

## It's Raining Deals, Now is the Time to Buy

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Arguably, the most accomplished investor of our time is the Oracle of Omaha, Warren Buffet. Fortunately for us, Mr. Buffet is not in the real estate business, or there may not be any property left for us to buy. The point is, when does Buffet buy his investments? Answer: When the market or asset is at the "bottom" and EVERYONE else is selling. Conversely, IF he sells, he sells when the market or asset is at the "top", and everyone else is usually buying.

As real estate investors, while our assets are different than Buffets, the same principles apply...and that means really good news for us right now in our current market phase. That's right GOOD NEWS! Across the nation right now we are experiencing a correction in the real estate market from the aggressive bullish market of the past 5 years. This correction is portrayed by the media and perceived by many as "the Bubble Bursting" with a very negative connotation. From my perspective, when "Bubbles Burst" it starts raining deals!

In order to truly understand this principle, in this article we will evaluate the four (4) distinct phases of the real estate Market Cycle. If you think of the real estate market as cyclical alternating between buyers markets and sellers markets, with the Buyers Market on the bottom and the sellers market on the top, each half can be broken into two clearly defined phases. In industry lingo, these phases are commonly referred to as Buyers Market Phase 1 (BM1), Buyers Market Phase 2 (BM2), Sellers Market Phase 1 (SM1) and Sellers Market Phase 2 (SM2).

Sellers Market Phase 1 (SM1) - Also called the Expansion Market - In an expansion market, population, incomes and employment is on the rise. Because of that, apartment vacancies are decreasing and rents are rising. New complexes are in the planning and construction phase. People are looking for units to buy and, because you have invested in a few, you have units to sell. It's an excellent time to sell.

Sellers Market Phase 2 (SM2) - Also called the Equilibrium Market - Good news property buyer. Things have gone to hell in a hand-basket. Both unemployment and inflation are on the rise. Sellers have had a reality check and the market has slowed considerably, increasing the demand for apartments dramatically as people choose to rent rather and wait for home prices to adjust downward. Now, here's the tricky thing about an equilibrium market. It's a ripe time for buyers if, and only if, they can afford to sit on the investment for a while. Other markets have a somewhat more predictable lifespan, but the length of time an equilibrium market will last depends, largely, on how overbuilt a particular market might have become during Expansion and Absorption days and local lending policies.

Buyers Market Phase 1 (BM1) - Also called the Decline Market - There comes a time in every market's life when it must put aside seller-friendly trends and cuddle up to potential buyers. After all, there can be no selling without initial purchase. During a decline market, trends that began during the last Absorption Market (BM2) have progressed to the point where it's more appealing to buy than sell. Builders find that the properties planned during the expansion market and brought online during the last Absorption Market (BM2) are now sitting empty, making them difficult to sell. The higher interest rates introduced by the Fed are making holding onto property, particularly unoccupied property, a more expensive prospect. Vacancies and foreclosures are becoming a more common occurrence. It's a good time to buy, but not nearly as good as a ...

Buyers Market Phase 2 (BM2) - Also called the Absorption Market - Admittedly, the home in the valley is not nearly as sexy as the big house on the hill, and for a seller, looking to unload while in an absorption market doesn't quite have the boomtown appeal of an expansion market. Still, there is potential money to be made. In an absorption market, the apartment projects that were planned in the expansion market are now coming online. Inflation is on the rise and, in an attempt to normalize the economy, the Federal Reserve will probably increase interest rates, causing a leveling of prices and a slowing in property purchases. Yes, there is money to be made, but it is out on the horizon. Now is the time to be buying.

Across the country we are currently sitting at nearly the bottom of this visual cycle in a Buyers Phase 2 Absorption Market. This phase has also been affectionately nicknamed "The Millionaire Maker Phase". In this phase, there is an oversupply of properties on the market, unemployment is high, and foreclosures are peaking. The great news is...there is only one way to go from here...UP! As such, we as real estate investors should be capitalizing on acquiring as much property as we possibly can right now while it is raining deals.

As recently as one year ago in many cities, it was still extremely competitive finding and securing deals. Now that has all changed. Deals are everywhere. In fact, there are so many deals that for the first time in the last 5 years or so, we are actually able to cherry pick the BEST deals to shape our portfolios for the next 5 years.

In this Millionaire Maker Phase, the biggest money will be made by Rehabbers that can BUY and HOLD until we transition into the upswing of a Sellers Phase 1 Market where Job Growth is driving demand, and properties begin to become absorbed again into the marketplace. Since we make our money when we BUY, not when we sell, this is THE optimal time to buy, while prices are low, sellers are desperate, other investors are running for

the hills and it's raining deals! - Justin Anderson

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### About the Author

Justin Anderson is a seasoned real estate investor with over 10 years experience in the real estate industry. He owns over 500 rental units, has rehabbed over 300 units in the last 5 years, and has an additional 170 units in the pipeline to be redeveloped or rehabbed in the next 12 months. Additionally, Justin has mentored and trained over 2000 students over the course of the last 3 years. For additional FREE Real Estate Resources, please visit [www.artofrealestateinvesting.com](http://www.artofrealestateinvesting.com)