

Selling Homes on Acreage...

In today's market – it's Seller beware too!

Selling homes on acreage is much more involved than selling a home in a plat, where most of the time, what you see is what you get. This report is to stress the importance of recognizing problems early on in the marketing process to facilitate a smooth transaction. Homes on acreage have issues like:

- Zoning
- Wetlands
- City & County Ordinances
- Growth Management
- Easements/Encroachments

Any one of these can blindside you close to closing time, if not dealt with properly in the beginning.

Where to Start...

Before you can determine value, you must know what you have to sell! It is important that you disclose all material facts about the property and must use extreme caution not to mis-represent something you, yourself, have taken for granted over the years.

Review the Title Report

Review your current title report. If a copy has not been ordered have your agent order one or call a title company for help in ordering one. Once you get the report, read it and if you have any questions, contact the title officer who prepared it (usually noted on the top of the report). Be sure to ask for any referenced attachments (often indicated by a recording number). This is important since there may have been liens or documents recorded against your property that you may not be aware of, or that were attached erroneously. This will give you time to address any problems that surface.

Conditions, Covenants & Restrictions (CC&R's)

Any CC&R's will be attached to these documents and you should review them even if they do not seem enforced. For instance, if you are selling equestrian potential property, make sure you know what the restrictions in the Covenants are (even though a neighbor seems in violation). A buyer could be damaged if the covenants were falsely represented or falsely assumed to be different and you may be held liable later.

Many properties were created prior to any current restrictions and regulations were put into effect. It is always good to know what new regulations you may be dealing with and if there are any "grandfather" issues that apply. For example: does your property violate any existing codes; i.e., zoning violations? Is your property conforming? Are there any easement issues of public access rights? Are there any setback or sensitive area issues? For example: if you are selling view property and much of the view needs to be cleared, make sure you are aware of any clearing restrictions. Never guarantee a view! Ask your agent how best to represent that feature of your property.

Property Lines

One of the most fought after issues in real estate are property lines. Know where your property boundaries are ahead of time. You will most likely be asked to identify your boundaries, so you may want to take steps to have them located and save time during the sales process. NEVER identify property corners or lines unless you are 100% sure of where they are, normally identified by a survey rebar. If you don't know and don't have funds to hire a surveyor, ask your agent how best to handle that issue. The buyer may ask to have the property surveyed before closing and you should discuss your options with your agent or factor the cost into your price.

Zoning

Know your zoning. If you are selling property that can be divided, make sure the current zoning will allow for subdivision and what conditions will it be subject to. The ease or difficulty will determine property value. Just because the zoning may allow for it, does not automatically equate into an increase in property value. The cost of doing so, may offset the increase in market value. NEVER represent the subdividing potential of your property. Allow a reasonable time for the buyer to do their feasibility do diligence to determine the potential and cost of doing so.

Wet or Dry

When in doubt, always disclose. If you have any drainage problems that are not apparent in dry weather, you must disclose them to the buyer. It's always easier to deal with an issue up front than after the fact or after the buyer has made an offer and discovered a problem afterwards.

Well System

You may want to inspect your well water quality ahead of time by having the Health Department certify the well and water (King County Health Dept. 206-296-4932). You most likely will be asked to warrant the quality of the well in the purchase and sale agreement. NEVER "warrant" the well, only agree to have it inspected and certified by the appropriate Health Department. If you "warrant the well" (and that goes for the septic, as well), you may be liable after the sale for years to come. If your purchase and sale agreement has that verbage in it, ask your agent to point it out to you and change it.

Septic System

YOU will need to have the septic inspected and pumped as part of the condition of sale, in order for the buyer to get bank financing on the property. The certifications are usually good for at least six months; sometimes up to a year. If you think it will take your home longer than six months to sell, don't pump the system until you have a purchase and sale agreement in place. However, you may want an inspector to check it out ahead of time, so you know if you have a potential problem. Since this can be a costly item to be repaired, it's best to know ahead of time how it will affect your bottom line so it can be factored in when establishing a price for your home.

Encroachment and Easements

Make sure you have legal and recorded access regarding easements if you are crossing over someone's property. This information should be recorded on the title. If several property owners use the same road, is there a current road maintenance agreement and how well is it enforced? While you may not be concerned, the buyer's lender

may make it a requirement of closing. Knowing ahead of time, will save time at closing.

Pricing

Determining the value of the home and land, and deciding on a fair market price is a complex and ambiguous process, because many times there are not a lot of surrounding properties that can be used for comparables.

A list of value factors are:

- Supply
- Demand
- Usability – for example, level land is more valuable
- Location – for example, neighboring property condition, schools, and shopping
- Public transportation and proximity to trails
- Zoning and building codes
- Water, quality and quantity
- Soil drainage
- Amount of timber and type of vegetation
- Availability of utilities
- Barn and farm equipment included in the sale
- Exposure to the sun
- Timing of the sale
- The buyer's eagerness to buy the property and your eagerness to sell
- The length of time the property has been for sale
- The current market for the property
- Your ability to know when you are getting a fair deal
- Is it in an urban or rural designation in your city's Growth Management Plan
- Access to trails

Your agent should be able to show you properties that have sold and that are currently on the market and adjust for each of these factors. Sometimes a cost replacement method is the only way of establishing value.

Structures

Be cautious when evaluating structures other than the residence. Sometimes the structures can be functionally obsolete and may only have value to a buyer if they were to use them for the same purpose. Otherwise, they may be a detriment. Don't overevaluate your property and risk losing a potential buyer. On the other hand, existing structures, while obsolete, may have a "grandfather right" attached to them. It's best not to assume and check with the County first.

Property Not Included

Be sure to list all and any items that are not included in the sale, that a potential buyer could assume to be part of the property. Sometimes, it's the little things that can cause the greatest setback to a deal and make for a very unpleasant and stressful transaction. Any item physically attached stays with the property, everything else is considered personal property. However, there are grey areas – such as, weathervanes, doorknockers, flagpoles, playsets, outbuildings not attached to the ground, hot tubs, etc.

Final Consideration

You will be asked to complete a property disclosure statement at time of listing your property. By being fully informed, you will be able to provide all pertinent information that will protect your legal responsibilities and facilitate a smooth closing transaction.

I hope this information will be helpful to you. It is not all inclusive, so I would be pleased to discuss your plans and concerns for selling your home on acreage. Please contact me to help you establish value and discuss marketing strategies.