

# The Landowner Bulletin

## (Springtime 2011)

**Inflation Fears** – Inflation is caused when the federal government prints more and more paper dollars, which has been going on since the founding of our nation. According to the U. S. Bureau of Labor Statistics, it takes \$200 today to buy the same goods and services that \$100 purchased 25 years ago. That means that inflation has robbed the dollar of 50% of its buyer power in just the last 25 years.

However, the government can't print or manufacture more land, and therefore it goes up in value through the years as opposed to paper currency depreciating in value.

**Texas/Oklahoma** – Land investment opportunities are astonishing in these two states. Texas represents some of the lowest priced land deals to be found anywhere in the entire United States and Oklahoma presents some of the lowest priced *forested* properties to be found anywhere in the nation!

**Wyoming** – Wyoming land prices continue to escalate. Additionally oil and gas development continues strongly along the Interstate 80 corridor. Landowners contacted by exploration companies should seek advice from a competent petroleum attorney before signing drilling commitments. Feel free to contact us in that regard if you wish.

**South Dakota** – In addition to normal increases in land values, South Dakota is also experiencing vast oil and gas exploration activities. The Williston Basin, already one of the largest oil and gas fields in the United States, is being expanded farther to the south. In fact, the latest oil field has sprung up near Bear Butte, which is only 17 miles south of the Richards and Snoozy ranches. Again, landowners should feel free to contact us for legal references if they are approached by exploration companies seeking drilling leases.

### How to Profit with Land

Various approaches to investing in land can range from “expensive and risky” to “affordable and safe.” On the “expensive and risky” side, let's say a person purchased five acres on the outskirts of a growing city for \$435,600 (\$2 per square foot) with the intent of rezoning the land and developing a residential subdivision. This is a high-risk approach for the following reasons:

- Rezoning might not be successful.
- Financing might not be available to construct homes.
- Loans may not be available for people to buy the homes.
- The economy may weaken, causing demand for homes to evaporate.

The end result might well be a total loss.

On the “affordable and safe” side, let’s say a person did nothing but acquire 160 acres of rural land for the low price of \$48,000 (only \$300 per acre) with the intent of holding the land for some years into the future. This approach would be much less risky. In fact, **history has proven that it is literally impossible to lose money by owning land if it is purchased cheaply enough and held long enough.**

Suppose in 1920 (90 years ago), a grandfather had placed \$100,000 in a long-term trust in one of the following investments:

- Studebaker stock (one of the leading Dow Jones stocks of the day);
- United States currency; or
- The deed to \$100,000 worth of rangeland (20,000 acres worth \$5 per acre).

Which asset would be worth the most to his grandchildren today (in 2011)?

- Studebaker stock certificates would be worthless; the company went out of business and no longer exists!
- \$100,000 cash in the year 1920 has the same equivalent buying power today (2011) of only \$10,000. In other words, inflation has robbed the dollar of 90% of its buying power in the last 90 years!
- 20,000 acres of rangeland would be worth at least \$5 to \$6 million!

Buying cheap acreage, and hanging on to it through the years, might not be the fastest way to make money, but it could be one of safest and surest ways!

#### **A Few Thoughts from the Ole Country Boy Philosopher:**

- Did you ever notice: When you put the 2 words “The” and “IRS” together, it spells “Theirs.”
- What happens if you get scared half to death, twice?
- A truly happy person is one who can enjoy the scenery on a detour.

The Land Bulletin is published by Doug Caffey, who can be reached at either telephone (714) 742-8374, or email [doug@cheaplandinamerica.com](mailto:doug@cheaplandinamerica.com).