Land/Site Analysis—Part 11

By David R. Lewis, ASA, SR/WA, MRICS

This is the last Tool Kit article on Land/Site Analysis. Future articles will include the concepts and practices from this and other articles in the Tool Kit series. The next articles will focus on critical thinking and writing skills.

Part 1 of Land/Site Analysis discussed that the land/site analysis process consists of a systematic approach that considers factual information on the land and its improvements. This process is essential in the highest and best use analysis. Such analysis considers a number of factors including external physical features in relation to the subject site. The writings of Kevin Lynch (land use planner) provide a different perspective in defining and analyzing external physical features. The planning profession provides tools that can assist appraisers in identifying and solving problems. Such tools include public regulation of real estate and defining community goals. Compatibility with the land and suitability with the neighborhood is central to the planning process as well as to the highest and best use analysis in the appraisal process.

Land/site analysis, in the performance of an appraisal assignment, may be required whether the subject property is improved or vacant. Subject property improvements usually set the framework of the analysis required to competently develop an opinion of value. However, appraisal assignments of vacant land can be more problematic than improved properties. Such assignments often require specialized experience. Obtaining such experience may prove to be difficult for some appraisers. Vacant land assignments do not generally make up the lion's share of an appraiser's workload. These include assignments where developing opinions of value may require allocation and land residual analysis methodologies. If allocation is used, it is often secondary to the analysis of the total property assignment. Zone of value considerations are even rarer. Lack of assignments limits experience.

Improved properties typically have had an approval by local government in regards to planning approvals and building code requirements. Vacant land may not have had the benefit of having approved development plans. Therefore, an analysis of suitability of the site-specific characteristics and compatibility with the neighborhood may not have occurred. Risk is evident and hypothetical conditions and/or extraordinary assumptions may be required as part of the appraisal process.

Vacant land that has some level of approved development plans may require the appraiser to acquire another skill set. Development plans should be reviewed by the appraiser as part of the scope of work requirements to competently perform an assignment.

Most introductory appraisal textbooks cover the basics of identifying site and land use characteristics. For example, it is common to provide instruction distinguishing the types of subdivision lots such as interior, corner, cul-de-sac, and "t"-intersection. Techniques are providers as to how lots may be measured. Topography, soil, and geology are usually

discussed in the typical textbook. However, determining what is physically and legally possible in the highest and best use analysis requires certain competencies.

Valuing vacant land often requires a certain perspective and an internal/mental exercise of asking the "what if" questions. The questions to be answered will depend on the subject property and the needs of the client and intended users of the appraisal services. The appraiser will need to have sufficient education and experience to ask the right questions. The appraiser is required to determine the scope of work required to competently conduct an analysis. This includes identifying the data required based on availability, relevance and reliability. Preparing a sketch plan or reviewing development plans may be required.

One systematic or critical thinking technique approach in land/site analysis is to think in terms of site suitability. Each potential use has general suitability criteria. In real estate, the environment is analyzed on how well it functions for certain human activities. It should also be analyzed on how efficiently it satisfies our convenience as well as comfort. The ability to understand and orient our activities is essential to having an efficient and suitable environment.

Determining suitability requires that the relevant land/site attributes be identified and mapped. Graphic presentation assists with the analysis process. In addition, suitability is not only a physical analysis of a specific property. It includes compatibility with the adjacent land uses and the neighborhood.

Suitability is a function of the land uses for which the site is being considered. Suitability is where specific activities can be conducted, considering such items as demand and absorption trends, competitive supply and price sensitivity, costs of development and construction, ease of the development approval process and securing entitlements, compatibility with adjoining properties, and environmental impacts. Site constraints represent items that are opposite of suitability features.

For comparison purposes, another step in the analysis process is to consider whether other sites have a comparative advantage. Suitability of the site and compatibility with the neighborhood should be part of the comparison process to determine if the comparables are reasonable market substitutes for the subject property and/or significant competition and barriers to market entry.

Note: For the purposes of this article the term *suitability* is used because it is commonly used in the planning profession. It can carry a different perspective than the word "compatibility." Appraisers are consumers of planning information and should have a basic knowledge of the nomenclature used by planners. Nonetheless, both appraisers and planners also use the word "compatibility." According to the Appraisal Institute, compatibility refers to "the concept that a building is in harmony with its use or uses and its environment." Suitability is used in the development review process and may include environmental considerations.