

## **Eight Moneymaking Concepts of Predevelopment Land**

By John V. Kamin

The Forecaster, this economist, and many of our clients find the process of acquiring and owning and reselling predevelopment land a FASCINATING moneymaker.

Our main parameters are very simple:

1. You stick to about 12 metro growth areas in the USA. You want populations no less than one million and at least 500,000 jobs in the metro area.
2. You find the arterial highways that carry the most traffic in and out.
3. You stay within commuting distances of those jobs, where people will work, live, and play, one to two hours drive or 25 to 50 miles.
4. You want arterial highway frontage... not "off the main drag" side streets, nor cul de sacs, nor building development lots, nor residential subdivisions. None of that.

(E.G. Many years ago, we recommended frontage on Las Vegas Blvd., the famous "STRIP", when you could buy parcels at a few \$1,000s per acre (a few miles south of McCarran Airport). Today, those same parcels bring up to \$800,000 per acre, quite a nice gain indeed. But without the frontage on the boulevard, those parcels one or two blocks away, have not had similar gains; not where the new houses sit, or where builders want to build houses. That brings us to the next requirement.)

### **ZONED OUT?**

5. What you really want to do is buy agricultural or residential zoned land, and by participating in the predevelopment growth, eventually resell it with changed zoning for commercial purposes. This is a very simple concept. It has been tested time and time again by us and others, and it works.

When shopping centers, movie theatres, outlets and department stores come in, led earlier by gas stations and minimarts, you want to own that potential commercial frontage on what was former agricultural or residential zoned land. Simple enough.

You are going to outlying areas, where the locals may laugh at your Contrarian ideas. That's O.K. If you select right, you will be laughing all the way to the bank while they're singing the "I coulda, woulda, shoulda" song.

6. The sixth part of this predevelopment acquisition concept is that you go for the growth. If an area is not growing, developing, why own it for years? There are a number of metro growth areas in the USA, among which are our favorites: Orlando, Florida; Clark County (Las Vegas), Nevada; Phoenix/Scottsdale, Arizona; Ventura County, California (near the ocean; north of San Diego); Dallas/Ft. Worth and outlying arterial highway areas. Go for the growth.

You don't want to be stuck near a non-metro area of 50,000 or 100,000 population, where there is no growth, and where there are not going to be multiple bidders for your newly-valuable properties when you resell them on the market. You don't want to be where there are only jobs near the minimum wage. Instead, you want to be near major job centers that have lots of high paying jobs for known firms. That's how you participate in predevelopment acquisition profit making.

### **GROWTH vs BOONDOCKS**

One off-and-on Iowa subscriber wants to know why we don't have more (on property) for folks who live in remote areas. He says he has acquired one half a million dollars of coins, such as Forecaster recommended, that have gone up greatly in value, but he wants us to publish more on cheap remote property areas (I'm guessing) such as Iowa farmland.

I told him we did cover certain areas such as the Quad City, Iowa, areas on the Mississippi and the Lincoln, Omaha, Nebraska area, and wrote articles on them in 2001. But, I reluctantly had to tell him that he missed those articles as a now-and-then subscriber, off-and-on. I was forced to tell him that nothing I could say or do would turn remote Iowa farmland into "growth territory".

7. Bluntly, avoid the boondocks.

I have nothing personally against Midwest crop land; it feeds this nation and many others. But far-from-metro-jobs farmland is definitely not predevelopment growth land. It doesn't have potential commercial bidders falling all over themselves to acquire it and change the zoning!

## **100-YEAR TREND**

Young people are leaving those remote towns and small cities of limited opportunities, limited jobs, and very limited growth, and instead heading for the great metro areas. That's been the case since 1900, and it's still the case in 2004. Why deny reality?

Nothing I can say or do will reverse that centuries-old migration to the cities-for-jobs trend. Just as in China, in the USA, people are leaving hard-to-make-money farms, or selling out to more efficient operators, then heading for the bigger cities to make their own fortunes!

## **MAKE NATURAL FORCES WORK FOR YOU OVER TIME**

Nothing I can say or do will reverse those nationwide USA trends. Therefore, you might as well "put the wind at your back", isolate and follow the growth patterns, and make trends work for you to make your millions. Put time on your side.

8. Diversify into two or three different growth areas, avoid one-industry towns that depend completely upon one employer, whether it's a military base, an aircraft maker, or some other single regional employer. If that particular industry hits the skids, your growth plans could be upended, tipped over. Careful.

## **SUPER-SIZED NEW MID-CITY TRENDS**

Certain cities and counties, small towns which are losing population, have made super-sized efforts to recapture jobs and industries. I'm thinking of Fargo, North Dakota; Reno; Santa Fe; and a number of others. Some more remote areas have snared big credit card or mail order processing operations, say, in Minnesota, Wisconsin, Nevada, etc.

But their laudable efforts do not mean that they meet these (my) criteria for super-sized growth. Their efforts may or may not succeed and may indeed fail over time.

(E.G. They give moratoriums on local taxes, free land. This is very specific. You don't want to buy land just because it's cheap, but only because it's the path of certain growth. You want to buy something because it's great, directly in line with growth and development. Buy it in the predevelopment stage such as we suggested outside the Maricopa County line in Pinal Co. AZ; but within easy commuting distance of Sky Harbor Airport and downtown Phoenix, where the better jobs are. You need potential commercial blacktop frontage for cheap predevelopment buying now, later to be rezoned commercial near Highway 60 exits!)

Avoid the boondocks. Avoid the land that won't have easy access to power, water or utilities. It's great if the purchased property has rentable buildings that can provide cash flow to "carry the paper" long term. But sometimes there won't be any buildings on it. If you can lease it out in the interim for farming, ranching, parking, highway sign advertisements (up to \$1200 per month!) to help defray holding costs, great. But no boondocks!

My goal is to point you in the right direction, help you avoid tying up your scarce capital in illiquid, cash-eating alligators, remote non-growth properties, so you can profit from long-term trends.

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