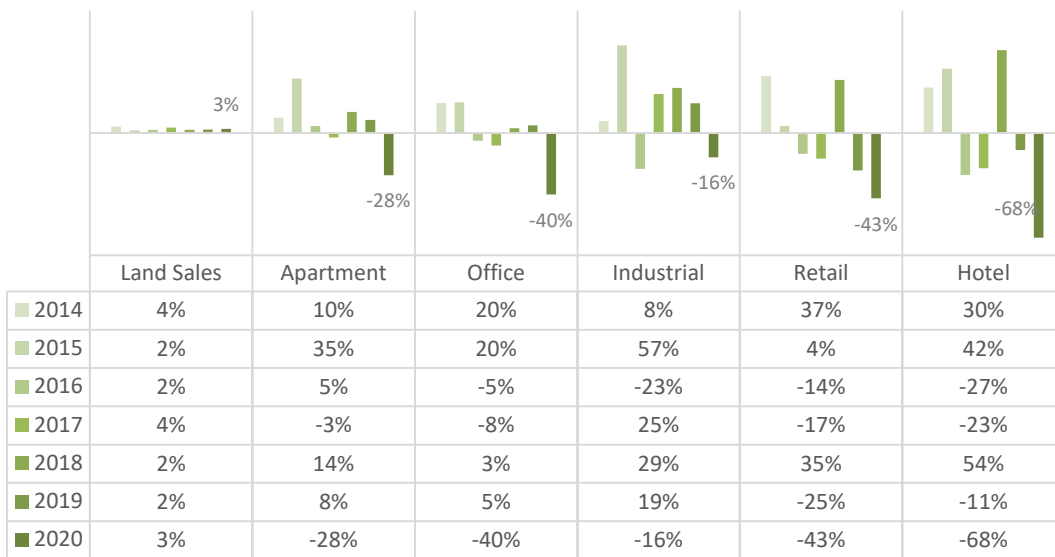
PERCENT CHANGE IN LAND SALES PRICE
COMPARED TO COMMERCIAL REAL ESTATE SALES
PRICE



| | | | | | | | |
|--|------|------|------|------|------|------|------|
| Land Sales Price | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Green Street Commercial Property Price Index | 8% | 10% | 4% | 2% | 2% | 2% | -6% |

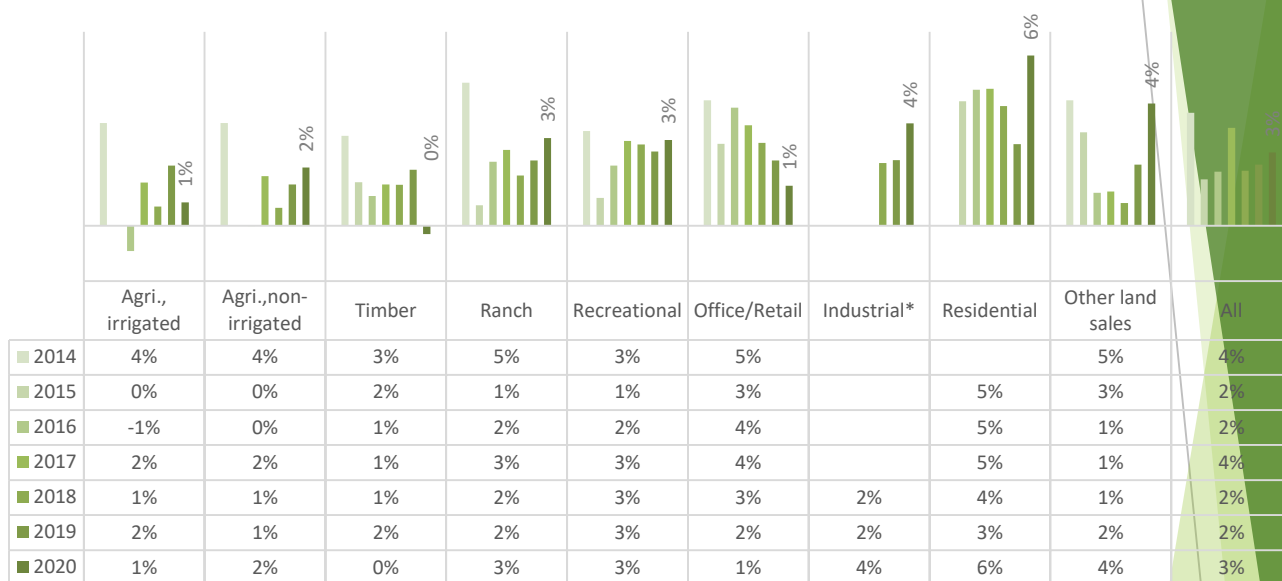
Source: Land sales reported by respondents in NAR/RLI Surveys, Greet Street

Percent Change in Land Sales and Commercial Real Estate Sales



Source: Land sales reported by respondents in NAR/RLI Surveys, sales transactions of properties or portfolios of at least \$2.5 million reported by Real Capital Analytics

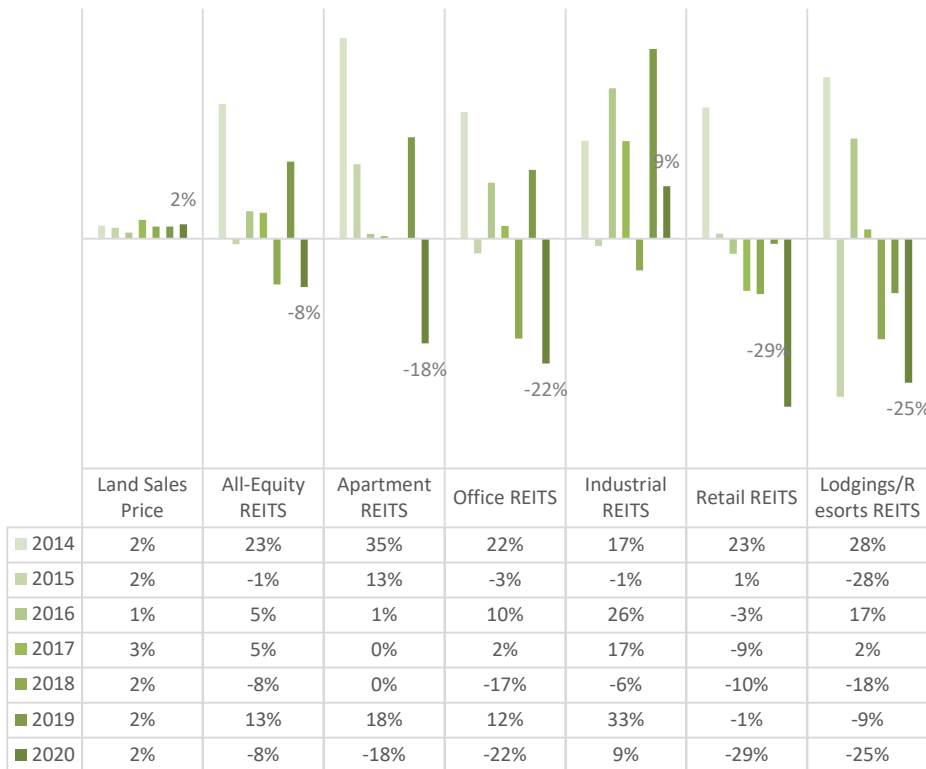
Land Sales Rose Across All Types Led by Residential and Industrial



Source: land sales reported by respondents in NAR/RLI surveys

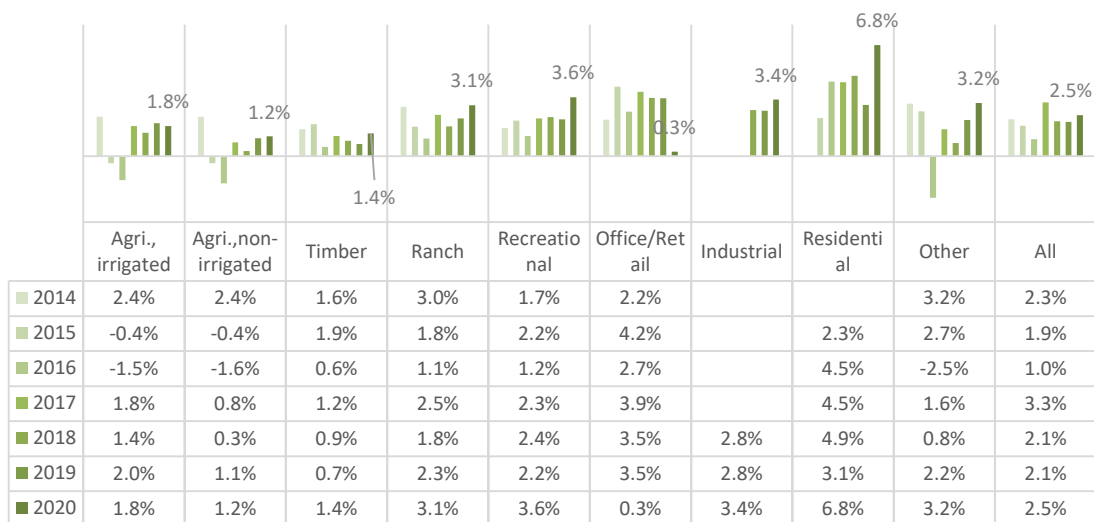
*no data on industrial land sales in 2014 through 2017 because this was not an answer choice in those survey years

Percent Change in Land and Commercial Real Estate Prices



Source: Land sales reported by respondents in NAR/RLI Surveys; FTSE Nareit U.S. Equity REITS Price Index

Land Sales Prices Rose Across All Types Led by Residential and Industrial

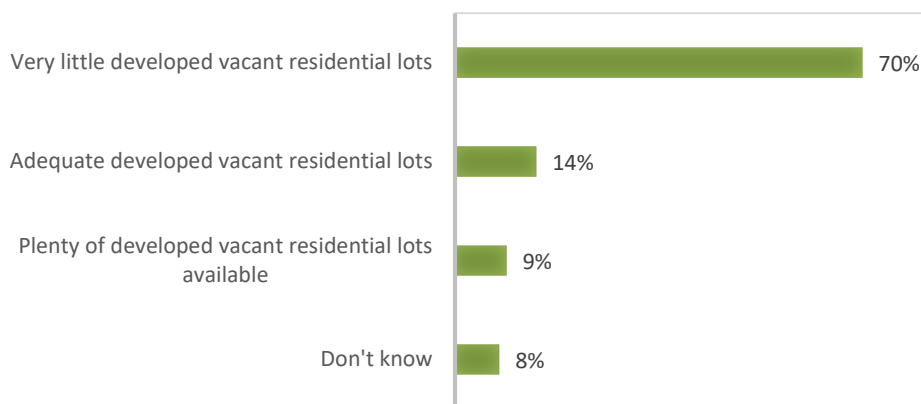


Source: land sales reported by respondents in NAR/RLI surveys

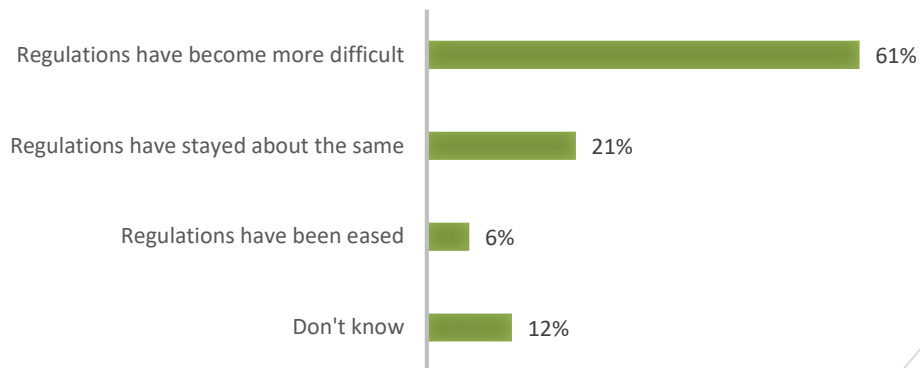
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Fewer available developed lots and more difficult zoning regulations

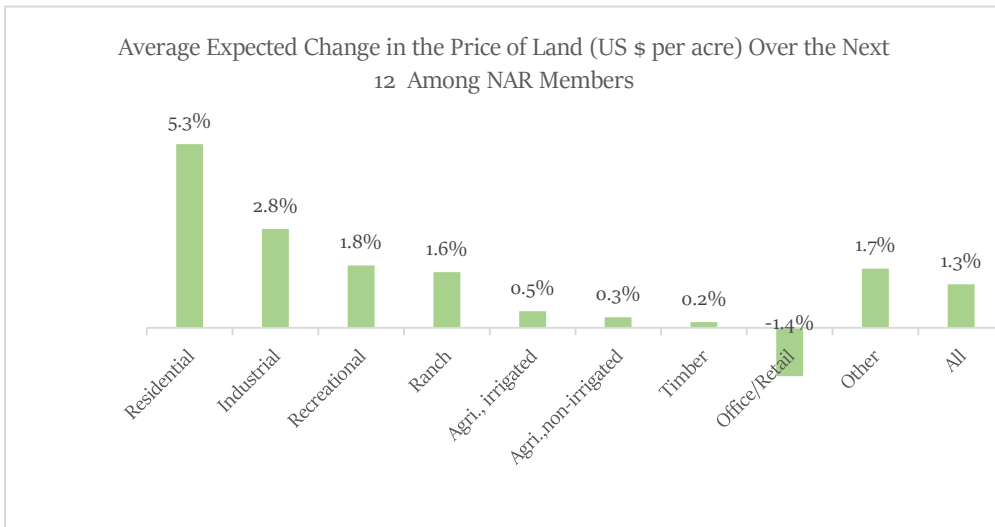
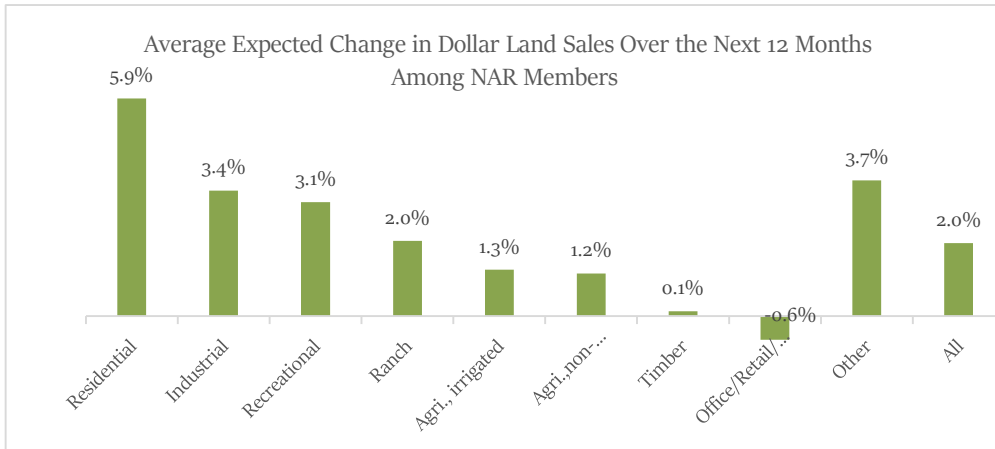
WHAT IS THE AVAILABILITY OF VACANT DEVELOPED RESIDENTIAL LOTS IN YOUR MARKET RELATIVE TO DEMAND?



HOW WOULD YOU CHARACTERIZE THE CHANGES IN LAND ZONING ORDINANCES AND REGULATIONS FOR NEW RESIDENTIAL DEVELOPMENT OVER THE PAST 5 YEARS?



Positive Outlook for Land in 2021, with Exception of Office/Retail/Hotel



2020 Land Market Survey

REALTORS® Land Institute

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- ▶ **The REALTORS® Land Institute**, “The Voice of Land,” elevates and supports the level of professionalism in the land industry. RLI continually strives to be the definitive source for land industry expertise.
- ▶ **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.

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