

**Determination of Single Family Residential Sites
Based on
a percentage of Sales Price of House and Lot
By
Brandon T. Wills, Associate
Tom J. Keith & Associates, Inc.
2010**

In many cases, comparable sales of single family residential lots are not available due to the fact that land developers do not sell single lots to the end users but rather sell a package of lots to home builders at a discount of 10% or more. Where we are able to discover sales of individual sites to an end user, we calculate the ratio of lot price to the price of the finished product of the house and lot.

For example, we may discover a single lot sale in a subdivision that sold for \$35,000 and the houses, with the lot, are selling for \$215,000. In this case the lot sold for \$35,000 and the house and lot sold for \$215,000. Therefore, the lot price is 16.3% of the finished product. Usually the rate will increase if the lot is near an urban area with water and sewer. The chart below shows some actual sales of lots and homes to show the percentage in the Cumberland-Harnett County area. At the present time, the price of lots is lagging behind development cost due to the fact that development cost of the infrastructure of the lots has increased dramatically in the last few months.

In time, I would expect the percentage to increase to around 20% for lots with water, sewer, concrete curb and gutters and concrete sidewalks. Harnett County just passed an ordinance requiring land developers to install concrete curb and gutters and concrete sidewalks. This has increased the lot development cost to around \$18,000 to \$22,000: whereas, it was in the \$12,000 to \$15,000 range. No doubt the \$6,500 average increase in cost will be reflected in a \$6,500 increase in the retail price of the lots to the end users. It should be easier to accomplish this in a strong market than in the present market of 2010.

Subdivision	Utilities	Curb & Gutter	Sidewalks	Lot Price		Avg. Land & Home Package Price		Value of Lot as a % of Land & Home Package
Asheford	E.W.T.	Asphalt		\$23,000	/	\$191,147	=	12%
The Summit	E.W.T.	Asphalt		\$30,000	/	\$207,977	=	14%
Cameron Pines	E.W.T.			\$29,000	/	\$186,867	=	16%
Overhills Creek	E.W.T.S.	Asphalt		\$28,500	/	\$189,197	=	15%
The Gate at Lexington Plantation	E.W.T.S.	Asphalt		\$35,000	/	\$230,007	=	15%
Murray Hill	E.W.T.S.	Concrete*		\$65,000	/	\$417,000	=	16%
Village of Lexington	E.W.T.S.	Asphalt		\$28,000	/	\$161,048	=	17%
Kirkwood Manor	E.W.T.S.	Concrete*		\$115,000	/	\$621,274	=	19%
The Colony at Lexington Plantation	E.W.T.S.	Asphalt		\$35,000	/	\$177,250	=	20%
Haymount/Southampton Ct	E.W.T.S.	Concrete*		\$136,667	/	\$367,500	=	37%
*Wedge Style Concrete Curb & Gutter								

Source: Tom J. Keith & Associates, Inc.

The comparable subdivisions indicate a range in lot values from 12% to 37% of the land and home packages. Excluding the outlier, Haymount, the average for the range is 16%.

Therefore, one may conclude that the typical lot price for a \$215,000 home would be \$215,000 times 16% or \$34,400.

Permission to copy with acknowledgement.