

K

Keystone Development Advisors, LLC

David H. Farmer, PE, AICP, CGC

Volume 3, Issue 3



Keystone Development
Advisors, LLC
Office (239) 263-1100
Fax (239) 263-1103
www.keystonellc.net
Services:

- ◇ Land Development Feasibility Assessment
- ◇ Pre-Foreclosure Advisory Services for Financial Institutions
- ◇ Cost Segregation
- ◇ Florida Real Estate Broker
- ◇ Investment Potential Analysis
- ◇ Pro Forma Review
- ◇ Due Diligence
- ◇ Land Development Consultation
- ◇ Entitlement/Permitting/Zoning

Welcome to my Summer 2009 newsletter. I can hardly believe we are almost halfway through 2009 but the rain showers and scorching temperatures are among us so that means summer is indeed here. Please feel free to pass this newsletter on to anyone that you feel may be interested. Please remember that questions and answers are always free! I can be reached at (239) 263-1100 or dave@keystonellc.net

"We Begin With
the End
in Mind"

Finally Someone Gets It!

I was reading the paper recently when I saw an ad by a local developer touting their project as a great place to live. Now this type of ad is generally not too shocking since every developer says the same thing about their respective projects.

What caught my eye was the marketing blatantly touted the fact the community did not have a Community Development District (CDD), a tool large developers use to finance the development of their property through bonds where the residents of that community pay the bonds back. It is a slick deal for developers. They pass the development costs on to the end user while at the same time charging as much as every other development for their land (yes CDD's are real - I am not making it up).

As I was saying, a local development known as the Vineyards has something few developments in this area can

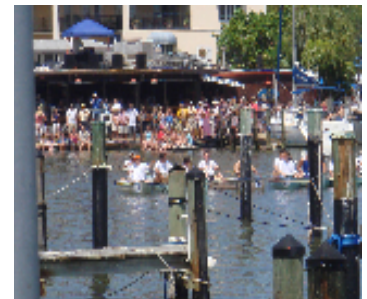
say. NO DEBT. That means when you buy a new or existing house in their project you do not have to pay additional CDD fees to live there. What a novel concept!

There are many developments in Florida and elsewhere in the country where the residents are saddled with \$10-20 thousand (or more!) in debt the day they close on their house. In my less than humble opinion, the CDD tool is over used and does not save the consumer any money. Too many MBA's and CPA's with little regard for future buyers appetite to pay more fees long after closing were driving the development bus.

So Kudos goes to the Vineyards and the "in hind sight" brightest developers in the land. They have an attractive community with all of the amenities one could ask for with ZERO add-on fees for the buyers. As their ad says "This Developer Gets It!". I have to agree.

Featured Inside this issue:

Finally Someone gets It	1.
Canoe Race for Charity	1.
Unconventional Wisdom	2.
Hey Dave? Where've You	2.



Dave (orange hat) and his race partner Kent Skrivan at the starting line.

Canoe Race for Charity!

I recently participated in the "33rd Annual Great Dock Canoe Race" at Crayton Cove in Naples, Florida. I have been attending this event since 1990 and this year was my first time competing!

The Annual Great Dock Canoe Race is arguably Naples' most popular event. Contestants and spectators travel from throughout the country to race and watch, and thousands of people, from young children to grandparents, celebrate the Race on land, dock and bay. The

Theme for the event changes each year, and the costumes and headgear of the participants and spectators are as much a part of the day as the paddling.

My partner in the race, Kent Skrivan of Garlick, Stetler & Skrivan is a very strong rower and is generally responsible for our 5th place finish in the VIP race with a respectable time of 4:26.

At the races, over \$7,000 was raised for CHS Healthcare a private, not-for-profit "safety net" health care provider with 12

health care facilities located throughout Collier County which includes the Ronald McDonald Care Mobile. They offer basic primary and preventative medical and dental health care services. In calendar year 2008, they provided services to over 46,700 patients (over 31,000 of which were children) for a total of nearly 186,000 patient visits! You can visit their website at <http://www.collier.org/> more pictures can be seen at <http://www.keystonellc.blogspot.com>

Unconventional Wisdom

I had lunch with an investor friend of mine on May 18 and we had a very interesting discussion about the economy in general, real estate prices/values and the stock market. First let me say if a man is measured by his friends then I am the richest guy in the world. Not only are my friends smart but they are generous with their time and allow me to probe their thoughts on what is happening but also why it is happening (in their opinion).

My friend sees the general economy as sluggish and thinks it will continue to be flat for some time. He sees much trouble ahead for the commercial real estate market. It may be because there is too much space and not enough tenants or consumers may not be spending enough to keep the tenants in place. Regardless, he sees cap rates heading back to the historic mean of 10%. In English that means retail/strip centers may fall as



much as 40% in value from 2006 prices. Compounding the situation is many centers are not stable as in they are not 90% full and most are losing tenants such as Circuit City, Linens & Things and other bygone companies.

On top of that, rents are still falling in centers across America to entice tenants to move from one center to another. Plain and simple, the commercial market IS ugly and will get worse. I have to say I agree with my friend. With that said, I also have friends in areas that are not overbuilt and their centers are staying full and rents are stable but these are in less populated areas.

As for the stock market, I keep reading about how much cash is sitting on the sidelines ready to invest in anything that makes sense.

I was talking to my friend about a graph someone sent me that showed money market deposits as a ratio of the S&P and it showed a monster amount of available cash. My friend pointed out how the graph misrepresented the actual amount of available cash because the S&P index is down by almost 50% since a year ago. Therefore there is not twice as much cash as a year ago as the graph indicated, it is more of a reflection of how the S&P is down. My friend really likes SRS (Super Short Real Estate Index) and I will tell you I am also a fan of SRS and I own it as part of my own holdings. All of my investor friends believe the stock market is over bought and we are in a secular Bear Market that just happens to be in a rally.

Back to real estate in general. One thing my friend has been saying for some time now is do not buy (for investment purposes) anything for a year or so. He believes the prices will be the same if not lower a year from now and the chance of further decline is just not worth the risk of marginal returns (rents) and carry costs such as taxes and insurance. In general I agree with him but there are always exceptions and one should keep their eyes peeled for those exceptions (i.e. some distressed bank own property for example). It also depends on why you are buying too. If you are buying to use for your own purposes, then there is no risk of lost expected rental income and you will pay taxes and insurance wherever you live or run your business.

Hey Dave? Where've You Been?

Over the past few months in my travels, I have been able to take in and enjoy much of the beauty that Florida has to offer. I first took a trip down to Key West and had a great time despite work calling...

What makes this Key West special is not just it's residents, but it's location. It's everything you can imagine and...more. The food, the hotels and guest houses, the things to do. The water...the fishing...the excitement...the diving, the treasures, the sand, the history

and let's not forget the drinks I then made my way to the Cocoa beach area as I needed to make a site visit to check in on an investment opportunity that came to my attention. It was a condominium that had multiple units available. Once I got a feel for it, I then checked the hurricane rating on the building to see if it had impact glass. It did not have shutters or impact glass I suggested maybe not to do the deal given it's close proximity to the water. I also looked at

vacant waterfront land on Merritt Island. I am always searching for additional investment opportunities. In May, I was invited to speak at a Land Use Permitting and Entitlement Course at the Huizenga School of Business and Entrepreneurship at Nova Southeastern University.

I recently had the opportunity to attend several conferences including Project Innovation conferences, the last one was featuring Richard Florida. I found the series quite

informative and I enjoyed Richard Florida's presentation very much. On June 22, Mike Timmerman made his annual Market Trends presentation in Estero. He was cautiously optimistic in his outlook.

I have many things on my agenda for the next few months so be sure to stay tuned.