

## Timing the Market

### Requires a Long Term Mindset

Regardless of the cycle in the market, a property investor that wants to become a happy and prosperous landlord should establish an attitude that does not require immediate gains. There is no doubt that great gains are a very important reason for becoming a landlord. Seeking immediate gains, as in many areas of life, often ends up backfiring and should be treated with extreme caution.

If you are focussing in on a purchase location with a sales history which doubles every 12 years? Then the time frame you should consider basing your plans of ownership around should be 12 years. If the location you have identified you want to invest in has doubled every 7 years? Then thinking in terms of a 7 year plan would be an appropriate minimum time frame to work with.

There are locations that you may come across which double in less than 7 years, however even if that is the case you should still adopt a long term mindset to your property investment.

If you are researching locations that have very flat results over 20 years or long periods of decline you are not looking at the right location. The locations you should be looking to buy in should have a proven track record over the last 25 years of doubling in price at least every 7 to 12 years.

There are ups and downs in a real estate cycle and the lucky landlord recognises this, they do not panic when the market moves down or make reckless moves when the market goes up. The lucky landlord sticks to a long term plan and makes well considered adjustments along the way. You don't hear a lucky landlord say they should have waited before buying or that they sold too early. The lucky landlord that makes it through the first 7 or 10 years is excited about the next 7 years.

### Perfect Timing

Trying to buy into the bottom of a real estate cycle is possible but not easy. When the real estate market is heading down there are always arguments for the market to get worse. However take a close look at locations with identified cycles that have doubled in price every 7 – 12 years and regardless of the negative arguments that can be made at low points, the market still went up.

The same happens in reverse, when the market goes up and is positive, it seems that there are many arguments heard for it to keep improving, yet look at the real estate sales history and you will discover that prices can still take a fall after a strong rise.

It is only with benefit of hindsight that experts can tell you with any certainty why real estate prices have gone up or have come down. While varying degrees of analysis can help assess the actual point in a real estate cycle in any particular market, there is no crystal ball solution.

The lucky landlord understands this and so develops the timing of an investment property purchase around the timing of personal circumstances. If the market is particularly hot and has risen significantly, it is extremely important to remain fussy about spending limits and the quality of the real estate, do not get caught up with the mad herd to buy. If the market is cold and sales are very slow it might be a good time to see if a real bargain can be found.

## Start Time

Becoming a happy and prosperous landlord requires observing that there are peaks and troughs in the real estate cycle. You need to ensure that you analyse your personal circumstances thoroughly as a property buyer and make sure that the timing of your purchase fits very well within your financial limits, lifestyle limits and a long term goal.

When I purchased an investment property in late 2007, the local market had been doing very well. There were pros and cons about the actual property and it wasn't in as high a capital growth area as I would suggest my clients buy in. It happened to be a few doors down from a childhood home and while I saw some long term improvement potential, there were aspects of emotional influence to the decision. It was actually purchased in partnership with my Sister and her Husband.

In late 2007 there were people suggesting the market was too hot and that it was a dangerous time to buy. I was looking at other factors such as huge population growth through migration, development of local infrastructure and the fact my Sister, whose help I needed to complete the purchase, was very comfortable with the location. I also saw development potential.

Now before I go onto explain what happened, I want to emphasise that this purchase was completed on the basis that we follow a long term plan. 10 years was our agreed time frame and long term mindset. After we completed the sale the price initially continued to climb steadily just as it had been. It slowed after mid-2008 and then the Global Financial Crisis hit hard in late 2008. Australian real estate prices pulled back as did ours (about 15%), people panicked but we did not. We managed to keep the same tenant the whole time, made no rent increases and managed all our financial commitments as planned.

The interest rate deductions were very helpful but regardless of that assistance (bonus) we had a long term mindset and already established plan. We certainly didn't time the real estate cycle perfectly. In hindsight I wish I had purchased earlier but wasn't in a position to do so. Maybe purchasing after the GFC would have been better but by then banks were much less keen on lending to self-employed (and we wouldn't have got a loan). The main component to the timing of our purchase in late 2007 was that it was personally a good time for us. There have been bumps in the market since our purchase in the Christmas of 2007 but as I write this now in late 2011, those bumps have all been smoothed out and we are managing the ownership very comfortably in wait of the next upward cycle.

As you collect your last thoughts on this chapter and the concept of timing the market please take a moment to really reflect on what's most important to your long term plan. For you to take the next steps towards becoming a lucky landlord you should first feel confident that the process fits in with the whole of your personal goals, finances and future dreams.

If the timing of your personal circumstances is a good fit with property investment? Then don't let the state of the real estate cycle dictate what you do. Continue to investigate the real estate cycle for what it is and find the best opportunity to suit you and your long term plan.

## Feedback

We welcome any comments you have regarding the contents of this document. If you feel we should be including an expense that isn't here please get in touch. We would love to hear your suggestions for improvement and contributions that could benefit the next reader.

Thank You.

Yours Sincerely,

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