

The Rush to Invest in Land



Undeveloped Plots Draw Buyers As the Housing Market Softens; The 'Jed Clampett' Problem

By JEFF D. OPDYKE

THE REAL-ESTATE market has a new cry: Land ho!

As the nation's housing market cools, there's a rush to snap up undeveloped property as buyers stake their claim on everything from New England creek-front parcels, to mountainous woodlands in Tennessee, to big-sky vistas in Montana.

Some people are buying dream lots now, while the land is available and prices affordable, with plans to one day build a vacation or retirement home.

Others are investing in recreational property they want to use today: In rural west Texas, for example, scrubland that wouldn't even sell a few years ago has become so popular with deer hunters and the offroad-vehicle set that it now fetches premium prices from buyers flying in from Florida, Illinois and California.

Keith and Mary Payden of Minneapolis a few years ago bought 35 acres of land in a wooded

canyon in southwestern Colorado. They've put in a well and set up temporary living quarters above a barn to use when they visit. "This is where we want to spend our retirement," says the 59-year-old Mr. Payden, an information-technology consultant. The land "fits our hobbies, since there's horseback riding, skiing and golf nearby." Their eventual plan: Put up a small house they can use there.

In the face of demand like this, prices for undeveloped land in many parts of the country are shooting up. Around the country last year, farmland values rose at their highest year-over-year rate—11%—since 1981, according to the Agriculture Department. Rural land in Texas hit a historic high of nearly \$1,500 an acre on average last year, up about 75% since 2000, according to Texas A&M University Real Estate Center.

Robert R. Johns, a 68-year-old retired gas-pipeline worker, recently bought 400 acres of corn and soybean fields in central Illinois. The land, which the Johnses lease to farmers, serves mainly as an investment, generating what he expects will be rental returns of as much as 5% a year plus any long-term price appreciation.

But the couple, who live near Chicago, also enjoy visiting friends and shopping for antiques in the area, and plan to park a camper there to visit, "almost like a weekend vacation."

In some ways, buying land and buying a second home are similar. Both are capable of generating income—a house through rental income; land

through leases for farming, hunting, fishing, ranching or mineral rights. And in both cases, first three rules of a successful purchase are location, location and location.

Some buyers are heading farther afield to affordable acreage. Charlie Chernak, owner of Bear Island Land Co., in Ely, Minn., near Canadian border, says "remote backlands are becoming popular because people are getting priced out of lakeshore properties."

Land also comes with its own set of snafus that can quickly turn a picture-perfect parcel into that—something that's pretty to look at, but much else. Among the important questions: If plan to build a vacation home there or eventually live there, can you get electric power onto property? And can the land support a water and septic system?

What's more, land might make a good investment, but it can be a lot harder to sell in a pinch than a house, since fewer people are looking for land.

The U.S. has roughly 1.5 billion acres of rural land, excluding public lands, representing about 65% of the country. Prices vary widely: Rural land can fetch \$250 an acre in the brush country of southwest Texas, to \$3,000 an acre for timber; pasture land in Iowa, to a scenic, 37-acre property in southwest Colorado straddling both sides of a river for nearly \$27,000 an acre.

Of course, not all plots are in the depths of
Please Turn to Page B5, Column 2