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

Hosted by: Joe McCall

What's up, everybody. Joe McCall, REI In Your Car. How you doing?

Today on this episode I'm going to be talking about the market, it's changing and what are you going to do to be prepared for it? Well, it's a beautiful day. Just got back, just flew in from LA. I traveled to LA today, yesterday to go speak last night at a real estate club called Prosperity Through Real Estate. It's a great group, been around for a long time. It's part of the national REA and I encourage all of you guys, if you're not involved in a local real estate club, join one. And if there is none where you live, create one, start one. It's really good.

Now I had a good time talking about lease options, right? So, when I travel and speak, I talk about lease options. I sell my course and I really believe passionately in what I do and what I teach. Otherwise I wouldn't be traveling like this cause it's not fun. I don't enjoy traveling and being gone from home and being squished like a sardine in a Southwest airlines flight. Although today's flight, man... It makes it so much more delightful and fun when the flight attendants are funny. If you ever been on a good flight where the flight attendants are like really funny, not trying to be funny, but actually are really funny... Oh and this one guy from Boston, just hilarious. I hope he gets employee of the month at Southwest. If I had a way to vote for that, I would vote for him. Super nice awesome guy. Boston, any of you on a flight from LA to St Louis to Kansas City, that kind of thing, on Southwest—big bald guy from Boston. Tell him hello for me. Super nice guy. Hilarious.

Anyway, so today's flight, it was fun and I got to read, I'm reading a really good book too, by the way, called Entreleadership by Dave Ramsey. Like put the words entrepreneurship and leadership together... you get entreleadership. And so I was reading that book and, and I'm in between laughs from the flight attendants. One time this guy was coming out, he was walking down the aisle, you know, collecting trash in the trash bag and he had like a six-foot-long piece of toilet paper hanging out of his pocket trailing behind him as he was walking down. Yeah.

Anyway, so the market's changing. And why am I bringing this up? Well, we're seeing it in California, right? So I spent a lot of time, um, before the meeting having dinner with some folks there in LA and just talking about the market conditions and you know, they're saying, yeah, days on market are going up, houses are taking longer to sell and prices are just kind of stagnant right now, they're not rising or increasing like they used to. And in the higher end, the house prices are actually falling.



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Now the market hasn't collapsed. It's just probably coming back to more normal levels. But like for years it's been so abnormal houses are selling quickly. And I, you know, I have so many people telling me things like over the years, California is the hottest market in the world, in the country. And you just stick a sign in the yard and you get multiple offers and sell it within a day. And it may be true, it is still like that in some little pockets in some communities if the house is priced right, but what's happening is the market's starting to slow down. And what's also happening that people don't think about necessarily is that when the market shifts, there's this period called the gap. It's this period where like people are trying to figure out what market or what direction the market is going to.

Is it really going down or is it just a little blip? And so, there's these expectations are not matching reality. So, sellers think the market is still hot. They think that you can still sell your house really quickly and they don't realize that you can't yet. Right. And then your buyers and your investors, uh, they're, they kind of see the writing on the wall. They can kind of know things are slowing down and they're a lot more cautious and conservative. So, you have sellers that still think their house is going up in value. Now they're still aggressive with their pricing. And you've got buyers that are more conservative in their buying, right? And so sometimes this gap takes six to 12 months of kind of correcting itself where everybody realizes, ah, you know what, the market is not coming back for a while. Prices are coming down again, or prices, whatever.

So, you just gotta be aware and be ready and be patient when you're in this kind of transition of, in a market. And what's interesting is in, I was looking at some statistics in Bakersfield and Bakersfield, did you know that 12% of all homes in Bakersfield are underwater, have negative equity, negative equity. Now if you don't know where Bakersfield, it's nicknamed, if you don't know where it is, it's nicknamed the armpit of California. And I used to live there and I could testify that it is hot and stinky in Bakersfield. No, Bakersfield's a cool town. It is actually, it's not cool as in like cold. It's really hot. It's a desert. The whole state of California is a desert. But regardless, Bakersfield is this community that is really been growing rapidly and it's a cool place to live. So, I'm not knocking Bakersfield, but like God would have to audibly speak from heaven to tell me to move back there ever again. Right? I have no plans on going and living in Bakersfield again.

So anyway, 12% of all homeowners in Bakersfield, California are underwater, have negative equity. And if you count the people, I don't know this number yet, but like if you count all the people that have little to no equity, it's probably double that. I bet you you're looking at 25% of all homeowners in Bakersfield have little to no to negative equities. Make sense? Pretty fascinating and interesting.

And we're starting to see, I was looking at statistics, we're starting to see foreclosures go back up again in California and in some of these other markets. So, things are changing, right? Sure. What should we do?



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Should we run to the hills? Should we get nervous and scared? And should we jump on, you know, social media, Facebook groups and Bigger Pockets and, and uh, ask what's going on? What do we do? What do we do? And do we freak out?

No, this is when we double down. And this is when we actually do more marketing and we make more conservative offers. We make better offers. Listen, you know the old saying, you make your profit when you buy. And so, when the market starts changing, you just got to make better offers. That's not a big deal. And the cool thing about wholesaling and about lease options is, if you make an offer and you can't sell the house or you're having a hard time selling it or whatever, that's okay. You can actually renegotiate the deal. You can cancel the contract or renegotiate it.

That's why I love lease options is because you know, you, you're just in and out of these deals really fast. And if you make a bad offer, if your price is too high or you overestimated whatever, um, then you can always go back and renegotiate. Well, here's something else that's interesting. When I was looking at southern California in the market, I just went to Redfin and I looked at active homes. These are.... Oh, come on, guys.

The person in front of me is on the phone and the light just turned green. I came really close to pushing my, honking my horn. I heard this comedian talk about, um, you know you're addicted to your phone when you're at a stop light and you look up and the light is yellow. That's pretty embarrassing. And the person next to you is, is still there also with their head down looking at their phone because you know how it is. You're looking out the side of your head, you know, and you're, you're looking to see if the next guy next to you is going. Cause then if they're going then you know the light is turned green.

So, you know, you're addicted to your phone and your devices if you look up in the light is yellow and the person next to you hasn't moved either cause they're waiting for you to go and you're waiting for them to go. That has not happened to me yet, but I've gotten honked at because I've been distracted. Anyway.

So, I was looking at Redfin, I was looking at houses that have been on the market over three months under \$1 million. Okay. I'm looking at just houses. Just homes. Okay. I was excluding condos and town homes that are... did I do bedrooms? I don't know if I did or not, but I was looking single family houses under \$1 million. And then guess how many homes have been on the market in the hottest market in the country, right? Southern California. I'm talking about LA and San Diego now, over three months, guess how many? 5,800. Almost 6,000 homes. And as I'm recording this, it's September. We're just coming out of the biggest buying season of the year. Right?



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So, you'd think you'd have the lowest inventory, you'd think you'd have the fewest houses on the market coming out of the spring and early summer. Well, nope. What's happening? We're getting a lot. And you're starting to see expired listings go up as well. Expired listings in southern California. You serious? Yeah. Now, if I would have included houses over a million dollars, and if I would've included townhomes and condos, that number was like 13,000. It's just insane when you're looking at these numbers.

So, what's my point in all of this? I have two points. Number one, when the market's changing like this, you've got to double down, do more marketing, make more offers, and be really conservative and careful with your offers. You know, if you don't feel like uncomfortable making an offer and you don't have this knot in your stomach, you're offering too much. Okay? That's number one. Oh, and be aware of the gap, right? Because things, as the market's changing, it takes time for like everybody to figure it out.

The second thing I want to tell you is this is the best time to get into lease options. This is the best time to understand creative financing because you've got these sellers with negative equity or little to no equity. Prices are falling. They thought they could have sold their house really quickly, right? So, they went in and bought another house. They couldn't sell their house as quickly as they thought they would. Right. And now they're freaking out because they've got two mortgage payments and they're wondering, what do I do? What do I do? I don't want to be a landlord. I don't want to rent it out. And they're freaking out. Or you know, they got a job transfer or a job loss or divorce and they had to move.

We just did a deal the other day. Um, we were making an offer actually on this one particular house. The seller bought it four months ago, four months earlier. They'd got went through a divorce and now they were just, they had to get rid of it. How much equity do you think they had? None. They bought it with like FHA. So, they put three and a half percent down and they told us, listen, we don't care how long you lease option this thing. We don't want it anymore. We don't want to worry about it. I don't care. Just like they're going through an emotional trauma in their life right now.

So, there are a lot of sellers, even in hot, expensive markets like southern California where you can do a lot of lease option deals. Okay? So, I just want to challenge you and encourage you to not be a one trick pony when this market shifts and corrects, if all you know is how to make offers, I think you're really gonna struggle, right? Because cash buyers are pulling out of this market. Um, they're getting nervous, they're getting more conservative and aggressive with their offers, you know, that it's not like they can go in and just fix the house up, do minimal work and sell it quickly.

They're going to have to do more work now. Right? And it's still hard to find good labor and good contractors. So anyway, that's why I love lease options, right? You need to be able to offer sellers more



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than just a cash price instead of throwing those leads away. You need to tell them, listen, well maybe I can get you that price. Would you be willing to maybe lease it for a year or two and then sell it? That wouldn't work for you, would it? Something to think about, right? Yeah, it's important.

Listen, if you want to get... How about my book? I'm going to talk about my book. I have a book called Wholesaling Lease Options. If you don't have it yet, you should get it because I talk about this stuff and how to actually do these deals. Go get my book, WLObook.com. WLObook.com and get my book. It's free. Just pay shipping and handling and I'll get it out to you. All right? WLObook.com.

Hope you're doing well. If you're in LA, I don't know if this will be released by the time I'm back, but it'll be good to see you there. I'm doing an all-day Saturday workshop. I'm excited about. It's going to be fun. We're actually going to be doing the marketing, we're going to be talking to some live sellers. We're going to be making some offers and sending some contracts and I'm going to be teaching all this stuff by actually doing it. That's going to be fun.

And I'm also speaking in New York the week after this week, I'm in Orange County, New York, not Orange County, California. You know where the Orange County Choppers, that show? What was it called? Was it called Choppers or Orange County Choppers? So, they actually have a big kind of a warehouse thing and they have a meeting room in there that seats a ton of people. So, I'm actually going to be speaking there. I doubt I'll see anybody from the show, but um, that'll be fun.

Well, see you guys. By the way, if you're interested in going to New York or LA, just go to my Facebook page and you'll see me. I have some links in there about how to get more information about all that. I'll see you guys... Go get my book. WLObook.com. Bye Bye.