A 14-Point Checklist for Land Investing

There are plenty of pitfalls to land investments, but the rewards can be mighty, too.

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Know what you are buying.

Investor William Seavey, 69, bought five acres of land in eastern Washington that was zoned for housing and had a well and electricity. But his building project in the 1990s was blocked nonetheless. "I did all the right things, except I didn't anticipate a recalcitrant building official. Had we been able to build on a $17,000 property with amenities, the property would be worth hundreds of thousands today," he says. Yes, [investing in land](https://money.usnews.com/money/personal-finance/mutual-funds/articles/2015/11/10/4-things-to-know-about-real-estate-investments) can be tricky. Here are some things to consider before you buy land.

Historical trends.

"To analyze what land will give you the fastest and quickest return over time, look at long-range historical trends in population growth, employment growth, household income growth, personal income growth and gross county product to understand the trend in the demand for land versus the supply of land," says Dean D. Bellas, president of Urban Analytics in Alexandria, Virginia.

Stick to primary markets.

"The old adage of 'location, location, location' is as true for a land play as it is any other real estate investment," says principal and broker Cyril Bijaoui of Westside Estate Agency in Miami. "If a buyer has a low tolerance for risk, I would recommend sticking to primary markets with strong density and demographics, where there will always be demand for land and multiple different use types."

Flexibility counts.

As with any product, the more specialized the use, the harder time you might have if the market or the customer changes. "For example, building a single-tenant, 100,000-square-foot [building] for a furniture store in a tertiary market can be quite a risky venture if the furniture store goes out of business, as you will most likely struggle to find a replacement tenant," Bijaoui says. Also be sure you're able to hold onto the land for some time in a [turbulent market](https://money.usnews.com/investing/slideshows/10-tips-for-keeping-a-cool-head-in-a-market-meltdown).

Do your legwork.

A [plot of land's past](https://money.usnews.com/money/personal-finance/mutual-funds/articles/2015/03/05/how-to-begin-investing-in-real-estate) often contains secrets that may affect your plans for its future use. Get a topography and a soils report to be sure if you can build on the lot, a survey to be sure that your neighbors are not encroaching, and make sure that what you are buying is 100 percent yours, says Neville Graham, land expert and associate partner at Partners Trust in Beverly Hills, California. Also make sure that the owner of the vacant lot has not made any oral or written agreements with neighbors about access, parking or crossing over the property, Graham says.

Order a title report.

You need to be sure that the owner of the land is the actual owner, and there are no liens that would prevent your project from getting off the ground, Graham say

See if you are on a water waitlist.

This is crucial, depending on what part of the country you live. Seavey says. "Some people in California are paying taxes [for decades] on land they can't build on," Seavey says.

Walk the lot.

Ensure things like cars, swing sets, fences or flower beds only belong to the owner of the lot. Also check for [utility hookups](https://money.usnews.com/money/blogs/the-smarter-mutual-fund-investor/2015/05/19/4-oversold-utilities-stocks) like a sewer connection. "If there is no sewer connection, then you would need to consider a septic tank, and if so, then you would need to do a percolation test to be sure you can put in a septic tank," Graham says.

What makes the land valuable?

In some areas, it's a great hub location, a view or water. In Texas, "if you get property with springs bubbling out of the limestone, you have hit the jackpot," says designer and investment land owner Pablo Solomon. But also know what is planned for the area – a chemical plant or prison as a neighbor could greatly affect your selling price.

How will you get there?

Unless you own a private jet, you'll want to know if there is a road that gives you access to the land, and whether it's paved, private, gravel or dirt.

Who collects the taxes?

Check to see if you'll need to pay taxes to the city, town, village and county, and review any new or changes to ordinances. If there is a building moratorium or brush clearing mandate, you'll want to know about it, Graham says. Also, check your land's designation. "If your land can be registered as being agricultural use, of historical value or a wildlife refuge, you might get big tax breaks," Solomon says.

Will you need to rezone?

If it takes one to five years to successfully go through the entitlement and rezoning process, the investor might not see a [return on investment](https://money.usnews.com/money/blogs/the-smarter-mutual-fund-investor/2015/08/20/why-real-estate-could-be-a-better-investment-than-stocks) – or might experience negative returns – until the higher rezoning density is granted, Bellas says.

Check with the authorities.

"Some areas on the Texas border are so dangerous with the drugs and [people] crossing the border, day and night, that no one wants to live there. Some other areas are notorious for meth labs and marijuana farms," Solomon says.

Mineral rights are not guaranteed.

If possible, make certain you get controlling interests. In some [mineral-rich states](https://money.usnews.com/investing/articles/2015-12-29/coal-stocks-are-a-long-term-play-for-patient-investors) like Texas, mineral rights can earn you money, and not having them can cause enormous problems. "In some places you can own the surface land without owning what is under the surface. This means a coal company could strip mine your land and only be required to put the soil and grass back on the surface," Solomon says.

Curb your enthusiasm.

When you've found land that you want and you're ready to begin negotiating, it's like a poker game. "Don't show enthusiasm for the asset – any added emotion will work against you on all negotiations," said Ryan Hodson, portfolio manager of Kodiak Capital in Newport Beach, California.