



Regions Wealth Podcast

Episode 28: Land of Opportunity: Turning Inherited Land Into Revenue

Inheriting a large amount of land can be a blessing — but it can also present some challenges, particularly for those who lack land management experience. Should you sell the land, or keep it? And if you keep it, how can it be used to generate revenue? In this episode, Trust Real Estate Property Manager and Assistant Vice President Carol Smart joins us to discuss natural resources and real estate management.

Episode Transcript

Sarah Fister-Gale:

“Welcome to Regions Wealth Podcast — the podcast that tackles life’s challenges with financial experience. I’m your host, Sarah Fister-Gale.

Inheriting a large amount of land can be a blessing — but it can also present some challenges, particularly for those who lack land management experience. Should you sell the land, or keep it? And if you keep it, how can it be used to generate revenue?

Joining me remotely is Carol Smart. She’s a Trust Real Estate Property Manager and Assistant Vice President at Regions Bank. Carol, thanks for joining us today.

Carol Smart:

Yeah, thank you.

Sarah:

In this episode of Regions Wealth Podcast, we’re discussing how both inexperienced *and* experienced land owners might benefit from natural resources and real estate management. We’ve taken frequently-asked questions from a bunch of people and developed a character who needs your help. Let’s listen.

Lydia:

“My name is Lydia and I have an unusual dilemma here. After my great-aunt passed away last year, I inherited some land in a rural area. Let me rephrase that: A LOT of land. It was originally purchased by my great-grandfather back in the ‘30s, just before he died unexpectedly, and it’s been sitting unused the entire time. No one else laid claim to it, so my great-aunt inherited it. The thing is, she never quite knew what to do with it, which... is also the same problem I’m facing. I



work in branding — I'm a VP at an agency in Miami, so this is totally out of my realm. I grew up in the suburbs. Basically, what I'm trying to say is, I'm no farmer, and neither was my great-aunt.

I thought about selling the land... my life is already busy — I don't have the time to really do more than just list it for sale. But then a family friend convinced me that keeping it could be really beneficial, that I could use it to generate income for me and my kids. I have two kids, so the thought of keeping this land in my family does appeal to me, but so does using the sale of the land to help fund their 529 Plan. I'd like to plug the numbers on this, but I don't even know how to calculate something like that."

Sarah:

So, Carol, this is a big decision for someone to make particularly when they don't have any experience with land ownership or farming. What should someone in Lydia's position do to weigh the pros and cons of selling versus keeping inherited land?

Carol:

Well, real estate isn't like a stock or a bond, it's a completely different animal. They aren't making any more of it, so it's not just buy, sell, or keep. This type of decision is complex, and someone in Lydia's position would find it beneficial to work with professionals who can help her weigh the pros and cons. Where teams like ours add value is in analyzing the data, we evaluate available options and we formulate a plan. And then we communicate fully with the client each step of the way. In Lydia's case, we would take a look at the land and figure out how to meet the needs she mentioned. We'd consider the possible uses of the land, potentially engaging appraisers or real estate agents, and analyze the data to see what makes the most sense.

Sarah:

So Lydia's situation seems pretty specific and a little bit unique. How often do you see situations like these?

Carol:

Often, really often. Lydia's situation is unique for her, but it's not so unique for us. We handle these situations all the time. It's not uncommon for our clients to have inherited a piece of land they know nothing about, and don't have an understanding of its value. And real estate is unique in general. As I say, they're not making any more of it, so there could be many uses and many factors going in a decision to sell or retain.

Sarah:

So you can help Lydia figure out the best long-term plan for this land, for her family and her future?



Carol:

Right, we can help her analyze what her pros and cons are, how we can get there and we have these resources that can help her with that. For example, we have an entire team of 43 property managers in nine states in our Natural Resources and Real Estate department here at Regions. We have a deep bench of professionals who manage not only large tracts of rural land like this, but also a million acres of timberland, and 200,000 acres of farmland. We also have people who handle oil, gas and minerals as well as commercial, industrial and residential real estate, which I specialize in. We have the resources of portfolio managers to give us an idea of how investing the cash from a sale might grow over time. So, for someone in Lydia's shoes, access to such a wide range of available resources can be quite helpful.

Sarah:

And do you also work with experienced landowners?

Carol:

Yes. In some cases their children may have no interest whatsoever in the real estate, or they may live across the country and living their own lives. And then we can step into the shoes of the owner to manage the property when they might want to retire from the worries of real estate. Or we can handle selling the property to distribute the cash to maybe a trust for the children, or the grandchildren or to a charity, a non-profit.

Sarah:

That's so interesting - it sounds like your team must work with a wide variety of people.

Carol:

Yes. Really often.

Sarah:

Okay, let's pause here and listen to a bit more of Lydia's story.

Lydia:

"Another big problem: I know absolutely nothing about this land beyond the fact that it's located in a rural area. I have zero insight into what it could be used for, or if it's even valuable. What if it's just acres and acres of overgrowth? Or on the flip side, what if there's real value there, and I undervalue the land, or get taken advantage of?"

Sarah:

It sounds like Lydia doesn't have the insight into the potential value of her land, so how might someone without that expertise evaluate it?



Carol:

There are so many applications Lydia may not realize, from farming to mineral rights. And Lydia's right that a savvy buyer may try to take advantage of her. You need someone to help you figure out where that value lies and look out for your best interests — someone who will take a holistic approach to making the most out of her property. We would inspect it first and determine the potential best uses for the property, perhaps a farm or timber use, and even acres of overgrowth can be turned into planted timber or fields. Lately we've been having some increased demand in some areas of Atlanta exurbs for industrial use, such as warehouses. Prices are usually higher for that, and some of those properties had been held for 20 years or more and the market had just finally started growing. So we're taking advantage of that.

Sarah:

So, it sounds like it's important not just to make sure you're getting the right price but to understand where the real value of a land is so you can find the right buyers?

Carol:

Definitely. It's about the use of the land and... But there's so many choices to make, you really have to, you know, sit down and have somebody help you think through it.

Sarah:

And do you think the way that the land can be used should impact Lydia's decision to keep or sell?

Carol:

Yes, that is part of the evaluation of the best use of the land for the individual. For example, she may find that part of the land may be suited to farming and part is suited to timber. Ultimately it really depends on her goals. So, if her goal is to turn the land into cash, we can certainly help do that. Just sell it and reinvest the cash. Or we can evaluate the data and let her determine what best meets those goals.

Sarah:

Okay - so let's listen to the final portion of Lydia's story.

Lydia:

The biggest issue with keeping the land is really my lack of time and experience. I love the idea of using it to generate income, but I just don't have the time to oversee something like that. I'd prefer to keep the land in my family, but i just don't even know where to begin. And I hate to say it, but as someone without experience, I'm a bit worried I'll be taken advantage of.



Sarah:

So, Carol, if Lydia decided to keep the land and used it to generate income what options might be available to her?

Carol:

Well, Lydia has a variety of options available to her. Some of the options to generate income would be planting timber — and of course that's the long haul — or leasing to hunting clubs or to farmers for their crops. So, for instance, if she's worried about security on the property, hunting clubs are often great stewards of the land. They're very, you know, keep everybody off of it because they want to hunt it and they keep trespassers off. They may need to cut roads into the property to facilitate their hunting. So, they'll provide better access for the owner. And then you also have to consider the mineral oil and gas area, depending on the location of the property. For example, at Regions we have a team of professionals, particularly in Louisiana and Texas, who handle a lot of oil leases and oil wells. And then we have geologists on staff who handle quarries. Middle Georgia has a lot of kaolin, like, kaolinite, that kind of mineral that gets mined. And then we also have natural gas resources that can be leased out.

Sarah:

Okay. So we've talked a lot about Lydia, who's obviously an inexperienced landowner, but I'm curious: how do these services benefit landowners who are a little bit more experienced?

Carol:

Someone who's owned the property for many years may still want to run things. They may not be ready to turn over those reins. So, they could use these services to step in after they've gone, or after they're incapacitated, to manage selling or retaining the property. And we have to make sure that each family member is treated the same. It's tough for a surviving spouse to be put in the middle of what can sometimes be difficult personalities, especially when the surviving spouse wasn't involved in handling the real estate at all. The owner will know that we're not playing favorites and having someone who can step in and manage those situations is going to be helpful.

Sarah:

So Carol, in episode 24 of this series, we discussed property managers. If Lydia decides to keep the land, how might she benefit from the help of a property manager?

Carol:

The benefit of a property manager is having someone work on the details on your behalf, so you don't have to worry about them. A property manager can help you sleep at night. People underestimate how that worry can just weigh you down, but knowing you have someone



who's working in your best interest and who communicates with you so you know what's going on, is a big relief.

Sarah:

Lydia mentions that she's quite busy. If she were to hire a property manager, how much time would she need to devote?

Carol:

With a property manager, a person can have as much communication or as little as they want. We tailor each situation to the client's needs. In Lydia's case, it sounds like she has a busy life and it sounds like she would prefer having a property manager who's more involved.

Sarah:

Carol, earlier you mentioned working with widows or widowers. Let's say that the remaining spouse is living in a home located on the property. Would it be possible for someone to stay on their property and still use a service like yours to manage it?

Carol:

Yes. If there were a house on it, for instance, if there's a house on the farm, you know farmland, we certainly step in and help take care of the house too. You know she can stay there. We could always plant timber on the other 100 acres. You know, you may not want a hunting club in that instance, but we can definitely help her take care of the house and make sure the roof's not leaking. So there's other stuff we can do in addition to just managing the land itself.

Sarah:

Okay. So, Carol, in each of these podcasts we like to ask for some key takeaways. What are some key takeaways that you'd share with someone in Lydia's shoes?

Carol:

Ask for help. It is very stressful to handle something that might be out of your wheelhouse. For example, I would never try to take on branding on my own. I would need a professional like Lydia to help me. So, real estate can be a steep learning curve and there are plenty of buyers and real estate agents out there who are eager to take some extra profit out of your deal. You have to remember that agents are paid on commission and they often just don't have the time, or they're just not quite equipped to really analyze the options. Whether you're experienced with real estate or not, a property manager can help you with the complexities of your particular situation. Regions is a fiduciary, which means that we have to work in your best interests and make prudent decisions on your investment. That's really what the land is, an investment. In Lydia's case, this is found money. Why not make the most of it?



Sarah:

That is excellent advice. That was Carol Smart, she's a Trust Real Estate property manager and Assistant Vice President at Regions Bank. Carol, thank you so much for joining us today.

Carol:

Oh yeah, thank you.

Sarah:

And thank *you* for joining us today. Each episode of Regions Wealth Podcast covers a different financial challenge, and we've covered a lot of great topics so far. Be sure to visit regions.com/wealthpodcast to explore past episodes.

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