HousingAlerts.com

Tomorrow's Real Estate Today

WHY BUY & HOLD DOESN'T WORK FOR REAL ESTATE INVESTORS

This Is Part #10 of a Multi-Part Educational Video Series

You may watch the entire series (free of charge) at
http://www.housingalerts.net/cycles10

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All markets move in cycles.

No cycle lasts forever.

That's why you can't buy and hold – *forever.*

It leaves you vulnerable to the same personal financial disasters that wipe-out most investors.

Those who do survive spend years – DECADES – digging out.

Buy & Hold cripples your cash liquidity…

…extends your legal exposure…

…and leaves you with NO OPTIONS other than hoping and praying.

The old fashioned way to Buy & Hold is simply ***ludicrous*** in this day and age.

That's hard to believe, I know.

It's the opposite of what we've all been taught.

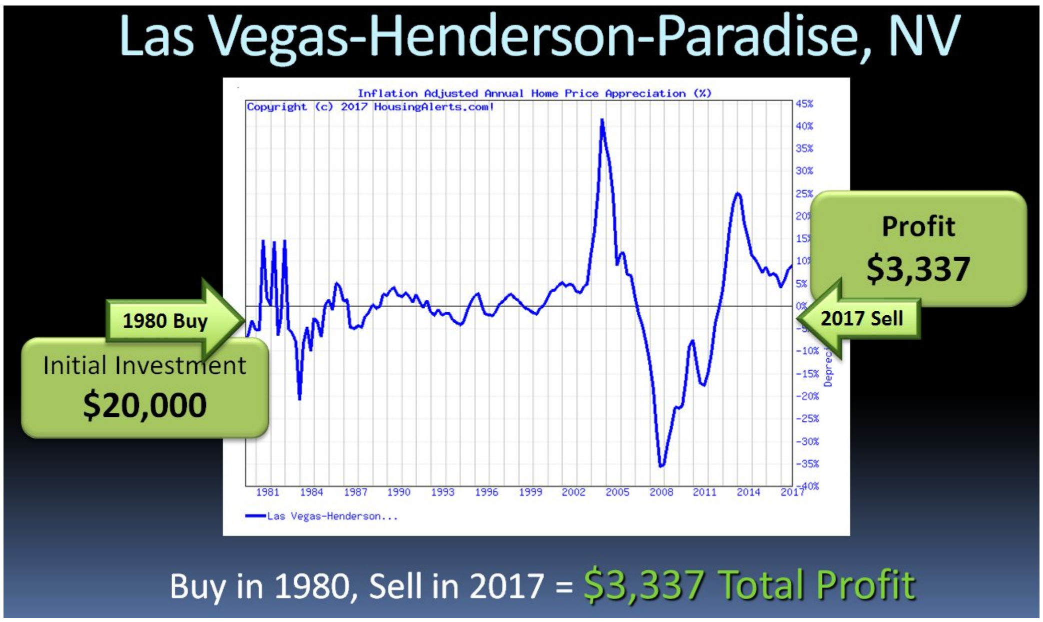
There IS a better, safer, easier, faster and…

…***exponentially more profitable*** way to real estate wealth and financial independence.

First, we'll start with Las Vegas and invest the *old fashioned way*: Buying & Holding '*forever*.'

We'll use $20,000 as your initial down payment, get an interest only mortgage loan for 85% LTV (Loan to Value) and buy a house.

I know a lot of you can do better than that, using little or none of your own cash but we'll be conservative and assume you invest 15% into the deal.



So you buy here in Las Vegas in 1980.

For simplicity, we'll assume rents equal your carry cost like interest, taxes, insurance, maintenance and management. You simply break even on cash flow.

We'll also do something unheard of for most real estate investors… We're going to pay FULL RETAIL PRICE.

So no complex acquisition efforts, no finding motivated sellers, none of that stuff. Just find an average Realtor™ and buy an average property or buy a property from one of those turnkey outfits.

You can even invest in those new crowdsourcing real estate investment funds. Focus on deals that let you choose specific hot or emerging markets. It can't get much easier than that.

In this example you held that Vegas property until late 2017.

Ready to be shocked?

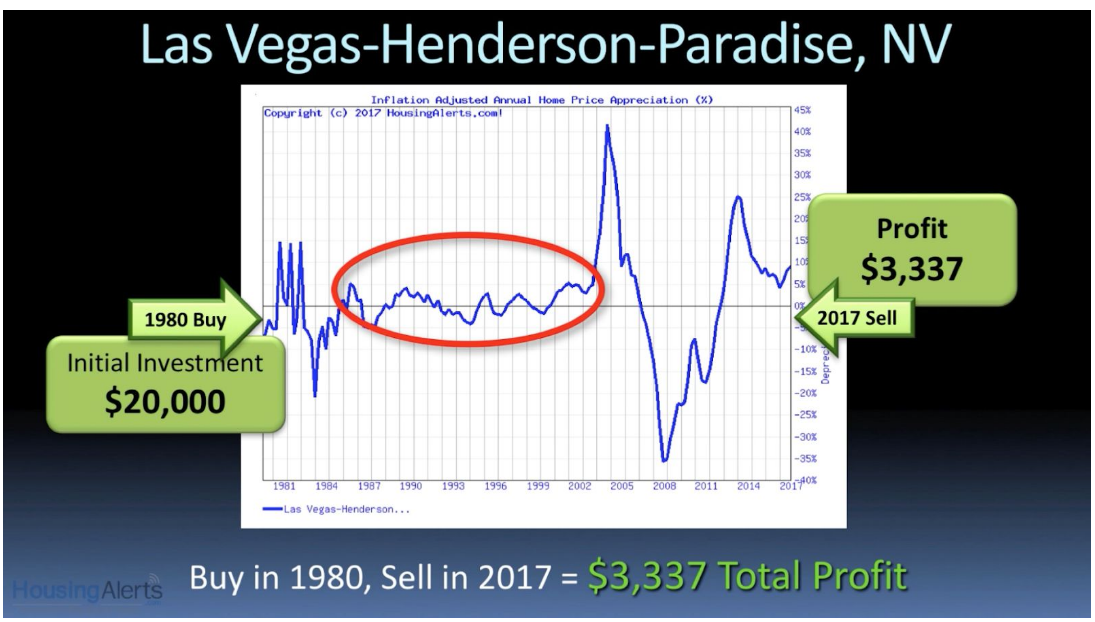
You ONLY made $3,337.

That's your 'real' or inflation adjusted profit after owning it for all those years.

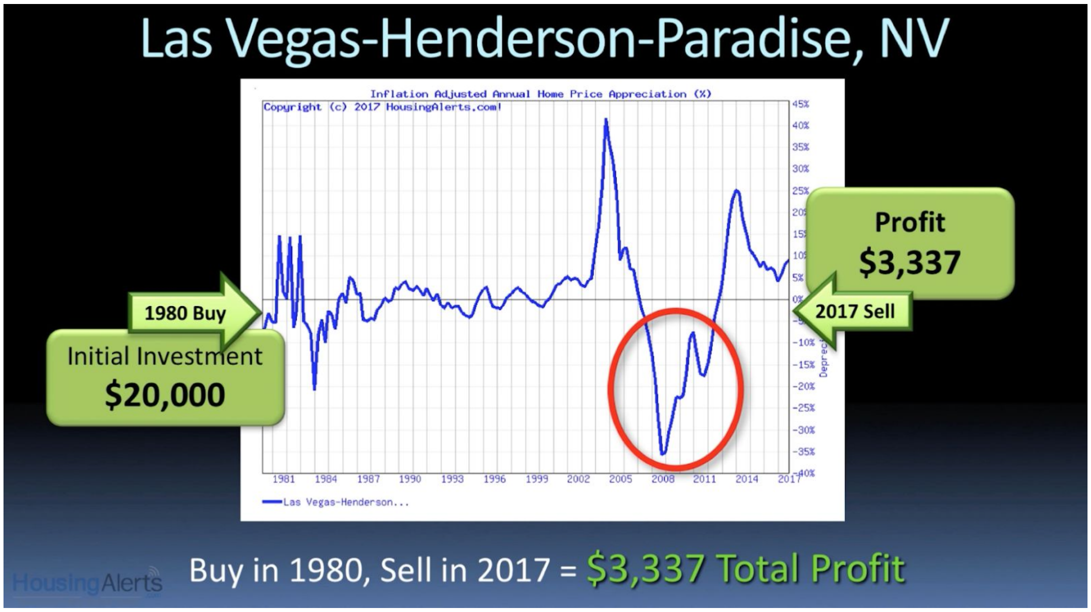
I don't know about you, but I'd be bummed-out.

I mean, it's better than LOSING money, which was the case until just recently in Vegas.

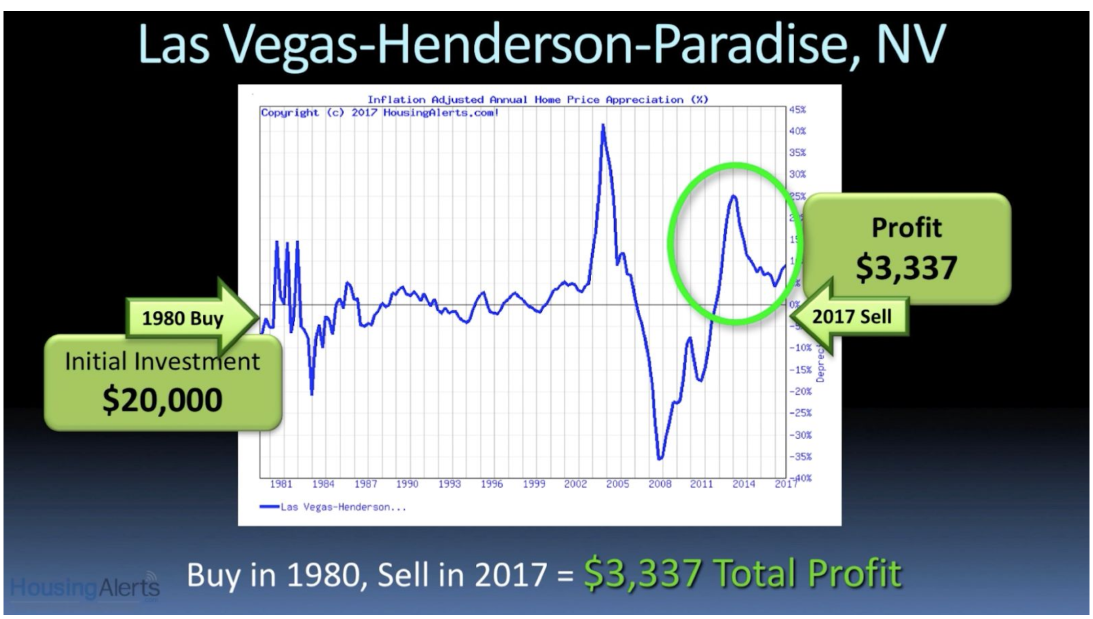
You were underwater for most of those years, unable to sell it without coming out of pocket ADDITIONAL cash just to unload it.



You can see from the chart, Las Vegas real estate appreciation basically hovered around the flat line for decades, until that huge spike in 2005, and then went into an even more spectacular crash.



This most recent recovery barely got you back to break-even.



The old fashioned Buy and Hold method – at least in Las Vegas – only got you years of headaches and stress, but did nothing for your wallet.

Now… are you ready to see the POWER of investing WITH the cycles, letting the 'MARKET' do all your heavy lifting?

You do the same as before except for one simple change:

When the wealth phase chart turns green, you buy.

When it ends, you sell.

Since we're limiting ourselves to ONLY the Las Vegas market in this hypothetical, you're either *completely* invested in real estate or you're *completely* out of the market, sticking your profits in the bank and sitting on the couch waiting for the next up-cycle.

So you get your first buy signal in 2001. (See the chart below)

You cash-in your bank CD and buy your first property using that same 85% LTV mortgage loan.

We use the exact same assumptions here as we did in the Bold and Hold example, so it doesn't really matter WHAT those assumptions are since they're the SAME for both scenarios.

It works for all investing strategies. You don't have to use a down payment and you certainly don't have to pay full retail price, adding no value like we assume in these examples.

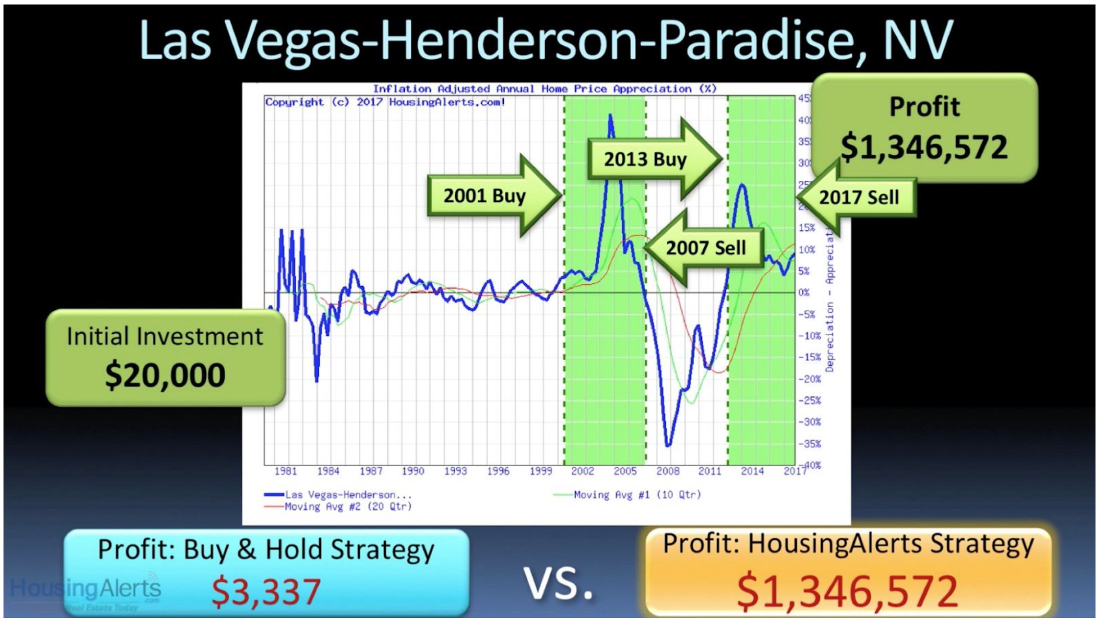
So you ride that big appreciation wave until the green Wealth Phase comes to an end in 2007.

You sell your property, put your profit back in the bank and wait for the next Wealth Phase to begin, which happens in 2013.

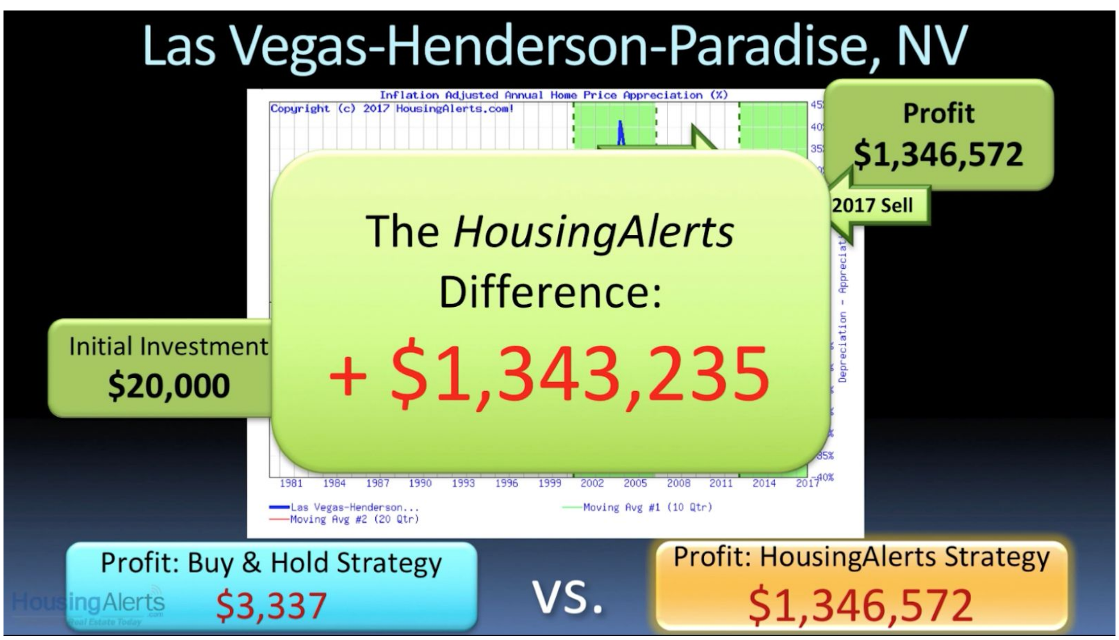
Once again, you invest THAT principal and interest in more real estate, paying full market price and you ride the next wave up.

Near the end of 2017, even though Vegas is still Green, in this example you sell, so we can figure up your profits.

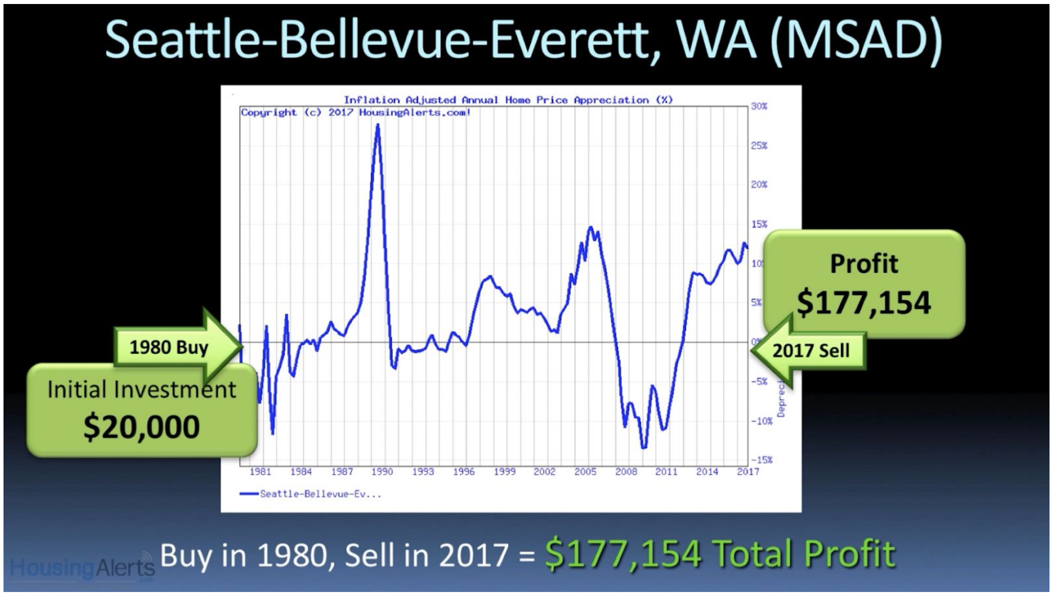
You ready…?



Your total profit from Investing Intelligently jumps to **$1,346,572!**



You made **$1.3 million MORE** than that $3k you got from Buying and Holding. Your overall risk was dramatically cut; you were only IN the market for two short periods and avoided the huge crash entirely.



Let's do it again… this time in Seattle, WA…

Seattle, WA is currently one of the hottest markets in the country. Let's see how timing those wealth cycles work…

So we buy here in 1980, sell near the end of 2017, at the end of this chart.

The Buy & Hold strategy makes you $177k.

Compare that to investing WITH the cycles…

Inside HousingAlerts there are OTHER tools that give you even more precise local market info. But for these examples, remember, we're limiting our actions to ONLY that one simple rule and that one simple tool… the Wealth Phase charts.

You buy here in 86 and sell here in 91. Stick your profits in the bank and wait for the next cycle, which begins in 97 …and ends ten years later at the start of 2008.

After the last crash, the Wealth Cycle turned turns green in 2013 so you ride the appreciation wave once again.

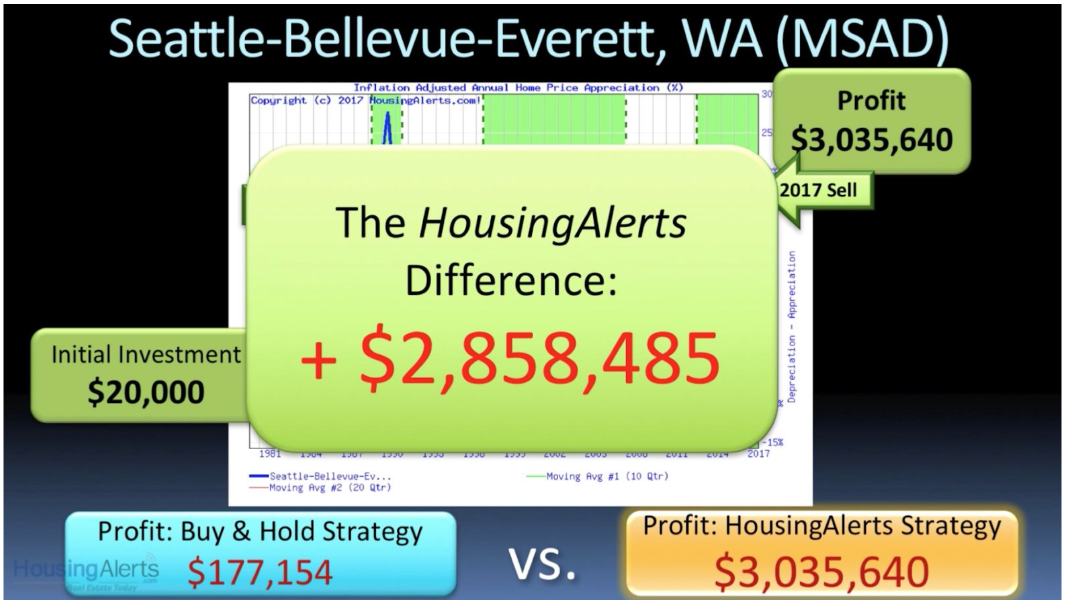
You sell near the end of 2017, just to wrap up this example, even though Seattle's up-cycle has a lot more room to run.

Are you ready for this? …

Avoiding the down-cycles got you a **$3,035,640 profit.**

That's a 15,178% total ROI on your $20,000 investment.

That works out to a 400% average <u>ANNUAL</u> return … just divide the 15,000% total return by the number of years.



Any way you want to look at it… it's **$2.8 MILLION MORE** than Buy & Hold.

How often does THAT happen?

…you do less work…

…you take less risk…

…but you make more profit?

…a LOT more profit!

So be honest…

Are you thinking I must've cherry-picked Las Vegas and Seattle because they're so good?

Come on, be honest.

Well, there is NOTHING special about those 2 markets.

It's just simple math.

What you're seeing is the power of LEVERAGED APPRECIATION.

That and ONLY that is why real estate is said to create the most millionaires.

It's NOT from cash flow.

It's NOT from *'buying it right.'*

It's NOT from *'holding'* it forever.

It's NOT from Flipping & Wholesaling.

It's from owning or controlling a high-valued asset, like real estate, w/ little of your own cash.

That's the ***Leverage*** part.

…and having that high-valued asset increase in price.

That's the ***Appreciation*** part.

The LEVERAGE part is easy: Just get a loan.

It's mastering the APPRECIATION part that was hard.

Until now…

Put your seat belt on because we'll zip through some more quick examples…

Same assumptions, same time periods…

Los Angeles, CA

So you buy here in L.A. in 1980 and hold it through all these ups and downs.

And you sell it here in 2017 to calculate your Buy & Hold profits…

How'd you do? …you made, call it $160k.

Would you be happy with that?

It's really not that impressive when you realize how long it took you. In this case you're looking at an average ANNUAL ROI of 21%.

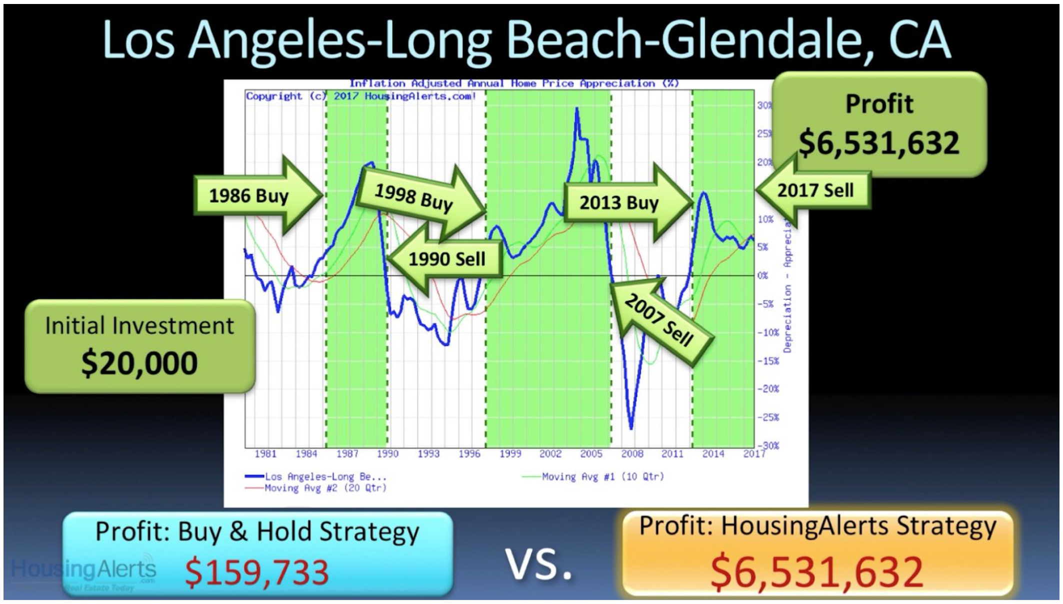
Riding out those down cycles kill you.

Remember, **a 50% decline requires a 100% GAIN, a doubling of value, just to get back to break-even.**

A lifetime of hard work – gone in a single down-cycle.

Once again, this time, you ONLY buy when the Wealth Phase turns green inside HousingAlerts, and you sell when the Wealth Phase ends.

That’s the **ONLY** change.



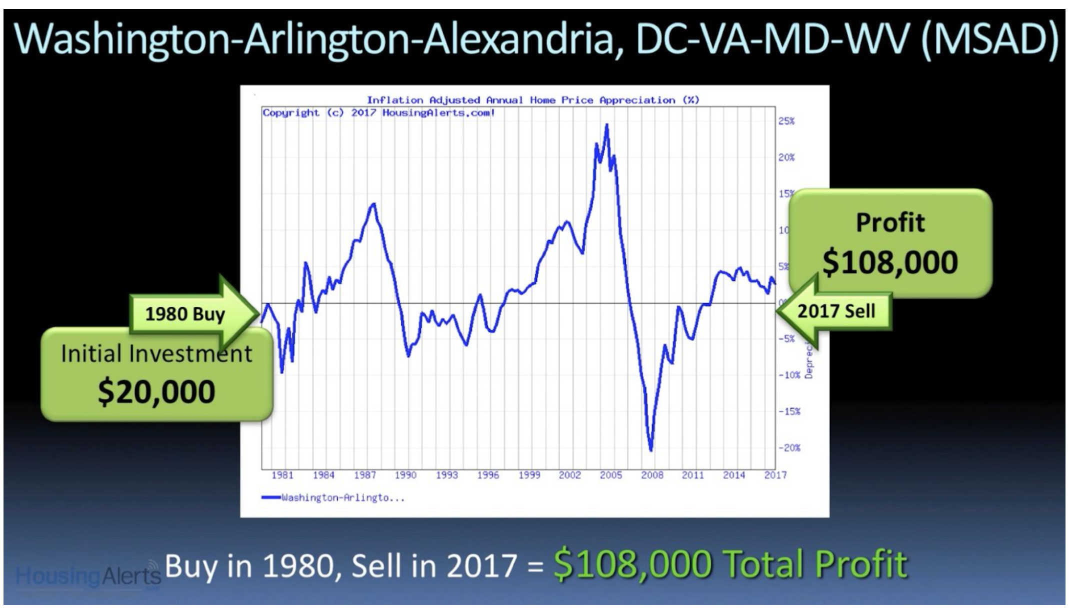
So you buy here in 86, sell in 1990, stick your money in a CD, skip the down cycle, and get back in when the Wealth Phase turns green again in 1998.

You get your next sell signal in 2007, before the next crash takes you under. You sit on the sideline waiting it out – with your money safely in the bank - until your next buy signal in 2013.

For this comparison, you cash-out in 2017.

Look at that… **your profit jumps to $6,531,632** …a 32,658% total ROI… and a crazy high 865% average ANNUAL ROI.

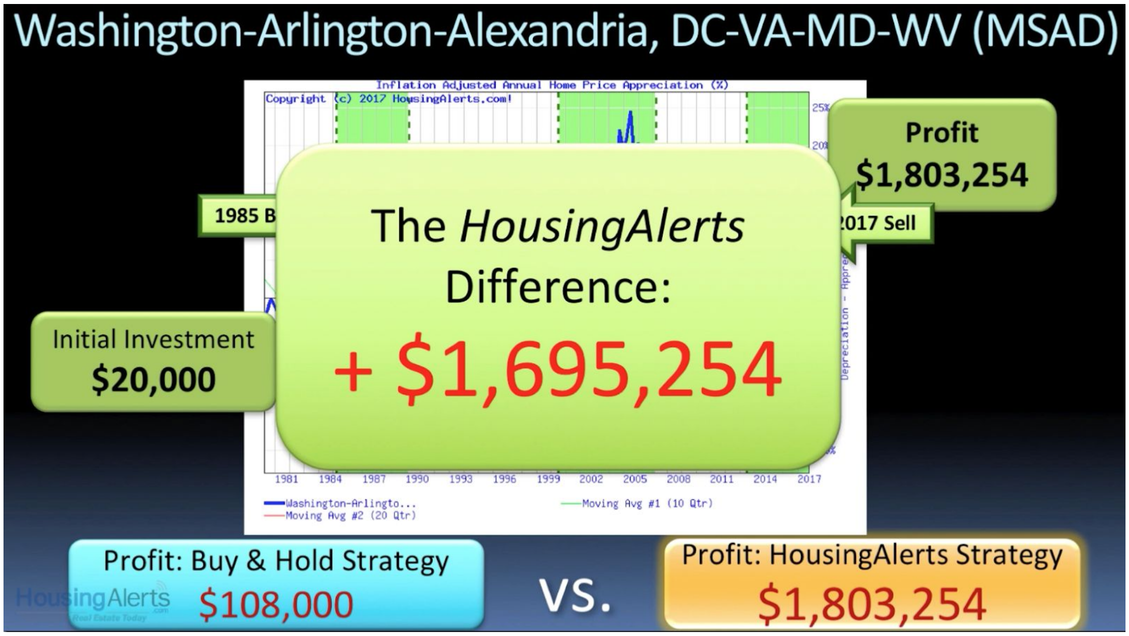
L.A. – like so many other markets, have very steep up and down cycles. Capitalizing on the Wealth Phases while missing the crash phases **generated $6.4 MILLION MORE profit over your buy and hold.**



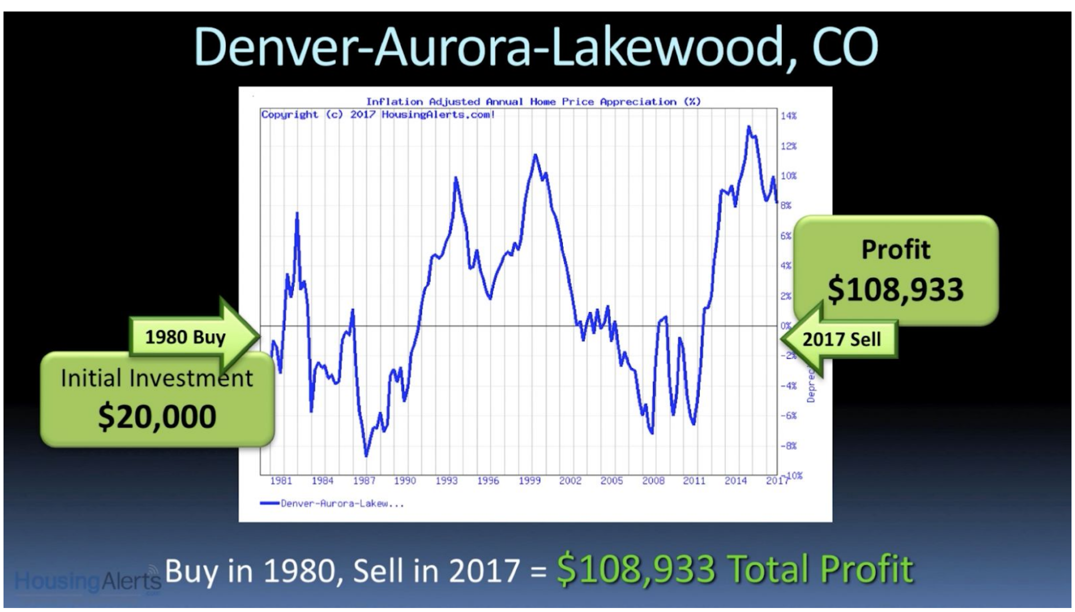
How about Washington, D.C.?

Your buy and hold profit is an even $108,000.

But when you enter and exit based on these green Wealth Phase Charts, your total profit jumps to $1,803,254… an average ANNUAL ROI of 239% per YEAR!



That's an **INCREASE** of nearly **$1.7 million!**



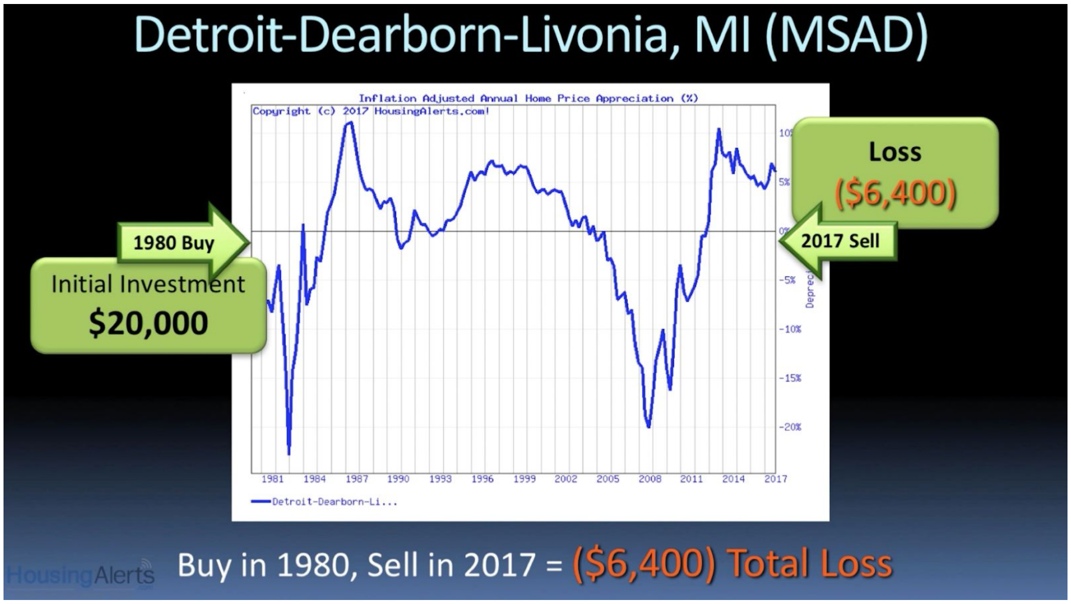
Denver CO.

Your Buy and Hold profit is $108,933.

But when you invest WITH the market - **your profit grows to $948,986.**

Even though Denver only had two Wealth Phases you were still able to ride both appreciation waves for an **ADDITIONAL $840k in profit**… simply because you avoided those big down cycles.

Seeing a trend here?



Detroit MI

Your buy and hold results are actually a LOSS of $6,400.

Imagine that… it couldn't even keep up with inflation.

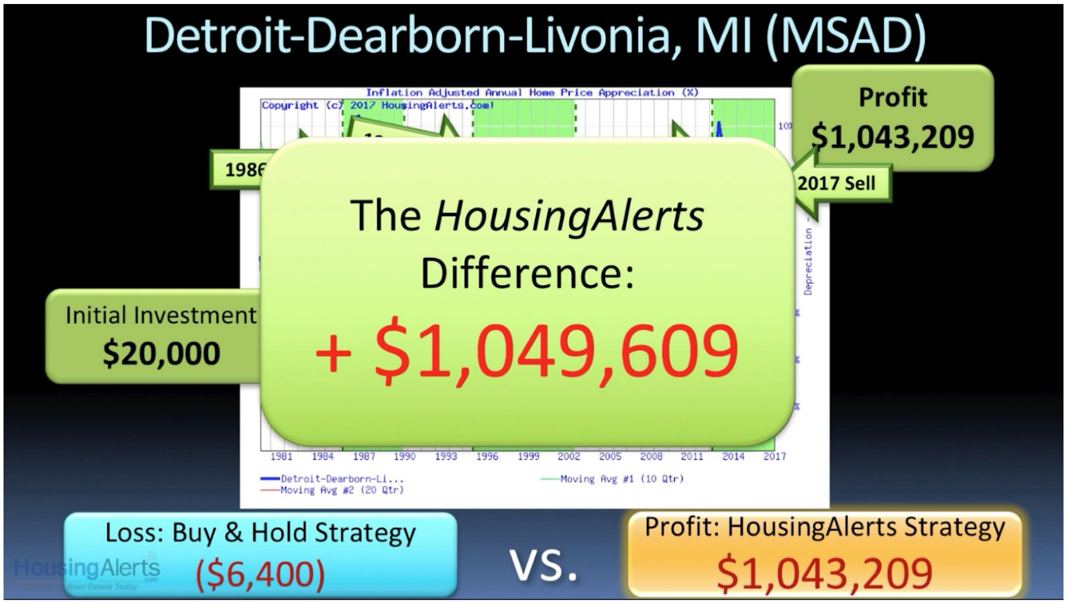
All that work, all that risk and all that stress for all those years, and you can't even afford a McDonalds' Big Mac out of the profits.

Can following the Wealth Phases change your destiny in this rust belt market?

You bet it can… to the tune of **$1,043,209.**

Detroit never had any HUGE up-cycles, they were more in the 5% to 10% annual appreciation range, but it had some long, nasty down cycles.

Avoiding the two-and-a-half steps BACKWARDS, where your profits turn into losses, can be just as important as riding the gravy train up-cycles.



You went from **LOSING** money to **MAKING over a million extra dollars** in that ONE market, simply by being there at the right time, and NOT being there when the market was going south.

Dallas TX and almost all the other Texas markets had some of the LOWEST real estate appreciation rates in the entire country for most the 80's, 90's … up until around 2005.

On a statewide basis, only Oklahoma fared worse over that 25 year period. Even the Rust Belt states had more appreciation than Texas.

So with that in mind, using the old Buy and Hold strategy, you buy in 1980, sell at the end of 2017… your ‘real’ profit was only $12,145.

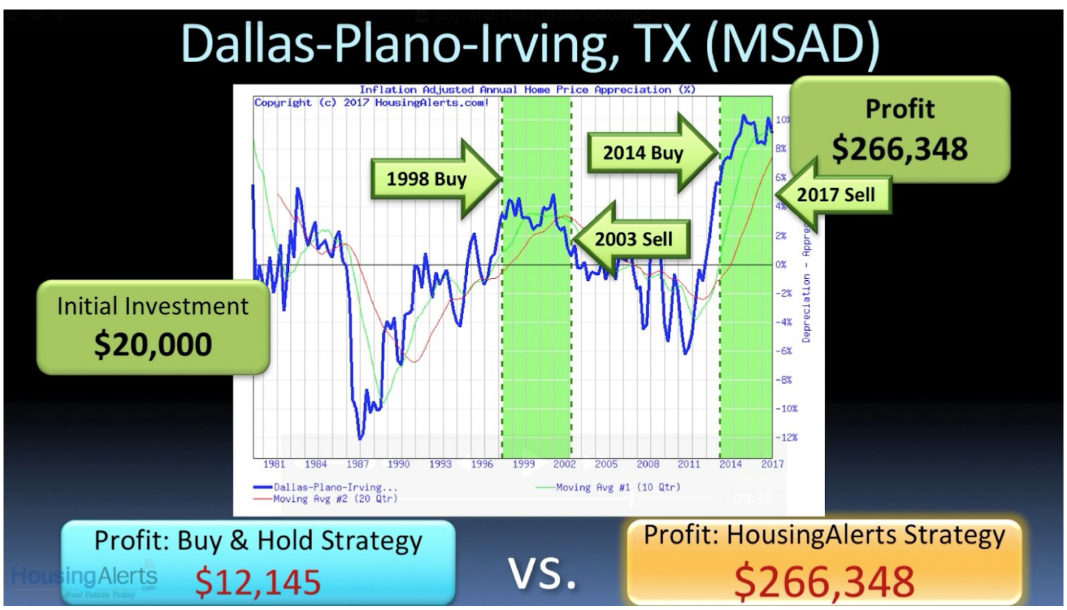
In fact, when you account for inflation, you were underwater for almost your entire holding period, up until the last year.

You can see from the chart here, Dallas only had two small Wealth Phases. The rest of the time there was no reason to be in that market.

What’s that saying… you can't make a silk purse of a sow's ear?

It’s hard to build ANY wealth when your market is flat and declining for decades.

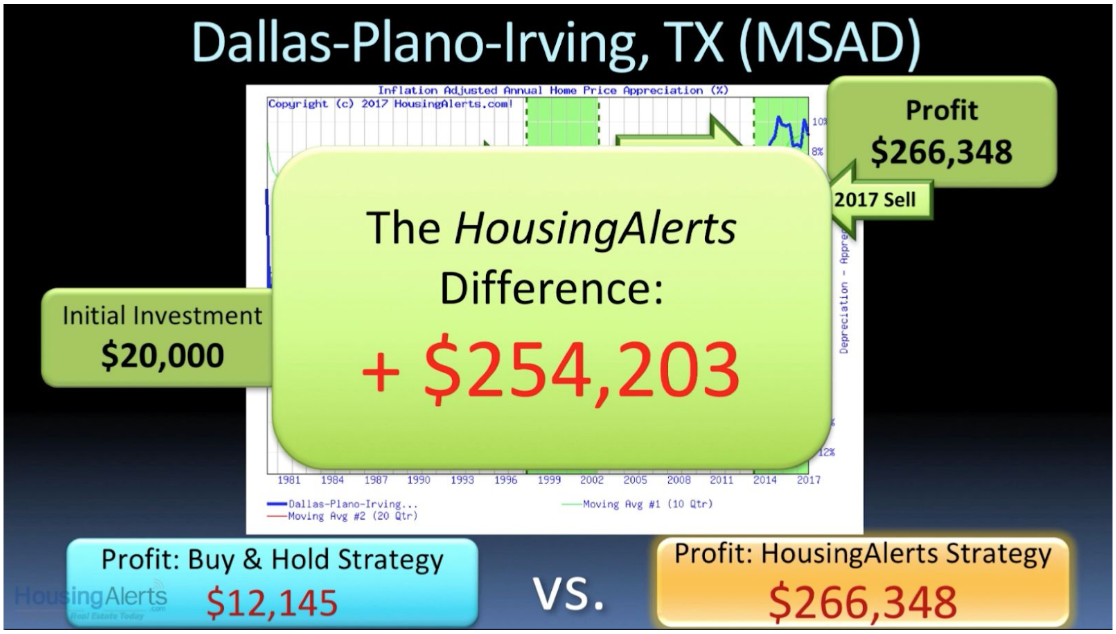
Let’s see if HousingAlerts can help in THIS situation.



Following the green Wealth Phases, you buy in 1998, sell in 2003. Since Dallas home values were declining in the 2004 – 2008 so-called housing boom, you don’t get back in again until 2014 and, for the purpose of this hypothetical;

You get out at the end of 2017 only because we need to do these comparison calculations.

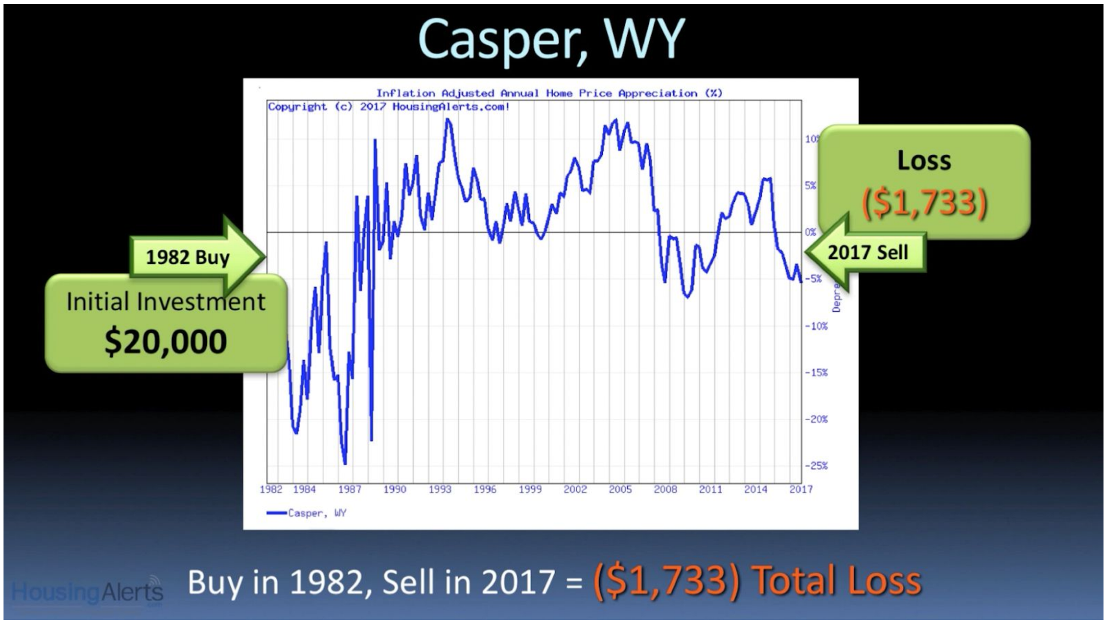
After a lifetime of waiting, Dallas is FINALLY in a very strong up-cycle; now would NOT be the time to get out.



Timing the market cycles got you **$266,348** in Dallas.

A quarter-million MORE isn't as exciting as the extra MILLIONS you got in more cyclical markets but it's still, what… 20 TIMES more than the $12k you got from Buying and Holding?

…and your money was only at risk in the market for 9 of those years.



Let's do the same comparison for Casper, WY – currently the WORST market in the U.S.

Your payoff from that long-term Buy and Hold strategy was actually a <u>LOSS</u> of $1,733.

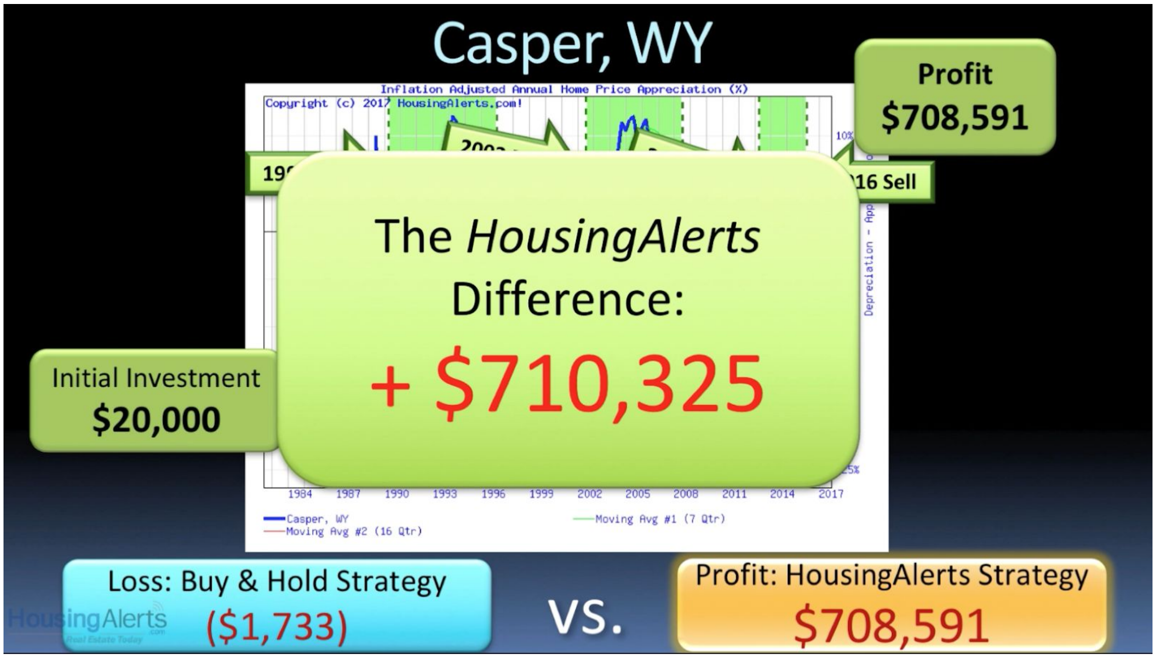
You held it all those years and didn't get a dime for your efforts.

Now, what if you followed the Wealth Phases?

Got your first BUY signal in 1990, then your sell signal in '97.
Got back in in 2002 and rode the next appreciation wave until it ended in 2008.

Jump back in in 2013, exit in 2016 when the Wealth Phase ends, stick it back in the bank until we settle up in 2017.

How'd you do?



$708,591 in profit this time.

Not bad at all for what's currently the weakest market in the U.S.

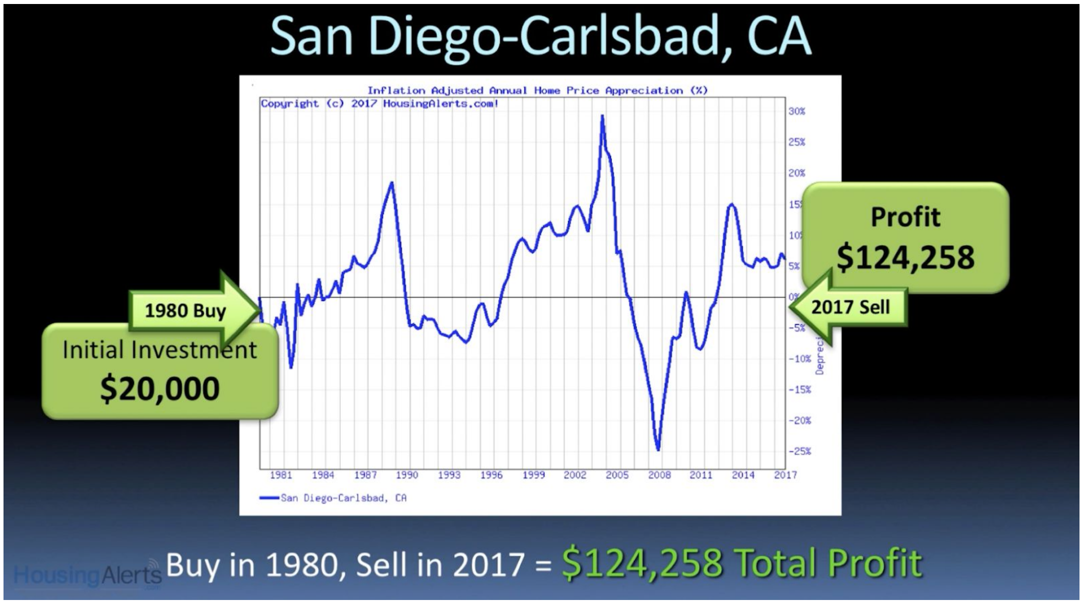
There were lots of better markets during each of those times… but if you were STUCK in Casper for some reason, following the Wealth Phases turned a $1,700 loss into a $708k profit.

Our last example is San Diego…

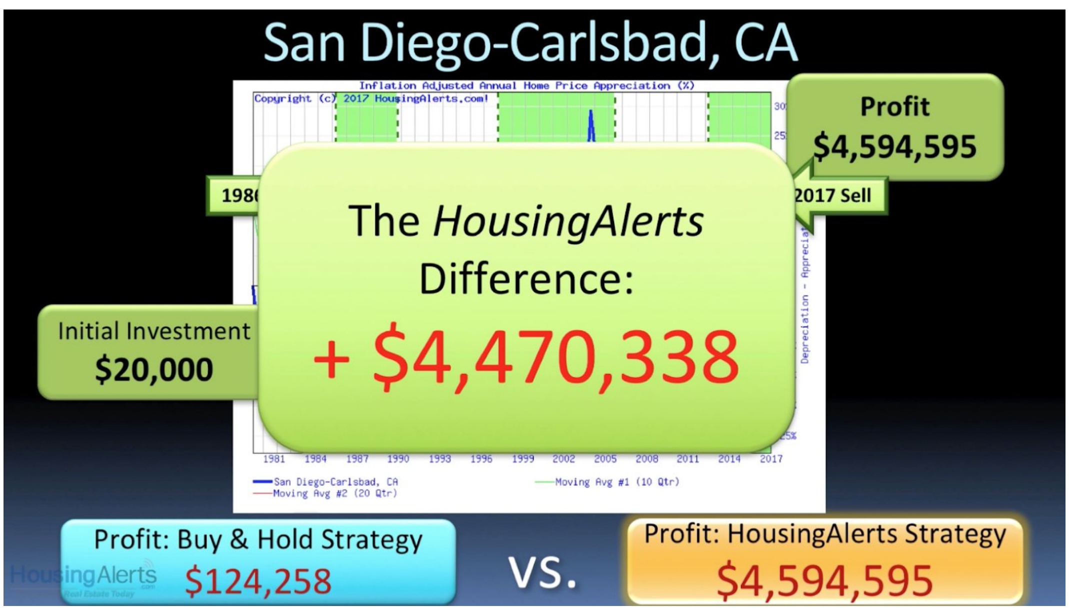
I could keep doing this all day… the math works the same in ANY market.

But you get the idea, right? Wealth comes from the up-cycles and avoiding the down-cycles?

I love the San Diego chart – it's a fast moving, VERY cyclical market.



Using the old fashioned Buy and Hold strategy, San Diego is like a decades-long roller-coaster ride… and when you finally get off, all you made was $124,258… not worth such a gut-wrenching ride if you ask me.



But in a market as volatile as San Diego, following these Wealth Phases changes everything… **your profit jumps to $4,594,595**… a 22,973% ROI… that's an average ANNUAL return of 609% on that initial $20k down payment.

An extra $4.4 MILLION from one simple change.

You have lower risk and higher liquidity. You sat it out when everyone else was getting clobbered in those down cycles.

ALL we did in these examples was…

Isolate the AUTOMATIC APPRECIATION *every* property owner would get in that market.

And avoided the AUTOMATIC **DE**PRECIATION (giving back profits) in the down-cycles.

Simply by being in the market *at the right time*.

You did not add ANY value whatsoever.

…not when you acquired it,

…not while you held it,

…and not when you sold it.

Now I know..

Some of you left-brained analytic types are probably thinking to yourself…

There's GOT to be *something* wrong here.

Why have I never heard about this…

It CAN'T be this easy can it?

We'll… From one analytical geek to another…

...now that I've put a lifetime of world-class research and know-how behind this,

…decades in-the-trenches doing big-time real estate deals…

…and don't forget the million dollars plus I've personally spent on HousingAlerts…

…now that **I**'ve got it all figured out and back-tested...

…now that all the hard work is done

…and now that it's been market-tested and proven…

…yeah, it probably does look pretty easy now.

…that's because it IS easy.

SUPER EASY!