



## NEWS FROM THE DESK OF DAVID FARMER

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Dear Friends,

Welcome to my first quarter 2008 newsletter. I appreciate those of you who have taken the time to read each issues in 2007. I hope that you have found something of interest in each of them. I recently started an online real estate blog that is updated weekly as well.

That can be found at the following URL <http://keystonecompaniesllc.blogspot.com/> please feel free to visit at your convenience and comment on my entries as you see fit.

I hope that you thoroughly enjoy this issue and remember, "things will be great in 2008"

*-Dave*

### Inside This Issue

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## MARKET UPDATE FIRST QUARTER 2008

I found a quote by JD Rockefeller a couple of years ago that may have some application today. He said "The way to make money is to buy when blood is running in the streets." I have been working with a number of builders and developers that are willing to sell portions or all of their land holdings to reduce their expenses. One developer let me know they would sell finished residential lots for 46% of their cost. If you apply standard metrics for the ratio of lot price to home price you get a finished home and lot price of \$220,000. If you apply the standard mortgage to income ratio of 28%, the minimum income necessary to purchase the home is \$60k (assuming 30 years at 6.5%). What I like about the previous calculation is it shows prices are starting to reach affordable levels for most people. The problem is there are many homes in the area of the afore mentioned subdivision that are being listed for \$150k. Until those homes get off the market the ones for \$220k will be at a significant



disadvantage. I consume a lot of financial information during a typical week. This newsletters content is a reflection of my constant search for information. I am seeing some signs indicating this summer (2008 that is) could be the apex of the "blood running in the streets". Only time will tell, and I have been wrong before. I know this is going to sound corny but a lot of my investment decisions are based at least in part on my gut feeling. My gut feeling is directly related to the information I consume over the previous 6 months or so. What I am getting at is my gut does not tell me to jump in with both feet yet. I feel cautious. A lot of people do. With that said, I remember when you could buy lots here in SW Florida for 5-10k just a few

years ago. The prices were depressed because everyone thought "who would want one of those?". A broker once told me to avoid lots in a "bad" neighborhood even though the lots were selling for \$500. This may not be sound investing advice but anytime you can buy something as tangible as a lot for less than a used car you should at least ask yourself "why not?". Just because it looks like no one is buying or there is a lot of something does not mean it is not worth consideration. There are only two downsides I see to buying a cheap lot and they are opportunity cost (what else could I invest in that would provide a better return) and the carry costs such as taxes and interest payments. That is it for now. I hope all that read this update had a good holiday season. I will update again in my next newsletter. If you have any questions, feel free to email [dave@keystonellc.net](mailto:dave@keystonellc.net) or post it on my blog that you can find at

[keystonecompaniesllc.blogspot.com/](http://keystonecompaniesllc.blogspot.com/)

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

This last quarter I did not travel much but my experiences have been rich. I moderated two ULI programs, the most recent was on transportation issues. Roads are more expensive than ever to build and maintain yet with newer vehicles getting better mileage we are not buying as

much gas per vehicle and therefore there is a per vehicle drop in gas taxes collected. Who would have guessed that more efficient cars are contributing to our clogged roads? I have been talking to several home builders around Florida about their land holdings

and many of them are starting to entertain discounted offers and that is a positive sign. So that is where I have been. I am looking forward to our next news letter where I hope to report many new positive changes in the real estate market.



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

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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



**I Have a Dream**

I have a dream to set up and run a fund specifically to take advantage of the current and unfolding real estate market. Three hundred million would be a nice start but a billion would be better. I know of a defunct project in a great location that can be had for 30 cents on the dollar. The problem is that is still about 100 million dollars. I know of a company ripe for a takeover but it would take 300 million dollars to do so. Some would say this is a pipe dream and maybe it is but my head is consumed with these potential deals. Some of them have a 300% return (again potentially) in the next 5 years. WCI (not one that I am going after) is a perfect example. Not to pick on them (WCI) but they have made some poor choices and too

many people with too much money have been running the company. WCI is just the poster child, there are many more out there. Some can be nursed back to health and sold for nice margins or kept for nice dividends.

If I were you I would ask, "why not put your money where you mouth is?" and the answer is I have and I do. I just don't have 100 million sitting around. I have made money and I will make money. Sometimes a guy just needs a little help. In my case I just need a few people to sit down with me and listen to the details about specific targets. I believe a reasonable person will like what I have to show them. Unlike a typical broker or agent that many times does not care about what happens after the deal is done, I want to run these deals. While commissions are great to pay bills and keep my office open, the real money will be in how the assets are managed and enhanced. Also unlike most "investment advisors" I will risk my own money to show I will put my money where my mouth is.

I have a dream of making the right people a lot of money. I have a dream that luck is when opportunity meets preparation. I am prepared I just need opportunity. Feeling lucky?

**Professional Entitlement and Project Management**

Keystone Companies, LLC is a land development consulting company. Keystone offers many years of professional experience in the planning, entitlement and permitting process. We take great pride in maintaining our strong of leadership, integrity and trust. We invite you to review our credentials and established relationships. You will no-doubt find that we are a well rounded, first-class company with the skills and knowledge required to required to take a site or project to the next level of opportunity.

Keystone has entitled and/or developed property in Naples in Collier County, Fort Myers and Lehigh Acres in Lee County and Labelle in Hendry County. Our experience ranges from dense urban mixed-use projects to rural single use projects.

Whether directly involved in development or serving in an advisory role, we always strive to exceed client expectations with a commitment to clear communication, quality and excellence.

We bring in highly qualified experts appropriate for each project. We keep the right vision at all times and "begin with the end in mind" on every project. Our big picture approach brings creativity and value to each task. Forward thinking and innovative, we provide specific insight necessary for leading your project successfully. Keystone is pleased to offer the following services:

- ◇ Land Development Feasibility Assessment
- ◇ Lead Strategic Entitlement & Permitting Planning
- ◇ Concept Planning & Project Theme Development
- ◇ Identify Consultants Appropriate For Project
- ◇ Pro-Forma Review and Analysis
- ◇ Assist Owner with Risk / Reward Determinations
- ◇ Highest and Best Use Analysis

**For More information on this or other Keystone Services please feel free to contact me at (239) 292-6081 dave@keystonellc.net or www.keystonellc.net**

