How to Buy Land: Tips to Pick the Perfect Plot

By Liz Alterman
Realtor.com

Janine Lamontagne/iStock

Wondering how to buy land? There's something thrilling about the idea of buying your own piece of vacant land—raw, untouched real estate on which you can build your dream home from the ground up. But picking the perfect parcel for a land purchase can prove a bit more complex for buyers than you'd expect. So know what's involved before you dig in and buy land! We're here to help you navigate this process and avoid any land-buying pitfalls.

How to buy land in various zoning districts

If you think you've spied the perfect vacant land for your future dream home, before you start drawing up an offer for your land purchase, you'll want to check local zoning ordinances and possible building restrictions. The vacant lot may be your desired acreage and seem like a good investment. But, no matter how appealing a parcel of land may appear on the surface, if it doesn't meet the specifications for your intended real estate use, you'll find yourself with a costly but worthless hunk of earth.

Investing in a parcel of land without doing your due diligence could leave you with a possible mortgage and several acres that could be tough to sell later.

"While a plot may seem like an ideal home site, local zoning may forbid construction of a home there," says Chris Chapin, a real estate agent with Douglas Elliman. "The code might specify industrial use, or retail, or agricultural, or something other than what you need."

Zoning and other land regulations and restrictions can be accessed through public records at your local zoning office or city hall (many also offer zoning maps online). Here are some other important things to check before you buy land:

- **Access from a street:** Unless you plan on parking your car on the side of the road and hoofing it to your home, your real estate property must be accessible from a street or road. If the parcel is landlocked, you will need to get an easement across a neighboring property, which means you get permission to pass through the neighbor's land to get to yours.
- **Setbacks:** This refers to how far from a property line a structure must be situated on the vacant land. If you have 20-foot structure setbacks from either side, but your lot is only 50 feet wide, that means your home can be no greater than 10 feet wide! Odds are that won't work.
- **View ordinances:** Some local view ordinances may place restrictions on your ability to add a second story to your house. A restriction on the type of home you can build could affect your chance to sell it later and cost you money.

Figure out how much it will really cost

The cost of a plot of land to build on averages $3,020 per acre. But even if you're purchasing the land for a song, you'd better have money for a down payment and to pay to build a new home on the vacant land.

According to data from the National Association of Home Builders, the median cost of building a home is $289,415. Though, that's hardly where your real estate expenses end. You will also be responsible for property taxes, utility expenses, and more.

"There are substantial expenses for getting land ready for construction," Chapin notes. "You will need a survey, permits from the municipality, and health department approval. The site must be cleared, graded, and excavated. Departments of local, county, and state governments can be involved, all with associated fees, of course."

And this can take a while: "The process from identifying a parcel for purchase to receiving the certificate of occupancy can take a year or more."

Determine which utilities you want to install

Chances are quite good that you'd like your home to have water, electricity, and other modern-day conveniences. And the costs for setting up utility systems don't come cheap.

For example, homeowners may have to pay to install a septic system—a series of pipes that empty wastewater deep into the ground, where bacteria break it down. But the condition of the land itself is critical for a septic system. While most existing homes are connected to a municipal sewer system, for a new home you can go either way. But not all land can sustain a septic system.

"To determine this, you'll need to perform a percolation test," says Chapin. "This means that the ground must be able to absorb water at a specified minimum rate; otherwise the lot will not support a septic system."

Hire a land planner

Before purchasing any real estate, it's a good idea to talk to an expert, like a real estate agent, other landowner, or land planner, to help you evaluate whether your investment is a good idea. If you want some help figuring out whether a certain lot is ripe for building a home and how much it will cost, the professional you'll want to turn to is a land planner.

Much like home inspectors size up a house for potential flaws that you'll have to fix, land planners scrutinize land.

"This is an individual whose job it is to find out everything possible about the land related to getting it ready to be built upon," Chapin explains. "Vegetation, wetlands, soil type, water table, slope, and access are just a few of the items that will have an impact upon whether structures can be erected. It can happen that, for various reasons, a certain parcel will be unbuildable. If so, you do not want to be left holding the bag. Better to find out beforehand."

Before you buy land, find a land planner. Go to Planning.org or ask your Realtor® for a referral.

Prepare for financing

Financing a parcel of land can be tricky. Getting a "raw land loan" is different from financing a home. Since there's no building on the property yet, it's easier for a buyer to simply walk away from the real estate deal, leaving the seller and lender holding the bag. Due to this risk, some lenders may require a buyer to pay a higher down payment on land—anywhere from 20% to 50%. The loan may also have more stringent credit score requirements and a higher interest rate.