

WHAT CAN ONE DO IN A COOLING REAL ESTATE MARKET?

Everywhere we hear about the increase in Notices of Default and real estate foreclosures. The blame is said to be two fold: people took exotic mortgages such as borrowing 125% of home value or choosing adjustable-rate mortgages are struggling to make their payments and some just can't make it; secondly, amateur investors who all of a sudden became a real estate expert and bid up the prices. The people who are in the most trouble are flippers...people who aim to buy low and sell high within a short time period. Sound like a remake of the stock market in 2000 as amateurs jumped into the market buying up tech stocks or any IPO with a dot-com after the name.

It is predicted that in the near future we will see an increase in people dumping real estate they can't afford. They will be forced to sell because they'll be eaten alive by what is known as negative cash flow. Some call investment properties that you have to feed every month alligators...if you can't afford to feed the property every month, it eats you. To add more pain to the misery, those flip investors will still have to pay the capital-gain taxes they made from previous successful flips.

Some people's misfortune will be come some else's fortune. Now is the time to turn pro. Now is not the time to be an amateur. It is the amateurs who jump in when the market is hot while it's the professional who comes in when it's cooling down. Over the next couple of years, keep your eyes open for some great bargains.