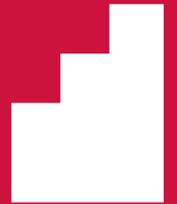




JUNE 2021

Church Real Estate Market Report



CHURCH
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BY JOHN MUZYKA



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2021. The year of change. As we begin to regain normalcy and start to see the end of the COVID-19 pandemic that dominated the last 16 months, we will now see what the new normal is in the United States. Our economy has faced significant challenges; inflation that has been held off for years is here to stay. In Texas, the residential real estate market is so hot that some buyers are buying properties without doing inspections and offering thousands and even hundreds of thousands of dollars more than the property's list price. Homebuilders are shifting to only selling inventory and are unable to price a home prior to construction. Lumber prices have tripled this year and labor and other materials are on the rise as well. By the end of the summer, many offices will have reopened, and employees will be leaving their home offices and returning to their pre-COVID office environment. Many churches have begun regathering, but there are still some that are waiting until August to re-open.

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The commercial real estate market will continue to experience change. The church real estate market will be no different. Today there are fewer church properties listed for sale than there has been in the past. Part of that is the fact that churches have been unable to meet in their buildings. Over the last 6 months, we have seen church merger discussions increase, and we see multisite churches rolling off campuses into independent church bodies. Smaller churches that have struggled prior to and during the pandemic are processing



relaunch and closure discussions. While there may be fewer listings, that does not mean there are fewer decisions being made. Coming out of COVID-19, there will be opportunities for churches to both embrace new methods and pursue seasons of growth.

In the last 12 months, between the DFW and Houston markets there have been 51 sales of religious facilities. The average size of facilities sold in DFW was 19,946 ft² while the average size of buildings sold in Houston was 21,524 ft². Among the sales, 66% of the buildings were sold to other churches, 10% were purchased by schools, and 12.5% were sold for redevelopment. One church was purchased by a non-profit, and two were unidentified. Sales prices are on the rise as there is a lack of inventory, plus high demand and a rise in both land prices and construction costs.

Looking at the sales and the conversations we are having across the marketplace, here are the factors that are driving conversations related to selling church property.

Church Real Estate Market Report

Right Sizing Facilities

While the average size church is between 80-100 members, many of those churches own buildings built for larger congregations. Established churches that built facilities 20 – 40 years ago may no longer have debt. These congregations often continue to use the facility despite the fact that their facility need does not match their facility. This often leaves small churches with the cost of maintaining facilities that they cannot use. This also commonly leads churches to make decisions on what maintenance to do and what to defer leaving the facility in less-than-ideal shape. This deferred maintenance will affect the efficiency of the building and will reduce what a buyer will pay for the property. Today, churches realize that living in a facility that is too large drains their ministry of funds and resources. By right sizing a facility, a church can regain momentum and spend money on ministry instead of facilities.

We recently helped a congregation sell a building that allowed them to move to a smaller facility with funds remaining for operation. Since moving into the smaller facility, this church has seen momentum and energy that they have not seen in years. We have countless stories of churches right sizing which lead to reinvigorating the church for better days and more effective ministry.

Funding Ministry

Every church operates from funds that are given by the membership. During COVID-19, many churches saw a dip in giving and the forced shutdowns led to reduced budgets as churches canceled most summer programming. As churches adapted and shifted online, many churches were able to recover and see giving return to pre-COVID levels. Ministry costs money. Paying staff, facility expense, and running ministries cost money. The church provides vital services to a community. As churches evaluate their budgets, they do so differently than a commercial business. Their financial goals are related to a ministry strategy, a mission to serve, not a financial ROI that must be reported to stockholders. During and after COVID-19, pandemic churches are now spending ministry dollars to stream their services. This phenomenon is the new front door, and it will not go away. Whether a church held online services prior to COVID-19 or not, this is an expense that must be added to the budget moving forward. Considering all items in the budget will drive some churches to look at all options that can line their budget up with their ministry strategy for today's environment.

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Debt Reduction

In the last 12 months, we have met with more churches that want to get out of debt. This will allow churches to operate from a place of freedom and provide margin to spend ministry dollars in new ways. As we mentioned, streaming services and digital church is here to stay. The most effective way to stream services involves technological upgrades and added personnel. This may mean that churches need to spend thousands of dollars on equipment and staff that will produce a quality digital service. While there is no debate that the church is most effective when the church is gathered in community, there is a need for the digital service that allows the church to reach and connect with people. Debt reduction often coincides with right sizing and creating a ministry budget that fits a church in its context today.

2021 and Beyond

As we get back up to full speed, churches will be making significant decisions for their ministry. Whether a church is growing or declining, the church will be making facility and property decisions. Construction costs may cause some that want to build to pause. Inflation and uncertainty in the economy may leave some in a holding pattern. The Church Real Estate Market will remain active as there are still many churches that want to secure a home for their ministries. The churches that have their financial house in order, money in the bank and a clear ministry strategy will be best prepared to seize opportunities. If your church desires to purchase a property, you must prepare before a property becomes available. Our team can help you with that. If you are considering your current facility and wondering if rightsizing might be for you, please reach out so we can help you evaluate options. It is critical to count the cost, ask the right questions, and be fully informed of what it costs to buy, build, or convert a property. The market today is different than what it was 12 months ago, 5 years ago and 10 years ago. There will be a lot of change in 2021, and the future of ministry and real estate is constantly evolving. Our team of Church Real Estate Professionals will help you get prepared and position you for future real estate decisions.

John Muzyka leads the team at Church Realty in Plano, Texas. John serves churches as they sell excess property for commercial use, sell existing church facilities, purchase buildings to convert to church use, purchase land, and lease space for church plants. He specifically focuses on serving church plants and multisite churches as they pursue facilities to launch new churches/campuses. Simply put, John helps churches translate their mission, vision, and values into a real estate strategy. John currently resides in Carrollton, Texas, with his wife and two sons and is a deacon at Prestonwood Baptist Church.

