The Market Is Changing. What Are You Going To Do About It?

Hosted by: Joe McCall

Hey everybody, welcome. This is a Real Estate Investing Mastery podcast and today I'm going to be talking about market is changing. What are you going do about it? Right.

Glad you're here guys. I'm just walking around on my driveway out in front. I just had an awesome conversation with Todd Tobak. Todd's a friend of mine since 2008, 2009 and we're always just on the phone talking about real estate, talking about sales and marketing and business. He's a real encouragement to me, Todd is a good friend and Todd is real active over at Wholesaling Inc. He runs a coaching program with Tom Kroll called, I think it's called Next Level Wholesaling. You guy should check it out. I definitely highly recommended. I don't get any affiliate commissions or anything like that, but if you want to take your wholesaling business to the next level and you're just focusing on wholesaling, I highly recommend you check out whatever Todd Tobak is doing over at Wholesaling Inc. Super cool guy. Check out his Facebook page. He does videos and teaches some good stuff.

But anyway, I wanted to talk about the market is changing, right? Things are always changing, but like changing dramatically and I am predicting over the next years we head into 2019 that things are going to get a little hairy, right? I've been listening to a lot of other real estate podcasts and not just real estate, but other general business podcasts. And I hear a lot of these younger guys, right? These younger guys in their twenties, I'm not going to call them millennials, but just the guys in their younger twenties and I'm even mid to late twenties, where they are talking about the business of real estate. They're talking about other types of business and they're, they're claiming to be these incredible experts that are crushing it and making millions of dollars, which is true. They're doing really, really well.

But they've not lived through a market correction like we had in 2008 and 2009. They came into the business at the bottom or as it started rising and have only seen success. I'm very cautious and leery of taking business advice from anybody who has never failed in business. That's really, really important. It's probably, if you're looking for a coach or mentor, as weird as this sounds, you should only get coaching and mentoring from somebody who's had a business that has failed in this fallen flat on their face and pick themselves back up because it's going to happen again. I've seen it before. It's going happen again. A lot of

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these guys that talk about how many deals are doing and how successful they are. They're going to get rocked and they're going to get rocked hard and I'm hoping that they don't get crushed.

I hope, I'm hoping that you know, they are, and I… and they probably will, but it's going to be hard. It's going to be hard for a lot of people. One of the things I was talking to Todd about is we're looking and he's in San Diego and I'm in here in St Louis. I've been driving around and you see a lot of these new apartment buildings being built. You see some older apartments as you're driving around and you see, I'm starting to see a lot of signs now more than ever of these incentives. Trying to get in tenants to come in, you know, they're advertising free three months of rent, I've even seen one sign said three free months of rent. Okay? Free washer and dryer. $100 if you refer a friend. All kinds of incentives and stuff like that. Things are starting to change. Things are starting to change.

Todd was saying he got this house where I don't remember the exact numbers, but he would have sold it just three to six months ago. He would have sold it for like 385 and now he's getting offers for like 350. So, he would have about 35, $40,000 drop and he knows his numbers in his market really, really well. But that's over a 10 percent decline in the purchase prices that he's getting from his investor buyers. Buyers are starting to get more conservative. Okay? So when you hear some of my piece of advice I want to give to you guys. When you are marketing a home and you're trying to set the price that you're going to sell it for or you're just, you're in the making the offer stage. Alright? You need to look at what else is out there.

Sold comps are important, but I'm telling you going forward, active comps are going to be even more important. You want to make sure when you're advertising that property or advertising that contract that you are the lowest priced product out there. If you want to sell something fast. Like the worst place you could be in as you buy something and you're holding it and you're having a hard time selling it. Just like you know in the MLS, if you see a property that has been listed on the mls for 30, 60, 90 days, it may be priced right. But you know in the back of your mind, you're always looking at it thinking, well, what's wrong with that property? Why has it been sitting on the market for so long? Why hasn't it sold yet? There must be something wrong. Well, it's the same in the wholesaling business.

If you have been sitting on a property and you haven't sold it yet, it's been a couple three weeks, four weeks coming on six, eight weeks. Yeah that smells like it smells like trouble. So you gotta be super careful when you're making your offers, look at what other properties are similarly listed for on the mls and what other wholesalers are advertising their properties for and you also want to look at pendings. You know, if

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you got a house, you're trying to sell it for 150 grand and you see some pendings for 135 or you see some active listings for 140, you're trying to sell yours for 150, you're going to be in trouble and doesn't matter the condition of the property.

I mean it kind of does, but what I'm saying is you've got to be more conservative. The market is changing. It already has. I saw a news article in the Seattle Times and Seattle house prices are already down 11 percent, 11 percent in the last six months. So that's from the summer. Now prices normally dip a little bit in the wintertime. Hold on one second. Yeah, so I was saying house prices dip in the summertime a little bit in the coming into the fall and the winter. But this is something that Seattle is not seen since the last market crash. Okay. Now was this correction coming up will it be a big or small or minor or just a normal adjustment? Who knows? But I'm seeing a lot of people right now in the news and in financial newspapers and stuff like that, looking at charts, looking at the graphs, looking at the numbers and it doesn't look good.

You look at the last, what, nine or 10 years, how this economy is just roared from where it was. There's nothing been like this in a really, really long time. And so I don't mind. I'm not claiming to be the expert of all that, but all I'm saying is you need to be careful when you're making offers and you want to be careful with making offers that counting on it. When you're counting on appreciation or you're looking at sold properties from the last year. Buyers are starting to get nervous. Okay, here's another point I want to make. Who are your customers in this business? Every business has customers, right?

Your customers in this real estate business are the buyers, they're the ones with the money. A lot of sellers are going after sellers. I'm sorry, a lot of realtors are going after sellers because they're trying to get new listings and they target sellers as their primary customers. But that's a big mistake in my opinion. Buyers are your customers. Buyers are the ones that have the money. They're the ones you need to pay attention to. You need to listen to find out what they're looking for, what their concerns are, what their fears are, and then you go find out what they want and you go get it for them. But you've got to be real careful because buyers are starting to pull their money out of the market. International buyers are not buying anymore. so just be aware of that. And one thing is I was thinking about, I started investing in 2006 and I remember watching the market.

It was going really, really well back then and people were buying houses at ridiculous prices, which I'm seeing again now by the way here in St Louis. It's just insane. I can't believe it. These people are coming in and buying houses for 60, 70, 80 grand that are probably worth 20. It's ridiculous. And they're putting

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tenants in there trying to at least and happy to get $800 a month in rent and in their calculations and spreadsheets look like it's a good investment, but it's just a disaster waiting to happen. And so I'm starting to see more and more inventory coming back on the market from these guys that overpaid for these properties and they're trying to sell them anyway. Okay. So I wanted to say something like this. I remember in 2006 market was going really really well and some of you might remember there was a real trend in 2009 after the market peaked and it started free falling.

Banks and lenders dried up their money and so a lot of buyers ran to the hills. A lot of buyers just left California, Florida, Las Vegas, Phoenix. And there was a trend. The guys that were wholesaling back then from Florida and from California, the guys that were wholesaling with the guys that were wholesaling and other states. And so there were still people buying properties in cheaper markets like Oklahoma and Texas, the Midwest, Ohio. So when you see the market start changing and when you see the buyer start leaving markets, high end priced markets like Florida, California, find out where they're going to find out where the buyers are. Do you guys remember when the whole trend of finding cash buyers first became really popular, was back then in 2009 and 10 and 11 and people started selling products and software that would show you where the cash buyers actually are buying.

Well, we're going to be seeing that again, so don't forget if you live in a high end, expensive market and you're stressed because you've been wholesaling, doing pretty well, but things are going to slow down. Things are going fall. They rise really rapidly in markets like Phoenix and California, but they also fall very rapidly as well. So you got to be prepared. You got to watch the market and pay attention to the smaller, cheaper markets and start thinking about virtual wholesaling. I think that's going to become popular again, finding where the buyers in this United States are buying, finding out what they're looking for and going to find their inventory. If you're doing deals in one market, there's no reason why you can't do deals in eight markets, so you're just going to have to look and study the market, stay educated, stay listening to podcasts like this and stay listening to other people because if you are a student of the business, you'll do fine. You'll do fine.

All right, that's all I got guys. We'll see you. Take care. Hey, if you want my book for free, wholesalingleaseoptions.com. I'm actually wlobook.com. Wlobook.com. When the market does change, lease options are going to be much easier, more attractive strategy and when it gets harder to do traditional wholesaling, lease options or something, you definitely want to look at it. That's what I started doing in 2009 when the market was in a free fall. I quit my job, started doing real estate full time and I was

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making a ton of money when the market was in a huge recession from 2009 all the way back up to 2013 when a lot of money started coming back into the market and started doing more traditional wholesaling. So you got to get educated and lease options. I'm telling you, it's really, really important. Go get my book for free. Wlobook.com wlobook.com. Just pay shipping and handling and I'll send it to you guys. We'll see you. Bye bye.

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