

LEASE LAND vs. FEE SIMPLE

FINANCIAL BENEFITS

The primary difference between buying land and leasing it is obvious. Leased land reduces the cost of a home by 20 to 30%. Once a structure is built, the land beneath it can be of no other use to the homeowner. So by owning on leased land, the homeowner gets the use of the land without the capital outlay – and can afford a far more luxurious home for less money. Furthermore, since no one actually owns a home free and clear until the loan is paid off, most so called “land owners” don’t really “own” their property for the first 15-30 years.

For example, this simple logic has been sufficient to satisfy thousands of home and business owners in the Palm Springs, California area, whose homes and business are located on land leased from the Agua Caliente Indian tribe. But for those who like to explore all ramifications, here are some more facts to ponder, posed in the form of most frequently asked questions about Indian-leased land:

WON'T THE VALUE OF MY REAL ESTATE CLIMB FASTER IF I OWN THE LAND?

While resale values are determined by many things, all available figures indicate that resales of homes on leased land (such as those at Cathedral Canyon Country Club, Canyon Estates, Mission Hills, and Seven Lakes) have climbed in exact proportion to other homes in the area. The condition in which you keep your home has far more influence on its resale value than the fact it is (or is not) on leased land.

WHAT ABOUT MY CHILDREN AND GRANDCHILDREN AND WILL I BE ABLE TO PASS A LEASE-HOLD ESTATE ON TO THEM?

Of course. You can give or sell your home on leased land just as easily as on fee land. However, if you are concerned about your heirs 65 years from now, there are four realistic questions you should ask yourself:

1. Will they really want a 65 year-old home when the average life of most California residences is estimated at less than fifty years?

2. Considering that most residences change ownership about every five years (which would be more than 10 turns of ownership during the life of your lease) is this home really likely to stay in your family for 65 years?

3. If you have a savings of \$206 per month (\$2472.00 per year) by leasing land vs. purchasing, over the life of a 65 year lease, your savings would total \$160,680.00, even if it earned no interest. If you kept this monthly savings in an account paying 10% annual interest, your savings would exceed \$1,250,000 over 65 years (and even more if interest were compounded monthly). Wouldn't that be a better way to take care of your great-grandchildren?

4. What happens at the end of the lease? Since there is no legal restriction prohibiting the tribe from selling its land, you or your heirs may have the option to purchase, if you wish to do so. However, most probably, you would be offered a new lease based on conditions existing at that time. There would be no financial advantage to taking the land back and, as the tribe long ago observed, “One cannot eat dirt.”

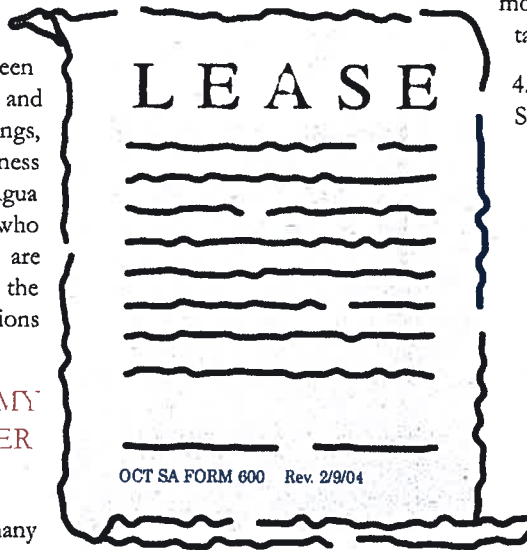
WHY DO SOME PEOPLE COMPARE A HOME ON LEASED LAND TO A VARIABLE ANNUITY LIFE

INSURANCE POLICY?

Probably because it's easier to understand! Just as a variable annuity gives you the possibility of gaining from both fixed interest rates and asset appreciation, a home purchased on leased land gives you a monthly savings along with the possibility of home appreciation.

It can be an investment hedge whether home prices are rising or falling. During an “up” period, your home will increase in price. In a “down” period, the dollars you did not spend on land, but invested in a fixed interest savings, will continue to increase.

Today, building on leased land is no longer an advantage reserved for business and investment buyers. Now, in Palm Springs, California and the surrounding communities, it is something any home buying family can enjoy, thanks to the honesty, intelligence and perseverance of those original desert dwellers who were sincere when they said “Welcome, brother, my home is your home”.



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