

The Biggest Mistake in Real Estate

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Investing in Real Estate (RE) from 2003-05 was as foolish as investing in technology stocks in 1999. People were frantic to get in on the action before prices soared even higher. People were standing in line to over-pay for RE and technology stocks in those respective years. In fact, I sold my home in 2005 and had three offers to consider at prices that I would have considered impossible in 2002.

Unfortunately, people are making a terrible mistake by not buying RE now. Foreclosures are at an all-time high, numerous properties are for sale at considerable discounts, and NO ONE is buying. Their reasons for sitting on this great opportunity are mostly flawed. Here are three we hear at The Financial Consulate often:

1. "I cannot sell my home at a reasonable price". That also means that you may be able to buy someone else's house at a good price. Do what you must to make your home as attractive to buyers as possible and get the best price you can. Then go buy a significantly better home in a good area at a great price. The money you make on the new home will more than offset the reduction in price you took to sell yours. 2. "Interest rates are too high". Yes, interest rates are higher today, but that is why you will buy the new home at a great price. If a seller is desperate to unload a property, they will seriously consider any offer made by a buyer who is pre-qualified for a mortgage. 3. "Real Estate may drop further and I will be stuck in a home worth less than I paid for it". RE is not going to drop much more than 25% from its high in most markets and will likely double from its past high by the year 2020. For example, a home sold for \$400,000 at its peak in 2005 will likely not drop below \$300,000. Therefore, if you can buy that home for \$300,000 or less it will have a good chance of selling for \$800,000 or more in 2020.

So, what should you do? You need to do your homework and not trust a real estate agent to help you. Agents are in the business to sell homes and that is true even of the buying agent. They have no incentive for you to get a good deal whether you are buying or selling. You can ask the agent for the information, but do not let them make your decisions. Agents are going to try to talk you out of making bold offers, but being bold is how you are going to buy that home in the current market.

Are you looking to take advantage of the next RE boom? I suggest you look into river, lake, ocean, and mountain properties as they will be extremely profitable in the next boom. This is where Baby Boomers will go when they retire. I would also look into suburban communities around metropolitan areas. These areas are going to increase in popularity with Generation X as they have children and desire to live in areas with top school systems.

To recap:

- Don't make the mistake of waiting any longer to get into this buyers market.
- Get out there and make bold offers.
- Do your homework first.
- Sell your home for the best price you can and don't worry if it's not a great price.
- Be sure to have a home inspection done and use it to get the price even lower.
- Understand the economic bias of the agent to sell homes.