Today: The “Perfect” Time to Invest

By Andy Heller, Co-Founder, Regular Riches Investment System

Should an investor swim or reach for a life preserver?

Just a few years ago, the number of real estate investors was growing by leaps and bounds; however, today many investors that were attracted to real estate in the early part of this decade due to skyrocketing property values have retreated to the sidelines. The market has been cooling nationwide, and so it seems has the appetite of many investors. The million dollar question is, are they right? Should other investors follow their lead?

To help answer this question, let’s look at a similar occurrence that happened in the late 1990s in the stock market. Stocks began to appreciate rapidly in the mid 1990s. In response, stock investment clubs popped up all over the country. The increased interest in the stock market drew more attention to stocks from previously inactive and novice investors. This brought more money into the stock market, which in turn drove prices even higher. The bubble burst on the stock market in the early 2000s. Stock investment clubs closed and interest in the stock market waned in response to the declining values.

The end of the bull market and start of a bear market in the early 2000s sent many of these new stock investors to the sidelines, just as real estate investors attracted to skyrocketing property values earlier this decade have also just recently retreated to the sidelines. As we asked above, are the retreating investors right? The answer is a resounding NO.

An astute stock market investor makes good money in both a bull market and a bear market. The same occurs in the real estate market. There is a GREAT opportunity for today’s real estate investor. Today’s investor is unlikely to find and profit from skyrocketing prices that dominated many real estate markets just a short time ago. Therefore, investors who plan only to profit from property appreciation are right to retreat if that is their primary means to profit. But today’s market provides an even greater opportunity to real estate investors than years past. It is just a DIFFERENT, and very special, investing opportunity. Large profits will not come from only property appreciation but from other sources.

We refer to the special opportunity that is just starting to develop in Today’s real estate market as a “Perfect Storm.” The Perfect Storm is the name of a movie staring George Clooney and Mark Wahlberg that depicted the most violent storm of our generation. This once-in-a-generation storm occurred in the mid-1990s and was caused by three separate and distinct weather patterns that occurred simultaneously. One happened a lot, two every couple decades, and all three together was something seen once in a lifetime. This created what was nicknamed “The Storm of the Century” or “The Perfect Storm”.

So what in the world does that have to do with today’s real estate market?

Like the Perfect Storm, today we find three things happening in this real estate market that is the start of what is potentially a once-in-a-generation investing opportunity. Three market developments that have never occurred all at the same time:

1. Forthcoming Rise in Foreclosures — record foreclosures are always preceded with drastic increases in mortgage delinquencies. Today, like 2007, we are seeing dramatic increases in +90 day mortgage delinquencies. We all know what happened in 2008, 2009, and 2010 and the opportunity for investors to acquire foreclosures for massive discounts. What we are seeing today is eerily similar to 2007. The key now for the real estate investor is to prepare now to be in a position to acquire volumes of properties over a short time period as values drop.

2. Growing Rental Pool — Another buy product of mortgage delinquency is when home ownership falls, former homeowners move into the rental market. For investors seeking stable, long-term renters to put into homes as they await a rebound in pricing, this opportunity also typically peaks as foreclosures rise.

3. Less Competition — Without the attraction of profits from skyrocketing property values, fewer investors are active today. Fewer investors mean less competition and even more opportunities for big profits.

How is today's investor able to take advantage of this Perfect "Real Estate Investor's" Storm?

Simple, on the purchasing end, an investor will be able to use the increased supply of properties at a discount, and the lack of competition, to achieve investor discounts that were very hard to achieve before. Where two to three years ago an investor may have been happy to secure a discount of 10 percent on a given property, that same property can be purchased in a softening market 40 percent or more below market.

On the marketing end, investors who rent or lease/purchase will be able to achieve greater profits from less vacancy periods and rising rents. For those investors who try to flip can use the huge discounts they obtained when they purchased their property to discount the property more than they could have a few years ago, and thus attract quick-sale buyers with greater ease. If a buyer does not purchase quickly, the investor can simply fall back on a rapidly strengthening rental market and attract a quality tenant, and patiently wait for property values to head up again.

Throw away the life preserver, dive in, and enjoy the best swimming an investor has had in decades.

Sidebar:

Some suggestions of how you can maximize your profits in a Perfect Storm

- Invest TODAY in establishing your network of realty contacts and property sources.
- Seek a much greater investor discount upon acquisition than you would have accepted a couple of years ago.
- Secure an exit strategy that allows you to cash out every now and then (such as a lease/purchase)
- Do frequent rental analysis wherever you have rental property (i.e., don't be so quick to ask for $1500 when today you might be able to get $1700 because of the growing number of renters).
- Consider locking in tenants to two, and even three, year leases (our shortest is three years). This gives you a chance to get rents up with annual increases and hold onto enough properties in anticipation of property values going up again (which they eventually will).
- Seek out educational products (books, seminars, home study courses) that teach investing strategies where the investor's profits are not dependent solely upon property appreciation.

Andy Heller and his investing partner Scott Frank have been investing in real estate for more than 60 years combined. They've done all this while maintaining successful careers in the business world. Today, their company, Regular Riches LLC (www.RegularRiches.com), teaches their system of long-term wealth building with minimal time, energy, and headaches to new and established real estate investors throughout North America.