

Supplement Your Retirement by Profiting from Quality Building Lots and Home Sites

by Gene Curry, Realtor, Certified Financial Planner

Could it be you aspire to build your idyllic vacation or retirement home, customized exactly the way you want, which requires beginning with the perfect vacant building lot or home site?

Or may be you now realize, as many already have, that holding “quality” home sites in an investment or retirement portfolio makes a lot of financial sense in these turbulent economic times. Thanks to the almost predictable business cycle and the recent housing downturn, bargains now abound and there could not be a better time to make the timely investment. And on balance, by all accounts, in many places the housing recovery has already begun and it will not be long before prices start moving up in response to demand. And once they do, you can congratulate yourself on making such a wise investment when the timing was right.

Regardless of desire or need, we feel there is much to be said about investing in land, and more specifically, superior home sites located in well planned developments and communities. Planned developments and communities that have been pre-selected based on a strict set of economic, geographic and location criteria that include optimal transportation, health care, schools, job growth, taxes, cultural centers, entertainment, demographics, environmental awareness, preserved land, state and local parks, etc.

And as you will see, for a number of reasons, we have a special preference when it comes to including quality building lots in a retirement portfolio, especially as a worthwhile alternative to just another “traditional” retirement plan asset. As Mark Twain once said....”Buy land, they have stopped making it”.

While land as an investment class has not typically been included in the average investor’s portfolio, it has long been a valued component in the portfolios of “professional” investors. Moreover, large pension funds, insurance companies and even banks have long since included land holdings among their key investments and have been profiting from land value gains for some time. The managers of such investment entities are quite familiar with the long-term appreciation benefits of land holdings.

Today, especially given the lackluster performance of some more “traditional” investments tied to the financial markets, average investors are looking for alternatives that are more easily understood, less vulnerable to day-to-day emotional price swings and most importantly, have the potential to significantly boost long-term investment portfolio returns. This is not to say that traditional investments (stocks, bonds, mutual funds, annuities, etc.) do not have a place in the average investor’s portfolio. On the contrary, they do and always will. But diversification is the name of the game and including “strategic” lot investments among traditional investments in a portfolio makes a lot of financial sense, especially when the time is right for lot investment bargain hunters.

Certainly, buying a tract of land to be held as an investment or to be developed into building lots for sale is quite different from buying a pre-approved home site in a well-planned, amenity rich subdivision or planned community. Speaking as a former land planning professional, who spent many years designing and developing quality communities and working with planning boards, commissions and other agencies in the course of obtaining the needed development approvals, there is so much more involved and left to chance in developing a tract of land, especially in consideration of environmental requirements, zoning laws and required municipal and other approvals, etc.

Fortunately, when buying a home site in an established or newly approved subdivision, issues concerning access, utilities, easements, land-use and deed restrictions are typically already established, making the selection process a whole lot simpler and with a lot less risk. When these issues are guaranteed by the development sponsor and no longer left to chance, one can focus strictly on the investment, and when it comes to investing your hard earned dollars, mitigation of risk is paramount.

Here are just some considerations and reasons why investing in quality building lots and home sites are a good choice in lieu of other real estate and/or “traditional” financial investments:

- When compared to improved property, vacant home sites are typically less expensive. Given a limited availability of investor capital, strategic investing and diversification, which is vitally important to mitigating the risk in all portfolios, are more easily achieved with vacant building lot investments. For example, home site investments are more easily diversified geographically and as well, within an existing portfolio due to lower costs.
- Partnering among home site investments is easily achieved with lot investments. The sharing of ownership, which helps spread any associated investment risk, is more easily achieved since there typically no income or operating expenses to be allocated as would be the case with improved property. This is especially important when partnering among IRA investors.
- Vacant home sites almost always have lower property taxes than land with structures and improvements.
- Insurance is not typically needed with a home site or vacant land as opposed to improved property.
- Other than minimal maintenance, such periodic mowing, normally there is no property management or maintenance needed with the ownership of vacant building lots.

- The prime target market to which you may offer the lot for eventual sale, which could include second homebuyers or retirees, often prefer to design and build or have built houses to fit vacant land on their own. Unless you are a professional builder, putting a house on a lot will only increase the value by what it cost you to build. Moreover, your particular preference in design may result in limiting the number of potential buyers since we all have different tastes. With vacant land and lots, it is easy to make minor improvements (clearing brush, building docks, driveways, etc.) to enhance the value in preparation for the market.
- Other than agricultural land, most often there is typically no rental income associated with land and lots. It is the value appreciation associated with an investment in a well-located and carefully selected home site that most often provides a handsome return.
- As most appraisers will agree, the land itself is where the true value of real estate lies. Land is historically the most stable asset possible, which is meaningful given today's economic climate. For the most part, land rarely loses value and at worst case, land values may level off for an unspecified period before resuming their upward climb. Unlike a share of stock, which is basically a piece of paper could drop in value to nothing, home sites are tangible and are very unlikely to ever become completely worthless. It is true, "they are not making any more of it" and in the end, population increases and the economic law of scarcity always prevails.

We feel that quality building lots and home sites, located in well-planned communities that have been pre-selected based on a strict set of criteria make ideal investments for the average investor, inside a self-directed retirement account or not. And the time could not be better to make your timely investment, especially where the Baby Boomers are headed in short order and will no doubt drive up the demand for quality real estate.

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