

LandThink #3
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Want to make money in country property? Buy education

By Curtis Seltzer

The first land I bought was 60 acres about a 35-minute drive north of Amherst, Massachusetts. I paid \$5,000 for the top of a mountain, much of which had recently been timbered. It had a deeded right of way easement that had never been developed. An adjoining landowner allowed us to use the traditional road into the property. This was 1970; I was 25.

I sold it about 20 years ago, regretting the need to sell. Even at 2008's deflated prices, it would move today for at least 50 times what I'd paid, more likely 75.

Since buyer intelligence doesn't explain my success, what does?

Time and proximity.

Time almost always appreciates land.

The other factor was proximity to a small town with a university engine powering its development...and all the land within convenient driving distance of it.

Current conditions favor buyers of rural property.

First, the economy is pointing down, and economists are fighting over how far it will go and how long it will last. The immediate future looks bleaker, rather than blighter.

Unemployment is up; corporate profits are down. Stocks are down by almost 50 percent. Everyone thinks it's a good day when the Dow Industrials fall by only 200 points.

Second, big banks with their securitized mortgage portfolios are now depending on the U.S. Treasury to offer them something more than what their "toxic loans" are actually worth. These banks are not lending much to anybody, including each other. Buyers of residential property in cities and suburbs are locked up and locked into circumstances where lenders don't want to risk their money and borrowers can't find mortgages.

Third, the housing market is getting worse. Some seven million residences are expected to be in default over the next couple of years and more than four million in foreclosure. Prices have fallen by 25 to 50 percent in most places. Their direction continues to be down. Some sales are occurring at those new valuations.

That's part of the "good" news; here's the rest.

Mortgage rates are relatively cheap.

Mortgage credit is available in the countryside through the federal Farm Credit Services (! HYPERLINK "<http://www.farmcredit.com/>" ¶ <http://www.farmcredit.com>^L ; click on a state to find local coop information);

credit unions; and locally owned banks.

Sellers, who have their property listed in these unfavorable conditions, are motivated.

They know that prices are down and buyers are precious. They know that the valuations of a year ago are inflated.

I'm not gloating over these circumstances. I'm simply reporting where I see the real-estate market.

I would advise buyers to look for land that has some, or all, of these features:

20 acres or more
“reasonably divisible” under local ordinances
buyable at a price pegged to comparables sold five to seven years ago
physical and legal access, either with adequate frontage on a public road or
with a recorded right-of-way easement of sufficient width, usability and
without restrictions
acreage confirmable by survey or deed-mapper program
boundaries in the deed coincident with boundaries on the ground—no
boundary disputes or encroachments
general warranty deed preferred; special warranty deed is second choice
fee-simple ownership, including minerals; be wary of property where
minerals have been leased or sold
no environmental deal-breakers—endangered species or their habitat,
wetlands, floodplains, archeological treasures, soil instability (landslides,
earthquake zones); water pollution, on-site dumps
no conservation easement or other significant use restrictions
adequate water for your purposes
mostly useable terrain—not too steep, wet or otherwise inhospitable
building sites
woods that have present or future timber value

As for location, it’s pretty simple. Find a place within a 45-minute drive of a major university located in a small town or city. (I’m not talking about small liberal-arts colleges and community colleges.)

Universities, like land-grant institutions, have a core set of facilities and payroll that will be carried through a recession. In better times, the institution will grow along with our population and its ever-increasing demand for educational credentials and training. Budgets for public universities are likely to be cut in a recession, but universities don’t disappear.

Faculty are ready buyers for undeveloped country property and older farmhouses. Universities generate business around them. A university and its micro-economy always drives land prices up in the surrounding area.

Get in now at the right price, and let time turn your profit.

PS: On June 25, 2010, USA Today reported that college towns and state capitals “...have weathered the recession and housing market meltdown better than many boomtowns. In smaller cities in particular, anchor institutions such as universities...have provided a buffer against economic whiplash”

The median growth rate of 25 college towns sampled by USA Today for 2000-2006 was 0.8 percent, and the media rate for 2006-2009 was 1.1 percent. This compares favorably with many cities of the same size that do not have an educational institution at their cores.