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Buyers need to screen and scope country property

By Curtis Seltzer

BLUE GRASS, Va.—Research is the key to finding and making good property deals. Most research on a target property should take place before you submit a written offer that includes your offer price. Why research before making an offer when you can put a 30-day, results-acceptable-to-the-buyer study contingency in your contract? If you don't research before submitting your offer, how will you know the value of the seller's assets, the right money to propose and what defects the property might contain?

Sellers are always more likely to accept a contingency-free offer than one that gives a buyer a free look. Begin your search for country property by working up a written list of objectives that will guide your effort. Use this list as a screening tool. Screening property takes place in your home, using the Internet, phone, fax and mail. If you have a business objective, a target property must lend itself to that use. Don't count on planting an orange grove in Maine no matter how much the old shingle-sided farmhouse sings to you.

Screen out properties that don't more or less fit all of your objectives. A target property that gets through your screening is then scoped. Scoping is more intensive researching, deeper digging. It has several purposes.

Confirm the basic facts—acreage the seller can convey; condition of land, buildings and systems; legal and physical access; marketable title.

Probe for defects. What's wrong with the land and improvements that make them unsuitable for your intended purpose? What will it cost to remedy these defects?

Value the property's individual assets. Using consultants where needed, determine the current values of the property's assets—merchantable timber, minerals, improvements, water rights, conservation-easement potential, depreciable assets, etc.

Determine fair market value (FMV) of the property as an entirety. Look up the tax-assessed value. See how much above tax-assessed values recent comparable sales have been. Apply that rate to your target to get an FMV. If you're working with a local real-estate agent, ask for a competitive market analysis, which will show recent sales prices of comparable properties. An appraiser can be hired to provide the same.

Calculate how much you will have to put into the place to get it to where you need it.

Run the numbers. Can you sell an asset to help pay for the property? How can the purchase improve your tax situation? Can you buy your place in the country without jeopardizing your financial security? What's your best deal on borrowed money?

Deep looking. Spend time on the target when it's cold, wet and ugly.

Screening and scoping prevent buyers from paying more than they should for rural real estate and expose hidden problems. Research before making an offer is the path to safety and success.

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