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Finding the Next Hot Market

Identifying Major Markets, Sub Markets, and Property Types In the New Economy

By Sean F. Moudry

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Introduction

My Path to Realization

After working and Investing in the real estate business for more than Fifteen years, I can Confidently say that I have developed a successful system for real estate investment. Because of my success, I'm able to conduct seminars across the country to teach people my strategies.

You may think that genetics and my upbringing are responsible for my success. Perhaps you imagine that I was born into a wealthy family with parents on my back, pushing me to succeed. No expense would have been spared on my Ivy League education, and I, of course, would have an incredibly high IQ. Maybe you even think that my parents got me started with real estate investing, tutoring me in the nuances of the practice, even to the point of buying me my first property when I turned eighteen. A strong background in the field coupled with wealth to fall back on would have been my formula for making it.

Nothing could be further from the truth. Many successful business people and entrepreneurs have become successful not only despite their harsh background, but because of the adversity of it. This was true for me.

My single mother raised my brother and me. We moved from town to town more than forty-five times before I turned fifteen. When rent came due, we jammed our miniscule collection of belongings into the trunk of the car and escaped in the middle of the night. Oftentimes, we did not have money or food and spent many nights in churches and gracious people's homes. During those times, we were literally homeless.

I eventually found myself alone at age fifteen in a small mountain town in Colorado. My brother had gone off to college, while my mother had decided to move to Wyoming to try to start all over again. Without any family or money, I had

been working as a busboy in a local pizza restaurant, making a whopping \$4.25 per hour. I put in long hours, attending the county high school during the weekdays and working at the restaurant on nights and weekends. Fortunately, in this small town renting a trailer home on the side of a mountain wasn't out of the question for a minor. My rent was \$265 a month, which I split with a roommate.

I will never forget the day I could not take the strain anymore. I was sitting in homeroom, exhausted from working until midnight the previous night because of the ski rush. My shoes were partially dissolved from a mixture of grease and cleaners, and words cannot describe how badly they reeked. Similarly, my clothes were stained and torn.

I looked across the room at the other students, some studying and others gossiping. Then I saw the most popular guy in school, two seats away, laughing and flirting with the prettiest cheerleader as she sat on his lap. They didn't appear to have a care in the world—certainly not making rent or getting adequate clothes and shoes. They had everything a teenager wanted. By contrast, I did not think I had a chance at that type of life.

As I hung my head low, Mrs. Michaels, the homeroom teacher, spoke to me.

“Sean, what’s wrong with you today?”

“I just want to be a kid!” I answered, scowling back at her.

“You don’t have that choice.... it was made for you,” she replied.

Mrs. Michaels had been my homeroom teacher for three years, and knowing my situation, had quietly coached me from a distance. But she was to change my life that day by the startling seriousness of that reply.

At home later that day, I lay on the floor visualizing how I wanted my life to be. I would not only be a millionaire, but I would also reach that goal by age twentyfive. Never again would I accept “good enough;” I would be the best at whatever I applied myself. I was driven to succeed—at what, I didn't yet know. Nor did I comprehend

how much in control of my life I really was.

By age eighteen, I was the kitchen manager at the pizza restaurant with twentytwo employees underneath me. I had just graduated high school with a three point zero GPA for my senior year, after being on the verge of dropping out. Furthermore, I started living in Denver so I could attend college while driving to the mountains to continue with my job. I led the county at-risk youth group that I had previously been court-ordered to attend. Things began turning around for me once I realized I was the captain of my own ship.

Real Estate

Although I was happy with my accomplishment of managing the pizza restaurant, I knew it was not the vehicle to get me to my goal. I thought that being smarter was the trick. So I read *Page a Minute Memory Book* by Harry Lorayne, which taught people how to remember any number, name, or face. It worked! I began remembering every license plate on my drive to work. After committing roughly one hundred license plates to memory, I realized this was not the key to success.

Then watching television late one night, I found it. Carlton Sheets was wearing a Hawaiian shirt while standing in front of an ocean, telling me that I could become wealthy through real estate. I quickly ordered my tapes, and after they arrived, spent every extra minute studying his system. Back then, Sheets promoted assuming FHA and VA nonqualified loans that were made prior to 1978. *I can do this!* I thought.

I told everyone I knew that I was a real estate investor and printed up business cards. Soon, I began my search for pre-1978 nonqualified assumption loans. But I quickly learned that in Denver in 1994 such properties had either appreciated well over the loan amount or they were already assumed. I was practically laughed out of every real estate office I visited.

Instead of giving up, I looked for ads under “For Sale by Owner”, trying to find a seller who would carry my mortgage—another real estate trick. I spotted an ad seemingly placed just for me: “No Money Down.” I called the number listed and

spoke with Sheila, a rookie real estate agent. She was promoting government grants to pay for down payments.

I quickly got pre-qualified using the same answers that worked when trying to buy a car: “No, that car payment is not mine,” and, “Yes, I make \$30,000 a year.” Little did I know that people would verify all the information I had given. At that time, I had three car payments because I liked cars so much, and I made \$7.75 an hour. Needless to say, I didn’t qualify, and I lost my “earnest money” (a relatively small cash deposit which for me, at the time, felt enormous).

While working in the restaurant, I met my future wife, Diana. While searching for our first home together, Diana and Sheila the real estate agent became friends, and Diana accepted an offer from Sheila to be her assistant. Soon I, too, was drawn into real estate sales.

By the fall of 1995, I had my real estate license, purchased my first property, and married Diana—all by age twenty-one. Within the next year, I had sold more than seventy buyers their first homes using no-money-down techniques. Within four years, I had received every award at RE/MAX for personal production and was placed in their Sales Hall of Fame. With the assistance of Diana, I was closing more than one hundred homes a year, and, when I was twenty-six, *Realtor Magazine* featured me in an article on “30 Top Agents under Age 30.”

All the while, I was refining my own real estate investment system, the system I will introduce to you in this book. It involves understanding what a market cycle is, tracking a cycle and knowing how and when to buy properties to increase your net wealth. Now, I teach it in the Denver area approximately every other week and also conduct seminars across the country. A group of investors are following my ideas and reaping the rewards.

I’ve told you about my story for two reasons. First, you have seen how determination can create success. Nothing in my upbringing or formal education would have been a predictor for my success. I am not so special that you or most anyone else would be precluded from similar rewards. Secondly, you will learn how my ideas

have been refined by trial and error. I know that they work.

Do you want to create wealth? Do you desire financial independence? Do you want to purchase income-producing assets rather than money-burning possessions? Are you determined to make the effort? The process need not be difficult, and it certainly won't require the kind of exertion that I expended when I was just starting out and living in a trailer in the mountains. Nor will you need to work at this full time, like I did. In fact, I will assume that you have a regular job (and when you are just starting off in this endeavor, you would be better off not giving up your "day job") and are only putting spare hours into real estate investing. But you will need to learn the system and apply it, so some diligence will be required. Follow my rules and you will succeed. Follow only half of them and you will fail.

I am proud to offer my system to you. Understand that you deserve all the success in life that you want. If you are willing to take the steps, real estate investing could be the perfect avenue for you.

Sean

Bad Reputation

Real Estate has been given a bad reputation lately. The ENORMOUS recession we have been experiencing was caused by a Mortgage Bubble and Greed. Millions of people have lost hundreds of millions of dollars by watching their property values plummet. There is no doubt that there are places you do not want to invest in real estate in. Furthermore, there are places that are not likely to correct for twenty years. For this reason makes this investment system timely now more than ever.

We all have lost thousands of dollars of our retirement savings, college funds, and frankly our security. Many need to make up lost ground quickly without the large risk of speculative investing, volatile stock market, or start-up companies. I am here to guide you through the process by reducing risk at every turn.

Market Cycles

What we will talk about more than any other single thing in this book are market cycles. Allow me to simply introduce you to the term and what it means in the broadest sense.

One goal of national news organizations is to learn about the general characteristics of the people or situations in the United States and then tell their viewers or readers what the latest trends are. The temptation is to make the conclusion that the general trends presented in the news apply to specific situations in your life. So in the world of real estate, you might hear from time to time that the national market is not good. That's the news being given as of this writing. Don't believe it. Or, at least don't make the conclusion that the generalization holds true across the country.

The same is true for positive trends when talking heads on the news are shouting at you, "Buy, buy, buy!" On the contrary, different markets exist in different locations simultaneously. One market may be on the downswing, with another market being hot, as you will learn. I discovered this quite by accident and learned to identify these markets and predict them. This discovery is the keystone of my system, and the vast majority of real estate guides don't discuss it.

The real estate market is cyclical. Most experts believe the full cycle is approximately twelve to fourteen years. While I agree with this, I break it down into eight steps, each step lasting, perhaps, in excess of one year. The reason for this is that everything in life does not work on a three hundred sixty-five-day calendar. On a practical scale, I am looking at *economic indicators*, or *economical stages*, not calendars.

The economic indicators I am tracking are:

- Housing **Inventory**
- Housing **Prices**
- **Rents**
- Real Estate **Sales**
- **Foreclosures**

These indicators can be affected by increased job losses, natural disasters, etc., that can change the path of the market.

Everything I teach is based on the fact that we must accept that markets are always moving, always cycling. Look around you: Nothing ever stays the same. The hot music group from five years ago is now on the oldies circuit. Fashions change. New types of restaurants open and close. We live in a trendy society. So yes, even something as basic as real estate land moves and changes in cycles.

Why? Think about anything that is “trendy.” Products, businesses. There are real estate ramifications to a lot of the trendiness around us. Rubik’s Cubes were really cool a number of years ago. If your town had a Rubik’s Cube factory, employment was high back then. But I’ll bet that factory is closed today. We are in the era of “Future Shock.” They say that fifteen years from now, most of us will be employed in industries that do not even *exist* today. How could that possibly *not* affect real estate markets? And it’s not just manufacturing. Big metal and glass office towers with white collar workers move around the country. Why? Management is always looking to improve the bottom line. If real estate costs and labor costs are too high where corporate headquarters are today, management thinks nothing of picking up and moving to a less expensive location several states away. Cycles. Lots and lots of cycles.

There is also a trendiness to homes themselves. Builders build what the market wants to buy at any point in time. Look at post World War II homes. Compare those to 1950s designs. 1960s, 1970s. Now compare all those to new construction today. In each era, things were different, often vastly different. Today, big kitchens are in, big master bedrooms, lots of closet space, vaulted ceilings and bay windows.

Years ago, other amenities were more desirable. So when new housing product comes on the market, that’s where people want to go. This means that something else, some other type or style of housing, gets left behind, vacant. What happens to it? Lots of things. Maybe poorer people move into it. Maybe *no* people move into it. That affects real estate markets. Areas go to seed and values diminish. Meanwhile, everyone has moved to new developments in another town. But then, the cycle turns around again. A developer gets incentives to come into the old market area and he knocks down those old homes and builds new ones, newer now than the ones in that

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