



# NEW ENGLAND REAL ESTATE JOURNAL

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By Carl Izzo, Fiduciary Real Estate Advisors

## Inherited real estate: Now what should we expect?

**M**any times people become recipients of legacies or gifts that may include vacant land or other real property that they are unfamiliar with or are unsure how to manage. These gifts don't usually come with an instruction manual or even a suggested course of action. The recipients must decide, without having much experience or direction, how to deal with an investment that may have a significant affect on them and their families. In many cases, these decisions must be made during a time in their lives when emotions may be strained and clear thinking is not always present. A real estate counselor can be a very helpful and important resource to beneficiaries during these times.

### Vacant Land

Most individuals, that become "instant land owners" because of these gifts, are unaware of the many rules and regulations regarding land development or land management. They may feel overwhelmed with all that's involved with owning unimproved land that they choose to sell or dispose of the land quickly and possibly at less than its fair market value simply because it's easier than keeping it. They have, however, an obligation



and a responsibility to do what is in the best interest of all parties involved. Individuals not experienced with land development or undeveloped land management are at a disadvantage.

Should the property be appraised? What are wetland regulations? What is the ConComm? 21E?..... Developing raw land means that these questions and many more must be addressed before the development process begins. Although the process may seem very confusing, a real estate counselor can assist the client by outlining the whole process and helping the client through the necessary steps.

The counselor may recommend that a feasibility study including a perimeter survey, wetland study, conservation review, preliminary environmental site assessment and a fair market value appraisal be done for the site. This information will be used to determine the highest and best use of the property and to formulate a suitable development plan. The feasibility study allows the owners to make an informed decision about the future of the property.

### Improved Real Estate

Unless you are a real estate investor, you probably don't have any reason to keep up with the latest rules and regulatory requirements pertaining to real property. The average person purchases three or four homes

during their lifetime. Purchases are usually made voluntarily for personal use and on an "as needed" basis. Individuals take their time and consider many factors when selling their current residence and purchasing a new one. The local neighborhood, the school systems, the proximity to shopping, hospitals and transportation are some of these considerations. The type and style of the dwelling is also an important part of the decision. These items are all very important since they have a direct impact on one's lifestyle.

When a person inherits an interest in real property, they don't usually have a choice about what they are inheriting and they may have to make a decision quickly about the future of the asset. They receive whatever the donor has left them. In many cases, there are multiple beneficiaries inheriting property which means that each beneficiary has a fractional interest in the asset. This may also mean that each beneficiary may have a different idea about what to do with the property. Sometimes beneficiaries are already well established and they may not want the responsibility of additional real estate. They would rather sell the real estate and invest the proceeds in a less time consuming investment. While this seems like a logical and prudent course to take it is not always as easy as it sounds and the benefits

may not always be the same for each fractional interest owner. The process of selling the asset is not very difficult; however, getting all beneficiaries to agree on the price and terms of sale sometimes is. Once again, emotions play a major role in the decision process.

For these reasons beneficiaries should consider engaging a real estate counselor familiar with the issues arising from inherited property to work with the family to form and implement a plan for the real estate. Once a plan is formed, the beneficiaries can then devote their attention on matters of the family, such as the tangible assets, and leave the real estate issues to the real estate counselor. The real estate counselor can arrange for the sale of the real estate and follow the process from beginning to end. If the property was being managed by the donor, the real estate counselor can assume that responsibility and relieve the family of management details which are frequently burdensome and which, in some instances, may involve unwelcome but unavoidable personal contacts.

**Carl Izzo, CRE, president of the New England/Upstate New York Chapter of the Counselors of Real Estate, is the managing director of Fiduciary Real Estate Advisors LLC, a subsidiary of Burns & Levinson LLP.**