# Updated Late 2007 Property Recommendations

*By John V. Kamin*

A realistic look at the increasing amount of homes listed for sale indicates a softening-delayed-sales marketplace. But you don't have to go there and pay terrifically high prices just to get a single family home in a somewhat softened market.

Instead, your Contrarian "money hunt" for lucrative property deals, moneymakers, can focus elsewhere.

Set your sights on properties that not only haven't gone up quite as much as the homes, but seem more likely to go up more, even as home sales turn sluggish.

What's Good, What's Better!

1. Try leasable developed farmland within one hour's commuting distance of major metro job centers, minimum one million population or more. You buy at farmland prices, hopefully with some old rentable buildings to carry the property, until the market grows out toward you.

In many areas farmland lease rates have not been raised in seven years, 10 years, or more! And prices have been sluggish for decades on developed farmland. The idea is to buy highway frontage at farmland prices, buying by the acre and selling by the square foot (our motto).

Avoid boondocks, far out, landlocked parcels in non-growth areas. Such properties are being sold on the Internet with no utilities, no water, no paved roads, and no people! Stick to the growth areas.

Income Properties

2. A second focus for your attention is our continued recommendation of triplexes and fourplexes, preferably in the far-out suburbs of urban job centers. Rents are rising, currently running around $1,432 per month average on apartments in L.A., for example, $2,500 per month on modest houses. Get cash flow, get growth in property prices as rents increase yearly. Many triplexes and fourplexes have prices based on the income they generate, not based on the prices of single family homes in the area. Live in one unit, save the rent, let your tenants pay off your 15-year Fixed Rate Mortgage.

Your Office and Peers

3. Another area of increasing interest is small commercial buildings, on main arterial streets, 5,000 sq. ft. to 15,000 sq. ft. Convert vacant stores and strip malls to medical centers, use one for your office or practice, let your peers pay off your 15-year FRM. Raise rents 5% per year after you've "beautified" the vacancies, for big capital gains and continual cash-flow income.

Perpetual Opportunity Search

You should always be on the hunt for foreclosed properties, NTS (Need-To-Sell) properties, forced sales, probate sales, and other moneymakers. Talk to your bank managers, bank trustees, attorneys, CPAs, and real estate people who know what must be sold. You're not seeking pride-of-ownership properties, not full-ticket properties, not "Maybe I'll Sell" undecided-owner properties. That's what most real estate brokers will try to sell you. Instead, ask them, "What has to be sold this month?" You're looking for "don't wanters", what author Robert Allen describes as people who "just want out" at most any price. Sure, you may have to look at a lot of dumps or problem properties to find one or two that you can make $50,000 to $500,000 or more upon. Just get on with it.

As a buyer of "don't wanter" properties, you are adding liquidity to an illiquid market, on properties that have problems that you can solve. These can be partner split-ups, mismanaged properties, properties with bad tenants that need evicting, developing areas (areas growing prices upward, not redevelopment slums).

Lease the slums and ghettos and redevelopment areas to the big boys who are seeking govt. loans and subsidies. Instead you look for individually neglected and mismanaged properties that you can buy at 20% to 50% off low appraisal, in growing areas.

Growth Areas, Neglected Properties

One of our recent favorites was on Highway 60 exits, over Pinal County line, near Maricopa County line (Phoenix) metro jobs area.

Pinal County at Highway 60 is a growth area, bedroom community. It reminds me of San Fernando Valley 30 years ago, where people moved, so they could work in Los Angeles.

Another hot area in transition is Ventura County and the City of Oxnard, within a short drive of the beach areas and the newly expanded freeways. Sure, prices have doubled and tripled there, on the new "Gold Coast". But there are so many millions more dollars to be made as Ventura County shifts from mainly agricultural to suburban commuter usage, for expanding urban job centers. Happy hunting. Make some money.

Timing Purchases of Houses, Foreclosures,
PDL Land, Farms, for Biggest Gains

Farmland is rising, because farmers are making more money; getting twice as much for their grain crops as they did a few years ago.

Many farmland acreage prices have not risen much since the 1980s, but now you're clearly in the new upcycle. Farmland from New Jersey to California is rising. Much of the higher-priced land is due to ethanol (corn and related acreage-switching). 100,000s of acres are also locked into "set-asides", for parks, woods, etc.

A. If you can buy developed producing farmland, ready to lease, with blacktop frontage on major highways with growing towns nearby, that would be a good place to concentrate your "hunt" efforts.

B. <u>Forecaster</u> suggests you raise your lease rates on farm acreage you already own. Some lease rates have not been raised for 10, 20 or more years, so much per acre.

If you can't raise the lease rates when crop prices are bringing double, how are you going to raise them when crop prices are falling? Now is the time. But do it carefully. Leave some room for the farmer to make money.

E.G. If you double, triple, or quadruple lease rates now, your tenants/renters may choose to rent land elsewhere. Be very courteous to the farmland renters, not arrogant. But if they tell you so-and-so is leasing his 120 acres at 50% less, down the road, just nod and say, "Fine…is his available?" Chances are it's not available. Many producing farmland owners (and even those with just grazing land) have not changed their per acre rental prices for as long ago as 25 years!  This is the 21$^{st}$ century, get with it.

C.  Stick as close as you can to major metro job-growth areas.  If you're buying new PDL (Pre-Development Land) buy it within commuting distance of the big cities (one hour's drive; anything farther from the factories is too far).  No jobs in that town?  Then avoid purchasing land nearby.

Is Now the Time?

D.  One question I get several times a week is, "Can I buy foreclosures to rent out? Probate Sales? Estate Sales?

Except for Florida, the Carolinas, Ohio and parts of Texas, house prices have not gone down much – have not yet bottomed.  This is not the time.  You might have to wait from 12 to 36 months for the houses in the most overbuilt markets to hit bottom.

Keep prospecting, of course and build cash. Cash talks at the bottom, larger down payments are convincing, as are all-cash deals.  More cash may get you an extra 10% to 25% discount from bottom prices.

E.  Opportunities.  Be aware that even in cyclical higher-priced markets there are always opportunities: neighbors divorce; partners split up; someone dies, within a mile of your house and the heirs want quick money.  So, while the property market has not yet bottomed, many times appraisals, court sales and heir sales may be negotiated way lower than the market.  Take advantage of the fleeting opportunities presented.  If you don't, someone else will.

E.G. Even if a house/building is appraised at $500,000, it may be purchased under special circumstances at $350,000 to $400,000, especially in a foreclosure or court ordered sale.

Repos: No (Equity) Room to Profit?

Most foreclosures today are junk repossessions with little or no equity left.  You make money purchasing substantial equity at a discount.  No equity-no deal!  Courts, heirs, often list harder-to-sell properties at obsolete appraisals sometimes done two or three years ago, or longer.  Bluntly, obsolete appraisals are where values have long since gone up.  As Tip O'Neill used to say, "All politics is local."  That applies to real estate, "All deals are local".

Therefore, if you find an opportunity that has not yet been priced, nor listed at full ticket market, and you think you can make $50,000 to $150,000 on it, go for it.

Perhaps you can borrow $300,000 to $350,000 on an FRM on that $400,000 deal priced $100,000 below market.  Ask the seller to take back a $50,000 second loan, and you can get in for a few thousand dollars, even when you don't have much money.  Even though mid-2007 is not the bottom of the real estate cycle, in my opinion, there can be excellent profit in pop-up NTS (Need-To-Sell) deals as described in our book!

Some prospecting sources?  Check the County Courthouse for posted foreclosures, land sales, Sheriff sales, court auctions, probates, and the like. Check your county legal newspaper (the smallest paper you've never heard of), copies usually available near the courthouse.

People: talk to accountants, CPAs, bankers, lawyers, lenders; they know which properties must be sold, even if sold at less than full ticket!  This way you can buy businesses, houses, commercial properties, PDL land in growth areas, even cars, boats, trucks and machinery at far less than wholesale value.

Summary: Often the best opportunities crop up at 20%-60% discount on NTS deals, in all parts of the cycle.

E.G. My neighbor bought a going laundromat, machines and everything for $6,000. The father died; son (heir) sold it for quick cash, before the marketplace even knew it was for sale. His Dad's CPA was also my neighbor's CPA and told him to "buy the deal". I estimate that laundromat yields high five to low six figures gross profit per year. It may be resold for $50,000 to $100,000 extra when the new owner tires of running it.

"Have fun with your money." More super bargains in upcoming issues.

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