



The ‘Dozen Do’s’ Of Buying Rural Land

By Tom Brickman, Registered Forester

If you are shopping for land, here’s a checklist developed by trial and error, from experience gained in helping people buy and sell over 200,000 acres of rural land over 40 years.

1. Be clear on why you want to own land

Hunting, investment, rural residence, and family recreation are all good reasons for owning land, and each one leads to a different kind of land. For example, if you plan to live on the land, legal access and proximity to public services will be important. Be clear on your intentions so you can focus your search. Consider how you will use the land, and in what way your wife, husband, or children wish to be involved. The key to fewer regrets is thinking in detail about how the land will be used and involving your family in the shopping effort.

2. Look at many properties

The more you shop, the better deal you’ll find. Our experience is that people change their minds about many details once they do some shopping. Looking at a lot of deals can be challenging because it takes a lot of time, but it’s important. Keep in mind that easy-to-find properties (on the internet) are only a small part of all the land available for new ownership. That’s because many more properties are promoted by thousands of landowners or small-town agents. In fact, our research shows that many properties available for purchase have not been promoted at all. So keep looking, get help if needed, and you’ll find your dream property.

3. Inspect the property

Not every property will have the physical characteristics you desire. To determine suitability you’ll want to physically inspect any possible purchase. Depending on intended use, things to consider are neighborhood desirability, ease of access, timber species, age and quantity, soil productivity, how the land lays (topography), presence of creeks, quality of pastures, existence of boundary line and corner markings, potential boundary or access problems with neighboring landowners, etc. Whenever you buy land, remember that one day you may want to sell it. So think about that day now and make a better buying decision. Whatever appears to be a problem for you right now will likely be a problem for future buyers too. To inspect a property you’ll need aerial photos and topographic maps with the boundary lines indicated. Get out and walk the lines. A good source for boundary line information is the county tax assessor office. In fact, many counties have tax maps online. There are also private sources for paper and online tax map data. A consulting forester can help with an inspection.

4. Talk to the property owner

Believe it or not, some people will say they want to sell their land, but really don’t have a sincere interest in selling. It might be for a free appraisal, or even for the attention. You should interview the property owner to assess the strength of their motivation to sell. A property listed by an agent should already have this step completed. But not all agents do this, and some don’t do it correctly. So, ask good questions of the owner or listing agent, such as, how long it’s been on the market, how many price changes there have been, how many offers have been made, how many different agents have listed it, and why the owner is selling.

(Continued on page 12)



The ‘Dozen Do’s...

(Continued from page 11)

5. Confirm the acreage

Most rural land has never been surveyed. The fact is, without a survey, no one really knows exactly how many acres are in a tract. For example, the deed may say 160 acres because the property is 1/4 of a Section (a perfect Section is 640 acres), but the tax assessor may say 155 acres. Each have their reasons, but without a survey neither should be viewed as exact. Because surveys are expensive (\$0.40 to \$0.80 per foot), most land buyers make a ‘rough check’ on acreage and live with the ambiguity. Examples of rough checks include plotting the boundary lines as indicated by the tax map on a topographic map or aerial photograph with known scale. Another example is pacing the boundary lines (assuming they are visible on the ground) which is also a good way to check for encroachments by your neighbor (a loss not covered by title insurance). Your forester can help you do this and may have a GPS which also provides a good rough check. Sometimes a lender, seller, or buyer will require a survey. But unless there is reason to suspect a problem, a rough check will find serious errors and save a lot of money if you can live with a little uncertainty.

6. Confirm the timber value

Timber can be worth as much as \$4,000 per acre. Also, a property that looks clear-cut along the road may have excellent timber on the back side across the creek. If a property is timbered, it’s a good idea to have a consulting forester walk the property for a ‘rough check’ on timber value. Testing the validity of the asking price of a property will require you to have some idea of the timber value. Many times a walk-over is enough of a check if the timber has unexceptional value. The cost of a walk-over will be somewhere around \$400. However, most foresters will give credit of this cost towards a formal appraisal if the walk-over indicates a timber cruise is in order. (A timber cruise is the process of counting and measuring the trees.) A timber cruise and appraisal will typically run \$4 to \$8 per acre, depending on circumstances. However, it’s a small price to pay for peace of mind (and good info for establishing your timber tax basis).

7. Test the asking price

It’s not unusual for land sellers to have an unrealistic opinion of value. So, independently testing the asking price is very important, and having some facts makes your decision more sure. Study actual sale data. Get an appraisal, retain a real estate professional, or go to the courthouse yourself. Otherwise, your estimate of fair value will be shaped by coffee-shop talk or what an owner asks for their land – all poor guides for fair pricing. Sale data is available at the county probate office if you know how to search. Be sure the sale data you consider is of property similar to the property you are looking at (similar size, location, timber value, access, land quality, and use). If the property is listed with an agent, that agent should be able to provide you with comp sale data. However, some agents and most landowners don’t look at this data before setting an asking price.

8. Examine the title

A title exam is a written report on the legal history of the property. It identifies the claims of others in the land (for example, a long-lost cousin with a 1/64th interest) and informs you of the limits to your rights as the new owner (for example, the rights of the power company who have a transmission line across the property or, a neighbor with a road use easement). It can identify mineral interests (but may not), or the legal condition of the road to the property (just because there is a road does not mean you have unrestricted use of it). Many people take this step after a contract is signed. In our experience, a title exam is a cheap way to find a 'deal killer' early, saving time and money. A title exam (also called a binder) can be purchased from a local attorney or title company, will take about a week to complete, and typically run about \$300.

9. Determine if you will use debt

Land and timber investments rarely earn the loan payment, and your cash may be needed for other matters. Finding the right balance of cash and debt is important, so talk to your financial advisors early in the process.

10. Contract negotiation

Once a price is agreed upon, there will still be things to work out between you and the seller. For example, who pays for title insurance, closing attorney, survey if needed, mineral inclusion, cost to get the deed recorded at the court house, loan costs, etc. It's good to address these issues early in the negotiating process.

11. Setting up tax basis accounts

Once you buy the property, it's a good idea to set up two accounts for tax purposes (known as your 'basis'). 1) Determine the value of your timber at the time of purchase (your timber basis), then; 2) the balance of the purchase price is allocated to land (your land basis). The purpose for this is to allow you to calculate capital gains tax should you sell some or all of your timber or land later on. Capital gains tax is only charged on the amount of gain from a sale above the amount of your basis.

12. 'Current Use' property tax status

'Current Use' is a special property tax status that allows rural land to be taxed at a lower rate than other types of real property. Current Use can reduce your tax bill by 50 percent or more. The tax assessor's office in your county can verify the tax status and help you apply for Current Use if you do not already have it. 🏡

The preceding article is an excerpt from Tom Brickman's e-book, "Buying Rural Land: Tips & How-To's."© This collection of well-written, quick reads will help you find a rural property you'll love, and simplify getting it done. Download the e-book and learn from a seasoned pro with 40+ years of experience as a Registered Forester, Certified Appraiser, and Land Broker. You can reach Tom at (205) 936-2160 or tbrick@CyprusPartners.com.

