



Why 2021 Will Be a Boon for Rural Land Investors? - by Jason Walter

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2020 was a trying year for everybody. Businesses, investors, and just ordinary citizens looked for certainties in a year in which everything seemed to unwind and spin out of control faster than ever before. Investors rediscovered a safe haven in land, which made for a very good year for land sales with a record-breaking volume of sales in the second half of 2020.

2020 was a strong year for land, and 2021 is looking to start out the same way. What seems to be a particularly hot commodity is rural land that is traded for residential use. Clearly, the pandemic crisis is an important factor fueling this trend. People are looking not necessarily only to invest in land outside of the city and monetize the opportunities for recreational use it has to offer in terms of hunting and fishing. They are also wanting to live on the land they buy, to be able to breathe the fresh air and reconnect with the great outdoors.

Rural land has appreciated throughout the nation, but it is especially in the Southeast that it has gained in value in the last 12 months. A reason for this is that the current pandemic migratory flow from the cities to rural land comes on top of a significant migratory stream from the Northeast to the Southeast that has been going on for many years now and seems to be only accelerating. In 2018 alone, about 1.2 million people moved to the South from another region according to Census.gov. Today, areas such as Atlanta (GA), Birmingham (AL) and Houston (TX) are offering the best investment prospects.

On average, the value of rural land will continue to grow in 2021 in many parts of the country and especially in the Southeast. Investors need to do their homework first, of course, and if they are new to land investing this means being cognizant of what distinguishes land investing from equity investing. Land is not as liquid as equities are, for example, and investors who are insufficiently prepared or are not counseled sufficiently will risk overpaying for the land, or any improvements or add-ons they deem necessary or desirable.

Doing the needed homework does not only mean understanding where opportunities lie and what normal market prices are in any given part of the country, but also entails knowing the tax code and understanding how mitigation and conservation easements impact the business case for land investments. A lot of investors don't pull the trigger simply because of these tax incentives first and foremost, but that does not mean that they have no positive impact on expected returns.

Rural land investment is not as trending and sexy as an investment option as equities in tech

companies are. But guess what? Land investors sleep well at night because they know they hold stable investments with very low volatility. Even more in 2021, rural land will offer plenty of opportunities to investors who are willing to think outside the box, which means, finding their way back to an investment class that has proven its worth and stability for many centuries.

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