

LeadDeveloper

Raw Land Development

What you need to know



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Vacant Land Development: Benefits Of Raw Land	3
Is Vacant Land A Good Investment?	4
Is Land Development Profitable?	5
High Potential Returns	5
Entrepreneurial Work Is Rewarded	5
Easy Availability Of Finance	6
Fewer Construction Issues	6
What Is The Risk Involved In Raw Land Development?	7
Holding Costs Are High	7
Government Procedures Are Lengthy	7
Approval From The Community	8
How To Develop Raw Land?	9
Speculation	9
Sell And Rezone	9
Subdivide, Rezone, And Sell	10
Is There Any Market Demand For Vacant Land?	11
Market Analysis For Vacant Land	12
How To Select The Best Location For Vacant Land?	13
Development Team Required For Land Development	14
Town Planner	14
Civil Engineer	14
Land Surveyor	15
Various Other Consultants	15
Major Design Considerations	17
Dimensions And Orientation Of The Property	17
Built Form	18
Streetscape	18
Transport Networks	19
Design For The Streets	19
Services	20
Public Open Space	21
Cost Affecting Factors	22



What Is The Process For Vacant Land Development Approval?	24
How To Prepare Raw Land For Construction?	25
How To Do Marketing For Vacant Land?	26
Limited Release	26
Houses On Display	27
Incentives	27
Financing For Developers	27
Rezoning	28
Restrictions	28
Possession Of A Rezoning Permit	28
Obtaining Rezoning As A Strategy	29
Mistrust	29
Local Politics	29
Public Costs	29
Different Viewpoints	30
Bottom Line	31
FAQs	32
What considers raw land?	32
How is land developed?	32



Vacant Land Development: Benefits Of Raw Land



Vacant land development refers to the process of turning undeveloped land into something valuable and habitable by building on it. This can be achieved in many different ways, depending on your needs and the type of land you're working with, but all land development projects share some common elements and steps. This article will discuss those elements and ways to get started on your own raw land development project!



Is Vacant Land A Good Investment?

We can't replicate land; thus, it can be a precious asset depending on its location and site circumstances. Areas near a river or coastline, or places with exceptional vistas, have witnessed a significant increase in value, indicating a demand for good quality land.

The advantage of holding raw land is the possibility to increase its value. Vacant land can be subdivided or rezoned, with the resulting portion(s) of land being sold for more than the initial purchase price, including subdivision or rezoning fees.

When undeveloped land is not providing money, the owner often loses the tax benefits of developed property. If an investor or developer wants to keep raw land, they'll need a lot of cash to cover repayments, service fees, and other expenses.

Investing in raw land can be considered from two different angles:

1. Land speculation
2. Redevelopment and resale.

Regarding land speculation, the investor expects to keep the property until a shift in land use occurs or demand is developed due to urban expansion. On the other hand, the land developer intends to engage in entrepreneurial activities on the property, such as applying for a rezoning of land use and subdivision, installing infrastructures such as roads, water, sewerage, gas, and electricity, and then profitably selling the various subdivided portions.



Is Land Development Profitable?

In a survey of developers, more than half stated that they did not believe raw land was an investment. But is it? Could you make money off raw land if you developed it and sold it to investors? The answer is yes, but it depends on two factors: location and timing. To maximise your chance of making money from developing raw land, look for areas with high population growth, high-income growth and proximity to employment centres. Following are some reasons why land development is beneficial.

High Potential Returns

As previously said, a well-located property can become a valuable asset, mainly when natural forces such as population growth and migration create a desire for new zonings. When rural land is rezoned to urban, the value of the land purchased at rural land prices is revalued at a much higher rate per square metre.

Entrepreneurial Work Is Rewarded

Visionary developers are often rewarded for their entrepreneurial efforts. For example, some developers have made billionaires overnight by analysing a city's growth patterns and purchasing vast tracts of unused government property,



rezoning it, and selling the subdivision as residential and commercial building lots.

Easy Availability Of Finance

Most funders will be willing to lend money for vacant land if the timing, location, and **feasibility studies** show a good return. This funding is sometimes contingent on the property being rezoned.

Fewer Construction Issues

Dealing with a natural resource that only requires roads and essential utilities to make it usable entails fewer headaches and financial commitments than dealing with new construction. Furthermore, compared to a new building, where the developer will only receive payment after the structure is completed, land can be sold much sooner, lowering the holding cost or interest charges.



What Is The Risk Involved In Raw Land Development?

The risks associated with raw land development are primarily determined by the timing factor, along with the following points.

Holding Costs Are High

Long-term speculative land purchases might have substantial holding costs, especially if the land cannot be rented for a specific purpose or sold beforehand. Delays in rezoning or subdivision approvals can be costly to a developer because they will be paying interest, land taxes, and professional fees without any cash flow or return from the land.

Government Procedures Are Lengthy

Any rezoning or subdivision of land triggers a slew of government processes, including municipal and state agencies. Some government procedures may mandate the developer to do particular studies, such as an environmental impact assessment, a traffic effect analysis, and a social impact study, depending on the size and location of the site.



Approval From The Community

There may be several local active communities and action groups who voice concerns about the rezoning's influence on the residents and environment, in addition to the usual government approvals. If these concerns are not addressed, it may slow down the [development process](#).

In the world of property development, risk management is critical. Follow [Risks In Property Development – Industry Insiders Guide](#) for tips and tricks for succeeding with a practical approach to all types of risk in this industry.



How To Develop Raw Land?

To be successful in land development, you must be continually aware of any changes in government planning policies and maintain track of urban expansion. You can do so by going to your state's planning authority and getting the most up-to-date planning material on current and future policies. Now that you have this information, you have the following alternatives for approaching your development.

Speculation

Long-term and short-term speculation are both possible. The long-term premise involves buying a big piece of rural land, waiting for urban sprawl to approach, and then selling. Short-term speculating requires being informed of any impending planning adjustments, purchasing land that will be affected by the changes and then selling at a higher price.

Sell And Rezone

Rezoning and selling entail purchasing the land outright or based on a conditional option. It will take time and effort to ensure that the rezoning is effective and then sell the land to another developer willing to build the structures.



Subdivide, Rezone, And Sell

Rezoning, subdividing, and selling is used to rezone, subdivide, and sell residential or large industrial land plots. The developer creates an overall township plan following government planning policy and long-term structure plans. Before being sold as individual lots, the application will go through standard government procedures.



Is There Any Market Demand For Vacant Land?

Land development follows the same rules as other markets and is subject to market pressures.

Because successful land development is dependent on the land's eventual use, you should examine the variables associated with specific real estate uses while analysing market demand.

The following is a list of the main variables to be investigated:

- Population variation
- The economy's transformation
- Effect of government policies
- Alterations in the economic structure of the community
- Availability of land
- Social services

Recommended Reading - [How to time the real estate market](#)



Market Analysis For Vacant Land

Conduct market research in the following areas to identify potential purchasers for the subdivided lots:

- Consumer demographics and profile
- Proof of previous sales
- Infrastructure that has been carefully planned
- Competitors
- Forecasting sales
- Future profits

The research can be assisted by real estate brokers, property valuers, or expert market researchers.



How To Select The Best Location For Vacant Land?

You will need to spend time researching on land acquisition and staying up-to-date with the state planning authorities' future planning rules to locate the best location for land development. Your investigation should also consider the long-term planning of road and rail transportation infrastructure and the movement of people closer to job possibilities.

Avoid environmentally sensitive locations, which may cause rezoning and subdivision applications to be delayed. Avoid natural wetlands and low-lying ground and waste sites such as former garbage dumps, regions with high overhead power lines, and land near airports or heavy industrial zones.

When looking for the perfect location, consider all of the land's future uses, which could include residential, office, retail, or industrial.

*Check how safe or risky the project is by performing a **site acquisition process**.*



Development Team Required For Land Development

The number of consultants on the team will vary depending on the scale of the project. Still, in addition to the developer or project manager, the town planner, civil engineer, and land surveyor are three other consultants who play an essential role in rezoning and subdivision. The following is a list of their respective services:

Town Planner

Depending on the project's scope, you may use the services of a town planner from the beginning to the finish. The planner's skills are most needed in the early stages when he will perform a variety of studies and consultations with various authorities to offer a conceptual layout sketch with a planned subdivision and zoning. The planner will prepare a thorough structural plan with the help of other consultants, which will serve as the framework for the various subdivisions and will be submitted to various authorities for approval. A municipal planner will draft the application and motivation documents for council approval if the rezoning is required.

Civil Engineer

In the early stages, you will need a civil engineer to evaluate service opportunities and limits with the appropriate authorities. Water, electricity, and gas authorities, the local control for road



and stormwater management development standards, telecommunication service providers, and the government's transportation and environmental protection departments are among them. The engineer will inspect the land and look into the soil and vegetation types, groundwater, existing services, terrain, and other factors affecting the town planner's raw land development costs and planning. The engineer will develop precise drawings and specifications in cooperation with the other team members, issued for tendering to civil contractors. It is critical to retain the services of an engineer to oversee the **construction process**.

Land Surveyor

You will need a land surveyor at two stages of the project's development: at the start and the end. The surveyor will prepare a complete survey of the land to be developed at the beginning of the project, covering all existing elements such as trees, water features, services, and so on. The surveyor will formalise the subdivision by drawing diagrams and pegging out the subdivided land so that titles may be issued after the subdivision is completed and approved by relevant authorities.

Various Other Consultants

You will also need some other consultants, but they will likely play a minor role:

- Structural engineer
- Environmental scientist
- Geotechnical engineer



- Anthropologist
- Architect
- Landscape architect
- Property Valuer
- Real estate agent
- Advertising and marketing professional
- Lawyer

Learn more about [property development team members and their work.](#)



Major Design Considerations

Design is a significant concern when residential and industrial lots are subdivided to be sold. I'll focus on residential development for this exercise. Some of the principles that apply to residential subdivisions may also apply to industrial subdivisions. You must consider the following design elements -

Dimensions And Orientation Of The Property

There is a lot of variation in the size and orientation of lots across your country's states. For instance, in Australia's states, the average lot size used to be roughly 500 to 800 square metres for detached dwellings. Many local governments are now encouraging a range of lot sizes ranging from 400 to 450 square metres to achieve cost efficiency. Australian households are shrinking, and people's lifestyles are shifting to include more time spent on leisure activities outside the home. As a result, homeowners don't have as much time to manage a large garden as they once did. When developing for smaller lots, the planning team should consider the following factors, where appropriate:

- The land's natural curves and orientation, as well as the conditions of the soil
- The requirement to preserve unique features such as trees and views
- The cost-effectiveness of new and existing services



- The necessity of avoiding unnecessarily repetitious actions
- The ability to aid energy conservation by ensuring proper solar orientation

Built Form

Although the final design and planning of residences on each lot is not part of a land developer's **financial feasibility**, considering the following design considerations will help with the marketing strategy:

- The homes' scale, height, and density
- A general housing theme or personality
- Privacy, natural light, and energy conservation.
- Various setbacks and building lines
- Provision of a private outdoor area
- Parking

Streetscape

In a vacant residential land subdivision, the design and character of the streetscape are essential in determining the value and image of the properties. It also has a significant impact on neighbourhood identity. The following elements contribute to the streetscape's value.

- The formal and informal landscaping's quality
- Natural greenery and existing trees are preserved



- The utilisation of terrain and natural features
- Widths of the verge (the area between the lot boundary and the roadway) and street paving design
- Street furniture, such as poles and signs, is controlled and designed.
- Architectural styles under supervision
- Fence height and material are created and maintained.

Transport Networks

The design team should start with the most sensitive elements of transportation, which are the needs of pedestrians and cyclists when preparing the overall conceptual site layout. The primary highways should have gentle grades and connect residential areas to schools, parks, and community activity centres. One needs to eventually consider the design of possible bus routes and the expansion of the roadway network. For safety, traffic effect, and noise, residential streets should have low traffic volumes and speeds.

Design For The Streets

Aside from the public transportation network, the design team should pay special attention to the detail and design of the street layout, taking into account such like:

- The breadth of the street reserve (the area set aside for future road widening) and the width of the pavement



- Distances and sightlines (clean vision lines for vehicles approaching intersections)
- Design and markings for streets and pavements
- Spinning rounds to make room for garbage trucks and fire trucks
- Public transportation provisions
- Street illumination, as well as street furniture
- Pedestrians and bikes will be accommodated.

The provision of pedestrians and bicycles must be a vital component of the overall transportation network design. Residents should be able to walk or ride their bikes to community facilities. It's especially crucial to design for the safety of children, the disabled, and the elderly, especially when they have to cross a busy street.

Services

Water supply, sewerage, electricity, gas, telephone, and stormwater are typically provided through a series of underground ducts within the road reserve or at the back of a lot in residential subdivision developments. Independent authorities oversee these utilities, and no attempt has been made in the past to integrate installation, except a single agreed-upon location for each service. Recently, there have been attempts to share trenches, which has the following benefits:

- Cost-effectiveness with fewer trenches and minor construction
- The precise location of maintenance and repair services



- Reduced verge width
- Reinstatement and earlier settlement.

Public Open Space

Local governments usually specify the minimum amount of open space required to ensure a sufficient amount is planned at the design stage. The continuous maintenance of these spaces has recently become a concern for local governments; therefore, when developing areas for open space, it's necessary to strike a balance between current and future use and ongoing maintenance requirements.



Cost Affecting Factors

While the initial cost of land subdivision development may be comparable to other developments, the construction cost breakdown will differ because no buildings are involved. The expenses that one needs to consider when conducting a feasibility study for a land subdivision development are listed below:

- Land value when purchased
- Rezoning
- Subdivision
- Services in bulk
- Expense of building
- Cost of holding
- **Cost of escalation**
- Fees for development managers
- Consulting fees for professionals
- Insurance
- Transportation and other statutory levies
- Road widening
- Marketing and advertising

Finance For Land Development

The feasibility analysis, but more crucially, the project's cash flow following the anticipated stages or phases, will determine whether or not finance is approved for a subdivision land development. Early in the development process, one should



approach financial institutions to understand the project as the concept develops.

*Know your numbers by getting instant access to the **property development feasibility suite***

Before approaching a lender, make sure you have the following information on hand:

- A historical overview of the land and its environs
- A summary of the project as well as any distinguishing features
- A report on the property's value
- The specifics of the market research
- Information on the development firm and its shareholders
- Information on the borrower's financial situation



What Is The Process For Vacant Land Development Approval?

Land subdivision permission differs from building development approval in that it involves many state and municipal governments, environmental organisations, and utility companies. Each state has its development approvals process, in which you can take help from a local town planner or state planning department. You can understand the development process in detail with my article of [18 crucial steps for the development approval process](#). However, keep in mind that each method will be different depending on the local government authority in charge of the area.



How To Prepare Raw Land For Construction?

The procedure for clearing the subdivision should begin once tender processes have been followed and a civil contractor has been hired to carry out the building work. The appointed civil engineer should schedule inspections with various authorities to ensure that all necessary services have been installed correctly, such as earthworks, roads, and stormwater drains. All construction work must adhere to the approved blueprints and any additional conditions imposed by the relevant authorities. As soon as the job is finished, submit 'as constructed' drawings for the issue of certificates of title. Remember that the contractor's obligations end after a 12-month maintenance period. The contract should retain 2.5 per cent of the contract sum, which will be released at the end of the maintenance period.



How To Do Marketing For Vacant Land?

You may choose to undertake 'in-house' marketing or hire professional advisors such as real estate agents, depending on the size of the development and the allocated money. Through various media types such as newspapers, radio, pamphlets, and so on, the marketing exercise would create a particular community lifestyle.

The start of the marketing campaign will be determined by a strategy developed based on the previous study. The following factors drive a marketing programme:

- Whether pre-sales are a requirement for funding the project's start-up.
- The current market situation and competitiveness
- Marketing research indicates that customers want to view the finished product before committing.

You can learn more about these strategies through my latest article - [7 steps to market a new development project](#).

Aside from those above, there are other marketing strategies that successful developers are using.

Limited Release

The development will be released in stages if the limited release method is used. Each step has a finite number of lots, and there are always more purchasers than available lots, creating a "must buy" mentality before the price rises at the following step.



Market conditions will determine the effectiveness of this strategy.

Recommended Reading - [Property market cycle - Get In or Get Out](#).

Houses On Display

Most new land developments will have a few lots accessible for project builders at the entrance. This serves a dual purpose: it gives the project a more regular appearance. Most project builders spend a significant amount of money on their promotion, luring vast groups of potential purchasers to the property.

Incentives

Various incentives can be used to entice purchasers, such as free fence or landscaping or a monetary discount on the early completion of the new home.

Financing For Developers

Having the developer's financier provide financing to potential buyers would benefit the developer, the buyer, and the financier. They will have already appraised the land and may offer better terms and conditions to buyers.



Rezoning

Rezoning a property from its current use to more commercially valuable zoning can bring substantial financial rewards to astute developers with vision and drive. This can be accomplished, for example, by purchasing a vacant piece of residential land and rezoning it to a shopping district. The new zoning would have attracted a higher market value if the ground had remained residential. However, as described above, this is easier said than done because the developer will face several challenges.

Restrictions

Governments can regulate and control the specific use of land by restricting zoning. These zonings are in the public interest because they promote public health, safety, and welfare. Zoning regulations should not be arbitrary, unfair, or discriminatory, and they should be clear, detailed, and simple to understand.

Possession Of A Rezoning Permit

Local governments must consider the following factors when granting a rezoning to an existing town planning scheme:

- Whether the suggested alternate zoning will be compatible with the surrounding area's overall character
- Whether the suggested alternative zoning is socially desirable to the community and its environs
- Whether the motivation of the applicant is personal or in the public interest



Obtaining Rezoning As A Strategy

Rather than focusing solely on the scheme's benefits, applicants who successfully secure rezoning approval focus on their presentation (detailed drawings and written papers to support rezoning) and strategy. This is accomplished by having a thorough understanding of the elements that influence rezoning proposals, such as:

Mistrust

Residents generally do not trust developers, which is regrettable but true. This is mainly due to past unscrupulous developers. Your growth plans will almost always involve bringing additional people into the neighbourhood, altering the environment, and changing traffic patterns. These changes cause concern, with citizens occasionally objecting to any idea without weighing the pros and cons.

Local Politics

Be aware that local politics may become involved and that local councillors will have different perspectives on various issues. You should learn about these viewpoints or beliefs and tailor your presentation to address or avoid these challenges.

Public Costs

Any rezoning will incur additional costs, such as essential services and increased traffic. Your presentation must persuade all parties involved that your proposal would benefit the community and not impose undue burdens.



Different Viewpoints

Recognise that the local planning authorities, interest groups, and residents will all have other points of view than you. It may be beneficial to check with these organisations before submitting your application. The presentation of your plan should address any issues positively raised by these various bodies.



Bottom Line

After reading this article, you're undoubtedly asking yourself, "Why to build or develop a property?" Why not sell the land as is? It is essential to rehabilitate land for two reasons:

1. A property that has been substantially developed is worth significantly more than one that has not been designed.
2. A built property generates cash while also providing tax benefits, but a vacant site is costly to maintain.

Some developers focus solely on land development. These developers devise long-term development strategies and buy semi-rural land three to five years (or longer) before urban sprawl encroaches on their investment. To do the same, you'll need a sufficient amount of cash to go through this period of low income and the patience to wait for the anticipated windfall.

Mastermind your first property development project with a [property mastermind course](#).



FAQs

What considers raw land?

Undeveloped land, often known as raw land, is the undeveloped base free of public facilities, buildings, or roadways.

Undeveloped land is usually situated in rural regions off county roads and might be the perfect site to create your future home. It can also be helpful for various other reasons, including recreation.

How is land developed?

Land development is a procedure that includes evaluating, planning, designing, and constructing improvements on a plot of land following municipal and regulatory norms and regulations.