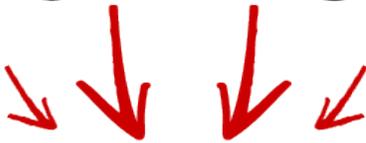




Residential Lot Prices Move Higher

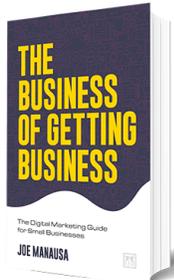


How Often Do Home Prices Fall?

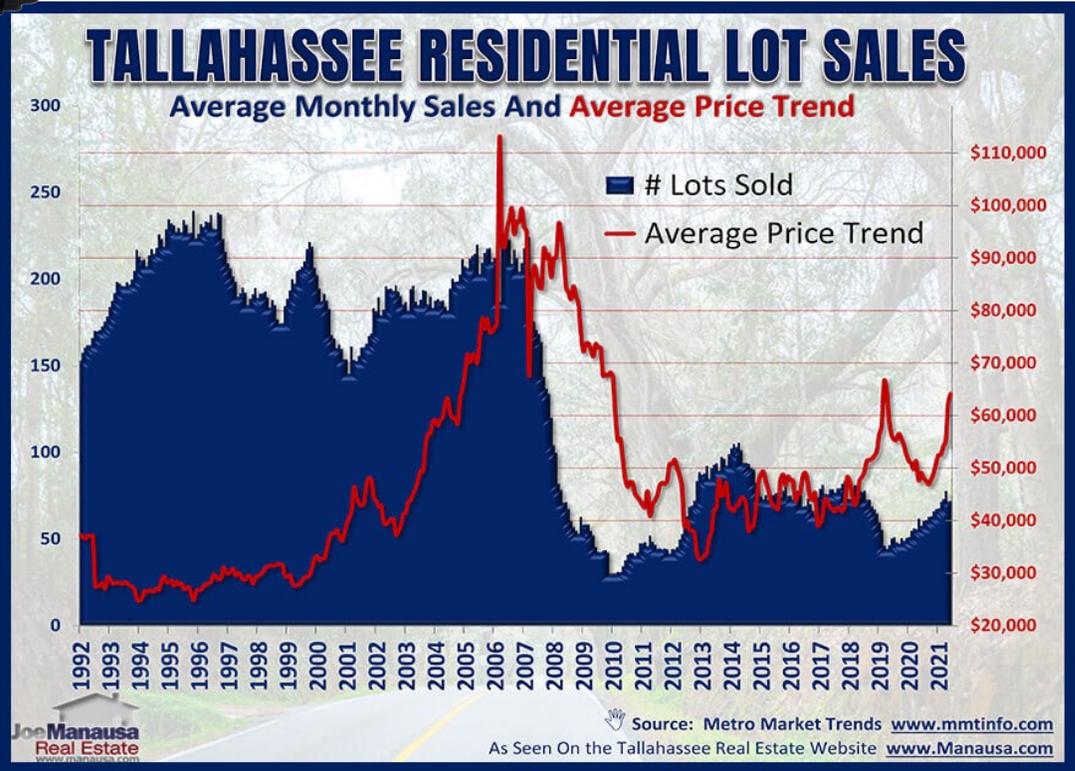


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When we look at the cost of new construction homes in Tallahassee, we typically find that the land beneath the home represents 20% to 35% of the total cost of the home. The cost of land is no small matter when looking at the new construction market.

In the 1990s, the average lot price hovered around \$30K for the entire decade. The glut of lots were finally consumed in the early 2000s, and we saw the price for developed lots surge higher, up to more than \$110,000 average reached in 2005!

Builders and Developers were operating at peak levels, and too much land was developed. This resulted in expensive lots being foreclosed upon and resold to the market multiple times. For the next ten years with very limited new

construction occurring, lot sales plummeted and lot prices dropped below \$40K again.

Again the market was flooded with lot inventory, and these lots were selling far below the cost to develop new lots. But I believe those "old" lots have all been consumed and newly developed lots are going to cost a premium and I won't be surprised to see us hit triple digits on lot prices in the next few years.

Rising land costs will result in rising new home construction costs. Just with the land alone, we'll see new construction costing 15% to 20% over the next few years.

Of course, I have concerns with the cost of materials and labor too due to the 75% rise in the minimum wage over the next five years.