The 2018 Land Market Survey

REALTORS® Land Institute
National Association of REALTORS®

Released in January 2019
“As the 2018-2019 National President of the REALTORS® Land Institute (RLI), “The Voice of Land,” I am proud to release the results of our 2018 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.”

- Jeramy Stephens, ALC
2018-2019 RLI National President
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 2016.

• 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 5,000 prospects who are engaged in land transactions, 809 of which responded to the survey.

Timeframe

• NAR and RLI conducted the online survey from October 8–November 23, 2018. The 2018 survey gathers information on transactions during the reference period of October 2017–September 2018.
Affiliations of Respondents

Professional Memberships of Respondents*

<table>
<thead>
<tr>
<th>Affiliation</th>
<th>Oct 2017 Survey</th>
<th>Oct 2018 Survey</th>
</tr>
</thead>
<tbody>
<tr>
<td>RLI</td>
<td>45%</td>
<td>48%</td>
</tr>
<tr>
<td>NAR</td>
<td>77%</td>
<td>75%</td>
</tr>
<tr>
<td>CCIM</td>
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<td>7%</td>
</tr>
<tr>
<td>SIOR</td>
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<td>1%</td>
</tr>
<tr>
<td>AFMRA</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>NAIOP</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>ULI</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>Soc of Foresters</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Natl Auctioneers Assoc</td>
<td>0%</td>
<td>4%</td>
</tr>
<tr>
<td>Other</td>
<td>20%</td>
<td>16%</td>
</tr>
</tbody>
</table>

*Multiple responses allowed, so total won’t sum to 100 percent. Society of Foresters and National Auctioneers Association were added as answer choices in the 2018 survey. There were 807 respondents in the October 2017 survey and 889 respondents in the October 2018 survey.
REALTORS® Land Institute Regions
Of the 809 respondents in the October 2018 survey, 66 percent came from Regions 7, 8, 9, and 10. 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.
2018
Land Market Survey
Highlights
Survey Highlights Continued...

• With rising interest rates and commodity prices still depressed, respondents reported a slower land sales market. On average, respondents reported a 2% gain in the dollar volume of U.S. land sales between October 2017–September 2018 from the prior 12-month period (4% gain in the October 2017 survey). Sales slowed primarily on account of the modest gains in residential land sales (4% from 5% in 2017 survey), commercial land sales (3% from 4% in 2017 survey), and agricultural land (1% from 2% in 2017 survey).

• Land prices also rose at a modest 2% as of September 2018 compared to their levels one year ago (3% in the October 2017 survey). Prices of ranch land rose more modestly (2% from 3% in the October 2017 survey) as well as agricultural irrigated land (1% from 2%), and development land (1% from 4%). Development land prices can be volatile and the difference may also be related to sampling.

On average, respondents reported a modest gain of 2% year-over-year increase in land sales, down from 4% in the October 2017 survey.

On average, the price of land rose at a slower rate of 2% from one year ago, down from 3% in the October 2017 survey.
With rising interest rates and potential tariff/trade wars impacts, respondents expect slower sales in the next 12 months (October 2018-September 2019). Compared to the current pace of growth, respondents expect slower growth for residential land, at 3 percent (current growth of 5 percent); commercial land, at 2 percent (current growth of 4 percent); and development-greenfield land, at 1 percent (current growth of 2 percent).

Respondents expect prices of residential, commercial, and industrial land to grow at a modest pace compared to the current price growth, residential land at 3 (current growth at 5 percent) and commercial land at two percent (current growth at 4 percent).
Survey Highlights
Continued...

- Regions 7, 8, 9, and 10 accounted for 80% of U.S. land sales between October 2017–September 2018 (68% in the October 2017 survey).

- Recreational and residential land accounted for 55 percent of land sales (49 percent in the October 2017 survey).

- The median price of land per acre decreased to $4,500 ($5,500 in the October 2017 survey).

- The median acreage sold decreased to 53 acres (58 acres in the 2017 survey).

- The typical land purchase value (typical acreage multiplied by typical median price) decreased to $238,500 ($319,000 in the October 2017 survey), ranging from nearly $1 million for agricultural-irrigated lands to $75,000 for residential land.

- Land typically sold within 90 days (95 days in the October 2017 survey).

Regions 7, 8, 9, and 10 account for 80 percent of land sold in the United States.

Typical purchase value for U.S. land is $238,500, from $75,000 for residential land to $1 million for agricultural land.
Survey Highlights Continued...

• All-cash land sales were the most common type of financing, accounted for 41 percent (44 percent in October 2017 survey), followed by debt financing, at 31 percent.

• Among debt-financed sales, local banks, regional banks, and agricultural credit cooperatives accounted for 68 percent of financing.

• Financing and zoning were named as the major issues affecting land sales. Nearly half of respondents reported financing as an issue and nearly a third reported zoning as an issue.

• Respondents also reported other issues such as the lack of comparable land values and appraisal issues, especially in the rural areas. The low level of grain prices, rising interest rates, and potential trade wars were also cited as areas impacting land transactions.

Major Issues Affecting Land Transactions in 2018-2019

- Financing
- Zoning and regulations
- Appraisal/land valuation
- Low grain prices
- Rising interest rates
- Tariffs
Economic Environment
Economic growth strengthened in 2018

Economic growth recovered in 2016 after faltering in 2015. In 2018 Q3, GDP rose 3.5 percent, compared to 2.8 percent in the same quarter in 2017. Underpinning the growth were consumer demand which rose 3.5 percent on a seasonally adjusted annual rate and private investment spending which rose 15 percent. Economic growth bolsters the demand for resources, including land. Source of data: Bureau of Economic Analysis, downloaded from HaverAnalytics.
As of 2018 Q3, commercial real estate prices rose 6.5 percent from one year ago, with all sectors showing price increases: office, 10.5%; apartment, 6.5%; retail, 4.8%, and industrial, 4.3%.

Source of data: National Council of Real Estate Investment Fiduciaries.
But Home Sales and Prices Cooled in 2018

Existing Home Sales and Home Price Change

However, home sales and home prices started cooling in 2018, with higher mortgage rates making the already high home prices less affordable. Although home prices were still up for the 80th consecutive month in October 2018, home prices rose at the slowest pace of 3.8 percent compared to year-ago levels since June 2014. Existing home sales fell to 5.2 million in October 2018, down by 5.2 percent from the same month in 2017. Source of data: National Association of REALTORS®.
Farm prices have continued to trend downwards since June 2014. As of October 2018, prices received by farmers were down by 3.1 percent compared to the same month in 2017. Prices of crops (such as corn, wheat, soy) and livestock (cattle, hogs) remain depressed compared to their peak levels in 2012 (all crops) and 2014 (livestock). However, prices of fruits and nuts are still hovering at near highs since 2000. Stable or rising commodity prices increase the return on investment and therefore the demand for and price of agricultural land. Source: U.S. Department of Agriculture, downloaded from Haver Analytics.
Log and Wood Prices Have Increased Since 2017

Producer Price Index of Logs, Bolts, Timber, Plywood, and Wood Chips (1982=100)

While crop prices have remained depressed, prices of logs, bolts, timber, plywood and wood chips are holding up. As of October 2018, producer prices were up four percent compared to one year ago. Source: U.S. Bureau of Labor Statistics, downloaded from Haver Analytics.
Land Sales Volume Rose at a Slower Pace of 2% Compared to 4% in 2017

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

- Residential: 4%
- Commercial: 3%
- Recreational: 3%
- Industrial: 2%
- Ranch: 3%
- Development, greenfield: 3%
- Timber: 1%
- Agricultural, cultivable, irrigated: 2%
- Agricultural, cultivable, non-irrigated: 2%
- Development, brownfield: 1%
- Other: 1%
- All: 4%

*Industrial land was added as a response choice in 2018 survey. On average, respondents reported that their dollar sales volume increased two percent in September 2018 compared to prices in September 2017, a slower pace of appreciation compared to the four percent year over year appreciation during September 2016 through September 2017. Residential, commercial, and recreational land posted the strongest change in the dollar sales volume.*
Land Prices Rose Modestly at 2% Compared to 3% in 2017 Survey

The 2018 survey includes industrial land as a separate category. On average, respondents reported that the price of land per acre was up by two percent in September 2018 compared to prices in September 2017, a slower pace of appreciation compared to the three percent year-over-year appreciation during September 2016 through September 2017. Residential, commercial, and industrial land posted the strongest price change.
More Modest Growth in Residential, Recreational, and Development Land Sales in the Next 12 Months

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Past 12 Months</th>
<th>Outlook Over Next 12 Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>Commercial</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Industrial</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Recreational</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Timber</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>Ranch</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Agricultural, irrigated</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Agricultural, non-irrigated</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>Development, greenfield</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>Development, brownfield</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>Other</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>All</td>
<td>2%</td>
<td>2%</td>
</tr>
</tbody>
</table>
Slower Growth in Residential, Commercial, and Industrial Land Prices 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 increase two percent by September 2019 compared to September 2018, the same pace of year-over-year price growth in September 2017-September 2018. Respondents expect prices of residential, commercial, and industrial land to grow at a mode modest pace compared to the current price growth. For residential land, prices are expected to increase three percent compared to the five percent pace of appreciation in the past 12 months; commercial at two percent (compared to 4 percent current pace), and industrial at two percent (compared to the current pace of two percent).
Regions 7,8,9, & 10: 80 Percent of Land Sales

The distribution of land sales is based on respondents who reported a sale and their primary region of business is in the United States. Regions 7,8,9, and 10 accounted for 80 percent of U.S. land sales during October 2017-September 2018, up from the 68 percent share during the prior 12-month period.
Recreational and Residential Land: 55 Percent of Land Sales

Type of Land Sales

Industrial land is a new category in the 2018 survey. Recreational, residential, and agricultural land accounted for 55 percent of U.S. land sales during October 2017-September 2018, from 49 percent during the previous 12-month period. Sales of agricultural land, development-greenfield, and commercial land declined, while sales of timber land appeared to have increased. Timber prices have been trending up, increasing the rate of return on timber land.
Type of Land Sold Varies by Region*

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, 5, and 6. Region 1: mainly residential; Region 2: mainly recreational and residential; Region 3: mainly agricultural; Region 4: mix of various land types; Region 5: mainly residential and agricultural; Region 6: mainly residential; Region 7: mainly agricultural and recreational; Region 8: mainly ranch; Region 9: mainly recreational and timber; Region 10: mainly residential, with largest share of commercial sales among all regions, at 14 percent.
“All” includes development, commercial, industrial, and other types of land but are not shown separately due to small sample size. The median price of residential land sold was $15,000 per acre, while recreational and timber lands were typically sold at less than $3,000 per acre.
Based on the most recent sale of the respondents. 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. Agricultural lands have the largest acreage at 141 acres. Timber and ranch land were also typically sold with an acreage of over 100 acres. The median acreage of all land sold was 53 acres.
Typical Land Transaction Value Decreased to $238,500

Typical Purchase Value for Some Types of Land During October 2017 - September 2018

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. During October 2017-September 2018, the typical transaction value was $238,500. Due to the size agricultural irrigated lands, the transaction value typically nearly $1 million. Recreational land typically cost about $250,000.
There are less than 30 observations for agricultural-irrigated, development, commercial, and industrial, so the estimates should be taken with caution. Land typically sold within 60 days, with the longest time on the market for development land and commercial land at six months or more, while agricultural non-irrigated land typically sold within the shortest time, at 30 days during October 2017-September 2018. Across all types of land, land typically sold within 90 days.
Equity or All Cash Decreased to 41 Percent of Land Sales

Land purchases are financed by equity (cash) in 41 percent of transactions, followed by debt financing at 36 percent. Owner financing made up 12 percent and a 1031 exchange mode accounted for 11 percent of transactions during October 2017-September 2018.
Local, Regional, and Agricultural Credit Cooperatives: 68 Percent of Debt Financing

Sources of Debt Financing

Less than 1 percent for Life insurance companies, public companies, REITs, international banks, CMBS, and other types of financing. Local and regional banks and agricultural credit cooperatives accounted for the bulk of financing, at 68 percent.
Issues Affecting Land Transactions
Financing and Local Zoning Were Top Issues Affecting Land Transactions

Issues Reported by Respondents

- Financing: 49%
- Local zoning: 36%
- Federal regulations: 22%
- State regulations: 19%
- Other: 20%
- No opinion: 20%

Multiple responses allowed. The figures reflect the fraction of respondents reporting these issues. “Other” includes economy, commodity prices, easement/access, zoning, water rights, “all of the above”, etc.
Zoning Regulations Have Become More Difficult in the Past Five Years

Percent Distribution of Responses by Region

- Eased in the past five years
- More difficult in past five years
- No opinion
- Stayed about the same in the past five years
- Other
Issues Reported By Respondents

- Appraisals in rural areas continue to be challenging
- Having property comps is a big problem for listing land, but it is getting better as brokers cooperate with local MLS.
- The lack of lender financing has been a contributing factor since some sellers can't carry financing.
- Grain prices need to become higher to give farmers more of a cash flow.
- Issues affecting our practice 2018-2019: Low commodity prices, tariffs, rising interest rates and reduced yields due to excess wetness through 2018 growing season
- Continued changes in our city codes really affects the timing and cost of development in our city.
- Cost of development has impacted the value of land, and bothersome regulation slows the process.
- Zoning and flood insurance requirements have impacted our land sales the most.
- Poultry companies have gotten very strict in the past two years.
- Lack of farm and ranch land availability for sale—recreational buyers are buying big places.
Listing Platforms & Sources of Market Information
<table>
<thead>
<tr>
<th>Land Listing Platforms</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>MLS</td>
<td>70%</td>
</tr>
<tr>
<td>Land.com Network</td>
<td>41%</td>
</tr>
<tr>
<td>Loopnet</td>
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<tr>
<td>CoStar</td>
<td>32%</td>
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<tr>
<td>LandHub</td>
<td>15%</td>
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<tr>
<td>LANDFLIP</td>
<td>14%</td>
</tr>
<tr>
<td>Landbrokermls.com / Land Broker Co-op</td>
<td>9%</td>
</tr>
<tr>
<td>Open Fences</td>
<td>7%</td>
</tr>
<tr>
<td>Land Data Exchange (LDX)</td>
<td>3%</td>
</tr>
<tr>
<td>Wall Street Journal / WSJ Mansions</td>
<td>3%</td>
</tr>
<tr>
<td>Other</td>
<td>23%</td>
</tr>
</tbody>
</table>

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

- MLS: 73%
- Local Appraiser(s): 52%
- Courthouse/ courthouse research companies: 45%
- REALTORS® Property Resource (RPR): 27%
- CoStar: 17%
- Land.com Network: 17%
- Loopnet: 16%
- Other: 18%

Percent of respondents who reported these responses. Multiple responses allowed, so the percentages won’t sum to 100 percent.
The 2018 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 the RLI.

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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.