

14 Ways to Make Big Gains in Property: What to Do and What to Avoid

By John V. Kamin

It's not necessary to do a lot of transactions to make a lot of money with property. Researching property deals back some five decades, supplemented with personal experience, you have to get the basics right to win big and avoid stagnation or losses. While the basics may seem obvious to me and to many - leaving out just one or two of the basics can dramatically affect your individual profits or losses.

So that our newest readers can get up to speed with some of our older, successful, more experienced property profiteers, let's run through the list of basics to help everyone. Yes, even the experienced and very capable smart people can always learn something new. Just because you know a couple of the following basic techniques, doesn't mean you know all of them. Let's get to work making money.

Strategies for Property Profits

1. Much of the strategy that I use revolves around Need-To-Sell (NTS) properties. Therefore, you need to locate NTS properties. If you're working with one to seven brokers, ask them which properties must be sold within the next 30 days or sooner and concentrate on those. Otherwise, you'll waste a lot of time with brokers showing you listings that have no raging Need-To-Sell. Make sense? Warning: Some brokers don't even know which listings are NTS or don't want to ask the seller this most important question!

Real Estate Cycles: Seven to Nine Years

2. You play the real estate cycles. You want to buy real estate when everybody hates it, not when everybody's doubling up and loves it, such as 2001 to 2005. No, you don't need to do a deal or two every year. Doing a deal every three to five years can make you a multi-millionaire. But remember: most property is illiquid much of the cycle time. Super-hot markets (2001-2005) when you can sell most anything quickly are unusual.

Cheer up. There are always NTS properties somewhere; it's up to you to dig them out, whether in the top, middle, or bottom of the real estate cycle. How long do real estate cycles last? My experience says that they usually average seven to nine years. So, think long term. The previous local cycle was 1994-2001.

During the top of real estate cycles, you may have to concentrate on different kinds of property. For example: if home sales are going crazily upward, you may wish to concentrate instead on commercial buildings, leased-out farmlands, or apartments slated for rising rents or maybe estate and probate sales or dispute sales, etc. Go with the flow, go where the action is!

Jobs Galore?

3. One segue from "go where the action is" is to seek out metro job centers of high population growth, within commuting distance. There's only about two dozen of these

major metro centers in the USA, or metro corridors. Remember that old WWI song that has the lyrics, “You can’t keep them down on the farm, after they’ve seen Paris”?

The long term one and a half century trend is for people to move from depressed or agricultural cities and towns, stagnation, to the metro area job centers. For example, in Southern California, the metro job center area stretches from Ventura County down to San Diego County, north to south, bounded on the east by San Bernardino County and Riverside County and on the west by the Pacific Ocean. Care for a swim?

This Southern California real estate area has a constantly growing population of five figures, which varies between 12 million and 20 million! I expect population to double again by 2056 to 2060 in many major metro job centers.

Another example - Clark County (Las Vegas) Nevada is (usually) the fastest growing county in the USA, 19 out of 20 years.

I like certain metro corridors/areas such as the Chicago/Joliet/Aurora triangle. Years ago, the road to Joliet, (Rte 66), was sparse: mostly farms until getting to the Joliet State Prison. Now that whole tri-county area (beyond Cook County) is pretty much filled in with suburban low-cost housing, warehouses, skyscrapers and distribution centers, etc. More than 50% of the farms have been broken up. Go a little farther north to Fox County, Kane County, and McHenry County, you can easily see another developing triangle. But don’t head west to Rockford, IL, Madison, WI, or Des Moines, IA, that’s too far outside the jobs-growth-population explosion, even through some growth is taking place.

4. Once you’ve located your fast-growing metro job center, you move to the (suburban) outskirts where you think growth will take place in five to 10 years or so. See the chapter on Prospecting and Drawing Your Map in the book How To Make Money Fast Speculating In Distressed Property. It’s too lengthy to go into here, but it’s all spelled out in the book.

Free Your Mind!

5. Open your mind to new forms of changed usage: makeovers, takeovers, pre-development land or foreclosures - not just houses. Example: Down the block, more than two decades ago, a small motel was reconverted. It now houses six commercial businesses instead. One motel was struggling to rent rooms and then converted instead to medical/dental offices where rents could be tripled and quadrupled. As a motel it was a failure. As a medical/dental building, after conversion, it was worth five times as much.

6. Example: When you go to outlying metro areas, you may be buying land zoned agricultural or residential, maybe even with houses or farm buildings, but you want to have potential to change that zoning to commercial or high-rise early on. Example: The Forecaster recommended Las Vegas Strip frontage when it was but sand and rock; now it’s zoned for high-rise and condos. Before, you could pick up acres with 10% down and seller financing at 6%, for a few \$1000s per acre. Now it’s literally worth fortunes without disturbing a single shovelful of sand. Local brokers laughed when I bought a couple of parcels: I “paid too much” in their opinion, and informed members about easy availability. Now frontage is scarce.

Strategic Tools and Jewels.

7. Basic mechanical techniques and devices: You need to learn how to use long or short escrows, whatever works best for you. See our booklet How to Negotiate For Profit-25

Ways To Buy Cheaper, Sell For More Money And Improve Your Lifestyle Through Better, Easier Negotiating for how to make time work for you rather than against you, fully explained therein.

The Forecaster Moneyletter has published reports on: How to Make Complete Sales.

Example: You sell properties “as is”, without warranties at a slightly cheaper price with a stated amount (e.g. \$500-\$2,000) to cover any “undisclosed damages” noted in writing within 30 days of sale.

More real estate mechanics’ tools: You learn how to write the famous weasel clause when buying, so that you can get your full deposit back. You learn how to defend against the cleverly-written hidden weasel clauses when you are selling, so that you can collect \$10,000s in “liquidated damages” if the escrow does not complete on the date promised for any reason.

Look Ahead

8. You use sound economic forecasts and predictions, in addition to real estate cycles.

Latest Third Quarter 2006 Forecast: Rents will rise in 2006, 2007, and 2008.

9. Latest Third Quarter 2006 Prediction: Vacancies will rise in 2007-2009 even after rents stop rising.

As much as we love our government, you cannot always depend upon their general forecasts and predictions for you, the individual, to profit. Example: They’re not going to tell you if you should take steps against increasing inflation. Rather than waiting for help from well-intentioned Potomac political planners, you need sound, private forecasts and economic predictions. If you didn’t, there would be no need for the private Forecaster Moneyletter, to help you make personal profits by following your own Contrarian course of action!

10. When buying Pre-Development Land (PDL), you need the blacktop busy highway frontage. No boondocks, no cul de sacs, no side roads, instead of frontage. You want the blacktop near the intersection or freeway exit where the hotels, gas stations, etc., will eventually go in during the next decade ahead.

11. You must have re-zoning potential too. If it’s already zoned commercial, fine, but if it isn’t, you need at least the potential to rezone it commercial when the commercial businesses arrive in five to 10 years on PDL frontage land.

Example: If it’s zoned for boondocks forever, or land trust, or parkland, something of that nature that prevents future commercial rezoning, move on elsewhere for more opportunities for profit.

12. One basic. My motto is, “If you can’t afford to walk every foot of the land, you can’t afford to buy it.” Don’t buy junk land just because it’s cheap, way out in the rattlesnake boondocks.

Don’t try to do everything over the Internet. Many of the really good great deals are hidden from the Internet, hidden from sight, and have no “for sale” sign posted and they need to be “eyeballed” before making offers.

13. Location is everything. You need sound, well-located property, easily visible, to ease resale when prices go up. Forty acres out in the boondocks, down the dirt road, or some remote cabin in the woods is not an easy resale...you may not even be able to get prospects out to look at it. And Internet pictures alone won’t get the property resold at

tip-top market! Make it easy on yourself. Stick to the metro job centers and stick to the growth areas nearby.

14. Think now, but think ahead: Why would someone want to buy this property from you five or 10 years from now? What specific attractions does it have, to enhance resale? Think resale.

What Does It All Mean?

Summary: Honor these basics. Make time work for you. Add to your knowledge with books, Forecaster Moneyletter and inspections (I've already mentioned in a recent Forecaster how, when I'm buying a building, I often call for a ladder and climb up on the roof to check condition: air conditioners, hidden defects). Do your due diligence.

One book I favored that got me motivated to start buying cash-flow property in my 20s was William Nickerson's How I Made \$1 Million in Real Estate, a classic. More recent books by Robert Allen have detailed how to buy property with no money down and how to find "don't-wanters". I like NTS properties where I can negotiate.

A current favorite just rewritten by Forecaster reader Dr. David Schumacher is Buy and Hold: 7 Steps to a Real Estate Fortune. There are many other books and reports out there that can help you. Don't be afraid to read them, or expand your mind.

Compared with \$100,000s or more in property at risk, the price of a couple of books is so low as to seem inconsequential in comparison; let alone tax deductible for itemizers next April 15. Expand your reading, expand your mind. Put time on your side. Follow the basics. There's always another deal around the corner, even if you missed the last one or two. And all you need is one or two more good deals to put you on easy street for the rest of your life! I've had people come to me in their 70s and 80s and make fortunes, even though they couldn't make things work the previous four or five decades of their lives, for various reasons. If you're just out of school, it's not too soon to start, nor is it too late if you are collecting Social Security. Just get on with the job.

New Growth Areas

Forecaster members have called and written many times seeking new growth areas for making money with PDL (Pre-Development Land) suitable for potential commercial development long term. Here's a new double recommendation for you.

Consider two new growth areas in Denver; not the biggest city in the USA, but growing nicely.

Disadvantages

Denver metro cannot grow very much to the west. There is the suburb of Golden, Colorado and then the foothills of the Rocky Mountains. Colorado is like Switzerland in many ways. The Swiss only have 42% arable land, and 58% is scenic, non-tillable mountains.

While ski resorts and other recreation plus ranches do develop in Colorado mountain areas, there's not a whole lot of arable land and there is commercial development to the north and northwest of Denver, towards Wyoming. Therefore, head south, head northeast. The nearest city of any size is Colorado Springs, two hours south, over 100 miles.

Prediction: Stick to the Denver metro, within 45 minutes to one hour commuting distance on the south. Don't go out into the boondocks toward Colorado Springs. Colorado

Springs is the head of NORAD, (North American Defense)...built deep underground into the side of a mountain. If the USA ever gets into a full-scale world war, Colorado Springs would be a prime continental target.

Leftover Bills. High Taxes.

Two decades ago, heavy development in Colorado Springs left homebuyers with huge costs for utilities, streets, schools and lights, etc. When their subdivisions failed from 1987 to 1992, homes and lots went unsold and interest piled up on these developer-incurred debts. The money will eventually have to be repaid through taxing homeowners. I personally avoid risking money in Colorado Springs.

Another big disadvantage is that Colorado, in general, and Denver in particular are high tax areas: state income tax, high property taxes and high sales tax. Therefore, you can expect periodic property tax re-assessments.

Lack of People Corridors?

One more Colorado disadvantage is that there are no large cities nearby to grow population corridors. I guess you could go far east across the prairie to Kansas City, Lincoln or Omaha, but they're 100s of miles distant. If you try to head west over the entire Rockies, you'll be heading toward various cities in Utah. Therefore, Denver is it. No San Diego/Los Angeles/Ventura development corridors. No San Francisco/Sacramento corridors. No Chicago/Milwaukee corridors. No NYC/Philly/Baltimore/D.C. corridors.

First Recommendation

Head south of Denver on I-25 (main North/South Interstate freeway) or south of I-225 at the junction with I-25. Go further south past County Line Road; the area is developing nicely. Stick to within one mile or so of the I-25 freeway exits for PDL land. But don't get too far south. How specific can we be? You'll be in the newest metro Denver hotel/shopping center corridor with new subdivisions sprouting on both sides of I-25, exit 195 or further south.

Second Recommendation

North - I'm intrigued by the new Denver International Airport (DIA), actually built during the 1980s-1990s. They couldn't make it work well in 20 years. But now the airport is working well, surrounded by miles upon miles of vacant land.

Experience: DIA reminds me greatly of Dulles International Airport in Virginia; PDL land during the 1970s and 1980s to service Washington, D.C., suburban Maryland, and suburban Virginia. D.C.'s Dulles Airport was way far out, just as DIA when built; so far out that most everyone preferred to fly out of the nearby Reagan National Airport...flyers just wouldn't drive many miles further past the D.C. Beltway out to Dulles. But now, in 2006, they do. Everyone nowadays prefers Dulles to the smaller Reagan National (which handles mostly regional traffic). DIA is very similar...too far out, couldn't make it work for long years, but development is finally coming.

I suggest looking for PDL land on Peña Road, near intersections of 56th Avenue or Tower Road, or third, the nearby DIA exits along I-70. But don't get too far east on I-70 (main east/west Interstate from the flat unpopulated area east of Denver thru the Rockies west).

Instead, stick to I-70 and other freeway exits west of the airport, heading toward Denver, for speculative PDL land lock-up purchases. Remember, what you're looking for is vacant frontage parcels that have a good chance of being zoned commercial development, but now priced according to agricultural or residential development. You can already see some subdivisions going up to service both the airport workers, as well as bedroom-community commuters to Denver metro.

I like Colorado; I like the Rockies. But remember that the prairie land east of Denver does suffer from drought and other problems periodically. Mountains have forest fires. Commit for PDL land only with small down payments and for potential commercial blacktop busy highway frontage, sticking close to the freeway exits where the hotels, gas stations, strip malls and shopping centers will locate in the next seven to 15 years.

Forecast: I expect the two recommended Denver areas to develop much as the commercial corridor between Dulles Airport to D.C. developed three decades ago. Looks like a repeat situation, but slower to develop, both to the southeast of Denver metro, and northeast toward DIA.

Have fun, make money. Four helpful books are the following: *How To Make Money Fast Speculating In Distressed Property; How To Negotiate For Profit--25 Ways To Buy Cheaper, Sell For More Money And Improve Your Lifestyle Through Better, Easier Negotiating; Best Hope For The Young Investor To Become Financially Independent And Wealthy; Active Money Strategies & Hidden Wealth-builder Secrets For Young Adults! What They Were Afraid To Teach You In School, If They Even Knew!*

Happy prospecting, happy negotiating and remember our motto, "Have fun with your money."

P.S. Don't ever forget that PDL land is usually illiquid. You can option land, you can actually buy it with seller financing, or with small down payments. But don't get anything but speculative capital tied up, because it could be slow going for a decade or more in case I'm wrong. Real estate cycles last seven-ten years.

John Kamin is a Consulting Economist and publisher of The Forecaster, 19623 Ventura Blvd., Tarzana, CA 91356, (818) 345-4421. \$180 per year. For more money-making ideas, order his latest book Active Money Strategies & Hidden Wealth Builder Secrets For Young Adults: What They Were Afraid To Teach You In School. If They Ever Knew! \$20 + \$4 s & h Add \$1.65 tax. 95 pages.

Forecaster Money-Letter publishes confidential reports about the future to benefit you, and makes decisions easier. It helps you profit, sidestep losses, enhance lifestyle and creates financial independence.

Send for a 10 issue trial. A \$150 value. . . only \$59 when you mention the AOA. Mail check to: Forecaster, 19623 Ventura Blvd., Tarzana, CA 91356; or if you wish immediate shipment, phone (818) 345-4421 and put it on your credit card.