



Real Returns

By Will Woodard, CFP®

Today's Topic: OBX 2.0—Rethinking the Concept of "Return on Investment"

One afternoon this past winter, while riding down a just-about-deserted Beach Road to a favorite surf check spot, I had one of those "Ah-hah" moments. I guess my mind was temporarily free of To-do lists, work projects, and assorted minutiae. As I rode along the Beach Road I became increasingly aware of just how many different properties had recently been razed to make way for "redevelopment"--a term that, frankly, makes me more than a little nervous.

So, like many of you who notice the changes when you return each year, I started tallying up the amount of change that could be inflicted on the Banks. Eventually I came to the somewhat panicked realization that if all of the vacant land with "For Sale" signs on it and all the newly cleared land equaled houses plopped on top of each other as closely as possible (i.e. like we've done here recently) then we were going to kill, for once and for all, the goose that has laid the golden eggs for all of us who love the Outer Banks, whether property owners or not.

"Wait," the cold hearted Capitalist in me responded, "Don't North Carolina General Statutes dealing with Real Estate say that land can be developed to its 'Highest and best use', subject to zoning and restrictive covenants? How can we reconcile 'Highest and best use' with something other than maximum density? How can we reconcile return on investment with sustainable quality of life?"

Then it hit me: The default business model for development on the Outer Banks up until recently-I think the "Quantity Model" is a good name for it-is running out of gas. Simply put, "More"-as in "More houses, More visitors, More traffic, More souvenir shops selling cheaply made trinkets from China" no longer equals "Better"--even if "More" satisfies the conventional core economic wisdom of 'Highest and best use'.

The model that we need to support instead is a "Quality Model". Quality accommodations. Quality shopping. Quality subdivisions. Quality visitors. Quality investors. Quality property owners! If we are renters, we support Quality rentals. If we are shoppers, support Quality merchants. If we are property owners, we support Quality property management companies. By doing so we are demanding a higher return on our investment, and it will require merchants, homeowners in rental programs, heck, even real estate developers-to offer the best product they are capable of, instead of the lowest quality product they can get away with, as some of them do now.

Currently municipal planning boards are held hostage to developers and property owners waving economic impact studies regarding development under the entrenched "Quantity

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Model", but just as soon as it is proved from an economic standpoint that 'More' does not equal 'Better', then the pendulum would swing. If the "Quality Model" was able to take hold, then planning boards would be able to put some teeth into lower housing densities and more thoughtful architectural standards, because they would be able to see a visible return on their visionary investment. They would start thinking Quality more and Quantity less, and they would have justification for doing so.

If all property owners, residents and visitors to the Outer Banks consciously start supporting Quality instead of Quantity-if we all vote with our feet and our wallets whenever and wherever possible, highest and best use will ultimately be realized, and the economic impact of those houses, shops, rental companies, and subdivisions that are lower Quality will ultimately be minimized. And we wouldn't need to spend millions of taxpayer dollars annually on tourism marketing-the Quality of the Outer Banks experience would market itself.

Think about it-support Quality and the Quantity will take care of itself. Support Quantity and you ultimately kill the Quality. Thanks for doing your part to help. Now recycle, pick up your trash, and enjoy your vacation!

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