

Today: The “Perfect” Time to Invest

By Andrew 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 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 starring 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. **Record Foreclosures** — With foreclosures today at record numbers and going even higher, this in short means that the pool of properties available for investors to purchase at a discount is INCREASING. Also, because many communities across the United States are seeing added foreclosures coming onto the market, this is forcing the average homeowner to also discount their home in order to attract a buyer. Foreclosures are up all across the United States, with annual increases of 100% in many parts of the country. In short, it is easier today to get a discount on investment property that it has been in years.
2. **Rising Rents** — With loan standards tightening up the past 12 months, fewer people can qualify for home loans and therefore demand for rental property is increasing. In response to this rising demand, landlords are able to raise rental rates. So investors who like to rent, lease/purchase, or are unable to flip a property, can take advantage of a rapidly strengthening rental market.
3. **Less Competition** — Without the attraction of profits from skyrocketing property values, fewer investors are active today.

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

Simple, on the purchasing end, an investor today 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 secured a discount of 15 percent on a given property, that same property can be purchased in a softening market 30 percent or more below market.

On the marketing end, investors who rent or lease/purchase will be able to achieve greater profits from rising rents. Also, an investor cannot count on being able to flip a property as easily as a couple of years ago. No worries, an investor can try to flip, and if he or she purchased with a good discount the investor has an extra 5 to 10 percent margin that can be used to discount the property and still attract an immediate buyer. However, if a buyer does not come by, the investor can simply fall back on a rapidly strengthening rental market and attract a quality tenant, and over time the property values will eventually head up again.

How is this playing out today all across the USA? I have been investing for just under 20 years now. In the early part of this decade, I admittedly paid a bit more for properties than I would have liked, mainly due to the intense competition due to so many new investors competing for discount properties. Today, there are more good opportunities to buy than I could have ever imagined just a few years ago. My world is a microcosm of the overall real estate investing market today. I can sum this up in 3 words:

Deals, Deals, Deals!

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 Today's Perfect Storm

- Invest TODAY in establishing your network of realty contacts and property sources.
- Seek a greater investor discount upon acquisition than you would have accepted a couple of years ago.
- Secure an exit strategy that allows you to acquire 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).
- 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 40 years combined. During this time they have bought, rented, and sold approximately 100 properties worth over \$10 million. They've done all this while maintaining successful careers in the business world. Today, their company, Regular Riches LLC, teaches their system of long-term wealth building with minimal time, energy, and headaches to new and established real estate investors throughout North America.