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Tomorrow's Real Estate Today

FUNDAMENTAL VS TECHNICAL ANALYSIS

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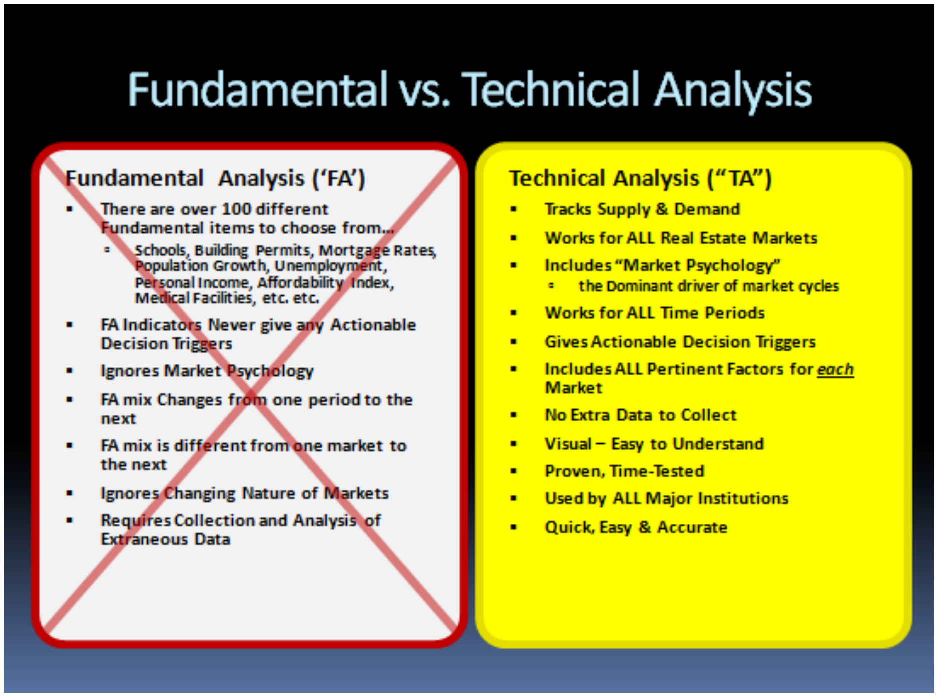
"How is this possible?" you ask.



Two words:

Technical Analysis.

You've already seen Technical Analysis in action today, the red, yellow and green 'traffic' lights, the S.T.A.R. tool, and the wealth phase charts.

You've also seen Fundamental Analysis in action today, in all those failed predictions.

Basically, ANY type of market – stocks, bonds, real estate, gold, cattle… it doesn't matter – any type of market can be analyzed one of two ways: by its "Technical's" or by its "Fundamentals."

Fundamental Analysis tries to make sense out of endless and irrelevant sets of demographic and economic reports.

There are hundreds of things that may, or may not, affect home prices in any one market on any one day. It's unknowable. And it changes from quarter to quarter and from market to market.

Until now, Fundamentals were the only game in town for real estate investors because the accurate 'Technical' data and Technical 'systems' didn't exist at the local level.

Fundamental Analysis is like pounding your head against the wall – smart people have been trying to make it work at the local level for decades – and they always come up short. I spent many years myself going down that rabbit hole but Fundy's just don't work for local real estate markets.

The first problem with '*Fundamentals*' is deciding which, if any, factors actually impact home prices for that market and that time period.

In some cities, fundamental data like population growth, unemployment rates, mortgage rates, building permits, foreclosures, personal income growth – and nowadays shadow inventory and delinquency rates... even climate and gasoline prices ***might*** have an impact on the local cycle.

In other markets, those same "*Fundy's*" won't impact home prices at all, or only in vastly different proportions.

… and it changes from one period to the next within the same market.

Fundy's are a hopeless mess.

Here's a simple example. It's widely believed that mortgage rates have the biggest "Fundamental" impact on the future direction of real estate prices.

Everyone knows that lower interest rates lead to higher home prices, and vice-versa, right?

Wrong!

Mortgage rates were falling for years, while home prices were also crashing *at the same time*.

Record low mortgage rates came at the same time as record home price declines… but again, it was only in 'some' markets.

During the real estate bubble, all markets had access to those same mortgage rates, but only some markets experienced a bubble; others continued to flat-line or

even decline.

Clearly,

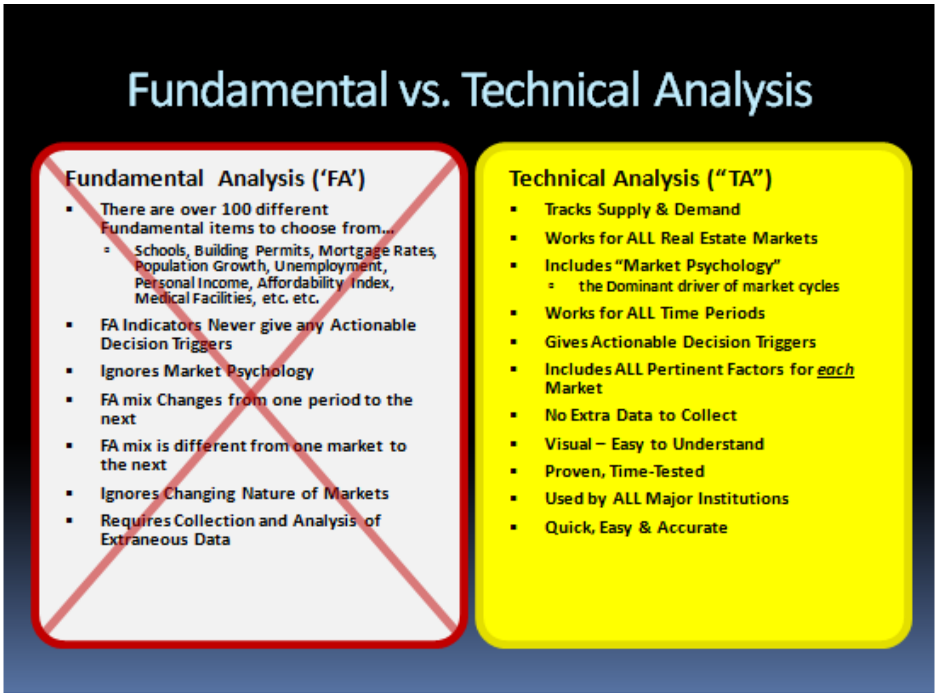
Mortgage rates – just like ANY OTHER Fundamental factor, don't affect all markets equally… if at all.

Even if Fundy's could be applied consistently between different markets and time periods…

The biggest problem with Fundamental Analysis is that it NEVER gives you actionable decision triggers.

Fundamental Analysis never answers the question: "***What should I do now?***"

It leaves you wondering: "***So What***?"



Home prices rise and fall for one reason - Supply and Demand.

With real estate, supply is fixed.

It's not like cranking up a second shift at a widget factory to pump out more widgets. Likewise, real estate has a very long useful life; once a building becomes part of the supply, it'll be around for decades. That's one of the reasons real estate is so cyclical… and so easy to predict and profit from - **if** you have the right tools.

Real estate demand can change on a dime – remember seeing all those charts where the blue line reversed and came crashing down – because Market Psychology changed?

Fundy's CAN'T measure those things.

Think about that… for each local market, TA ONLY includes those items actually affecting home prices and ignores all items that don't affect home prices. There's no need or benefit for those boring, confusing and useless Fundamental data tables.

Technical Analysis works for all markets and all time periods. It's been proven by the test of time. Most important…

TA works! It gives actionable decision triggers when you need them most.

… like those wealth phase charts or the traffic lights that tell you precisely when to get in or out.

The beautiful thing is that I've turned "Technical Analysis" into "Easy Analysis" - It's easy because it's all "visual."