

**Unpublished Wealth Secrets: How to Make More Big Bucks
With Less Risk!**
by John V. Kamin

PDL stands for Pre-Development Land.

This is where you buy frontage land on main highways/near freeway exits for potential commercial development. Here are valuable tips we have never put in this format before. I've tested them, so I know they work. When you know what works, and what doesn't, then you can lower your risks and make more money with confidence (by paying more for better PDL frontage). Let's run through the checklist for your future benefit.

What Works: PDL

1. You must be within commuting distance of major job centers. If the outlying commute is more than 1 hr. driving time, that's too far away from where people work. No boondocks. No 2-hour commutes.

2. As the population doubles over the next 50 years, 2056-2060, the outer limits of the metro will expand. But you are looking for something that will expand faster, because you don't want to wait 50 years...we might be dead by then.

Your timing target is development within 4 to 7 years, maybe a little longer, 10 years maximum. If you do not expect reasonable development within 5 to 10 years (by checking aerial maps, recent sales 1 or 2 miles away, Chamber of Commerce info, comp sales, traffic counts, surveys, County Planning Depts.) then you're probably not going to get certain growth fast enough!

3. You pay more for PDL land, but you get much more, perhaps 3x to 20x what you paid when it happens, develops, resells.

4. You must get the potential commercial highway blacktop frontage. No cul de sacs, no gravel roads, no intersecting residential roads. You need the actual blacktop arterial busy highway frontage.

5. You need heavy (even overburdened) traffic. If there's no traffic along the highway, you're on the wrong road.

6. You need to be near a freeway exit, or a potential exit that's planned to criss-cross your highway in the next few years.

Buy Cheaper to Get Necessary Key Lots to Larger Developments

Cost. I prefer to buy the 2nd or 3rd lot from the corner, maybe even the 4th lot, not the triple-priced intersection stoplight corner parcel. In other words, you would not pay \$1 million for the corner, but you might pay up to \$100,000s for an adjacent lot or nearby frontage lot on the highway, maybe ½ block or so from the corner.

Use OPM, the "Heater" Pitch

7. You don't want to tie up too much of your own money, max 20%-25% down, preferably 10% down. Use seller financing (Other People's Money=OPM), with a 3-year, 5-year, 7-year balloon, if you can. (It's very hard to borrow bank money on vacant PDL land.)

How much interest should you pay? I usually start out at 5% or 6%, may even go as high as 10% (tax-deductible interest) on a choice parcel to convince a financing seller to negotiate. Usually 6% to 10% is more interest than the seller can earn on a CD down at the bank, so that's your "pitch". Offer to pay interest monthly, + a small amount of the principal, and relieve the seller of the (growing) property taxes...that's also your "pitch" to convince the seller to give you an excellent price with seller financing!

Any Cash Flow Welcome Enhancement

8. I prefer to buy with a residence or small business building on the acres, or at least the opportunity to lease out the farmland for a yearly rental (I lease out my ranch to a shepherd. It keeps the weeds down, discourages vandals, and pays the taxes.) TIP: Your rental income may or may not cover the taxes and interest, and throw off much extra cash flow. But getting some income inflow will defray your cost of holding the land until it develops. (TIP: Raise rentals 5% or

so per year.) So, it doesn't really matter whether your rental cash flow is 80% of your yearly expenses, or 120%, or 150%. More is better, but any cash-flow income while you hold the PDL parcel is a blessing, defrays holding costs.

Are You Zoned Out or Zoned In?

9. Zoning. The property must already be commercially zoned, or business zoned, or have at least the potential in a couple of years to change (upgrade) zoning or get a zoning variance. Quite often the zoning will be rural, farmland, or residential. But when your PDL growth finally appears, say, a nearby strip mall, gas stations, small factory, or office building, on the intersection down the highway, you will want the opportunity to eventually change your old lower zoning to a higher-class new business zoning. That way you can make more money and get a higher price for your parcel!

My motto is to "Buy by the acre, sell by the square foot".

Get the Power!

10. Put powerful expansion trends, natural trends, and population trends on your side, by making time work for you rather than against you. You buy in the path of demonstrated growth, a little farther out, paying more than for off-highway acreage. E.G. If there's a hotel going in, you can buy ½ mile down the road and make money as satellite and service businesses improve your location over time, even if the hotel is planned but not built for 3 years. Got it?

Evidence, Money-makers

Some examples over the years come to mind. Years ago, it was possible to buy for a few \$1000s per acre Las Vegas Strip frontage 3 to 6 miles south of McCarran Airport. Now that's very valuable land.

2003 to 2005 Forecaster recommended frontage near Maricopa/Pinal County line in Pinal County, AZ on or near Highway 60 exits, much growth and development coming in.

A more recent recommendation for Feb. 2006, which we noted in previous years' Forecaster reports is the Orlando Convention Center area, within a few miles, on the exits or potential business zoning out to Exit 13 on State Rte 528 (the tollway/freeway between Orlando and the Airport), also commercial-potential frontage near E. International Drive.

Forecaster Moneyletter has also recommended commercial and potential commercial frontage in the Chicagoland, DuPage and Joliet County in the Joliet/Aurora/La Grange triangle and McHenry/Fox Counties area. Avoid Cook County, IL, (overpriced and over-regulated).

Hold Out for Triple Profits

11. Holding periods. Your plan is to hold for 3 to 7 years. But you must have the ability to hold for a few years longer (cash-flow rental income helps) if years 5 thru 7 are in a real estate cyclical downturn, or a recession (recessions last an average of 37 months, sometimes much more, sometimes 18 months). So, you don't go into PDL land if you can't pay your monthly bills now and pay off your credit cards now!

12. Resistance to early offers. As the growth moves toward your PDL parcel, you will get many solicitations from potential buyers if you've chosen correctly. You will also get many brokers who want to list your property. But you'll have to be strong and resist the temptation to take a 20% or 35% profit if you have chosen correctly.

Buy By the Acre, Sell by the Foot

With PDL land, the idea is to go after the big long-term capital gains, 300%, 500%, up to 1000% and more. You're not in the game to make a small 13% or 21% net profit after taxes for a 3-year holding period.

13. Valuable Tip: When you finally do decide to sell, price the parcel at so much per square foot, not so much per acre.

If you have good wide frontage, you can also price your property at so much per front foot. That's why you need the frontage, not only for growth, but for eventual resale at a higher price multiple. For example, on Ventura Blvd., prices during the 1960s (near where we are) used to run under \$1000s per front foot. Now prices run many multiples per front foot on Ventura Blvd. Sure,

you can buy the cul de sac parcels and side street parcels at much cheaper prices. But you need the busy traffic, visibility/frontage.

Flippers, Duck

14. There's no reason why 1, 2 or 3 carefully selected commercial frontage highway locations won't make you a millionaire if you do it right. In other words, you don't need 20 deals, just 1 or 2 every 5 years can make you rich. Bluntly, making the big bucks with PDL selection is not for "flippers" and in-and-out traders, and quickie no-money speculators.

More big bucks strategies to come. If you have no money or credit of your own, maybe you can team up with a family member or friend who has both, and split the profits.

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.

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