FEEDBACK TUTORIAL LETTER

1ST SEMESTER 2021

Assignment 1

Urban Development & Management
UDP711S
Ms Nelao N. Puleinge would like to thank all students for submitting assignment one. The overall performance was good. Keep up the good work dear students!

**NOTE:** Students are encouraged to read and adhere to comments provided in assignment 1 to improve performance in assignment 2.

### ASSIGNMENT 1

The analysis of land development process as part of capital investment and its applications:

1. Evaluate its economic feasibility.
2. Determine the offer price.
3. Find out what the land is zoned for (purpose).
4. Secure your financing.
5. Begin building within zoning laws.
6. Market the land/property to sell.
1. Economic Feasibility

The first step of raw land investing is to determine its economic feasibility. Like any real estate investment, it’s critical to determine your desired return on the property before getting started. This is important because it will lessen the market’s uncertainty and provide a model of the costs versus profit aspect of your investment. Although the numbers will be an estimate, understanding your project’s feasibility including the estimated costs, revenue, and overall return will better help investors succeed.

2. Acquisition

Once you understand the costs, you’re likely to encounter—including what you should receive in return—you can better determine the offer price. Investors need to have contractors submit actual bids for the project at this stage of the process. This will not only provide estimated costs for the project, including the numbers of what you’re expected to spend, but also a max offer price.

3. Zoning

Stage three of raw land investing deals primarily with the design of the land. In essence, this pertains to what type of property should be constructed on the parcel, including looking into local zoning codes. Depending on the type of property you’re looking to construct or how you intend to present the property to buyers, zoning will play an important role in how you proceed. Zoning codes will essentially determine what types of properties whether single family, multifamily, condominium, or commercial can be built on the lot. As an investor, this could ultimately hinder your investment approach. When getting started in raw land investing, it’s vitally important to understand the area’s zoning laws.

4. Financing

Like all real estate investments, how you intend to use the property will dictate the type of financing you obtain. The one aspect investors should care the most about is the loan-to-cost ratio (LTC). In essence, the LTC is the amount of money the lender will provide for the project, which will generally depend on the type of construction and use of the property. Although most lenders will only provide a percentage of
the overall costs (generally between 80-85 percent), owner-occupied homes are eligible to get standard bank financing.

5. Construction

The second-to-last stage of the raw land development process is construction. In most cases, this will consist of horizontal development—like grading for roads, curbs, and utilities—and eventually building the property from the ground up. One element investor also needs to be aware of is the construction financing aspect of the project. Contractors will be paid in increments of duties performed, including phases of the project. In many cases, construction lenders will hold approximately 10 percent of the construction loan until the project is completed.

6. Marketing

The final step to the land development process is marketing. This is where stage-one is of critical importance. Researching the neighbourhood, the market price, and demand for rentals will pay off when determining your marketing strategy. Investors should also have a marketing plan in place to attract buyers to the property. This may include working with a realtor, online listings, the MLS, advertising in newspapers, and even social media.