



Dear Friends,

I've been busy on the road gathering a lot of exciting information that I am eager to share with you. Look for my NEW quarterly newsletters to see this information, or visit my website at

[www.keystonellc.net](http://www.keystonellc.net) to see what I have been up to.

I hope that you thoroughly enjoy this issue,

David H. Farmer, PE, AICP

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## REAL ESTATE INVESTMENT FOR BUSINESS OWNERS

Many business owners are drawn to real estate as an investment by necessity. The office or space they occupy for business purposes is often the only meaningful real estate investment made early in life. While investing in their business is a wise decision, far more can be accomplished with a strategic and disciplined approach. Most business owners simply do not have the time to research multiple opportunities and analyze the differences between them. Real Estate brokers are consulted, as well as legal professionals and property appraisers. Too often the business owner is left with either an incomplete picture, or worse, an inflated notion in regard to the quality of the investment.

Let's start with one idea you have heard before:

Most real estate investors with a pulse know the mantra, "Location, Location, Location". If it were only that easy, everyone with good credit and

no brains would be rich. My preferred mantra is, "Quality, Quality, Quality". I learned this from my first client as an engineering professional. This motto has served me well over the years and it will for you too.

The right question that logically follows is, "What is quality?" The answer to this question is as difficult to qualify as a new college graduate trying to buy their first home. It is easier to talk about what quality is not. Quality is not buying an acre for a bargain when two acres are necessary for building. Quality is not buying land zoned for conservation when development is the planned use. Quality begins with Due Diligence. Due Diligence is or rather should be a time when serious investigation is undertaken to answer all questions related to a specific property or parcel. The first step I recommend during the Due Diligence period is obtaining a current survey of the subject

property. This may be as simple as asking the current owner for his copy and paying the surveyors of record to update the certificate.

*Be sure to pick up my next issue where we will talk more about The Due Diligence Process.*

*Look for upcoming issues on:  
Due Diligence  
Investment Advice  
Market Analysis  
and much more.*

## HEY DAVE, WHERE HAVE YOU BEEN?!?!?

This past fall I spent time in Southern and Central Colorado, specifically Telluride, Vail and Durango.. While in Vail, I was fortunate enough to attend a conference on resort development, and also took several side trips to look at land investment opportuni-

ties. I believe that this part of the country has good investment potential over the long run and I will surely be keeping my eye on it.

Closer to home, I am encouraged by areas that did not experience excessive price run-up, but yet still

experienced steady growth. IE: Gainesville, Greater St. Augustine, and portions of Central Florida.

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We're on the web  
[www.keystonellc.net](http://www.keystonellc.net)

*The Keystone principals are:*

- **HONESTY**
- **QUALITY**
- **INTEGRITY**

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*Keystone Communities, LLC is a land investment and development company serving Southwest Florida. The company headquarters is located at 6017 Pine Ridge Road Suite 326, Naples, Florida 34119. Paula Davis and David Farmer are the founding partners of Keystone Companies, LLC. Paula Davis is a licensed real estate broker with over 20 years of experience in the real estate and land development business. David Farmer manages the acquisition, entitlement and development of property for Keystone Companies. Mr. Farmer is a licensed professional engineer, certified professional planner and a certified general contractor. Mr. Farmer has been active in Southwest Florida real estate development since 1989. Together, Ms. Davis and Mr. Farmer provide over 37 years of entitlement and development experience to properties under their leadership. Their balanced yet comprehensive experience in land acquisition, entitlement and development help to provide maximum returns and minimize risk for investors.*

## MARKET UPDATE

February was a busy month for conferences here in Southwest Florida. I found myself in the audience at two of the areas most widely known conferences, Market Watch and the Urban Land Institute's Southwest Florida Winter Institute.

These two conferences brought in highly decorated market experts to give their perspectives on where the market is headed over the next twelve months. I used these conferences to gather information from varying perspectives to better prepare myself, and my clients for what is to come.

Market Watch showcased the perspective of Denny Grimes and Frank D'Alessandro who offered up a grim outlook for residential real estate for the immediate future overall, however a few bright spots stuck out in my mind. Commercial Real Estate still looks good, and there are some good deals that have happened in the past few months, you just need to know where to look for them. Opportunities still exist in existing buildings located in older and "forgotten" areas. Some areas are overbuilt, retail, office and industrial appear to be equilibrium. South Florida, like other parts of the country is experiencing an excessive supply of homes purchased by investors. This issue will take time to resolve, as end users are being found quickly, only for

homes that are priced correctly.

This is still a buyers market at the right price. The sellers who are at the right price, are selling, the ones who are not may need to consider setting a lower price bar. For now, too many sellers remember what they "could have" sold their home or investment property for in 2005. Unfortunately, this is 2007 and a much different market.

On February 22, 2007 I attended the Urban Land Institute Southwest Florida District Council's Tenth Annual Winter Institute at the Naples Hilton, where I had the opportunity to see presentations from Gregory Miller Chief Economist of Suntrust Banks, Dr. Hank Fishkind of Fishkind and Associates and Anthony Flint of Lincoln Institute of Land Policy. Fishkind and Miller shared with the audience their economic forecasts for 2007, while Anthony Flint shared with us the data behind the housing term "Smaller is better".

Dr. Fishkind answered the question "Is there a housing bubble?" with a firm YES, and told us to look for it to deflate sometime in 2007. He indicated that the land market is particularly risky, that strong consumption and weak dollars continue to prop the economy, and told of the importance of the "60 mile rule" which indicates that hot growth areas will likely be within 60 miles of a coast or an airport. I have used this

formula for years, only seeking properties that are convenient to me getting a loaf of bread, a cup of coffee, a gallon of gas and in close proximity to a school for my son.

Greg Miller indicated that the slowdown phase isn't over, the fourth quarter 06 boost is not sustainable, inventory sits and cap spending sags. Soft landing is still the smart money call, but risks are significant. Miller also indicated that though this will not be the worst housing collapse in history, it will be among the top three. The housing boom between 2003 and 2nd quarter 2006 accounted for 16% of the growth in gross domestic product during that period. Over the last four quarters, housings decline has reduced by 23% the rate of GDP Growth. The economy slowdown will produce rates as low as 2.9 % in the first quarter of this year down from a 3.5% growth in domestic product in the fourth quarter of last year. Though the slump does not yet have an end in sight. Miller did leave us with some positives:

Stocks are up strongly the price of oil is down, there is an increase in employment and a gain in personal incomes.