

Expansion Phase of the Cycle: Ride em' Cowboy©

Economic expansion is what the US has needed for decades, not just since the manifestation of the **Great Recession** in 2008. The **Recovery** phase, which I called in 2012 had been the slowest to arrive in modern times. Even going back to the close of WWII. The **Expansion** always kicks off the accelerator and the multiplier effect driving the economy to full employment and as banks to increase the money supply. Technically, during the early days of the **Expansion** it is possible to find many financially feasible and maximally productive properties that are still undervalued. Understand that as real estate values continue to increase the supply of quality real estate assets continues to decrease. Never forget that real estate is a simple supply & demand driven business. Once you forget that you are on your way to trouble.

Mark my words history will record this to be a very long **Expansionary** phase for US housing stock and the macro-economy overall. Although the **Fake News** refuses to publish the employment statics. From an absolute low in June, 2009 to a high in June, 2016 job growth has shot off like a rocket. Let me beg the question? What does employment growth do for us, bedside give families take home pay? It absolutely drives effective demand for all sectors of real estate. That is exactly what occurs as a by product of an increase in the employment base.

So what are the best investment strategies to pursue during the **Expansion** phase of the real estate market cycle?

- Raise rents
- Effectively reduce operating expenses
- Improve current properties to attract higher quality tenants
- Selectively purchase properties for the long run
- Be keenly aware of when the **Expansion** phase steams into a full blown **Boom**

I am using each of these strategies to increase my income and the capital asset appreciation on my properties. It should be your unmitigated goal to do the same for your family. Always beware that as the **Expansion** phase of the cycle continues to build momentum as high rates of return are made and furious competition, once again bids up real estate pricing beyond any rational valuation measures.

As much as I said from 2002-2007 do not buy real estate. Do anything else, like take a cruise, go around the world, buy an art collection. Anything, but do not buy real estate. However, now at this phase of the cycle, there is still plenty of time to buy economically productive properties. Do your analysis, then do what you have to do to get your hands on some income producing properties. Then hang on for the long run. In years to come you will be very glad that you did.

It is quite apparent at this stage of the cycle that the pent-up demand that was not able to be satisfied, after the Great Recession, because of over regulation and banks not lending,. Even after the taxpayer Bail-Out, banks kept on playing the pretend and extend game.

However, going forward , this demand may be satisfied as the macro-economy shifts into a full **Expansionary** Phase of the real estate market cycle.

Nevertheless, the supply of housing stock has not kept pace with pent-up demand. This is chiefly because, new housing starts have fallen historically behind. In 2009 builders thought, oh, because housing starts fell below the one million start demarcation line, that they could start tearing the ground up, by as soon as the end of that year. In a building boom that just never materialized.

As much needed supply is still lagging behind this recent demand. Especially in the affordable range of the housing supply. So, very much in contrast to the massive **Boom** phase, when I had excessive vacancies.

Today, I am enjoying full occupancy 🎯



Ronnie Lee Phillips holds a master of Land Economics & Real Estate degree from Texas A & M University. He is a California licensed real estate broker and the managing member for his real estate investment and advisory firm **RealStar Realty Advisors, LLC**. The company is actively engaged in real estate development, investment analysis, and acquisition on a national basis.