



NEWS FROM THE DESK OF DAVID H. FARMER, PE, AICP, CGC



David H. Farmer, PE, AICP

Dear Friends,

Happy New Year and welcome to my first quarter 2009 newsletter. I appreciate those of you who have taken the time to read each edition in 2008. I hope that you have found something of interest in each of them as I strive to write about content that I feel is beneficial to my readers. I also enjoy writing in my blog that can be found at the following URL <http://keystonellc.blogspot.com>/ please feel free to visit at your convenience and comment on my entries as you see fit. Also, questions are always free!

I hope that you thoroughly enjoy this issue and remember, "things will be fine in 2009" or will they?

-Dave



Dave Speaking at the ULI fall meeting in Miami Beach in October.

WHAT IS A HOME WORTH?

As long as the moon has been circling the globe the tide has come in and gone out.

When the tide comes in it raises all boats. When home prices were going up just like boats in a harbor. Today as the proverbial tide is heading out, the question really is "How deep is the water?"

That is, as the tide heads out, have we hit bottom or is there still a ways to go? From where I am standing there is no bottom in sight. At the end of the day I think a house is worth what you can do with it.

I was speaking at a ULI program recently and I made a statement there that I will repeat here; **just because a home on your street was sold for \$25,000 does not mean your home or all of the homes on your street are now worth**



\$25,000. I also stated that I am seeing a correlation between 2005 selling prices (not listing prices mind you) and selling prices today. That correlation is the value today is about 1/3 of the 2005 selling prices. It is not a perfect relationship but I keep seeing it over and over.

With that said, if you have a home with a mold issue and it cannot be lived in then that home is not worth much. If I can rent out a home for \$1,000 net per month then that home is worth

considerably more.

A friend of mine was driving through Georgia a few months ago and ran across a home in a remote area that appeared to have been built with expensive materials. My friend shared with me that he thought the house was a terrible waste of money.

So what is the value of a remote "expensive" home? Maybe zero. Maybe some. Probably not what was spent to build it.

My point is some houses will never be worth their construction cost and no minimum price exists. The bottom line is if a home has utility, it's forward value will be based on that utility.

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HEY DAVE! WHERE HAVE YOU BEEN??

Since I last updated, I have stayed close to home with the exception of a speaking engagement at the ULI fall meeting in Miami. I gave a presentation about the Rural Land Stewardship among a group of distinguished real estate professionals such as Alan Reynolds of WilsonMiller, Brian Goguen

and Blake Gabel of Barron Collier Companies and Mike Rosen of Collier Enterprises. I also gave a short economic forecast at the ULI Emerging Trends Program in November, reminding attendees to start with 2005 prices, divide by 3 and that gets you approximately to where

prices are today. I will be making a quick trip to the Orlando area this week and when I return I will be moderating the ULI Winter Institute on January 29 at the Naples Hilton featuring Alex Sink and Lt Governor Jeff Kottcamp among others. It is truly a program NOT to be missed!



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Sample of Keystone Services:

- ◇ Land Development Feasibility Assessment for Investors and Financial Institutions
- ◇ Florida Real Estate Broker
- ◇ Investment Potential Analysis
- ◇ Pro Forma Review
- ◇ Due Diligence
- ◇ Land Development Consultation
- ◇ Property Entitlement/Permits
- ◇ Project Risk/Feasibility Assessment
- ◇ Neighborhood Dispute Resolution
- ◇ Expert Witness
- ◇ Buyers Broker

What Is Land Development Consulting?

Many people ask what I do for a living when I meet them as I am sure happens to you. I tell them I am a land development consultant which results in a puzzled look followed by a "Huh?". I briefly explain my background in civil engineering, planning and development to them and I tell them that I use my experience to help those less familiar with the development process. This leads to a sigh of relief from my new friend and a comment such as "Oh, so you are a builder?" or "Oh, so you are an engineer?". Okay, yes, I have done both of those things but I offer so much more! More time with your family, more money in the bank and more neighbors happy to see you.

Let me explain it this way; my son loves to turn all of the lights on in our house but cannot remember to turn them off. We are trying to teach him to turn lights off when you are not in the room. Much of the time he forgets to turn the lights off even though we remind him all of the time. We have implemented a new strategy in our house to help him remember to turn the lights off - we charge him a quarter for every light he leaves on! We explained to him that electricity costs money and since we are getting charged, he is going to get charged.

A few nights ago we took two crisp dollar bills from his piggy bank to pay for the eight lights he had left on up stairs. To say he was upset would be an understatement. He did not want to see his money leave his bank. I am sure it will happen again since he is only seven years old, but let's just say he has not left a light on since then and he has even reminded us to shape up!

The purpose of sharing a personal story with you is to convey the point that until something costs *YOU* something of value, it really is not very important. A developer will hire an attorney, an engineer and a planner and assume these professionals will tell them all they need to know for a successful project. You have to admit it makes sense. The problem is there are many ways to spend money when developing a project. There are many ways to lose money on a project. Who does it hurt in the long run? The attorney? The engineer? The planner? NO! It is the developer who pays.

What is the incentive for any of these professionals to learn how to not cost you money? A very good (and rare) professional may advise you on a subject within their specific area of expertise such as a title issue, a drainage issue or a zoning issue, but which one is going to warn you (before it is too late) the neighbors will fight the project if you do or don't do something? Which one will tell you why you should avoid asking for too much density in a rezone case? Which one will explain how the timing of a project can mean huge savings? A land development consultant has been "there" and has spent their own money on unnecessary issues at the direction of a "professional". They have had situations where they were told "don't worry about it" and it cost months of delay at a cost of \$25,000 per month. A land development consultant has watched as one professional after another has said "they have to approve this" and then seen the project denied approval.

Can you imagine a football team without a quarterback? There is a lot of talent on the field but without a leader, someone to call the shots, the talent is misused or underutilized. At worst, a land development consultant is an extra layer of review and additional costs. What is so bad about an extra layer of review from within the team? While money is always tight, is an extra \$30,000 in land development consulting fees on a \$12 million project significant? If that \$30,000 in "extra fees" saved you three months of interest carry would it be worth it? You bet. I am here to help those in the development industry and those serving the industry such as banks and investors. Are you unsure if you need my help?

Give me a call or email and tell me what you are thinking of doing and I will give you an answer on the spot - no strings attached.