INVESTOR FIELD GUIDES / BOOK 12

Land Investing: What to Know Before You Buy

Investigate use, access, utilities and your exit before you make the offer

Real Estate Nate

Free Investor Academy

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All scenarios are hypothetical, not Nate's transaction history. Land-use, environmental, permitting and transaction requirements depend on the parcel and jurisdiction.

Acreage is not the whole property

Two parcels can have the same acreage and very different value. One may have reliable access, suitable topography and services nearby. The other may have a steep slope, restricted access, flood exposure or utilities that are expensive to extend. A low price per acre is not a bargain if the land cannot support the use your intended buyer needs.

I start with the likely exit: who might buy or use the land, for what purpose and what must be verified before that purpose is realistic? The answer determines which facts matter and which costs belong in the offer.

1. Identify the use and the buyer

A parcel that appeals to an adjacent owner looking for privacy may be evaluated differently from a parcel intended for a house or agricultural use. List the proposed use without assuming it is permitted. Ask the appropriate planning office about zoning, setbacks, lot size, road frontage, restrictions, division or development requirements and whether a particular use would require further review.

Do not substitute a seller's description or a listing category for a written determination from the relevant authority. Ask what information the office needs to answer and what remains subject to a formal application. Record the date and source of each answer.

2. Access means more than a line on a map

Physical access and legal access are separate questions. A visible path may cross another owner's land. A road shown on a map may be private, unmaintained or subject to an easement with restrictions. Work with a qualified title professional, surveyor and attorney as appropriate to investigate recorded access, boundaries, easements, maintenance obligations and whether the intended use is allowed.

Also consider the practical cost of an entrance, grading or road improvements. A right to cross land does not by itself establish that a driveway can be built cheaply or that utilities can follow the same route.

3. Utilities and site costs

Ask the relevant providers whether water, electricity, gas, sewer or other services are available to the parcel, what connection involves and whether capacity or approvals are required. 'Utilities nearby' is a prompt for investigation, not a quote. If sewer is unavailable, investigate whether a septic system can be approved and what testing is required. If a well is contemplated, seek qualified local information about feasibility, permitting and cost.

Obtain site-specific estimates when possible. Include clearing, grading, drainage, surveys, testing, permits and utility extensions in the plan. Costs may vary substantially by route, soil, distance and requirements. Until verified, show them as ranges and do not treat an unknown as zero.

4. Usable land and physical constraints

Review topography, drainage, flood mapping, wetlands, soil, slope, trees and the shape of the parcel. Public maps are useful screening tools, but a map alone may not resolve a boundary or site-specific issue. Contact qualified professionals and responsible agencies where appropriate.

A parcel can contain areas unsuitable for a particular use while still having value for another. Identify the intended use, the portion that may support it, the cost of investigation and the possibility that approvals will not be obtained. Avoid representing a parcel as buildable until the relevant facts and approvals support that description.

5. Three parcels that look alike

Imagine three five-acre parcels with the same $50,000 asking price. Parcel A has documented road access and a plausible service route, but still needs confirmation of zoning and site costs. Parcel B has an attractive view but requires a long utility extension. Parcel C appears to have a driveway across a neighbor's property, but no access rights have yet been verified.

They are not interchangeable merely because each has five acres. Parcel B may still work at a lower price if the cost and approvals are established. Parcel C may require a title and legal review before you can assign a value to its apparent access. Parcel A may turn out to have its own issue after investigation. In each case, the next step is a different question-not an automatic offer.

6. Work backward from a supportable exit

Suppose comparable evidence suggests a hypothetical sale value of $90,000 for a parcel after a defined set of improvements and approvals. You estimate $15,000 for those improvements, $5,000 for due diligence and purchase costs, $6,000 for holding and sale costs, and need $15,000 in pre-income-tax profit. With those simplified costs fixed, the purchase ceiling is $49,000.

The estimate is useful only if the $90,000 sale value and improvements are supportable and the required approvals are achievable. If an additional $12,000 utility cost is verified and all else stays equal, the simplified ceiling falls to $37,000. Recalculate costs that depend on price or time. If the parcel cannot meet the intended use, the original exit and value may not apply at all.

7. Protect time and cash

Land may produce no rent while you own it. Budget taxes, insurance where applicable, maintenance, financing, investigation and the potential time to find a buyer. Understand what the contract permits you to investigate and the relevant deadlines with a qualified professional. If essential access, use or site facts cannot be resolved in time, do not assume they are favorable.

Nate's perspective: A lower asking price does not solve an unknown exit. I would rather pass than buy based on a use that has not been verified or a utility cost that has not been investigated.

Land review checklist

1. Who is the likely buyer or user, and what use is being evaluated?

2. What do the responsible offices say about zoning, restrictions and approvals?

3. Is legal and physical access documented, and what maintenance obligations apply?

4. What services are available, and what are the site-specific connection costs?

5. What do survey, topography, flood, soil and environmental investigations show?

6. What are the carrying costs and realistic exit options?

7. What price works after verified improvements, costs and required profit?

8. Which unanswered question would make you renegotiate or pass?

Continue with the land course, land worksheet and deal worksheet. Obtain parcel-specific legal, title, surveying, environmental and land-use guidance as appropriate.

Put a price on the unanswered question

A seller says a utility line runs along the road. Ask the provider whether the parcel can actually connect, where the connection point is and what installation or capacity costs would apply. Suppose your original model leaves $14,000 for site work. A written estimate shows a $12,000 connection and $8,000 of related trenching and restoration that the provider excludes. That is $6,000 over the site allowance if these are the only costs in it. If the parcel still needs access, grading or wastewater work, the issue may be bigger. I would rebuild the offer before relying on the seller’s description.

Field exercise: Frontage does not settle the access question

The facts you have

A parcel touches a public road on the map. The terrain rises sharply near the frontage, and a utility company gives only a preliminary estimate based on an unconfirmed connection point. Your exit assumes a buyer can build a home.

How I would work it

Record physical frontage, legal access, driveway feasibility and utility service as different questions. Identify who can verify each and whether the answer is a map, a title record, a permit determination or a site-specific quote. Ask the relevant authorities and professionals about the proposed use before relying on buildable value. If the uncertainty cannot be resolved by a contractual deadline, evaluate the options under the agreement rather than assuming access will be granted.

Work the next decision

If a feasible driveway costs $18,000 and the original site allowance was $12,000 for all site work, compute the known shortfall before utilities and grading: at least $6,000. Describe the evidence you would need before revising an offer.

Start with an exit you can describe without adjectives

A listing calls a tract “beautiful,” “unrestricted” or “ready for development.” I can understand why a seller wants to say that. None of those words tells me what a buyer is allowed to do, what the site can physically support or what it will cost to get there. Before I use a comparable sale or name an offer, I write a plain description of the exit: “Sell as one tract to a buyer who can establish access and pursue a home site,” for example. If I can't describe the next buyer's intended use and the major questions they must answer, I don't yet have an exit.

There can be more than one legitimate path for the same tract. A neighboring owner might buy a wooded parcel for privacy and accept restrictions that would make the land unsuitable for a builder. A buyer looking for an approved homesite will value proof that a driveway, utility service and wastewater plan are feasible. A developer may care more about the number of viable finished lots than the gross acreage. Underwrite each possible path separately. A price paid for one use does not automatically support the price of another.

Think about who carries the uncertainty. When I sell as-is, a buyer may have to spend their own money and time to confirm use. That reduces what the next buyer can reasonably pay or changes whether they will look at it at all. If I want credit for answering those questions myself, I must budget

the investigation, time and risk and keep the evidence available. Telling a buyer what I believe is possible is different from showing the written evidence and clearly identifying what remains open.

Here's a hypothetical comparison. A ten-acre tract may bring $92,000 from an adjoining owner who wants the land as-is. A speculative improved-site exit is $146,000, but it needs $28,000 of work and $9,000 of extra carrying, transaction and investigation costs compared with the first path. The simplified improvement advantage is $17,000 before additional risk, time or contingency, not $54,000. If the improved exit is delayed or requires another $20,000, the raw sale may be the better business decision. Pick the use that fits the evidence and your capacity. You don't have to choose the most elaborate project to make good use of a tract.

Exercise: name the buyer and the evidence

A parcel is sold to you as a “four-lot opportunity.” No land division has been confirmed. List the documents you would need to value it as four lots and write a separate one-tract scenario.

A useful answer identifies the actual parcel, authoritative information on the proposed division and use, preliminary physical and service feasibility, professional cost estimates, and market evidence for the intended end buyers. The one-tract scenario uses comparable single-tract transactions and whatever facts are actually known about access, condition and services. Price the base case using the evidence you have; treat the four-lot scenario as conditional until you can substantiate it.

Get the right parcel before getting the right answers

The address in an advertisement, the parcel ID on a county map and the description in a deed can point to slightly different questions. Before spending money, I want to identify which tract or combination of tracts is actually offered. Start with the seller's information, reconcile it with available records and use the appropriate professionals to clarify the legal description and ownership. A parcel may look obvious from a pin until you find that the offered tract excludes the strip where you thought the entrance was.

Make a simple evidence log. Include the parcel ID, the name and date of the source, what the source supports and what it cannot confirm. For example: “Map viewed Tuesday shows the outline appearing to meet the road. The map does not establish surveyed boundaries, legal access or approval for a driveway.” Save the map alongside the note. If another person reads your file, they should be able to reproduce the conclusion without treating your assumptions as somebody else's confirmation.

Check whether recorded matters affect the intended use. A qualified title professional can help examine ownership, exceptions, restrictions, access rights and other recorded items. A survey professional can help answer the location and boundary questions that a tax map cannot. If a neighbor's driveway appears to cross the tract, don't assume the neighbor has no rights or that a visual inspection is sufficient. Ask how the situation can be documented and interpreted before making a commitment.

Aerial imagery can show old physical conditions. It may predate clearing, erosion or a nearby project. Mapping layers can have different scales and dates. Use them to prepare

questions, then get current information and site-specific advice. I like to label every major assumption “documented,” “quoted,” “inferred” or “unknown.” A broker's conversation and an agency's written determination don't belong in the same column.

Exercise: write down what you actually know

A map shows a parcel outline with an apparent lane crossing the back corner. The seller says they have always used the lane. A deed summary in the listing does not mention an easement. What can you reasonably put in your model?

Answer: you have a report of historical use and an image of a possible route. Neither establishes the right to use it for your proposed purpose. Have the relevant professionals review the recorded documents, identify the land the route crosses, confirm how any right is described and assess practical feasibility. Record a conditional access scenario instead of assigning full access value based on the map.

Build a site visit around decisions

I bring a short list of questions to the site. Where might a person enter? What parts of the tract appear usable for the intended purpose? Where does water seem to go? What conflicts with the preliminary plan? Arrange appropriate permission and take sensible precautions. Don't trespass on neighboring land to see whether an alternate route “might work.” A visit should make the next investigation clearer rather than substitute for licensed work or official determinations.

Start at the road and look toward the proposed building or use area. Is the route visibly steep or obstructed? Is there an existing culvert, crossing or grade change that needs professional evaluation? Look for drainage paths and signs of

recurring wet conditions. Document your observations and the date; don't declare that a property has no drainage problem because you saw it on a dry afternoon. If the tract's value depends on a crossing, slope or flood-related issue, ask the appropriate people to evaluate the particular location.

Walk what you can safely and appropriately reach. A large acreage number can conceal a small area suited to your plan. If the obvious building area also looks like the likely wastewater area, the site may have a layout conflict. If the likely utility route crosses a different portion of the tract or somebody else's property, determine whether that route is feasible and what permissions or costs it involves. The attractive view does not move the service line or create another place for the house.

Capture what matters to the next decision. A photo labeled “north side” may not be enough later. Make a sketch showing where you stood and what you were looking toward. Record approximate locations without treating your sketch as a survey. Include a date, recent weather conditions if relevant and any part of the property you could not inspect. “I didn't see it” is not evidence that a problem isn't there.

When you return, put each concern in a sequence. Do not order an expensive design before checking a major use constraint. Do not spend weeks refining sales projections when access is unverified and the owner is unwilling to allow the time you need. Find the cheapest responsible test that could change the next decision. Then decide whether the possible upside justifies that test.

A short site-visit example

Imagine the apparent driveway route is 350 feet and crosses a low area. Another possible route is 500 feet on higher ground, but the proposed entrance point is different. Do not choose the shorter route just because it requires less material by length. Ask a qualified professional to compare the entire scope, including grading, drainage, entrance feasibility and restoration. Confirm which costs belong to the landowner and which may be required by others. A hypothetical $18,000 estimate for the shorter route and $16,500 for the longer one is possible if crossing work dominates the first quote. The point is to compare designed scope rather than distance alone.

Work the sequence of the official questions

For a proposed use, I want to know who answers each question and what they can actually confirm at the stage I'm in. An office may be able to explain applicable processes without determining whether a particular proposal will be approved. A preliminary utility conversation may identify possible service without quoting the owner's final cost. An experienced consultant can explain a process without being the official decision maker. Save the actual response and label its limits.

Give each contact the same facts: parcel identifier, location, intended use and any preliminary concept you have permission to share. State what you're trying to confirm. Ask, “What process would apply to this proposal, what information would you need, and what can be confirmed now?” Record whether an answer was verbal or written, whether it covered the actual tract and whether more review is required. Don't

broaden “the office explained a process” into “the use is approved.”

If the strategy depends on dividing land, check the process before you price multiple future sales. The critical questions may involve access, utilities, lot configuration, frontage, wastewater, drainage, market demand and timing. The exact requirements are site- and jurisdiction-specific. Get authoritative information rather than copying an example from another county or assuming a neighboring layout can be repeated.

An experienced investor can still lose money by getting the questions in the wrong order. Suppose a preliminary concept design costs $4,500. A $350 initial professional review and an inquiry to the relevant authorities may identify whether the basic proposed use is viable enough to investigate. The smaller step does not secure approval, but it could prevent spending $4,500 before you understand the main issue. Make the larger investment only if the earlier findings justify it.

Keep a decision calendar alongside your budget. Identify the contract date that matters, the date the professional estimates a response, the person following up and the action if the information will arrive late. Have qualified help review your agreement so you understand the actual terms and consequences. A seller's assurance that a delay will be “no problem” does not substitute for documented terms if your ability to decide depends on timing.

Exercise: interpret an encouraging phone call

You call an office and hear, “We see projects like this in that area.” A surveyor can visit next week but won't deliver work before an existing review deadline. What should the investment memo say?

Answer: say an office gave a general indication, not a parcel-specific determination. Write down what the survey would establish and what remains unknown without it. Review the contract and timing options with the right professionals before the deadline. Underwrite only the uses you can support at the point a binding decision is required, or reconsider the transaction. A verbal expression of encouragement is not the same as an authorization.

Put utility costs in an owner's scope

A provider says water is “at the road.” A second contact says electrical service is nearby. Neither tells you where the owner pays to connect, what lies between the connection and the use area, or what conditions apply to the actual proposal. Ask for the point of connection, capacity or availability as applicable, required permissions, timing, charges and the work excluded from the provider's price. Then request professional quotes for the owner's excluded work.

Compare alternatives on a complete basis. A hypothetical public utility connection has a $6,000 provider charge and a $9,500 owner trench and restoration quote. Another approach, if appropriately evaluated and permitted, is quoted at $13,000 plus $4,000 of owner work. The simplified comparison is $15,500 against $17,000, not $6,000 against $13,000. That doesn't settle the decision: the alternatives can have different approvals, maintenance costs, schedules and resale implications. Confirm whether you actually have both choices before assigning either price to your model.

Time may matter as much as cost. A provider's schedule could make a plan unworkable under your carrying assumptions. Ask when charges become due, how a proposed date is established and what could cause it to change. Put a later completion in the downside case. If a utility quote is only valid

for a limited period, note it and ask when it needs to be refreshed. A dated quote is stronger than a verbal estimate, but neither promises a result outside its terms.

Don't hide unknown costs in a single dollar figure labeled “utilities.” Show separate rows for provider charges, owner installation, crossings or restoration, necessary investigation and allowance for remaining uncertainty. Do the same for other site work. It becomes much easier to see whether two quotes cover the same work. It also gives you a better basis to update your offer after one line changes instead of replacing an entire model with another guess.

Case study: a cheap tract with an expensive exit

Consider a hypothetical eight-acre parcel asking $48,000. An initial model assumes a $105,000 sale after confirming a homesite and completing limited site work. Expected acquisition and resale costs total $9,000, investigation costs $3,000, carrying costs $4,000 and known site work $12,000. You want $18,000 for the risk and work before income taxes. Assuming those figures remain fixed, the simplified purchase ceiling is $59,000. At the $48,000 asking price, the initial model shows $29,000 of estimated profit before income tax, $11,000 over the target.

That looks promising enough to ask questions. It isn't proof that the land is buildable or that the $105,000 exit exists. The written information you obtain then points to a $10,000 driveway increase and a $6,500 utility increase beyond the original site allowance. A longer timeline adds $2,500 in modeled carrying costs. At the same $105,000 exit, the updated ceiling falls by $19,000 to $40,000. At the asking price, estimated profit falls to $10,000 before omitted costs and taxes. It no longer satisfies the original $18,000 target.

Now ask what happens if the comparable evidence supports only $99,000 after the same work. Under the revised fixed-cost assumptions, the purchase ceiling falls to $34,000. The seller may have a different buyer and a better offer. That doesn't change your costs. I would tell the seller which assumptions moved and discuss whether a different price or another documented path is realistic. I wouldn't tell them the land is worthless, and I wouldn't count unconfirmed savings to bring my own price back to $48,000.

Suppose you discover another likely exit: an adjoining buyer could use the tract as-is and preliminary market evidence supports $74,000. Hypothetical acquisition and resale costs are $7,500, investigation is $2,000 and carry is $3,000; no site work is planned. With the same $18,000 target, the simplified ceiling is $43,500. That is higher than the revised $34,000 improved-path ceiling, but it still falls below the asking price. A favorable alternate exit gives you a reason to investigate, not a reason to say both exits work.

Note what changed the decision. The original estimated spread was driven by a proposed finished value and incomplete site costs. The revised offer uses better site evidence and a more supportable range. If a lender, contractor, buyer or authority subsequently supplies new information, rerun the paths. Do not blend the raw-land buyer's low-cost scope with the improved property's higher exit. Those numbers belong to different projects.

Exercise: test a longer hold on the raw exit

Using the $74,000 raw exit scenario, assume three additional months increase carrying costs by $1,800 and the exit declines by $4,000. What happens?

Answer: the simplified ceiling falls from $43,500 to $37,700. That assumes the other costs and the target stay fixed. Check whether any fees change with price or time. Identify the

evidence behind your new exit range and consider whether a time-sensitive buyer relationship is real or simply another assumption. An investor who offers $43,500 under these revised figures will not earn the original target.

Don't let dollars per acre settle the comp question

A sale of twelve acres at $8,000 per acre does not tell you that a different twelve acres is worth $96,000. Gross acreage may be the first number available, but it can obscure usable land, frontage, slope, access, utilities, improvements and the range of uses supported by the evidence. It can also conceal size effects: the pricing of a small homesite is not automatically transferable to a much larger tract.

Look at the facts behind each sale. Which use was supported? Was the property actually sold, or are you looking at an asking price? Was the entrance installed? Did the buyer receive separately valuable improvements or adjoining rights? Is the sale recent enough and similar enough to help? When you cannot verify a material detail, identify the comp as weaker rather than polishing it into a precise value.

Use a range and explain why some evidence receives more weight. Imagine two confirmed sales, one at $70,000 with documented access and service nearby, one at $82,000 with installed site improvements. If your subject is missing the physical entrance and has uncertain service, the higher sale may illustrate a potential improved outcome, not a supported as-is value. Seek additional evidence rather than subtracting an arbitrary adjustment and presenting it as an appraisal.

A marketing claim about what land could become may change the audience, but it also increases the importance of honest documentation. Communicate the proposed use as conditional

unless you can support stronger statements. When appropriate, let buyers review the evidence with their own professionals. I would rather have fewer well-informed inquiries than have a contract fail because the buyer was led to assume something that had not been confirmed.

Holding the property is a project too

Vacant land can have obligations even without tenants or a building. Track recurring and occasional costs, verify what insurance and loan obligations apply, plan for maintenance and account for the cost of keeping cash tied up. Don't forecast income that you have not confirmed. Even when the tract is financed cheaply, the holding period can make a thin margin hard to justify.

Suppose you expect $600 a month of actual carrying outlays and budget six months. An additional four months adds $2,400 if costs remain unchanged. That amount reduces the expected margin and also consumes cash while you still own the property. If there is a scheduled debt event, don't assume you can simply wait indefinitely. Build the expected calendar and a downside calendar before closing.

Track leading indicators instead of waiting for the sale to fail. Are inquiries coming from the intended buyer? Are people walking away after seeing the entrance or quote? Is the time to obtain a determination longer than you modeled? Ask what new information would cause you to change your price, switch the exit or stop spending on improvements. Put that decision on a date before your reserves or financing timetable force it.

I also want a file someone can use at disposition. Include the legal and parcel information from appropriate records, available surveys and material determinations, scope and quotes, dated communications and a clear list of what is unverified. Don't publish sensitive records or pass along

permissions that you don't have authority to transfer. Ask your qualified advisors what belongs in the actual transaction documents. An orderly file makes it easier for buyers to understand the property and for you to know what you represented.

The land decision memo

Write the parcel identifier, proposed use, likely buyer and evidence supporting the exit range. Add the work required, including who is responsible for confirming and completing it. Show purchase, due diligence, site work, carry, transaction costs and the target profit or return required for the decision. Include a downside on price and time. Record the unresolved assumptions that could materially change the result.

Then write a decision in plain language: “Investigate because documented access and current sales suggest a reasonable range, but obtain a site-specific utility quote before naming a binding price.” Or: “Pass because the base purchase price depends on four saleable lots and the evidence only supports a single-tract exit.” A short explanation is better than a spreadsheet with a positive number that assumes all the unanswered questions work in your favor.

Exercise: give yourself a no-go point

You have spent $1,100 on early investigations. The remaining questions may require another $4,000 before you can make a responsible decision. The seller is firm at a price $9,000 above your supported as-is ceiling, and the proposed improvement is still speculative. What should you evaluate?

Answer: the money already spent won't come back because you spend more. Decide whether the next investigation is likely to resolve a question that could genuinely change the economics at an attainable purchase price. Consider the agreement, timing and the seller's willingness to discuss

terms, and ask the relevant professionals what is actually possible. Set a cap and a deadline for the next step. If no plausible outcome justifies proceeding, passing protects both capital and attention. The lesson isn't to avoid investigating land; it's to pay for evidence in the order that makes the next decision clearer.