



- SINGLE FAMILY RESIDENTIAL LAND DEVELOPMENT
 - LAND COSTS
 - DEVELOPMENT HARD COSTS
 - Engineering, testing, Excavation, Water, Sewer, Streets, Storm, Walls, Landscaping etc.
 - SOFT COSTS
 - Closing Costs, Development Fees, Overhead, Taxes, Legal, Marketing, Interest Carry, etc.
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- LAND COSTS

This Can be negotiated with the land owner based on location, what the city will allow on the property (Zoning), school district, etc.

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- Hard Costs

- Hard costs have been increasing over the last several years. Construction equipment, materials, Labor, shipping all have gone up.

Quick General Rule for preliminary development purposes:

\$135,000 an acre hard costs to develop

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- Soft Costs

- Soft Costs as well have been increasing.
Quick General Rule for preliminary development purposes:

18-20% of hard costs will be a good preliminary guessimate on soft costs.

- TOTAL COSTS

1. Land Cost
2. Hard Costs
3. Soft Costs

Add up all three and that is your costs of the development without any profit

- How do we make a profit?

- We know our costs. Now we need to determine how many lots, density, we can plat onto our property?

- Determining Factors

1. How many acres do we have to work with?
2. Zoning – How large/Small do the lots need to be?
3. Roughly 20% of the property will be for the streets, utilities and common areas.

- How do we make a profit?
 - Once we determine how many lots per city code we can plat (Using an Engineer) considering any development factors such as open space needed, detention pond needed, etc., Get the final lot count.

- EXAMPLE:

29 acres of land with a minimum zoning of 4400 sf required by city. That plats 162 40'X110' lots.

Land Costs: \$2,473,000

Hard Costs: \$4,800,000 (\$165,000 ac) Eng. Involved

Soft Costs: \$865,000

Total Costs: \$8,138,000

Divide by 162 lots and your **Cost** per lot is **\$50,235**

- EXAMPLE:

Cost per lot is \$**50,235**

Determining your profit bases. You need to have a return that will satisfy your investors/partners and that will be the price needed to sell each lot.

In this case lets say we need to sell the finished developed lots for \$58,500 To make our necessary profit based on an absorbtion rate timeframe.
\$58,500 Sells Price less \$50,235 Cost = \$8,265 Profit per lot.

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- With a lot sales price of \$58,500. Builders usually want to base a home sales price at 4 to 5 times the lot price.
- In this case the homes in this location should sell for \$235,000 to \$292,000 plus.

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TODAYS FACTORS

- Land prices in infill locations going up anywhere from 15-20% a year
- Land prices in suburban areas rising about 5-15% a year
- Average Entitlement process running 6-12 months
- Average development time has increased to about 12-14 months
- I see lot pricing increasing this year by about 5% but margins for Builders and developers getting smaller to offset costs
- Popular Cities are becoming more difficult to work with. Increasing lot size zoning, increasing fees, adding ordinances (Tree), Minimum size homes, more open space, etc.

Strong Market Sectors for Next Two Years

- Celina
- 380 Corridor (Denton to McKinney)
- Fort Worth
- McKinney
- Rockwall
- Forney
- Among others

THANK YOU

