

PARADISE FOUND



Understanding the value of your property

Cole Ehmke

Rural life and acres of open space have persuaded thousands to consider a home in the rural Mountain West.

Since many people rely on their property as a part of their investment portfolio, maintaining and improving property values can be very important.

How does a realty professional assess a rural property? Matt Goetz, an appraiser with Alpine Appraisal in Laramie, views properties with an eye

for value. “When I do an appraisal, I’m looking at two main things: functionality of the vacant land and improvements,” he says.

Functionality

Lot size is the first factor. “Size dictates its potential function – its highest and best use. Does it have functionality as an animal property for grazing? Is it a 20- to 40-acre lot that can be subdivided? Is there potential for income (from leasing the property or for an activity like horse breeding)?” says Goetz.

Amenities are the other element of function – is the location someplace desirable, like at the base of a mountain or along a river? Does it have good accessibility, utilities, and water? Goetz points out surrounding properties are an important part of the property value. “If some of the surrounding properties are poorly maintained, then everybody’s property values are hurt. And depressed values lead to more depressed values. If there is undesirable land without covenants (for initial development) this usually leads to low-quality housing.



Low-quality housing tends not to be as well maintained and is more likely to fall into disrepair. In some places, the property would be more valuable if all the housing were demolished, says Goetz.

Improvements

Housing is a factor in Goetz's second element of valuation: improvements. Rural properties typically have a number of improvements: water, utilities, a house, a garage, sheds, corrals, and loafing sheds. Water is a good place to begin when looking at property value. Quantity of water is one part (measured in the gallon per minute capacity of the well), including supplemental wells and spigots, but quality is important, too. "Where would you be if you put in a \$10,000 reverse osmosis system and still had bad water?" Goetz asks.

Proper upkeep of improvements counts, too. People often ask Goetz, "What should I remodel to get the best return?"

To Goetz, the answer is simple: "The poorest element is the one you want to bring up to standards. If the weak point in the property is a kitchen contributing only \$1,000 in value (one in quite bad shape), then

by demolishing it to replace it with a \$20,000 kitchen, you may pick up in value much of the costs," says Goetz. "In rural properties, owners like to have a garage (preferably attached). They also tend to put money into a shop or shed." Goetz also points out some things might have a negative value. "If you put in a \$30,000 pool that you'd use for a week a year – that's not helpful to the property's value."

The property's functionality has to add up, he says. For instance, if the loafing shed can hold 20 horses, can the corral system handle that same number? Does the landscaping

use a reasonable amount of water? Are housing and outbuildings of a consistent style? Is the place too big to maintain? Does the property have electricity (it is usually quite expensive to run power lines), a utility box, and telephone connectivity?

Goetz notes some owners are considering going "off grid" – creating a property that isn't reliant on utilities such as water and electricity. Goetz says, "I don't think we're there with the technology – the reliability and financial feasibility – yet."

Final Thought

A final element of a property's value is its ability to target financing. "Lenders have guidelines for loaning on property. If lenders like Fannie Mae put it in their guidelines to not lend because a property is off grid or has a cistern or a propane generator, then other lenders will follow," says Goetz. This would diminish the value of some properties and limit the market to those buyers who can either pay cash or who can provide a 50-percent down payment (if they can find financing), or it may mean that someone wanting to refinance couldn't get financing through a traditional source.

An appraisal is an opinion of value. It is useful when making a significant financial decision, like buying or selling a property or for an estate or divorce settlement. An appraiser who is certified and licensed has a specific education and undertakes training in this field to stay current.

Appraising takes into account things such as:

- The property's location,
- Property improvements and their condition,
- Building or structural faults,
- Features of the home,
- Caveats or encumbrances on the property,
- County/city zoning, and
- Additional features of the property (particularly in rural areas).

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