

Owning a recreational property or the property on which you will build your dream house is a very exciting accomplishment! Because it is such an important decision, you want to make the best decision that you can. This portion of the website is designed to help you make a wise decision about the property that is best for you. I've never received an email or a telephone call about property from someone who doesn't want to own property. Unfortunately, I do speak with many people who are unsure of how to go about making a good decision and paying a fair price. In fact, the fear of making a mistake is often so great that people put off making a decision while prices continue to rise or dream about owning property their entire lives, but never fulfill that dream. With the information provided here, you should be ready to take the next step toward fulfilling your dreams!

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1. What does land cost these days?

It seems that the only thing increasing faster than the cost of land today is the demand for it. To the casual observer it might appear that there is plenty of vacant land, yet many factors have come together to create a time in which land is not only increasingly unavailable, but selling at record prices.

The Milwaukee Journal Sentinel's June 17, 2000 issue, stated: "The average price for an acre of farm land in Wisconsin rose by 24% in 1999, the largest one year increase in at least 20 years, according to a state report released Friday (June 16th)."

The Wisconsin State Journal's August 11, 2001 issue stated that "The state's farmland is worth 18% more this year, the largest increase in the nation, a new survey shows", **THAT'S A 42% INCREASE IN PROPERTY VALUES IN ONLY 2 YEARS!**

A March 31, 2000 article in the Wisconsin State Journal says that farmland prices vary from \$4,000.00 per acre in Dane County up to a record \$68,400.00 in Vilas County. On the surface \$4000.00 per acre may seem like a good deal, but one must remember that this price is for one whose budget will allow the purchase of large tracts of land totaling, perhaps, one hundred acres or more. This would be a farmer's or a developer's cost and does not include the costs of preparing the land for resale. Also, remember that this is referring in many cases to

open, treeless land, not premium vacation or residential property.

It is also important to remember that buildable land is not priced by the acre. Unless you are buying large tracts of land for agricultural purposes, the price probably not be reflected in "per acre" units. There are virtually no development costs associated with agricultural land. Just like city lots, rural building parcels, regardless of size, are priced based on the raw land costs and the costs associated with preparing the land for sale. Even if you could purchase 5 or 10 acres of undeveloped land, by the time you pay for an access road or driveway, surveying, soil testing, and electric and telephone service to the property, your cost per acre will be considerably higher.

In some extreme cases (often waterfront related) we sometimes hear statements like this one made after a study done in the 1990's by the Department of Natural Resources and the Wisconsin Lakes Partnership, "In some northern counties, property values have increased as much as 400% in the last 5 years!"

2. Why is land getting so expensive?

There are many reasons including, but not limited to, high demand. As Wisconsin's rural land continues to be developed and cities and suburbs swell into the surrounding countryside, land use committees prescribe zoning regulations designed to keep population density confined to the cities. Every year, more and more townships are adopting zoning laws that mandate 35-acre minimum subdivisions. This means that any new development will have to be in parcels of land that are 35 acres or larger in order to build one single-family home in the country. With land getting so expensive, the cost of 35 acres is prohibitive for the average consumer.

Other factors resulting in the high cost of land include its nearness to metropolitan areas (commutable distance) where work can be found. If the land is wooded, has water frontage, a nice view or a high degree of seclusion, it will also be more expensive. Quality lake frontage is always expensive. A general rule is "the larger the lake, the more expensive the property." Having a nice sand beach on a lake property, which many of us desire, adds considerably to the cost of a lakefront property.

3. Will the price of land ever come down?

The industry analysts don't see that happening. It's the law of supply and demand. Many people waiting for the price of land to come down can't imagine that the cost of land will continue to increase. Ten years ago, these same people thought land was too expensive! The wiser consumer looks 10 years into the future and considers what land will cost then. With that perspective, today's prices seem much more attractive!

4. How do I know if I am paying too much?

Many things determine the value of a parcel of land. Ultimately, it comes down to what the market will bear. It is not the seller, real estate broker, the bank or anyone else who sets the value of the land. It is the consumer. It is the demand for land that drives its price up or down. The easiest way to determine whether or not you have offered too much is through the appraisal process.

The vast majority of real estate purchases are financed through a lending institution. In the case of vacant land, banks are usually financing 80% to 90% of the purchase price. They have the greatest amount of risk and are not willing to proceed with the financing without first having a qualified, licensed appraiser confirm that the land is worth the risk.

The appraiser's job is not to determine the property's ultimate value, but whether or not it is worth what has been offered. If the property does not appraise, you should have the option of canceling your offer to purchase, putting more money down to reduce the bank's risk or renegotiating the purchase amount with the seller.

5. What is the difference in assessed value vs. fair market value?

Many people are confused by exactly what assessed value and fair market value are. Assessed value is used to compute property taxes. It isn't used to any degree in determining the purchase price of a property. In some areas the properties haven't been reassessed in many years. Since it is used mostly in determination of your property taxes you want a low assessed value. The lower the assessed value the lower your tax bill! Fair market value is the price the property will bring on the open market. In other words, fair market value is what you pay for a piece of property.

6. What should I be getting for my money?

We've all heard the saying, "you get what you pay for". This is as much true for land as any other consumer product. Considering the rising cost of land these days, if it seems too good to be true it probably is. Some things a buyer should determine are whether or not the land is guaranteed to be build-able, whether there has been a recent survey and soil test, whether there are clear title and legal access, and whether telephone service and electricity are on site or scheduled to be installed. These additional expenses can add substantially to the cost of the "too good to be true" deal.

7. Can I finance my land purchase?

Yes. While not every lending institution will finance vacant land, many will. Most lending institutions will require 10% to 20% down and finance the remainder. The bank is taking most of the risk so they will want to make sure you are purchasing quality build-able land. Financial institutions will probably not want to finance land that is not build-able. If your goal is to buy unbuild-able lowlands for hunting you are likely to need to pay cash for the entire purchase price. Many banks will not finance the purchase of property if even a small part is swamp or lowlands. Your real estate agent should be able to provide you with information about financing.

8. Can I use the equity in my home to finance my land purchase?

Many people find that using home equity is an advantage. By using the equity in your home to finance your land purchase you may be able to finance 100% of the purchase price rather than putting 10% to 20% down. There may also be tax incentives when you purchase vacant land with home equity. You may be able to write the interest from a home equity loan off your taxes. It is important that you consult with a financial expert when considering financing options.

9. Are there any advantages in pre-approving my financing?

Yes. In fact, there are many. Pre-approving will help you determine what you can afford before you look at property. It allows you to find the loan program that best suits your needs. Pre-approval allows you to get ahead

of others by showing sellers that you're a buyer with a written pre-approval in your hands. When it comes time to make an offer, you will have the clout of a cash buyer and more negotiating power. Additionally, pre-approval will eliminate unexpected delays in loan approval and closing your loan, so you can begin enjoying your new land sooner.

10. What do I do if I want to make an offer?

There are three primary elements of an offer: 1) the purchase price, 2) earnest money, and 3) the closing date. All 3 are important - purchase price alone is not necessarily the most important element of the offer.

The purchase price is often a negotiable amount. Keep in mind that when two offers are essentially the same, usually the offer with the highest purchase price will be accepted. However, both earnest money and closing date could influence a seller in your favor even more than the purchase price you offer. Let me explain.

When making an offer on property you should act in good faith and make your best offer. Your goal is to make a strong offer that will get accepted and stand up against any other offer that should be submitted. In addition to a fair purchase price, your offer will be much stronger if you include solid earnest money of \$1000.00 or more and a short closing date of no more than 2 or 3 weeks if possible.

Sellers will often judge the seriousness of an offer by the amount of earnest money tendered with the offer. Earnest money is money put down as a deposit and is fully refundable if your offer is not accepted. Earnest money is deposited into the Broker's trust account and is applied to the purchase price at closing if your offer is accepted. The seller will not receive your earnest money until the closing.

The closing date on the offer will also get a seller's attention. What concerns a seller about a distant closing date is that something may happen to prevent you from closing during the interim. The closing is when the seller gets paid for their property. Understandably, the seller prefers to get paid as soon as possible. Should you not close, the seller will have missed the opportunity to sell the land to another buyer, while waiting for a closing that ultimately never occurred.

In addition to the purchase price, earnest money, and closing date; one other factor that could either "make or break" your offer is the presence of contingencies. Contingencies are conditions or requirements that must be met before an offer can proceed to closing. To many sellers, an offer containing contingencies (other than standard financing language) is less attractive. An offer free of contingencies is in many ways superior to offers that contain them.

11. Are there any advantages in working with a developer?

There can be a world of difference between buying land from the "guy down the road" and from somebody who develops land for the market as a profession.

Buying from a developer means that you do not have to worry about many of the details mentioned above. A professional real estate developer regularly arranges for such things as surveying, road work and the installation of utilities and is likely to get a better price from the contractors than an individual who develops a single parcel or a single project. The developer can pass the savings on to the buyer.

The professional developer routinely handles things you and I may forget, or don't even know about. The developer makes sure the property complies with all local zoning ordinances, and state and federal laws. He or she will also make sure there are driveway permits available in areas where they are needed, as well as many

other details that make a property ready for your home.

It may be worth remembering that the developer is a professional who is in tune to the market and what the consumer is looking for. The developer handles carefully the details associated with making raw land suitable for a residence and does so in a much more cost effective manner than the average consumer.

12. I don't want a subdivision.

Without a doubt, most people considering a vacant land purchase feel the same way. This is especially true if the land will be used as a vacation getaway. In Wisconsin, a subdivision is defined as 5 or more lots of 1.5 acres or less. The idea of living shoulder to shoulder with close neighbors clustered around a paved cul de sac is not what most people have in mind. But, it is important to remember that all land everywhere is subdivided. The land must be subdivided or you would be forced to purchase more land than you want or can afford.

Since all land is subdivided, the size, number and characteristics of the parcels within the subdivision are what matters. Privacy and seclusion come from the topography of the land, the amount and position of tree cover and other features like water on or near the property. Decide for yourself; is there more seclusion in a large open field or a 3 acre wooded lot?

Many people dream of purchasing 5 acres or so at the back of a 40-acre tract. Considering the cost of land today, if you can not afford the entire 40 acres, the only practical way you will be able to own the secluded 5 acre parcel is if the property is divided and the development costs are spread out among several others. If this did not happen the difficulty in obtaining an easement across the remaining 35 acres, the cost of the road and the cost of running the utilities to your parcel would be tremendous.

It is important to keep in mind that even if you could find a 5-acre tract surrounded by undeveloped land, it is because local zoning has permitted subdividing the land into smaller parcels. There would be no way to know if or when the land next to yours would be further subdivided, possibly into smaller parcels than yours, which can mean even more neighbors!

When it comes to purchasing vacant waterfront property in today's market, consider the cost and rarity of waterfront land. It is very likely that your only choice will be a relatively small lot in a subdivision.

13. What are covenants and do I want them?

Protective covenants are sometimes misunderstood and are often a definite benefit for the buyer. Simply put, covenants are designed to protect your property's value and maintain it in substantially the same way it appeared when you first purchased it.

Most people who purchase rural recreational or residential vacant land do so because it's natural beauty appeals to them. Most people expect that the land will retain the same characteristics that first attracted them. They don't want to worry that unsightly development or the accumulation of trash will spoil their dream. This is why protective covenants are essential.

Imagine how upset you would be if you built a cabin or year-round home in a beautiful, natural setting only to have it spoiled by a neighbor who abandoned old vehicles in the woods. How much would your enjoyment of your property and its value be affected by a commercial business opening up next door? What if your neighbor, by the absence of protective covenants, was within his or her legal right to build a tar paper shack or start a pig farm next to your tasteful home?

Protective covenants are recorded with the deed for your land and are enforceable in a court of law. They give you legal recourse to take action, if necessary, to handle violations. Without protective covenants your options could be severely limited and your enjoyment of your property and its value could be negatively affected.

14. What is an Owner's Association?

Owner's associations are established in order to provide property owners in a development an opportunity to share in management of and to provide funds for maintenance of common areas and access easements.

Associations may be formed to provide for management and maintenance of lake shorelines, ponds, parks or other "green spaces" that are common (jointly owned) areas in a development. A typical owner's association would be a private road association. Private roads require periodic maintenance such as snow plowing, grading, and gravel. By forming a road maintenance association, with each property owner paying a nominal annual fee, the cost for maintaining the road is shared by several users rather than by a single owner. It also assures that the road will be maintained.

15. What should I do to prepare for looking at land?

Looking at land is not the same as looking at a house. You will be out-of-doors, so weather conditions will be a factor. You will want to dress for the weather and even be prepared with additional clothing in the event that weather conditions should change. Appropriate clothing for a land appointment would include items such as hiking boots or tennis shoes, jeans and jackets. Remember, you will be out of doors in fields and woods. You may be visiting a lake or river shoreline. Dress as if you are going camping and not as if you will be inside of a building. Wearing shorts and sandals will almost guarantee that you will not enjoy your land tour.

You should also remember to bring the "extras" that will increase your enjoyment of the land tour. These may include a camera or video camera, hat, sunglasses, binoculars, and anything else you feel you need.

You should be willing to set aside an entire day so the real estate agent can, if necessary, show you several properties. Once on the land, you should be willing to explore the entire property with the real estate agent. Remember, a land purchase is every bit as important as a home purchase. You would never buy a house without having explored every room. It is just as important to give this same attention to vacant land.

Wisconsin law requires that you personally inspect any property that you purchase. In the case of married couples, only one spouse is required to be present. However, it is imperative that all decision makers are present when touring property so that you have the ability to write an offer to protect the property in which you have an interest. All too often, one of the decision makers is not present and the intended property sells before a second visit can be scheduled.

You should also prepare yourself mentally to make a "yes" or "no" decision. If you aren't on a property that meets your needs then a "no" decision is appropriate. You and your agent can continue the search for a property that will meet your needs. If however, you are on a property that meets your needs and "feels" right, it probably is right, and a "yes" decision is appropriate. It is a shame when someone loses their perfect property because they needed to "sleep on it" and someone else bought it first. People are often interested in the same things in a property. What attracted you will surely attract other people.

16. Can I look at property without a real estate agent present?

It is difficult to see any advantage in looking at land without the assistance of a real estate agent. A professional real estate agent will have specific knowledge that will be of great value to you. Even though you may have asked several questions before going to visit the land, you will most likely think of several more once you begin walking the property. Having an agent present will result in your being able to get the answers you want on the spot.

If you are looking at a remote property it may be difficult to locate without having an agent present. The professional real estate agent will have visited the land prior to your visit and will be able to make sure you are walking the right property. Imagine how disappointed you would be if you wanted to make an offer on a property only to discover you were on the wrong land!

A professional real estate agent will be able to help you understand the boundaries by locating the survey markers and assist you with reading survey maps. Additionally, the real estate agent can answer your questions about zoning, building setbacks, driveways, utilities and covenants.

One other consideration worth mentioning is that sellers are often concerned with your safety and the liability they could incur should you sustain an injury while visiting a property. Some sellers mandate that all showings be guided by a real estate agent for this reason.

17. What should I expect from a real estate Agent?

Honesty and professionalism. A professional real estate agent will know the market and will be familiar with the properties he/she is showing to you. The real estate agent should also be familiar with the area and able to inform you about amenities such as lakes, parks, and other recreational opportunities. The real estate professional should be prepared to inform you about such things as schools, churches, and medical facilities as well as police, fire, telephone and electric service. These things are important whether you are purchasing land for recreational or residential use.

The real estate professional wants to help you locate the perfect property and is depending on you to be honest about your needs. If you do not accurately convey your particular needs to the real estate agent he/she will not be able to show you the best possible properties.

Don't be afraid to tell the real estate agent if you do not like a property. Sometimes people are afraid to say "no" and they attempt to soften it by saying "we need to think about it." The professional real estate agent knows that when you say "no" you are saying "no" to the property. He or she will not be offended. The agent will want to continue to search for the perfect property for you, so you must let the agent know when a property is not right for you, and what you don't like about the property.

18. What about buying at auctions etc.?

Some people assume that they can save a significant amount of money when they purchase property at auction or by some other "unconventional" means. Records show that most property sold at auction sells for close to fair market value, and in some cases above fair market value. When buying at auction you are also buying "as is", undisclosed problems and all. There usually isn't a certified survey, and title isn't transferred by warranty deed.

In the case of a sheriff's auction, the only guarantee is that the sheriff has a legal right to hold the auction. It

isn't uncommon to have someone legally contest the auction. You could end up in court fighting to keep the property you bought. Another way to buy property is through a tax sale. Most people don't realize that the person who lost the land to back taxes can reclaim their property. All that is necessary is for that person to pay the back taxes within 12 months of the auction date, and they get their property back. How would you feel if the former owner took your property after you owned it for almost a year?

"For sale by owner" and land contract look good until you investigate further. These can be risky ways to purchase property. They also fail to provide you as the purchaser with the least legal protection you have when working with a licensed realtor. Perhaps the most important reason to work with a real estate agent is "disclosure", and the legal protection it offers you. A real estate agent is required by law to disclose anything they know is wrong or anything they suspect is wrong. In a "for sale by owner" situation, this disclosure is not required by law. If the owner knows that the well is contaminated, there is toxic waste buried on the property, back taxes are due, or anything else that is wrong; they do not legally have to tell you. Also: title transfers, real estate transfer returns and other paper work must be prepared and filed properly. Are you going to trust someone that may not even know the forms exist, to fill them out and file them properly? If the forms are not properly prepared and filed, you may not own the property you paid for! In Wisconsin you have very little legal recourse if you are taken advantage of when you purchase property outside of the state regulated method of working with a realtor.

CONCLUSION

Before there was anything else there was land. It has, and always has had, certain characteristics of unique value. Land has supreme worth because, unlike anything else, it cannot be increased in quantity.

Improvements on the land have value, but these improvements eventually wear down and become obsolete. It's the land, by itself, that endures and appreciates. And as time passes, it emerges as the most valuable asset for the investor.

From feudal kings and landlords of the past to the homeowners and developers of today, a measure of one's wealth has been described primarily in the amount of land one owns. Therefore, holding title to land is something precious indeed.

Owning land can be one of the most rewarding experiences and one of the soundest investments you can make. It satisfies the desire to own something of true and lasting worth. Monetary value aside, owning a secluded family retreat can be the best thing you do for yourself and your loved ones. It can be a tremendous source of happiness and provide you with years of memories.

I love land just as much as everyone else, which is one of the reasons I've chosen my occupation. Thank you for allowing me to take part in the fulfillment of your dreams. I can't wait to help you!

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