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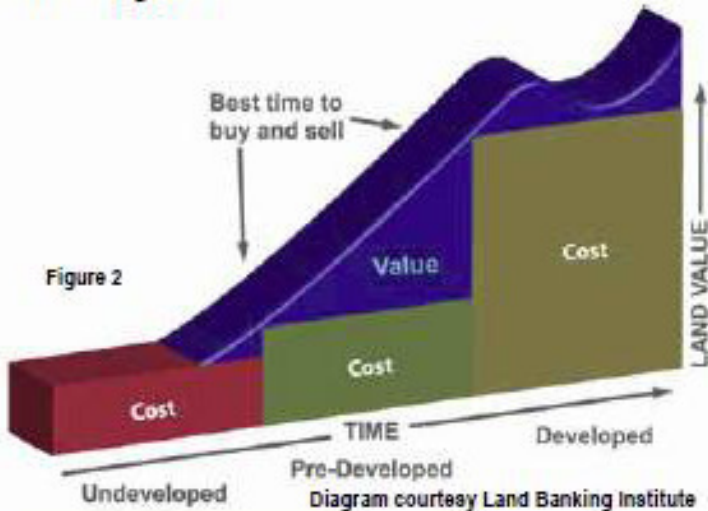
Beyond simply repeating "location, location, location," the desirability of land to bank is based on proximity to a promising metropolitan area and the related economic activity.

"Look at any city downtown and you are already too late (for land banking), as this is already developed," says Gold. "The concept of the curve is to get two to three miles outside of current development and find pre-developed land. Look at the master plan and get in three to five years ahead and then catch the sprawl wave."

Timing is relevant, and so is the extent of development or preparation of the land for sale. It is not so much chronological as it is the relation to a collection of non-linear issues described in the 10 indicators in Figure 1.

Additionally, land goes through various stages of added value - from raw land to developed land - as does the cost of acquisition. Acquisition at each stage reduces the spread or profits available to investors between raw (undeveloped) and finished (fully developed and built-up) land.

The following curve illustrates the cost and profit an investor can expect as land value rises over time, from the land's undeveloped stage, to pre-developed to developed. The diagram also shows the best times to buy and sell. See Figure 2.



LAND BANKING FOR EVERYONE

Traditionally, land banking has been dominated by big players. But long-term land banking programs also are available for smaller investors. Ace Capital Group is one source of land banking advice. Ace Capital Group does not encourage capital leverage and sees land as a long-term nest egg or education fund investment that offers no interim income but significant spread income upon sale of the land.

One of Ace Capital Group's projects has returned a profit of 35 percent per year over a recent five-year holding period.



RESOURCE

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Land Banking Institute
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Land Banking Resources Can Increase Your Returns

By Julian King

Many real estate investors limit their investments to buying houses. But there is a strong argument to go further down the real estate food chain and look at unbundling the components in a house purchase: The land, the buildings or labor, and materials necessary to build that home.

Homebuilders calculate their house prices and gross margins by beginning with the base land cost. Individual investors can participate in this richer profit model by putting portions of their real estate investment funds into land banking. This increases potential profits when clear rules are followed.

Mark Narovlansky is senior vice president and chief operating officer of California-based Ace Capital Group.

"There is a strong argument for investment diversification beyond paper assets because different classes of real estate follow different cycles," says Narovlansky. "We were reminded by Mark Twain that well-located land never goes out of style," as no one is making any more of it.

BANK ON DEMAND

Investment companies know that thoughtfully selected land is both a reliable and highly profitable investment. This is particularly so in times of economic expansion and when the land is purchased at prices that can provide extraordinary future returns.

Land banking is buying and holding raw land: Buy low in the path of metropolitan expansion, hold for an extended time, and sell high at better-than-average profit.

"Consider the relative appreciation of homes and land in Silicon Valley," says David Gold, executive vice president of Green4Wealth.com. "Thirty years ago you could buy a home for \$60,000; now that home is worth \$600,000 or 10 times that 30-year-old price. You could buy an acre of land then for \$10,000 and that is now valued at a million (dollars) an acre or 100 times the investment. And this is without maintenance costs.

"Don't wait to buy land; buy land and wait," says Gold. "This has worked for the wealthy forever." These profits are based on demand and monetary inflation.

The magic in land banking is to identify and buy undeveloped land well in advance of the developers. History shows that homebuilders need real estate. Stagnant growth is not an option, especially when it involves public companies that need land on which to build homes to satisfy

the expectations of analysts and investors. "We have just gone through a cycle of real estate contraction where building slowed, but nationally we did not reduce population growth rates," says Chen Wang, chairman of Ace Capital Group. "And this points to ongoing pent-up demand for well located land."

Consider population fundamentals. A compounding growth rate of 1 percent takes the U.S. population of 310 million (2006) to 339 million people needing 170 million family units in just 10 years. U.S. population growth is closer to 2.1 percent per annum (United Nations data) and regional rates are different again. Today there are about 130 million dwelling units in the U.S., making the nation short by 40 million units by 2016 if there is no intervening construction.

The key is finding markets that are growing the fastest and at more than the average projected rates. The South and the West lead in growth.

DESIRABLE DIRT

The best land bankers are smart land pickers. They apply similar stock picking tools to look ahead at future company product or service demand and therefore performance of a company stock. Picking desirable land has exactly the same goals. The following diagram from Ace Capital Group describes desirable dirt. This proven land selection wisdom has been developed by Ace Capital's Wang over the last 40 years through good times and bad. See Figure 1

10 KEY INDICATORS USED TO PICK DESIRABLE LAND



Figure 1
Courtesy of Land Banking Institute

IT'S NOT THE HOUSE ...IT'S THE LAND

Thirty years ago \$60,000 would have bought a house in Orange County. Today that house would be worth about \$700,000. But 30 years ago you had a choice. Just a couple of miles away from that house you could have purchased \$60,000 of pre-developed land. Today most of that land would be worth over \$2,500,000. You have the same choice today. For a place to live – buy a house. For long term appreciation – it's the land.

No Toilets, No Tenants, No Trash

- ✓ Select Pre-developed Land
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- ✓ 50+ page Property Profile and Disclosures
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GREEN4WEALTH

In just 30 minutes I can show how to take control and secure your financial future through the power of using a Self-directed IRA for Land Banking. **Contact me today!**



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