

Golden State Full of Fools Gold©

The fall of 2006 brought me from Houston, TX to Palo Alto, CA. I was invited to join the faculty of an accredited college in Silicon Valley, CA as the full time tenure track lecturer and the Real Estate Department Chair. The state of California was in the final throws of the massive real estate **Boom** when I arrived on the scene. That first 16-week semester, I was truly excited to lecture on Real Estate Principles, Real Estate Practice, Real Estate Economics, Real Estate Finance, Real Estate Investment, and Real Property Management.

Most of my student's day jobs were as software engineers at places like Google, Face book, Oracle, or PhD's from Stanford University. The rest were a diversity of recent immigrants and English was there second language. They all had one thing in common though: Night after night they would soak up every word I said on the subject of real estate. At that time, if a For Sale sign was placed on a property, there would be at least fifteen offers on it, before the broker even got back to the office.

All but unbelievable to me, I was routinely approached by people touting they had seven figures to invest and wanted me to help them do so. I declined. I would say: "Now is not the time to invest." They would reply: "No you don't understand, we have to buy, before the prices climb higher." No you don't understand values are going to fall in the near future. Please give me your information and I will call you when its time to buy, ok?

I admit that I was a newbie to California; but I didn't need a crystal ball to see that the market had reached a saturation point and it was no longer a matter of if, but when the cycle would swiftly move into a drastic **Contraction**.

I told all my classes the same thing. Listen, I don't know when, but real estate values are going to plummet, not only across the United States, but also here in Silicon Valley. What do you think all my classes told me? "Mr. Phillips, you had better go back to wherever you came from, because real estate prices never drop here in Silicon Valley." Literally, six months later, they were all clamoring around me: "How did you know?," "How did you know?" "Are you a real estate genius?" No, I just watch and try to time the market cycle. Most importantly, I know when to stay-out, and I know when to go all-in!

At first, I thought I had come to California at exactly the right time to capitalize on the upcoming **Bust** phase of the cycle, but the opportunities never emerged. By 2010 it was a night and day difference. No one wanted or needed my advisory services. Doors kept closing in my face. I worked diligently to put together a Private Placement Offering on a 117-Units Class-B apartment complex in Houston, TX.

I started prospecting and calling on all those people, who wanted to invest at the top of the cycle and gave me their contact information. I called them up: Hey, its time, are you ready to go? Basically, I got two answers: "Oh, we don't have the money now, or we already bought and now we're upside down."

I couldn't make this stuff up. Nor could I tell them, I told you so. With no cash ready investors, I could not fully subscribe the offering, so I had to let a great investment opportunity walk out my door. I questioned everything. How could the future look so promising and suddenly turn so bleak?

I couldn't understand how the universe had pulled the rug out from under me. I spent a long time in solitude and soul searching about how I was going to make my way forward. I wanted nothing more than continue to build my real estate portfolio for my family's security.

I was essentially trapped. I kept asking how could this be happening? I had devoted myself to becoming great in real estate and now I am locked out? Talk about the irony of it all.

Nevertheless, since leaving Tax-afornia in the rearview mirror.... properties and opportunities are falling in my lap. Once again I am saying how can this be happening? The difference? It is all positive, this time round.

Everything has its own cycle and season. If you are patient enough to wait. Keep your eye on the road ahead. You will see that the horizon is always getting clearer.

I really thought my role was to provide value and true insight on real estate by teaching those hundreds and hundreds of extremely bright students, who attended my real estate lectures over that unique four year period (2006-2010). I now realize in hindsight that the college was paying me to be my own best student...to teach myself.... to always know the difference, between pyrite (fools gold) and the mother load. ■



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