

## 5 REASONS WHY AN ALTA SURVEY IS NEEDED BEFORE DEVELOPING A COMMERCIAL PROPERTY

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As we mentioned last month, when purchasing a commercial real estate property, it is important to carry out your due diligence. By this we mean conducting ample research on the land, the property, and the sellers. Boundary disputes and unrecorded easements are expensive issues to resolve and can affect both what the property is worth and what you can do with it.

As part of the due diligence process, you should consider having an ALTA survey prepared by a licensed surveyor. An ALTA survey will help you find out what exactly you're getting yourself into. Let's look more closely at what an ALTA survey is and why you need one.

### WHAT OR WHO IS ALTA?

ALTA stands for [American Land Title Association](#). The main purpose of the organization is to protect both property buyers and mortgage lenders investing in real estate.



American Land  
Title Association  
Protect your property rights

ALTA has high standards. It insists on them when searching land records and in the preparation of insurance documents to avoid land title problems as much as possible.

## WHAT IS AN ALTA SURVEY?

An ALTA survey is a specialized boundary survey. It denotes all the borders of a property and the location of any improvements and/or easements. This includes any fences or buildings, and any recorded/uncorded easements.

An ALTA survey is performed by a registered, licensed surveyor and is prepared to standards set down by the [American Congress of Surveying and Mapping](#). ACSM's standards are stricter than those required by the state. For this reason, it is likely to cost more than a standard survey and should be considered an investment.



You'll need an ALTA survey for these two reasons:

1. To satisfy the title insurer's requirements for the issuance of ALTA title insurance coverage for Survey Risks
2. To specifically locate both record and non-record matters that affect the property
- 3.

## WHY YOU NEED AN ALTA SURVEY

### 1. AVOID BOUNDARY DISPUTES

An ordinary boundary survey may be enough if you're buying a residential property. When you're acquiring commercial property, however, a boundary dispute can be very expensive and can put a stop to your development plans.

Imagine spending thousands of dollars on construction only to be faced with legal proceedings filed by someone claiming you encroached on their land. As an ALTA survey will

detail all boundaries of the property and list potential encroachments, it will help you to anticipate potential boundary disputes before you decide whether or not to invest.

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## **2. IT TELLS YOU MORE THAN A REGULAR BOUNDARY SURVEY**

An ordinary public survey often only touches the surface. It will not dig deeper into other potential issues there may be on the property. An ALTA survey will tell you the following information that you won't get from an ordinary boundary survey:

- Existing and potential easements or claims of easements that are not clear from public records
- Encroachments
- Land improvements
- Any encumbrances
- Zoning classification
- Water boundaries
- Access and legal routes to the property
- Property boundaries

Being aware of any potential issues from the outset of a transaction puts you in the best position in deciding whether or not to buy. You can enter into the purchase with your eyes wide open as to any potential difficulties you might face later on. This ultimately helps you evaluate whether the price of the purchase is worth the risk.

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## **3. LENDERS AND TITLE INSURERS REQUIRE YOU TO HAVE ONE**

If you're borrowing money in order to complete the purchase, the lender and title insurers may require you to have an ALTA Survey. As well as indicating any boundaries, the ALTA survey will explain any "survey risks". For example, it will record any:

- Encroachments
- Boundary line disputes
- Easements
- Potential claims that would otherwise not be identified in a less comprehensive survey

Title companies will want to know about these before they will provide you with insurance. It indicates to them how much risk the property poses. The survey will also note any flood risk warnings which will affect whether an insurer chooses to offer you insurance in the first place and, if they do, how much it will be. A lender in a commercial transaction will use the survey to make sure the property is worth the value it is being sold for. If it's not, it's unlikely they will lend to you.

An ALTA survey also makes sure the zoning is correct and that any planned development will also conform with it. This is important as lenders will usually require confirmation that a property follows zoning compliance before they will issue a loan. As a result of the above, it is probably safe to say that one of the most important reasons to obtain an ALTA survey is to

satisfy lenders and title companies.

#### **4. IT HELPS YOU DECIDE WHETHER TO PROCEED WITH THE TRANSACTION**

An ALTA survey is much more detailed than a survey of public records. It can help you as the purchaser weigh up the risk against the purchase price and decide whether or not to continue with the transaction.

You'll be left with the two following scenarios:

- You enter into the commercial property fully aware of what you're getting yourself into and knowing that you can proceed with your development plans without risk of a dispute later down the line.
- You can choose to pull out of the purchase if the risk outweighs any potential gains before you spend any significant amount of money.

#### **5. VACANT LAND PURCHASES**

An ALTA survey may also be required when purchasing a vacant plot of land for further development. The problem with buying a vacant plot of land is that it may never have had a survey done on it. If it has, it may have been carried out so long ago that it is no longer accurate. This leaves you with the risk of buying the land completely unaware of any potential boundary or ownership issues.

This could be a really costly mistake, especially if you only discover a problem after you've finished construction of an entire property. Investing in an ALTA survey will therefore mitigate this risk and provide you with assurance and protection against these issues.

#### **CONCLUSION**

An ALTA survey provides a solid foundation on which every party in a commercial transaction can proceed. It is the most well-known survey for commercial real estate available nationally, a reputation that should not be underestimated in value. The ALTA survey is an essential part of the due diligence process and allows purchasers to see whether they should proceed with the acquisition of the property or land. It also offers assurances to lenders and title companies. Commercial property transactions can easily run into millions of dollars. As a result, you'll want to make sure any potential risk is as minimal as possible. Spending the extra time and money on having an ALTA survey prepared is easily some of the best cash you will ever spend.