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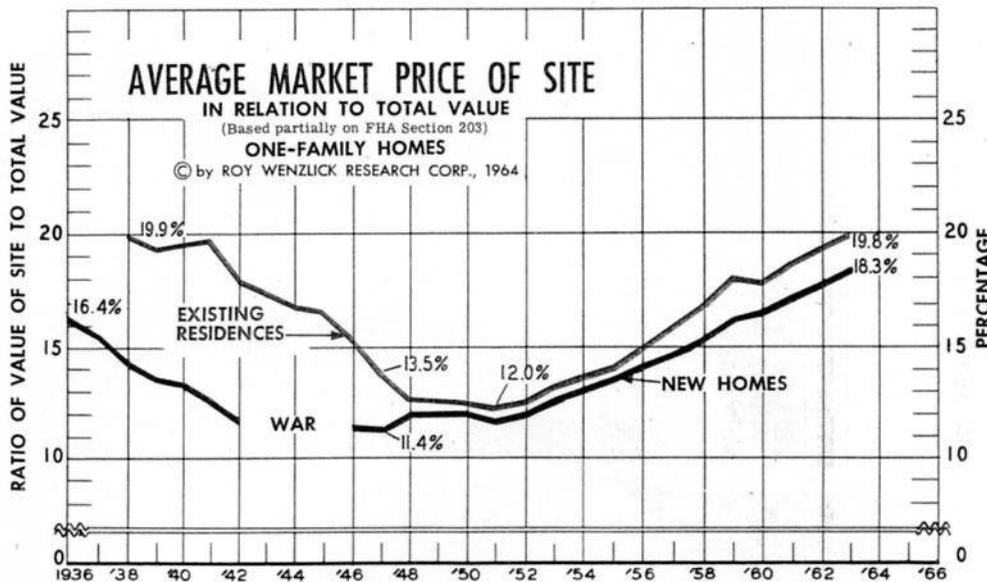
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LAND VALUE AS A PERCENTAGE OF TOTAL SALES PRICE OF RESIDENCES

DURING the past two years, we have appraised more than two hundred thousand residences and we have naturally given considerable thought to the problem of land value as a percentage of total sales prices of residences. Some of the conclusions we have reached are as follows:

1. Age of a property does not affect the ratio of land value to total sales price for residences as much as we formerly thought unless the lot can be used for a higher use. We are convinced from studying ratios that where there is no possibility of a higher use for the land, the value of the site decreases as the building gets older due to the general obsolescence in the neighborhood.

That site values decline as improvements depreciate and become obsolete is obvious from the fact that thousands of ratios worked out from actual appraisals show no consistent pattern between age and site value. If land did not decrease in value as the improvements got older, the ratio of land value to total value would automatically increase. We have sampled various large appraisal jobs we have done, including regular appraisals, condemnation appraisals, and reassessment appraisals, and in none do we find a consistent pattern.



2. The percentage which the value of the site bears to the total sales price of the residence has shown considerable variation from 1935 to the present. The chart on the first page of this report shows the way this percentage has varied during the past thirty years, both for a proposed house and for an existing house. During the great depression and during the Second World War, site values for new properties were quite low as a percentage of total value. In 1946, just as the building boom was ready to get under way, a vacant site could be purchased on the average for 11.5 percent of the value of the total residential property. This compares with a ratio of 19.8 percent in 1963. This chart shows also that prior to 1946 the site value ratio for a proposed home was much lower than the site value ratio on an existing home. This was a period of very little residential building and therefore of a reduced demand for building sites. As soon as the war was over, the values of existing properties skyrocketed due to the shortage and new building started absorbing vacant ground. In spite of rapidly rising building costs, the ratio of site to total property increased because land went up still faster. Under these conditions, the ratios of proposed and existing properties were not greatly different, as can be seen on the chart. We think one reason that site value forms a slightly higher percentage in the postwar years is the fact that the site of an existing house includes more planting and lot development than is generally found in a brand new development.

3. The table below shows the distribution in 1962, the last year available in detail, of FHA single-family transactions on both new and existing houses. This table shows the site value in dollars, the ratio which the site value forms of total value, and on existing homes it also shows the median age. This again substantiates the fact that there is no definite relationship between age of property and the percentage which the site forms of the total, but that there is probably a relationship between the value of the property and the value of the site. As a general rule, as the total value increases, the percentage of site value also increases.

The table on pages 318 and 319 shows the average site ratios for 65 metropolitan statistical areas. This table is based on FHA, Section 203 transactions.

ONE-FAMILY HOMES FHA Section 203, 1962						
Price Bracket	New Homes		Existing Homes			
	Average Price of Site	Price of Site as % of Value	Average Price of Site	Median Age Years	Price of Site as % of Value	
Less than \$ 8,000	\$1,316	17.3	\$1,173	16.9	16.6	
\$ 8,000 - 8,999	1,670	19.7	1,416	13.7	16.8	
9,000 - 9,999	1,858	19.7	1,612	12.3	17.1	
10,000 - 10,999	1,904	18.1	1,826	11.9	17.5	
11,000 - 11,999	1,943	18.9	2,037	11.1	17.8	
12,000 - 12,999	2,138	17.1	2,302	10.7	18.5	
13,000 - 13,999	2,262	16.8	2,553	9.9	19.0	
14,000 - 14,999	2,426	16.8	2,797	9.3	19.4	
15,000 - 15,999	2,598	16.8	3,047	9.0	19.8	
16,000 - 16,999	2,821	17.2	3,233	8.7	19.7	
17,000 - 17,999	2,992	17.2	3,452	8.0	19.9	
18,000 - 18,999	3,222	17.5	3,643	7.3	19.8	
19,000 - 19,999	3,501	18.0	3,875	6.7	20.0	
20,000 - 21,999	3,953	19.0	4,229	6.7	20.4	
22,000 - 24,999	4,690	20.2	4,611	6.4	20.0	
25,000 and over	4,878	18.2	5,092	6.4	18.7	
Total	2,715	17.5	2,738	10.0	19.1	