

Four Tips for Understanding Land Value

For any recreational property buyer, one of the most important things you'll want to know is whether the price you're paying truly reflects that property's market value.



Many factors go into determining a property's value. Knowing that, a key to having complete confidence in your purchase is to work with a team of rural real estate professionals that know the market and have access to current information and indicators that may affect price and market value.

Every local area is different in terms of supply and demand, types and popularity of recreational use, and how well prices have rebounded since the economic downturn. To help you get started, here are four basics in understanding rural land value:

1. **Every property is different, but experts know how to factor that into establishing value.** A rural property expert understands the importance of using well-researched comparable sales that are consistent with the highest and best use for a property. Also, they should be aware of geographic nuances, market trends, wildlife patterns and presence, specific laws and regulations, and the analytical methods required for credible results.
2. **Relevance and up-to-date market information is the basis for fair valuations.** Any appraisal or broker's opinion of value needs to be based on current information. Markets can change quickly, so a year-old appraisal may not reflect current value. Industry professionals and lenders generally use 180 days or less as a good rule of thumb for the acceptable age for an appraisal or opinion of value.
3. **Understand the market indicators.** You and your broker should review the details that went into establishing value and if you feel something is missing or not correct, speak up. The way we see it, if you have an appraisal, it's a good idea to double-check its assumptions, to make sure they match the facts you know about the property you're buying.
4. **Knowledge of timber values is a must.** Whether you plan to harvest timber for cash flow, or simply want to have excellent cover for wildlife, it's important to understand how the quality and quantity of timber ties into the property's overall value. A rural real estate expert will either have the needed knowledge to help define this value, or should be a partner with a forestry expert who can.

In the end, a property's value and worth is determined by what a buyer is willing to pay. But all of these factors are part of determining market value and, ultimately price. If your gut-feel is that a property that suits your needs is fairly valued, most likely it is.

Because no two rural properties are exactly alike, having a better understanding of this process for the parcel you're considering will help you recognize the value of your purchase and get you out on the property sooner to start enjoying it.