

Buying Rural Land

TIPS & HOW-TO'S

*Find Your Dream Property,
Make Shopping Easier &
Avoid Common Mistakes*

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1 - The “Dozen Do’s” of Buying Rural Land

When shopping for rural land, we suggest this check list to make sure you don’t overlook anything important. We developed this check list by trial and error over 35 years and by handling over 500 land deals.

When shopping for land, it’s important to consider whether to personally handle all the details yourself or enlist assistance. Our belief is that there is not a right or wrong way to shop. The decision depends on your available time, the depth of your contacts, and your experience with the rural land market.

If you plan to handle the details, here is a “to-do” list that will help you find your dream property at a dream price.

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 physical 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. Another example: land bought as a timber investment requires a different kind of timber than land purchased for deer or turkey hunting. 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

Like shopping for anything, the more you shop, the better deal you’ll find. It’ll probably be a better price and more suited to your intentions. 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 in Alabama. That’s because many more properties are promoted by thousands of hard-to-find landowners or small-town agents. In fact, our research shows that many properties available for purchase are not on the market at all. So keep looking until you find your dream property.

3. Inspect the property

Only a few properties will have all of 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 & quantity, soil productivity, how the land lays (topography), presence of creeks, quality of pastures, existence of boundary line & 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 on line. And, there are private sources for paper and on-line tax map data. A consulting forester can help with an inspection.

4. Talk to the property owner

Believe it or not, people will say they want to sell their land and give you all kinds of reasons, some of which have nothing to do with a sincere interest in selling. It might be for a free appraisal, or even for the attention. So 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. Things like 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.

5. Confirm The Acres

In Alabama, 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 acres 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 is also 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

In Alabama, timber can be worth as much as \$4,000 per acre. And, a property that looks clear cut along the road may have excellent timber on the back side across the creek. So, 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 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 \$350. However, most foresters will give partial 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 about \$5 per acre. But, 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 price. 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 are 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 in to the property you are looking at (similar size, location, timber value, access, land quality & use). If the property is listed with an agent, they should be able to provide you with comp sale data. But some agents and most landowners don't look at this data before setting an asking price.

8. Examine the title

A title examination 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 interest (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. But, our experience is a title exam is a cheap way to find a "deal killer" early and save time and money. A title exam (or abstract) can be purchased from a local attorney or title company; it 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 negotiations

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 cost, 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

On the first day in October, Alabama property taxes are due and must be paid by December 31. Alabama has a special property tax status that allows rural land to be taxed at a lower rate than other types of real property such as residential or commercial. This status is known as "Current Use". Current Use can reduce your tax bill by 50 % or more.

If the property you buy does not have this status, then you must apply for it. It is not an automatic event. 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.

Learn More:

1. On-line sources for aerial photos: [Google Earth](#), [USDA](#)
2. On-line sources for topographic maps: [Terra Server](#)
3. On-line sources for boundary line info: [eMapsPlus](#), [Flagship GIS](#)
4. Paper sources for boundary line info: [County Plat Book Service](#)
5. [Association of Consulting Foresters](#)

2 - The Ins & Outs of Finding Land

People tell us that shopping for investment and recreation land in Alabama is frustrating and time consuming.

As a result many people give up, settle for less than their dream property, or pay too much.

The reason for this difficulty is there aren't a lot of large properties available, and their availability is scattered among hundreds of small "stores". The typical land buyer shops at the easy-to-find "stores" and consequently, sees only a small part of what is available for purchase.

The land market is not a big market. Consider the following ¹:

There aren't many landowners with large properties. Of all southern landowners, only 14% own 100 acres or more.

These owners don't sell very often ². Of all southern landowners, only 6% plan to sell in the next 5 years. The fact is 47% have owned their property for 25 or more years (78% for 10 years or more).

And, when they do sell, it's often to a family member. Of all southern landowners, 50% inherited or bought their land from a family member. These properties never saw the open market.

If a land owner decides to sell outside the family, it's hard to find out about it. The reason is many landowners handle their own land sale. In fact, the "for-sale-by-owner" (FSBO) market is huge. Our experience is that 40% to 50% of all land owners will sell their land without using an agent ³. Landowners who sell once in a lifetime frequently don't have the tools or know-how to get the word out. So, the news often gets no further than the local coffee shop. On top of this, quite a few landowners who intend to sell have yet to tell anyone because of uncertainty about price or how to go about selling. In addition, most land owners work closely with local foresters, surveyors, appraisers, attorneys & loggers. Reaching these close associates is often the key to a successful conversation with a landowner. Importantly, while many FSBO properties are overpriced, some are underpriced. Anyone serious about buying rural land must find a way to reach a large number of private landowners.

Even when an owner decides to use an agent, it remains hard to find out about it. The last time we looked (2008) there were 21,355 real estate agents in Alabama, and nearly all were residential or commercial agents. Fact is, when a rural landowner decides to use an agent, they often end up with the local "residential" agent down the street. Typically these properties are poorly promoted too. Many only have a few pictures on the local Multiple Listing Service (MLS). But, many small towns don't even have an MLS, and if they do, they only cover a county or two and are accessible only to members of the local real estate board. These agents will also put some pictures on the company web site (which is not search-engine optimized), and possibly run an ad in the local newspaper (which only local people read). You'll be lucky if they have topo maps, aerial photos or timber data. As a result, a lot of good property is "under the radar" for most land buyers. Anyone serious about buying rural land must find a way to reach a large number of local real estate agents.

The result of these issues for many people is frustration and an enormous investment of time to sort it out. The typical rural land shopper only sees only a small part of what is really available. Most of what they see are properties listed by a few professional, land-focused companies (perhaps a couple dozen). They seldom see properties promoted by thousands of local “residential” agents or landowners (by far the largest part of the market).

There are four to six land-only commercial web sites that do a good job promoting rural land in Alabama. These are used by a few real estate companies, but the majority of Alabama real estate agents and landowners don’t use them. Plus, web site rules tend to be lax so the data is often flawed, incomplete, or outdated. Fact is there is no single site with a complete collection of what’s available in the state.

Our experience is the key to finding your dream property is to look at ALL of the properties available in a given area (including those for sale by owner, and those for sale by small-town agents). Few shoppers (or agents for that matter) have the know-how and tools to comprehensively and quickly cover these bases.

The shopper who finds a way to do it will greatly increase their chances of buying a dream property at a dream price.

Sources:

1. [Family Forest Owners](#) - South Central Region, % of people owning 10 or more acres. GfK Roper Public Affairs; May, 2006; conducted for The Sustaining Family Forest Initiative and the Yale School of Forestry & Environmental Studies. See pages 46, 49, 50 & 58.
2. A study conducted by Cyprus Partners of every “arms-length” sale 120 acres or larger in two central Alabama counties, for the period 2003 through 2007 shows an average of 16 sales per county per year, from a pool of 475 landowners per county (owning 120 acres or more). This roughly implies a turn-over rate of 30 years.
3. Based on data collected by Cyprus Partners from 10 years of semi-annual direct mail surveys to 18,000 Alabama landowners.

Learn More:

4. [The Private Forest-Land Owners Of The United States](#), USDA Forest Service Bulletin WO-1, 1982.
5. [National Woodland Owner Survey](#), USDA Forest Service, 2005.
6. [The Sustaining Family Forest Initiative](#).

3 - The Art of the Offer

Many people tell us they struggle with the best way to make an offer after finding a rural property they want to purchase.

Typically they've spent many weekends over the previous year shopping for land. They've looked at a dozen properties. And finally they've found a great property and are ready to make an offer.

Our experience is there are common mistakes people make at this point. For example, purchasers often accept unnecessary risk they later regret, or make excessive demands that spoil a great purchase opportunity. So, here are some points to consider before you act:

1. Price. Balance your opinion of "fair price" with the understanding that when it comes to land, "fair" has a wide range. On the one hand, be sure to look at real world data (comp sales) so you don't pay too much or conversely, have an unrealistically low price expectation. But, on the other hand, use this information loosely, as a general guide. The reason is that with rural land, nearly identical properties will sell in a surprisingly broad range of value. The high and low end of this range may be 15% to 20% apart with both ends considered "fair". Only you can say what you should pay for a property. But, our experience is that it can be "penny-wise and pound-foolish" to let a 5% or 10% difference in positions cause you to lose a property you love and that otherwise meets your criteria. No one wants to pay too much. So, do your homework and look at comps. Negotiate hard. But, at the end of the day, there is "fair price", and there is "what it takes to own it". And the difference can look insignificant when viewed from the satisfaction of owning a great property.

2. Contingencies. There are no perfect properties or perfect deals. So, if you're ready to make an offer but the deal has a few hitches that concern you, don't hesitate and lose the opportunity. Go ahead and make an offer but use "contingencies" to deal with the issues. A contingency in effect says, "I'll buy the property only IF certain events happen prior to closing". For example, if you must borrow money to close the purchase, make getting a loan commitment a condition for purchase. If a neighbor's driveway is over the line, require the seller to resolve the issue to your specifications prior to closing. Solutions might include moving the driveway, obtaining an affidavit from the neighbor regarding terms of use, surrender 1/4 acre and lower the price, etc. The point is, many problems have good answers. So, don't let resolvable issues keep you from moving forward with an offer on a good property. With well-written contingencies, you'll be first in line to buy the property. Then, either the issues will be resolved to your satisfaction or you'll get your down payment back.

3. Down payment. The more you are willing to pay as a down payment with your offer, the more likely a seller will negotiate with you on other issues. Remember, the down payment is a credit towards the purchase price. So, assuming you intend to close (and you have well written contingencies) you are not really taking much risk.

4. Written or verbal offer. The strongest way to make an offer is to put it in writing in the form of a contract, along with a down payment to be held by an escrow intermediary (attorney, real estate agent, title company, etc.).

However, some people prefer to make a verbal offer, then once there is general agreement on price and other major issues, put it in writing for signature by the parties. How you do it depends on the circumstances and personalities involved. For example, a reluctant seller may be persuaded by a strong written offer that includes a large down payment. Or, if a seller and buyer live in different states, it may be more practical to make a verbal offer first, then get it in writing after key agreements are reached.

5. Closing costs. Both a buyer and seller will spend money to get to the closing table. These expenses are known as 'closing cost'. These may (or may not) include a title exam, title insurance, a survey, loan costs, real estate fees, property taxes, closing attorney fees and recording fees. Some of these expenses are large (a survey of 160 acres can cost \$8,000) and some are small (in Alabama property taxes are typically \$1 to \$2 per acre). Which expenses the buyer pays and which ones the seller pays is part of the negotiation. In general, the stronger the contract price, the more willing a seller will be to pay closing costs. The opposite is also true. The point is, don't let who pays the \$150 for taxes spoil the deal. And don't forget that the large items can add considerably to your purchase price.

6. When someone else gets there first. Sometimes you find that the property you want to buy is suddenly under contract with someone else. But, all is not necessarily lost. There are two ways to successfully handle this. One way is to "*buy the contract*". With this method, you pay the current purchaser an amount of money to assign their interest in the contract to you. Remember, you assume all their obligations under the contract, so be sure you get a look at it first. If the contract is not assignable, it may take an inducement to the seller as well. Another way is to place a *back-up contract* on the property. With a back-up contract, the seller says in effect, "if my purchaser fails to close on their contract with me, then I agree to sell to you upon terms and conditions stated in the back-up contract". As in other things in life, sometimes the key to winning is not giving up.

7. When an offer becomes binding. Remember, Alabama real estate law stipulates that a contract is binding on the parties only after, 1) it is signed by all parties (including initialing any changes made during counter offers), and 2) both parties have received copies that are fully signed and initialed. Also, remember that Alabama's Statute Of Fraud requires all contracts to 1) be in writing, and 2) have 'consideration' (payment of money).

4 - Growing Trees For Money

Many investors see timberland as a safe place to put money.

Timberland is viewed as being safe for several reasons. One reason is, compared to the stock market, it's price tends to be stable over long periods of time. Also, money in timberland has some protection from loss due to inflation because timberland prices tend to move freely with inflation. Another reason is that trees grow constantly, adding another dimension to return.

The suitability of a property for timber investment depends on the kind of trees present, the soils and the topography of the land.

So, if growing trees for money is why you want to buy rural land, here are a few tips:

1. Start with land that has productive soils

The difference in tons of wood grown between good soils and poor soils can be 200% over the life cycle of the investment ¹. Our experience is that it's hard to pay too much for productive land (or too little for poor land). Many types of soils are suitable but trees, like any crop, do better on productive soils. Contact a consulting forester or extension agent for more info on soils.

2. Avoid steep land

Besides having poor soils, steep slopes limit your options for site preparation, tree planting and harvesting. Mostly, this is an issue in the north half of Alabama. Hills are not a problem. We're talking about land that is hard to walk up, or has visible surface rock.

3. Loblolly pine is king

Hardwood is pretty and good for wildlife. Longleaf pine is a sentimental favorite with some. But when it comes to making money, loblolly pine on good ground is the clear winner. There are some exceptions to this rule. For example, other species do better on mountainous, wet or deep sandy land. But unless you already own land like this, these exceptions can be avoided. The reason loblolly is best is because it grows the fastest of all pines, and pine has larger markets (paper & construction) than hardwoods.

4. Planting trees is better than letting nature do it

The difference in tons of wood grown by a natural forest and a planted pine forest can be 425% ² over the life cycle of the investment. Planting pines lets you control three variables that have a huge impact on profitability. These variables are desired species, spacing between trees, and genetics.

Natural forest (those not planted by man) tend to be a mix of pine and less desirable hardwood. When pine is planted, existing hardwood is first killed because it competes with the desired pine for resources. And, in natural forest the trees can be too close together (which limits diameter growth) or too far apart (which lowers volume & harms lumber quality with big knots). Plus, in the last 25 years, genetic scientists have given us a loblolly pine that resists disease and grows significantly faster and straighter than those found in nature. The cost of planting is well justified.

5. Timely thinning of trees in a planted forest is critical

The investment life cycle of a loblolly pine forest is about 30 years. Two or three times along the way it's important to control the spacing of the trees (the income is nice too). Knowing when to do this and which trees to take is why people go to forestry school. But, the reason is simple. Over the investment life cycle, pine trees pass through three distinct "price steps". By "step", we mean the market value (\$ / ton) of the wood. Each step is largely diameter dependent, and diameter growth is spacing dependent. In relative terms, there is the \$5/ton step, the \$20/ton step and the \$40/ton step (these prices are not current market values, but are an indication of the relative change in value between steps). The faster your trees "march" through these steps, the more money you'll make. Too many trees, and they'll linger in the \$5 step or the \$20 step, sometimes for 10 extra years. Properly thinned, each tree can maximize diameter growth and has the potential to be worth 6 to 8 times more (per ton) than the first "step" where they all start.

6. Before you sell timber . . .

Always sell with a written contract. When thinning your trees, get at least three per-ton bids before making a decision. You'll be paid by the ton as the trees are cut. When it's time for the final harvest, always get an independent appraisal ahead of time. Then, let timber buyers compete. By inviting 100 timber buyers to bid on your timber you'll put significantly more money in your pocket (100% more is not uncommon) than if you only get a price from two or three timber buyers. And, be sure all trees are paid for in advance before harvest begins (avoid selling final harvest on a \$ per-ton basis, getting paid as the trees are cut). Also, you'll want to consider whether to handle the sale yourself, or use a consulting forester. There is not a right or wrong way, and it depends on your available time, knowledge of forestry practice, depth of your contacts and experience with the market.

7. Real estate is a big part of your timber investment

When shopping for a good timber investment, keep your "real estate hat" on. Get an appraisal or use comparable sales to make sure that the bare land price (total price less liquid market value of timber) is fair. Check on things that will affect the interest of future buyers of your land. Things like title, access, proximity to utilities, boundary line conditions, problems with adjoining landowners and the quality of the neighborhood. When buying timberland, always think ahead to the day you will sell. Problems today will likely be problems when you sell.

Sources:

1. [Yield Tables and Stand Structure For Loblolly Pine](#); Page 8, 1974, Smalley and Bailey, USDA – Forest Service Research Paper SO-96.
2. [Southern Forest Science: Past, Present and Future](#); Chapter 8, Page 64 , 2004, Allen, et. al., USDA – Forest Service, Southern Research Station.

Learn More:

3. [The Sustaining Family Forest Initiative](#).
4. [Alabama Forest Owners Association](#).
5. [Alabama Extension Service](#)
6. [Association of Consulting Foresters](#)

5 - Borrowing Money To Buy Land

There's no getting around it. Buying rural land takes a lot of money! At the same time it is a good investment and a safe place to put money.

It can be your money, or someone else's (borrowed) money. Before you start looking, it's wise to give both options careful consideration.

Debt can be very useful. It enables you to buy more land. It lets you keep available cash free for other needs. And, many investors like the way debt can result in a better return on equity.

The down side of debt is that someone will eventually want their money back.

There are plenty of reasons why it's a good idea to invest in land. However, to be fair, sometimes it's not a good idea to *borrow money* to buy land. Debt should be avoided when the purchase is based on a need to put cash into land – debt would be counter-productive; or, if there is insufficient cash flow from other non-land sources to make the payments – and don't count on there being enough income from timber, hunting, farming, field leases, pine straw, pine stumps, firewood, dirt, rock, mushrooms or Ginseng to make the payments. Unless your loan is very small, there won't be.

Then too you'll want to consider the things facing you over the next decade or two such as college expenses, retirement plans or maintaining living standards. Your accountant or financial planner can help you keep the decision to borrow money realistic.

With that said, let's assume you have decided that using debt to buy land is a smart thing to do. Here are your options and how it works:

A. Owner Finance

Sometimes a seller will agree to finance part of the purchase price. This can be beneficial for both the buyer and the seller. Here's why:

For the seller, the benefits include favorable tax consequences. It is also a means to generate regular cash flow and a way to get a better interest rate than a CD at the local bank. Then too, it can be an inducement to make a sale that might not happen otherwise.

Benefits to the land buyer may include a below-market interest rate (compared to a bank loan). Or, an approval process that may be less stringent than at a commercial bank. However, you should expect to have good credit as you would for a commercial loan. When you request owner financing, many sellers suspect you have already failed to qualify for a commercial loan.

Negotiated issues include the sale price, down payment, interest rate, timing of payments and length of loan. For example, as an owner, the closer you get to my price, the more likely I am to negotiate on other points like the down payment or interest rate. Another example: if you've paid 50% up front, I might agree to a longer term than if you paid 5% up front.

B. Commercial Banks

As a general rule, commercial banks hesitate to make loans on unimproved rural land.

The reason is banks lack experience with the asset and struggle with valuation and risk issues. For example, they may not know who to call for an appraisal. They may lack underwriting staff to interpret outside appraisals, measure the income potential of a timber tract, or assess risk associated with common title issues. Their lending experience is primarily cars, houses and commercial enterprises.

When commercial banks make a loan secured by unimproved rural land, they often compensate for their lack of understanding with shorter terms, higher rates, or a lower loan-to-value ratio.

Exceptions to this rule would be banks with trust departments containing large amounts of natural resources and people to manage them. Another exception is land buyers who have a preferential relationship with a commercial bank; or, who don't need much money, or who are willing to pledge additional assets.

C. Farm & Ag Credit Banks

Farm and agriculture credit banks are specialized banks that love to make loans on rural land.

They have farming and forestry specialists on staff. They employ appraisers who do nothing but value rural land and associated assets like timber, farm operations & equipment, etc.

In Alabama there are two lenders with long histories in the rural land markets. One is Alabama Ag Credit (formerly known as the Federal Land Bank), and the other is First South Farm Credit (formerly known as the Production Credit Association). They have similar programs.

For example, they are borrower-owned (everyone that closes a loan also buys stock that pays an annual dividend, then you sell the stock when the mortgage is paid off). They have a variety of programs including variable rate loans and fixed rate loans from 2 to 20+ years. They tend to have high loan-to-value ratios (75% to 80%). With some conditions, you can switch from a variable rate to a fixed rate or a fixed rate to a variable rate. Neither have pre-payment penalties.

Our experience is these two banks offer the most competitive rates and terms for rural farm and timber land.

D. Your IRA / 401(k) plan

The Internal Revenue Service allows qualified retirement plans to invest in real estate, including rural land. This is not hard to do, but specific criteria must be followed.

Important points include:

- You must set up a self-directed retirement account with a Qualified Custodian. Rollover IRA, SEP IRA, Roth IRA & 401(k) retirement accounts are allowed. Land is titled in the Custodians name FBO the beneficial owner
- Land may not be bought from disqualified persons such as the IRA owner or family. The IRA beneficiary (you) makes all the investment decisions, not the Custodian. Expenses are paid out of the account, and income must return to the account.

- Taxes are deferred as with any retirement account. No “indirect benefits” from the assets allowed (ex: living in a house owned by the IRA. However, renting the house is allowed)
 - Cash must be available in the IRA for managing the property
 - Use of debt is allowed but must be “without recourse”, the debt must be serviced by the IRA, & can result in Unrelated Business Income Tax (UBIT)
 - You are allowed to buy an undivided interest in a property, or purchase along with other people
 - You may not: Borrow money from it. Sell already owned property to it. Receive unreasonable compensation for managing it. Use it as security for a loan. Buy property for personal use. Qualified Custodian cost start at \$200/year, and run up depending on the size of the deal & services provided.
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Learn more:Farm & ag credit banks:

1. Alabama Ag Credit-South Alabama: <http://www.alabamalandloan.com/>
2. Alabama Ag Credit-North Alabama: <http://www.alabamafarmcredit.com/>
3. First South Farm Credit: <http://www.firstsouthfarmcredit.com/>

Your Qualified Retirement Account:

4. <http://www.irs.gov/publications/p590/ch01.html>
5. <https://www.ira4a.org/index.aspx>
6. <http://www.kiplinger.com/magazine/archives/2005/03/IRA.html>

6 - Real Estate Agents: A Buyers Perspective

Nearly all buyers deal with agents

Unless you buy land directly from a land owner, you'll deal with real estate agents when you shop for rural land in Alabama.

There are two ways to shop for rural land (other than "buying direct") and both involve real estate agents. One way is to "do-it-yourself" (DIY). Typically, a DIY shopper will comb the internet looking for deals, then contact the agent that represents the seller for more formation. As a result DIY shoppers deal with many different agents. Let's call these agents "Listing Agents".

The other way to shop is to retain one agent to handle the shopping. This agent deals with all the other agents so you only deal with one agent. Let's call these agents "Buyer Agents".

Our experience is that either way works. But each have pro's and con's. So, before you start shopping, here are a few thoughts on working with real estate agents along with some options you may have overlooked.

Not all agents are the same

Agents that specialize in rural land (Listing & Buyer) are a small part of the agents that sometimes deal in land. Fact is, most agents are residential or commercial specialist that occasionally work land. The best land specialist have been in practice for many years. They have acquired experience and specialized knowledge in areas such as timber, rural land appraising, rural land contracts, land management and wildlife management. They also have deep contacts with specialists like foresters, surveyors, road & pond builders, title & closing specialist and wildlife biologist.

It's important for buyers to understand that the agents they come into contact with will have a wide range of experience and specialized knowledge. This is even true among agents that specialize in rural land. Why? Because it's not hard to get a real estate license. Some agents even specialize in land part time around their "day job". Agents who specialize in residential or commercial real estate usually lack the specialized knowledge needed to help buyers make good decisions. This is important to understand when your good decision depends on an agent's experience and specialized knowledge.

DIY shopping

About 90% of the people that we sell land to are DIY shoppers. That is, they deal directly with Listing Agents and land owners. Our experience is that very few buyers have experience in buying land and usually lack specialized knowledge. And, they often work with unspecialized agents who lack it as well. Most ignore that Listing Agents are contractually obligated to represent the best interest of the seller. And, by law do not owe the buyer any fiduciary duties and typically represent buyers as "Transaction Brokers". (See attached Alabama's Real Estate Brokerage Services Disclosure brochure). As a result, people who shop DIY sometimes pay too much, take unnecessary risks and may have avoidable regrets. The successful DIY shoppers we know buy and sell on a regular basis.

They have the experience and specialized knowledge needed to make good decisions. And, they often have long relationships with local Listing Agents that can give them an inside track on unadvertised properties.

Tips for working with Listing Agents

- Often a DIY shopper will use the tactic of blind-calling multiple Listing Agents (with no specific property in mind) in the hope a suitable property will surface. We call this “hail Mary” shopping. It’s usually an ineffective way to shop unless the agent already knows and trust the buyer. Otherwise the agent doesn’t know if the buyer is motivated or qualified. And, they know the buyer has not bothered to do the homework needed to focus on something specific.
- DIY shoppers should know that some Listing Agents will push their listings first even though another property with another agent or a property “for-sale-by-owner” (FSBO) may be better suited. Why? If they sell their own listing, they get all the fee. If the Listing Agent sells a buyer someone else’s listing they get half the fee (or risk no fee in the case of FSBO’s).
- Buyers who shop for land on the internet should also know that more than half the rural land market cannot be found on the internet. The “hidden” portion of the market (like an iceberg) are FSBO deals and properties only advertised on a local “multiple listing service” (MLS). These are market places not covered by many Listing Agents.
- DIY shoppers should be aware that it’s common practice for some Listing Agents to advertise land they do not actually control with a written agreement with the owner. They usually have a non-exclusive “hand shake” agreement with the owner to pay them a fee “if” they bring a successful buyer. Here the risk to the buyer is that a property they fall in love with can be sold right out from under them by the owner or another agent. When looking at property it’s good practice to verify the Listing Agent has a written and exclusive contract with the owner.
- If a DIY buyer knows where they want to buy (for example, which county), dealing with a local Listing Agent can be good because they sometimes have the inside track on un-advertised buying opportunities. But, if a buyer is looking in a large area they’ll have to deal with several Listing Agents to cover the ground. This takes time and forces buyers to deal with multiple agents that may lack experience and specialized knowledge.
- Many land listings on the internet lack adequate maps and driving instructions. Often the only way a buyer can visit a property is to call the Listing Agent (who does this on purpose) and who often won’t have maps, they just “know where it is”. Without topo maps or aerial photos a buyer lacks the basic tools needed to make good decisions. DIY buyers should have tools for creating location maps, GPS coordinates (note: land does not have an “address” unless there is a house on it), topo maps and aerial photos.

Shopping with a Buyer Agent

Buyer Agents are legally bound to represent the best interest of the buyer. This is usually done through a Buyer Listing Agreement that establishes the agents fees and responsibilities. It’s important to understand that representing buyers requires a different set of skills and tools than representing sellers. Most real estate agents are Listing Agents and lack experience representing buyers.

For example Listing Agents must be good at using the internet to promote properties and find buyers. On the other hand, Buyer Agents must be good at finding sellers who often do not advertise on the internet. An experienced Buyer Agent may also list property, but they will have a proven record representing buyers. And they will have specialized tools needed to find sellers. In our experience Buyer Agents help buyers see more property, lower transaction cost and lessen the risk they take.

Tips for working with Buyer Agents

- Experienced Buyer Agents work with clients using a variety of fee structures, such as flat-fee, per diem or percentage basis. Fee structures can also be a combination of the three. Complex projects may require up-front fees but these should be a credit against any fees earned.
- A Buyer Agent can save a buyer time by testing the suitability of any property ahead of time. For example, they can compare the asking price against comp sales, pre-inspect a property to verify it's suitability for the intended use, assemble maps & aerial photos and probe seller motivation by interviewing the property owner or listing agent. Good Buyer Agents are good at "hot-washing" the character of a property, Listing Agents and owners. And, that's what you call experience.
- An exclusive agreement with a Buyer Agent allows that agent to invest their time and money in your project. But there are variations on this that can work in certain situations, such as exclusive representation for a particular property only.
- By vetting Buyer Agents ahead of time buyers can be assure their agent possesses the required specialized knowledge and tools. If you like, contact us for a Buyer Agent interview form that has questions buyers can ask candidates.
- With the right tools a Buyer Agent can find property that most buyers would probably never see otherwise. That's because, about 55% of the land market is "hidden" since it's not advertised on the internet (many Buyer Agents only use the Internet to find deals). Listing Agents mostly advertise land through dozens of "land-only" web sites. This is the visible part of the market and all most buyers ever see. It takes specialized tools to find this "hidden" market. It's good practice to talk with a candidate to be your Buyer Agent about the tools they will use to find the "hidden" sellers.

Working with an agent

Deciding how to work with an agent is an exercise in honestly assessing your level of knowledge, contacts and experience with rural land. The best approach to working with an agent is to work with them in a way that compliments your level of experience and knowledge. The good news is, you have options!

REAL ESTATE BROKERAGE SERVICES DISCLOSURE

Alabama law requires you, the consumer, to be informed about the types of services, which real estate licensees may perform. The purpose of this disclosure is to give you a summary of these services.

A SINGLE AGENT is a licensee who represents only one party in a sale. That is, a single agent represents his or her client. The client may be either the seller or the buyer. A single agent must be completely loyal and faithful to the client.

A SUBAGENT is another agent/licensee who also represents only one party in a sale. A subagent helps the agent represent the same client. The client may be either the seller or the buyer. A subagent must also be completely loyal and faithful to the client.

A LIMITED CONSENSUAL DUAL AGENT is a licensee for both the buyer and the seller. This may only be done with the written, informed consent of all parties. This type of agent must also be loyal and faithful to the client, except where the duties owed to the client conflict with one another.

A TRANSACTION BROKER assists one or more parties, who are customers in a sale. A transaction broker is not an agent and does not perform the same services as an agent.

Alabama law imposes the following obligations on all real estate licensees to all parties, no matter the relationship:

1. To provide services honestly and in good faith;
2. To exercise reasonable care and skill;
3. To keep confidential any information gained in confidence, unless disclosure is required by law or duty to a client, the information becomes public knowledge or disclosure is authorized in writing;
4. Present all offers promptly to the seller;
5. Answer your questions completely and accurately.

Further, even if you are working with a licensee who is not your agent, there are many things the licensee may do to assist you. Some examples are:

1. Provide information about properties;
2. Show properties;
3. Assist in making a written offer;
4. Provide information on financing.

You should choose which type of services you want from a licensee, and sign a brokerage service agreement. If you do not sign an agreement, by law the licensee working with you is a transaction broker.

The licensee's broker is required by law to have on file an office policy describing the company's brokerage services. You should feel free to ask any questions you have.

The Alabama Real Estate Commission requires the real estate licensee to sign, date, and provide you a copy of this form. Your signature is not required by law, but it would be appreciated.

(This is not a contract. Your signature is only proof of receipt for the Licensee files)

7 - A Walk In The Woods - Investing In Timberland

These days many people struggle with the decision of where to invest their money.

The reason they struggle is that with the stock market at all-time highs, many still remember that 6 years ago their stock portfolio lost a gut-wrenching 40% in 8 months! And, with money market rates around 0.4%, cash is not keeping pace with inflation.

High volatility and low yield is an unpleasant combination for many. And, alternatives are scarce. But for some, timberland may meet the need.

So, why invest in timberland?

It's a safe place to put money!

About 23 million people own timberland in American³ and nearly half report that financial safety for their families is a key reason they own it!⁴

There are mountains of research about why timberland is a safe place to put money, and here are some of the reasons:

The return is high

For the 10-year period beginning in 2002, timberland had a 53% better return than the S&P 500⁹.

The return is steady (low risk)

Timberland returns happen at a comfortably steady pace. For the 23-year period beginning 1987, the standard deviation of returns for timberland was about 11% vs about 19% for stocks.⁹ Some of this steadiness is because over 50% of the return from timberland comes from biological growth – trees get bigger at a steady rate independent of market factors.

It's value is durable

Whereas stocks and bonds lose value to inflation, timberland does not. In fact, from 1960 to 2011, timberland returns exceed inflation for every 10-year period by a minimum of 250 basis points, often by much more. Only U. S. T-bills had a more positive correlation to inflation than timberland.²

It stabilizes a stock & bond portfolio

Diversifying a portfolio with timberland reduces value swings. Prices for stocks and bonds can go up and down dramatically over short periods of time. But timberland values tend not to. For the 23-year period beginning 1987, the Sharpe Ratio for stocks was 0.36 vs .92 for timberland⁹.

Personal enjoyment

On top of the financial benefits, land has a very practical purpose for millions of people. It's a place to take the grandkids hunting or fishing, or a place for the family to gather. For many landowners, the ability to see and touch your investment is the top reason for owning land.

What kind of land should you buy?

In the south there are two kinds of timberland. Land that will grow pine trees (drier ground) and land that will only grow hardwood trees (wetter ground). And, there is farm land.

So, the kind of land you buy depends on the mix of motivations you have for buying it.

Those motivated purely by financial benefit will seek investment-grade pine properties. In the south, this is land that has been planted with genetically improved loblolly pine.

Those more interested in hunting or family recreation (with less return) will seek properties that have more hardwood land. Perhaps with a lake or river frontage too.

Investors motivated by conservation may seek longleaf pine or hardwood land along major rivers.

Investors motivated by a farming life-style or by crop & livestock markets will seek land suitable for cultivation or pasture (returns from farmland tend to be more volatile than returns from timberland due to government involvement in the markets).

Most individuals have a mix of motivations, and accordingly seek a mix of land types.

How do you invest in land?

In general, there are two ways to invest in timberland. One way is direct private investment where the investor owns the asset. The other is indirect investment where you purchase stock in a public company that owns the asset. The way you invest depends on your motivations.

Indirect Investment

Publically traded forest products companies seek to maximize financial return. Buyers with this motivation find a good fit here. Advantages to indirect investment are that it simplifies the task of finding, buying, managing and selling timberland assets (you don't have to engage experts to help). The price is published every day so there is low price uncertainty and you can sell any time you want (it has high liquidity). And, the companies have professionals to manage the assets (selling timber, planting trees, fixing roads, paying property taxes, etc.). Examples are Weyerhaeuser (WY) or Rayonier (RYN), both publically traded REITS. A disadvantage to investing in a public company is that quarterly demand for dividends (which affects share price) forces these companies to sell timber even in poor markets.

Direct Investment

Direct investment gives investors more control over the decision of when to sell timber. This can have a very beneficial impact on returns. And, you can purchase land to meet a variety of motivations. Disadvantages include the task of finding assets to buy, discerning fair value, finding asset managers, and finding buyers when you are ready to sell (low liquidity).

A key issue with direct investment (mostly affecting smaller non-institutional investors) is that markets for privately owned rural land are notoriously difficult. For example, finding assets to buy is difficult because there is no central clearing house of properties available for purchase (like an MLS for houses) and the for-sale-by-owner market is huge (our experience is 40-50% of private land sellers do not use an

agent to find a buyer). Plus, discerning fair pricing requires expertise in appraising land and standing timber. Consequently, most investors engage professionals to assist with finding, buying, managing and selling land. But, the good news is there is a well-established network of rural land investment professionals that can be utilized by any size investor.

Institutional investors (pension funds, endowments, sovereign wealth, etc.) and high-net-worth individuals often address these issues by investing through Timberland Investment Management Organizations (TIMO's). These are private companies that specialize in finding, buying, selling and managing timberland assets. Although most have financial return as their mission, some specialize in conservation timberland. Some specialize in farm land. Amounts as low as \$3 million may qualify. The best TIMO's offer geographic diversity (US & global) and have decades of experience identifying deal flow, managing the purchase process, managing the asset on a day-to-day basis, and finding buyers when it's time to sell.

People who don't meet the minimum investment threshold for a TIMO (most investors) can get professional assistance from an enormous network of rural land and forestry professionals. Many of these are small, local companies or individuals with deep knowledge of the asset and long experience with local land & standing timber markets (see "Learn More" at the end of this article).

Is now a good time to invest in timberland?

The short answer is, "Yes"! Prices for both rural land and some kinds of standing timber are down substantially across most of the South since the 2008 "Great Recession". And, land availability is up since almost all forest products companies (who used to own vast acreages and never sold land) have now sold all their lands to TIMO's where land sales is a standard strategy for generating returns. Some forecast claim that world population will grow as much as 57% in the next 35 years, and that standards of living (consumption) will broadly increase. The United States is well positioned to fill a growing need for wood fiber since North America accounts for only 15% of the world's forest but 28% of the world's industrial wood supply ⁸.

Is timberland right for you?

This is a question only you can answer. The purpose of this paper is to give you a starting spot for further investigation. But, here are some thoughts to consider:

1. Get professional assistance for direct investment. A key issue is that the hardest mistake to overcome is paying too much (the saying is, "you make your money the day you buy it").
2. A diverse portfolio is your best protection against loss of value. So, only add land if you are looking for diversity (or a place to take your grandkids).
3. Direct investment in land requires patient money. Getting in and out of the asset takes time. So only use funds you can afford to invest for 10 years or more. For individuals, using your self-directed IRA to buy land is allowed and is the perfect kind of money to use.
4. Land does not service debt well. Be careful that your "reach does not exceed your grasp".
5. Finally, for individuals, be sure you are clear on why you want to own timberland. Getting clarity is harder than it seems. Talk to your family realistically about their future involvement in a property and look at lots of properties before you commit. You want to be able to look back in 10 years and have no regrets.

Learn More: (Sources of info found in this paper):

A. Data on ownership & financial performance of land:

1. The National Council of Real Estate Investment Fiduciaries (NCREIF):
[Timberland returns](#)
[Farmland returns](#)
2. [The Forest Research Group](#)
3. [USFS National Woodland Owner Survey, 2013 update](#)
4. [Family Forest Owners: An In-depth Profile. By The Sustaining Family Forest Initiative](#)

B. Direct investment & management professionals

All individuals – farm and timber land:

5. [Association of Consulting Foresters](#)
6. [Realtors Land Institute](#)

High Net Worth Individuals and Institutions:

Timberland investment & management professionals

7. [Resource Management Service](#)
8. [Campbell Global](#)
9. [Forest Investment Associates](#)
10. [The Hancock Timber Resource Group](#)

Farmland investment & management professionals

11. [Hancock Agricultural Investment Group](#)
12. [American Society of Farm Managers and Rural Appraisers](#)
13. [UBS - Agrinvest](#)
14. [TIAA-CREF Ag Investments](#)

8 - Should A Landowner Offer “Seller-Financing”?

There are several benefits to a landowner from financing the sale of their own land. But there are also disadvantages³. Here are some thoughts to consider:

Pros

- 1) Seller-financing is a way to defer the taxes paid on capital gains. A seller pays tax as payments are made. So, by spreading payments out over time, the taxes are spread out over time¹.
- 2) Seller-financing can lower the overall tax rate. Since capital gains rates are now progressive (depending on total income), payments can be taxed at a lower capital gains rate (assuming steady income from other sources) over many years, as opposed to a seller taking the sale proceeds all in cash and showing a huge income all in one year².
- 3) Seller-financing may enable the seller to obtain an above-market interest rate for the portion of the sale proceeds that are financed (4-6% in today's market). Current interest rates available to a seller with a pile of cash who put the money in a money market, CD or T-bill are 0.1% to 2.0%.
- 4) Seller-financing creates a mechanism for steady, recurring cash flow over time. For folks on fixed incomes this can be attractive.
- 5) In a “soft” real estate market, seller-financing offers a way to attract buyers that might not be discovered otherwise. And sometimes it enables sellers to obtain a higher sale price because of the financing accommodation. The market today for rural land is “soft” – meaning, there are more sellers than there are buyers.

But, there are also disadvantages to seller-finance:

Cons

- 1) A buyer can default on the debt. This can happen for many reasons including bankruptcy, death of the borrower or financial hardship. If a buyer stops making payments, the seller may have to go through legal channels to repossess the property (which can be a long and expensive process). Plus, they didn't get all their money and they have to start over with finding a new buyer. One way to avoid having to go through the repossession process is to sell using a “contract for deed”, or “bond for title”. These devices let the seller keep title to the property until certain payment thresholds are met.
- 2) A buyer can damage or decrease the value of the property while it's in their possession (cut timber, sell land out of the middle that damages the balance, etc.) and then default on the debt. Now don't you wish you'd just paid the taxes and moved on! It's important that loan documents (mortgage, note, etc.) stipulate collateral safeguards until the debt is repaid (written pre-approvals, partial release payments, etc.).

- 3) Seller-financing of land with a high cost-basis may offer little or no tax savings. “High basis” means that the sale price is very close to the price paid for the property (or its value at the date of inheritance). Consequently, very little capital gain is realized.

Best Bet

The lending criteria used by most commercial banks today are much stricter than 6 years ago. It is our experience that sometimes when a buyer requests “seller-financing”, it is code for “I may not qualify for a commercial loan”. If true, this should be a red-flag to a landowner. It’s important to verify that a buyer is credit worthy before entering into a seller-financing arrangement. In fact, at Cyprus Partners we request that buyers making an offer contingent on seller-financing provide us with a current “pre-qualification letter” from a commercial bank to accompany their offer. Just the same as when a buyer makes an offer contingent on bank financing. A pre-qualification letter states that the bank has reviewed the credit worthiness and financial condition of a prospective borrower and is willing to make a loan, depending on the property and terms of purchase.

Items to negotiate when considering seller-financing include the amount of cash at closing, length of loan, interest rate and payment schedule (monthly, annual, payment date & penalties for late payment, etc.).

While seller-financing can be advantageous to a landowner seeking to sell their land, there are painful disadvantages too, sometimes more painful than just paying all the tax in the year of the sale. And, there are more issues and safeguards to consider than can be covered in this article. So, a wise landowner will seek advice from their land broker, their accountant and an experienced real estate attorney before entering into a seller-financing arrangement with a buyer.

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1. For long-term capital gains rates to apply, the property must have been owned for a minimum of 1 year. Otherwise, ordinary rates will apply. The capital gains tax rate is applied only to the principal portion of the payments that represent the gain portion above the “basis” portion. Basis is the amount of money paid for the property (or its value at the date of inheritance) after adjustments for things like timber sales, capital improvements, etc. Also, payments to the seller that include interest are generally taxed at ordinary tax rates which can be higher than capital gains rates.
 2. Federal 2014 capital gains tax rates. From [The Motley Fool](http://www.fool.com/personal-finance/taxes/2014/10/15/long-term-capital-gains-tax-rates-in-2014.aspx) (<http://www.fool.com/personal-finance/taxes/2014/10/15/long-term-capital-gains-tax-rates-in-2014.aspx>)

Tax Bracket	Long-Term Capital gains Rate
10%-15%	0%
25%-35%	15%
39.6%	20%

3. The author is not trained in tax or legal matters. This article is based on our experience as land brokers and is a general introduction to the subject of seller-financing. This article should not be viewed as specific advice regarding taxes or loan structure for individual deals. For example, in addition to Federal capital gains rates, most states also have capital gains rates. For some high-income tax payers, additional net-investment-income taxes are charged on capital gains and interest income. And, there are risk factors and safeguards not covered in this article. When considering seller-financing, first seek experienced tax and legal counsel for your specific situation.

9 - Understanding Road Access

Many people ask us what the consequence is when a property they have an interest in buying does not touch on a public road (in Alabama, many properties fall into this category).

In other words, is it a problem when the only access to a property from the nearest public road (that is, a road maintained by federal, state or county government) is a private road or trail that crosses adjoining landowners. Or, there is no road at all to the property.

In general, access falls into three legal categories: one is public access, one is un-deeded access and one is deeded access.

Public access is the least complicated. It touches a government maintained road or it doesn't. If it does, you don't have to cross anyone else to get to your property.

The other two are more complicated. But even un-deeded may not actually be a problem – depending on the intended use.

What does un-deeded mean?

Un-deeded access means that your use of a road or trail across an adjoining landowner to get to your property is not governed by a written document (or, there is no road at all). This is commonly called a “landlocked” property. It's the road people “have always used” to get to the property, but a written agreement was never negotiated with the neighbor.

When an access is “deeded”, there is a written agreement with the adjoining landowners over whom the road traverses that governs use of the road. It's typically recorded in the court house.

Does it matter?

Our experience is that for some uses of the land, un-deeded access is usually not a problem since the use of the road is often uncontested and goes back several generations. But from time to time these situations can be problematic since the adjoining landowner is not bound by any written agreement.

The state of Alabama has a law that says you can't “land lock” your neighbor. That is, deny them physical access. But this does not mean they have to give you a written easement, and it does not mean they have to let you string power lines or run water lines across their property.

Un-deeded access can be a problem when borrowed capital is used to buy land. Lenders often will not lend money when the intended security interest is “land locked”.

Depends on intended use

If you are looking at Alabama land for sale that does not touch on a public road, then how you intend to use the property is key to understanding the issue.

For example, if you intend to build a house and will need water and utilities, then having “deeded access” will be critical. You’ll have to negotiate these things with your neighbor.

On the other hand, if you are buying hunting land or want to grow timber and 4-wheel with the kids, our experience is the risk is small you’ll have a problem with a neighbor when the access road is well established and it’s use has not been a point of contention with the neighbor.

In general, the more landowners who use an un-deeded access road to get to their property, the less likely there will be trouble with the adjoining landowner.

How to obtain a deeded access

If having deeded access is critical to your purchase, the best way to proceed is to negotiate a contract with the seller of the “land locked” property that contains a contingency for successfully negotiating a written access agreement with the adjoining landowners. This way if you can’t resolve the issue to your satisfaction you’ll get your deposit back. And meanwhile, you have the property tied up so it can’t sell before you have a chance to solve the issue. It may cost you some money to get the deeded access (payment to adjoining landowner, survey cost, attorney fees, recording fees) but it is money well spent.

10 - Tips On Rural Land Surveys

Let's say you are looking at an 80 acre tract of land to buy that has not been surveyed. Should you purchase a survey before buying? The answer, is "it depends".

Source of the acres

The advertised acres may come from authoritative sources such as a deed or the county tax office. But, most deeds assume that a "forty" (1/16 of a section) is 40 acres when in fact very few "forty's" are actually 40 acres. And, the tax office may use expensive software to estimate acres. But, we've seen tax acres be significantly wrong. Fact is, unless a property has been surveyed, no one knows exactly how many acres are present.

In Alabama, most rural properties have never been surveyed. The reason is surveys are expensive (\$3,000 to \$6,000 for our 80 acre example) and the precision may not be that important to many people.

Tips to keep in mind

1. Be sure the precision matters. Let's say you just spent \$3,000 to learn that your "80ty" is really 78. You probably haven't gained much.

2. Do a "rough check" on acres. You can do this by plotting the boundary lines on an aerial photo (like Google Earth or Bing). By using "use lines" as a guide (for example, a neighbors pasture edge or an adjoining recent timber harvest) you can plot the lines and use the photo scale to estimate acres. Or, walk the lines looking for old wire fences and rock-pile corners. If you can find physical evidence of lines on the ground, then you can pace the lines (or use a hand-held GPS) to get a "rough check".

Also, there are commercial "topo" software programs available that you can use to plot the boundary lines and calculate acres. These are especially useful if you have also ground checked the lines. Your forester or rural land broker can help with performing a "rough check".

3. Sometimes a survey is prudent. If your rough check raises concerns (or you can't get a rough check), or your lender requires a survey, or you are uncomfortable with the ambiguity, then a survey may be in order. A situation where extra precaution is justified is when one or more property boundaries is the run of a large creek or river. These can change course over the years, and a 100 year old deed may no longer contain the correct acres. Or, when a physical inspection reveals that neighbors may be "possessing" over the line.

Also, keep in mind that in today's world, surveys are made by locating property corners with a GPS. This has lowered the cost of getting an acreage estimate because surveyors don't have to "run the lines". They just go to the corners. But, if locating or marking property lines is important to you, make sure your surveyor has been retained for this task too.

Avoid the cost if you can

Our experience is that with a little effort, most people can gain a level of comfort with the advertised acres and thus avoid the expense of a survey.

11 - About the Author

Tom Brickman helps people buy, sell and care for rural land. Located in Birmingham, Alabama, Tom has 40+ years of experience in the timberland investment & management businesses across the United States and Central America. He is a Registered Forester (and son of a forester), and a Real Estate Broker. Tom is also a member of the Association of Consulting Foresters and the Realtors Land Institute. Contact Tom at tbrick@CyprusPartners.com or 205-936-2160.

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