

Waterfront Investing May Require Road Trips and Investigation

By M. Anthony Carr

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Investors are once again on a record pace of purchasing in 2005, matching their pace from 2004. The National Association of Realtors reported in March that "twenty-three percent of homes purchases last year were for investment and another 13 percent were vacation properties."

Loan Performance, a subsidiary of First American Corporation, reports this year that investors have made up 7.19 percent of all mortgagees through the end of April 2005 ~ which is more than a 300 percent increase since 2001, according to a brief in the Wall Street Journal.

The obvious is obvious: despite fears of a bubble, real estate is the hottest investment tool in the 21st century to date. Outside of a real estate meltdown, it appears the advent of retiring baby boomers will be looking for real estate to purchase, both close to home and out of state. Some of those targets are waterfront properties. Since there's only so much coastal property, you may be in competition with buyers/investors from all over the world for land on the water.

The good news is you don't have to be a millionaire to invest in coastal property, but be wise in your selection process. I heard a radio ad the other day touting to residents in the Washington, D.C. region (three states in all) to come to North Carolina to buy waterfront land for as low as \$99,900 per lot.

Now, for many would-be investors, purchasing a piece of property without a house on it for a hundred grand is ludicrous. But when you're in a market where a 2-bedroom bungalow goes for \$700,000 - well, a lot in another state for \$100K seems real affordable. So, I called.

The property in question looks great on the internet. The lots are from a quarter to a half acre in a 600-acre development that's two-thirds sold. By the time the development is complete, there will be a man-made lake, boat launch, community center and canal-front properties throughout.

The sales person even talked about how all the developer's other communities had sold out in just 3 to 6 months. Wow ... better get on the appreciating bandwagon while I can, right?

Well, that's the question I put to one of my investment mentors. (I have several.) He owns land in North Carolina, Florida, Hawaii ~ plenty of coastal areas. I haven't had the opportunity to purchase coastal land, yet, so I'm hoping this will be my first dive into the land pool. He was excited for me when I described the slick brochure over the phone. And wisely said, "You need to go down there and check it out."

So my chief investment officer (who's also my beautiful bride) and I are heading down there this weekend to check it out ~ along with the tips handed to me from my mentor and I pass them on to you:

- Walk the land ~ don't buy sight unseen. There are so many things that can go wrong with land. Look it over closely. Get a hold of the site plan ~ where are your lines, what's on your land, what's on your neighbor's land, where are the septic fields, etc.
- Read up on the history of the land development (local newspapers, internet). Was this a friendly undertaking or was there a lot of grief from neighbors? What was on this land before? A farm, wooded land, mobile home park, etc.
- Visit homeowners in the community who have already built a house. What do they think about the developer? Don't be afraid of this. Just go up, knock on the door and ask: "I'm considering purchasing a home at the Lucky Ducky Water Resort next door. How have you liked living here? Was the house built to your satisfaction? Has the community amenities been developed as promised?" The current owners will know and will gladly tell you either good or bad.
- Will the land percolate for the size house you want? Don't buy a piece of land on the coast you can't build on unless you just want a camping/fishing lot.
- If you're excited about owning water front property, go ahead and look at waterfront property in the area you're searching that already has a house on it. Instead of waiting to build, you may be able to get something now that can actually create a cash flow.
- Don't shop just in one waterfront development. Look over developments in the same area and search for land through local MLS search engines.
- Check out the economic growth of the county. Who are the employers? Are they growing? (Seek out this information from the Economic Development Authority ~ local or state level). You want to purchase an appreciating investment.
- When was the last drought and what happened to the water levels then? Did the waterfront properties become beach front homes?

Just like any other investment, a waterfront purchase requires due diligence and a commonsense, step-by-step approach to finding out if this is a boom or a bust.