

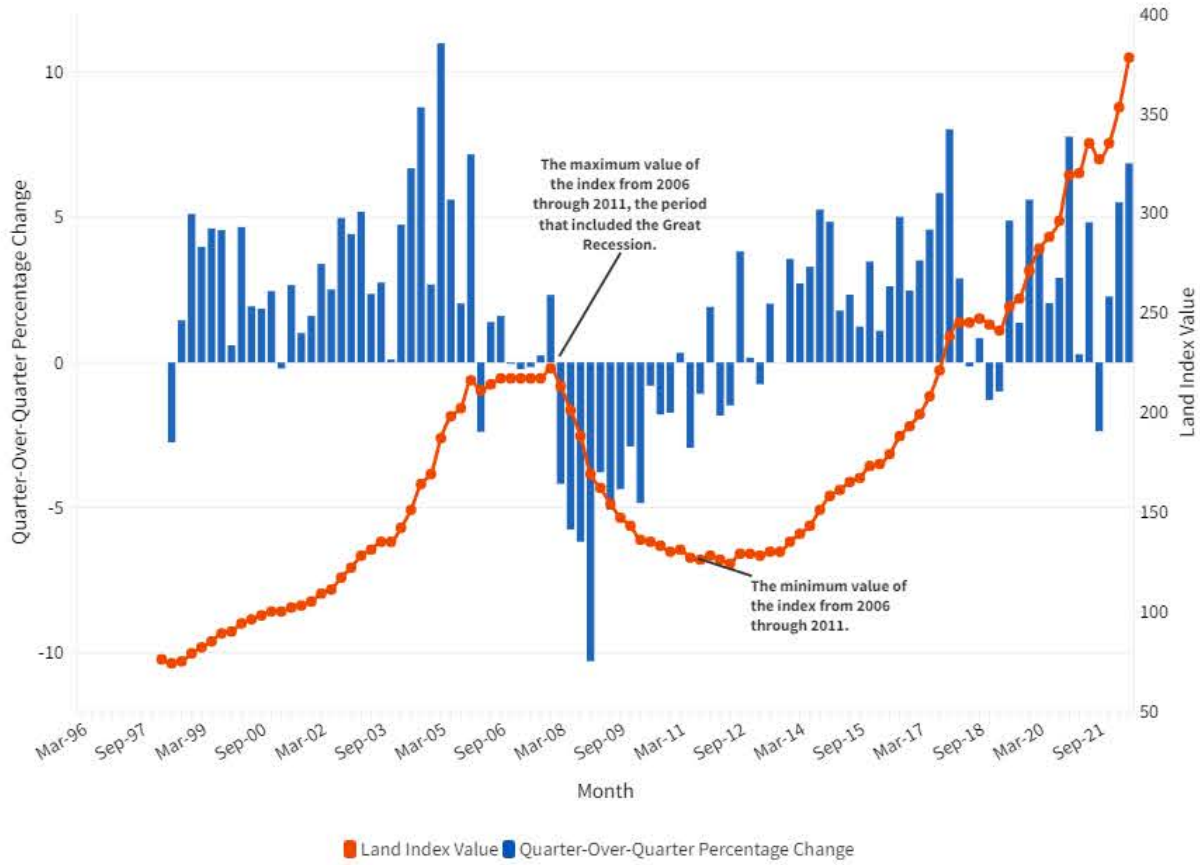
Prices Are Surging for Land, the Foundation for All Property Sectors

Prices Increase 12.6% Over Past 12 Months Driven by Demand for Apartments and Warehouses

Rapid Climb for Land Values

Land, the Foundation for All Property Sectors, Is Surging

Prices Have Gained 12.6% Over Past 12 Months, Driven by Demand for Apartments, Warehouses, CoStar Data Shows



Source: CoStar, July 2022



By Mark Heschmeyer and Nicole Shih

Land has been one of the strongest-performing commercial real estate sectors in the past year and a half as investors have flocked to the physical foundation for all real estate development.

CoStar Group’s U.S. Land Index, a tool used to track the property type, increased 12.6% in the 12-month period that ended in June and is now 33.9% higher than its February 2020 pre-pandemic level.

The price increases have been driven by a surge in volume. Land sales approached \$100 billion in

2021, up from less than \$60 billion in 2020 and \$70 billion in 2019, according to CoStar data. Volume in the first half of this year is on pace to surpass \$100 billion.

The index is currently 70% higher than its peak between 2006 and 2011, a period that includes the Great Recession. It's 200% higher than its lowest point during that time.

Last year's results were the best in nearly a decade, according to the 2021 "Land Market Report" from the Realtors Land Institute and the National Association of Realtors.

The high demand for land last year was driven by a number of factors, according to the report, including historically low mortgage rates, more move-ins than move-outs at multifamily and industrial properties, and the resiliency of the retail market.

Next year is expected to remain just as good for land investment, according to Lawrence Yun, the National Association of Realtors' chief economist.

"Even with rising interest rates, I expect sustained growth in land sales and prices this year, driven particularly by the demand for multifamily and single-family housing needs," Yun said in the report. "The shift from just-in-time to just-in-case inventory management amid supply chain issues will continue to drive the demand for land for new warehouses. Moreover, agricultural grain prices will remain elevated due to the war in Ukraine and thereby boost demand for farmland."