

THE LAND CONTINUUM

LEVEL	1	2	3	4	5	6	7
LAND STATUS	RAW	RAW	RAW	RAW	RAW	Finished Super Pads	Finished
APPROVAL STATUS	Agriculture Land	Master Planned	Zoned	Preliminary	Approved Entitled	Approved Entitled	Approved Entitled
COMMENT	All land starts as agricultural land by default.	The municipality has overlaid general concepts for land use.	The specific property land use has been determined.	Public hearings approved general concept.	Significant value has been created. Land "has achieved transferable development rights".	Valuable land. Finished lots with all utilities. No roads, but ready for development.	Finished lots, ready to build. A land commodity.
CAPITAL FORMATION	Value as farm land. Financed based on crop output.	Financed as farm land, interim use or speculative future value.	Once zoned, it is taxed as commercial property. Financed from cash flow as interim use or on interim use or on a speculative basis of future use. - Early equity capital seek returns at 30% plus IRR. - Debt is based on future value with "credit support".	Once zoned, land is taxed as commercial property. Finance from cash flow or interim use or on a speculative basis of future use.	Project is preparing for development. Terminating interim land use. Equity capital more available. Bank financing is now possible.	Project is ready for vertical construction. Construction financing available. Equity is plentiful.	Project is now a community. Most liquid stage of asset class. Debt / Equity plentiful.

When analyzing any land transaction, the investor must start with the "current status" of the land. Land comes in seven types.

LAND OVERVIEW

Raw, Un-Entitled Land	Master Planned / Raw Land	Zoned / Raw Land	Preliminary Approved / Raw Land	Fully Approved / Raw Land	Approved / Finished "Super Pads"	Approved / Finished Lots
Land at this stage is typically farm land or agriculture land. This is the most basic form of land. In order to be developed, the land must be entitled for the intended use.	Municipals will generally have a "master plan" for the community, stating what type of developments that they wish to have on certain parcels of land. Master Plan is just a concept and does not provide the land owner any rights.	Zoning defines the types of use that would be permitted on the land. Yet, by itself, zoning does not give the owner the right to develop the land. If the investor wishes to build a project for which the land is zoned, they have a much better chance of getting the plan approved.	The land is zoned and has gone through the necessary public hearings and is approved for the intended use. The plan goes through preliminary approvals to final approval after the development details (grading, fire and rescue, storm water management) are worked out with engineers and local land planning staff.	"Approved land" or "paper lots" provide real value to the owner. In this case, the land has been taken through the local approval process, which could consist of public hearings, meetings with local municipal land planners, etc. Once the land is "approved," development can begin. It is at this stage that development rights have been granted. These are the rights that create value.	These are larger finished tracts or pads that are fully graded, with all utilities functioning at the site. There are no roads, but the pad is graded and ready for development.	These are the ultimate land commodity. Finished lots mean that the land has been graded, and public utilities and roads are in place. The land is a finished pad, parcel, or lot that is ready for construction. This is the most liquid and saleable form of land.

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