CHAPTER 1

Real Estate Emerging Markets: Your Ticket to Great Wealth

Two roads diverged in a wood, and I—I took the one less traveled by, And that has made all the difference.

—Robert Frost

This is the first book written about *emerging* real estate markets and how you can profit from them.

You're probably thumbing over this book in the store, or maybe online. You're wondering if it's just another thick text that's difficult to read and even harder to apply to real life. This book is different. Consider it a coaching session between you and me.

You see, I'm not out to have this book sit on dusty shelves somewhere. I built my company, The Lindahl Group, into a $140 million real estate empire very quickly because I took action on some basic principles. I developed them into an investing strategy that I want to share with you now.

This is not one of those *get rich slowly* books that's recently become trendy. Sorry. When I started investing in real estate, I was a struggling landscaper, living in a three-room apartment. At one point I was down to my last 800 bucks—I had to borrow money for my first down payment. Within 3 1/2 years my investments had made me wealthy. From my own personal experience—and now the experiences of hundreds of my students—I know that real estate can make you rich in a very short time. But the *sweet spot* is investing at the right time in an emerging market!

This book will show you how to explode your wealth in the same way. You'll discover powerful ways to invest in local up-and-coming markets, and how you can invest by *remote control* in great markets throughout the United States!

I'm not a writer by profession, so this book may not read like Shakespeare. That's okay. I only want to come across in two ways to you: I want to be clear; and I want to inspire you to do that first real estate deal.

The things I'm about to tell you are not *theory* at all. They are cold, hard, tested, and proven facts that have made money for me over and over again. Plug in the systems I've used, and they work as reliably as when you plug in your coffee pot. You don't have to be white, or black, or tall, or young, or rich, or even healthy to plug in that coffee pot, and the same holds true for my systems. As long as you have a bias for action, you're good to go.

Investing with the Four Phases of the Real Estate Market Cycle

The key to making a lot of money in emerging markets is understanding the real estate market cycle. This is absolutely vital information that most real estate investors do not yet have. Though real estate is clearly one of the best investments over time, it does not go straight up in value. But, once you know how to identify and use real estate cycles to your advantage, you can skyrocket your profits—compared to the *buy and hold* investor.

How does emerging market investing work? At any given time, any city in the United States is in one of four phases of the real estate market cycle. In fact, certain parts of a city may be in different phases at the same time! Your key to making huge profits is in knowing which phase each market is in. *The phase of the market determines exactly what actions you should take as a real estate investor.*

Of the four phases, there is one special phase that will make you wealthy faster than all the others! I have personally made several million dollars from this phase in different cities. And it's not just me: My students have made *tens of millions of dollars* from opportunities this phase presents. You can be the next millionaire! And we're not talking just profits from the eventual sale of these properties. In addition, they can mean five- and six-figure spendable cash flow coming into your house, month after month.

Sometimes there may be small pockets of emerging market opportunity that only stretch for a few blocks. Other times, you'll be surrounded by *miles of opportunity*! Different markets require different techniques and actions. Of course, there are also plenty of markets on the downturn.

That's why I always shake my head at the headlines that announce "Real estate is booming!" or "Get out now from all your real estate investments!"

That's just journalists being fed sensational *sound bytes* from amateur investors. What these headline writers fail to understand is that the real estate market is the most localized investment market of all. After reading this book, you will realize that even if the national economy and the national real estate market is soft or trending down, there are *local markets* currently in the emerging phase. In these emerging markets, you can literally make profits in 2 or 3 years, which might take a decade or longer to make in other real estate markets... never mind the stock market!

Knowing how to decode market cycles is like having secret x-ray spy glasses for real estate. Suddenly you can look at a market and where other people only see scribbles, you see opportunity! When you're finished with this book, you'll know how to identify markets in this stage, and you'll want to start buying properties with both hands. This income will give you the freedom to do whatever you want, when you want, where you want, and with whom you want! That's what I call *The Attitude*!

What Most Real Estate Investing Books Leave Out, or Don't Know

Go to any bookstore and you'll find shelves full of real estate books. They cover how to buy single-family, multi-family, and commercial properties; how to flip houses and wholesale them; how to exchange properties; how to buy them at auctions and before auctions; and many other aspects. Almost all these books tend to describe *one way to buy property*, *near where you live*, and they ignore real estate market cycles. That just isn't logical, unless you're willing to do some very marginal, risky deals. Whenever I can, I want to shoot fish in a barrel. I want the investing odds stacked way in my favor.

As a smart real estate investor, *you want to get the highest return from your money in the shortest amount of time*. When major corporate investors such as REITs (real estate investment trusts) invest their money, they don't buy real estate in just one city. The directors and managers of the REIT look around the United States for the very best real estate investing opportunities. When they find the best markets, they spread their money across them.

Real estate investing professionals continuously look at the landscape to see if there are any new markets starting to emerge. When they spot these markets, they *take money out of their maturing markets* and put it in the emerging markets to continuously create maximum profits.

AVOIDING REAL ESTATE LOSSES WHEN THE MARKET TURNS DOWN

Many books on real estate say "There is never a bad time to invest in real estate." I take a realistic and honest stance in this book. I want to help you not only make a great deal of money, but I also want to help you to avoid losing money. When you understand real estate cycles, you understand that there is a time to avoid certain markets. Using the wrong technique in a particular market cycle could cost you a lot of money in lost profits—or lost equity. For example, the Phoenix, Arizona market was great a few years ago when many companies moved there creating a lot of new jobs (we'll explore why this happens in a later chapter). Now let's take Pittsburgh during the same period. Had you put your money in that market, which suffered a net population loss, you would have taken a bath on your investment. By absorbing the concepts in this book, you will learn how to avoid such a fate. Using the right technique in the right market will *maximize your profits*.

DISCOVER THE PATH OF PROGRESS, AND GET WEALTHY

To make the greatest amount of money from real estate in a relatively short period of time, you must understand the *Path of Progress*. This is where the greatest amount of building and development is taking place.

If you had looked at a map of Southern California 40 years ago, you would have seen that Los Angeles and San Diego were the two largest cities. Between these two giants were hundreds of smaller cities and towns, and millions of acres of farms, orange groves, and undeveloped land.

The Path of Progress indicated that soon there would be little bare land between these two great cities, 120 miles apart. Los Angeles and Long Beach moved south, and San Diego moved north. Huge fortunes were made by investors who followed this path of progress.

One man, Donald Bren, became a *billionaire* by buying up thousands of acres of bare land in a once-sleepy agricultural county called Orange County. Orange County was smack dab in the middle of this Path of Progress, equidistant between Los Angeles and San Diego.

There have been hundreds of other Paths of Progress across America, though many were smaller and created only a few millionaires! I like to call these Paths of Progress the *Paths of Profits*. That's because they will produce your highest and fastest returns.

The Path of Progress is one of the key concepts in this book. You will discover how to recognize where it is going, how to find its boundaries, and a method to determine how far it will reach. You will then be able to target your real estate investing with bulls-eye accuracy.

Could a Great Emerging Market Be Right under Your Feet?

Just because you'll be able to invest anywhere across America, that doesn't mean you should ignore your own backyard. I'll show you how to identify exactly what investing opportunities exist in your local market. It may even be on the verge of emerging.

If this is the case, you're sitting on a gold mine!

But watch out: That fact alone will not make you rich. You must *take advantage* of it! Investing in emerging markets can make you very wealthy, very quickly—*only if you take action*. One of the reasons my seminar students have been so successful is that I have shown them how to take action when the conditions are ripe to make maximum profits.

Why Most People Can't Recognize an Emerging Market in Their Own Backyard

If your market is in the early stages of emergence, chances are that most of the local people won't even recognize it. I call these oversights *real estate blind spots*. Why do locals often have blind spots? Why can't they see what is clearly in front of them?

This blindness exists because locals have seen the downturn and stagnation of their market for several years. They've become used to thinking, "This is the way it's been, and this is the way it will always be."

As a market is ready to emerge, locals (that includes the so-called *experts*—the local real estate agents) often do not realize that *recovery and economic good times are just around the corner.* As a matter of fact, they may tell you that you're crazy for investing, because nothing good has happened in that market for years!

Here's a test for whether you'll make it as a real estate millionaire: If you seek a lot of approval, and want people to say *beforehand* "Wow, what a smart investment he made!"... emerging market investing is definitely not for you!

Instead, if you're doing it right, what you'll hear is "What an idiot! Doesn't he know that this market's been dead for years? No one else is investing now. . . .Why does HE think he's so smart!"

You better get used to that kind of thing.

Stick with me, and I'll show you the sources of information that reveal the *true state* of your local market. The hair stylist, florist, and coffee shop owner in your town are not privy to this information. Locals will stare in disbelief as you buy properties at bargain prices and then cash in on record profits when you sell them a few years later.

Oh, and don't expect them to label you a hero then; after all, you just proved them wrong. You'll most likely hear them say "He was just lucky."

How I Discovered the Power of Emerging Markets

The scenario I just described is what happened to me when I first started investing in Brockton, Massachusetts back in 1995. Brockton had been in a slump for over 15 years! Brockton was once the shoe capital of the world. Its nickname was *shoe city*.

Everywhere you looked in Brockton, there were shoe factories. Along with the factories were the tenement houses for all the workers. There were 2-, 3-, 4-, 8-, and 10-unit buildings everywhere.

Because most of the factory workers were unskilled labor, few of them could afford their own homes and most rented apartments. As the years passed, it became cheaper to manufacture shoes overseas. Material costs were lower and labor was much cheaper. One by one, companies started to move their manufacturing out of Brockton and over to those cheap overseas markets.

Factories became empty shells. Workers were laid off and couldn't afford to pay rent. People began to move out of the area to places that had jobs.

Multi-family buildings started emptying out and landlords were foreclosed upon. The banks seemed to own more properties than individuals did. The empty buildings became havens for drug dealers and crime. The once proud city of Brockton became a place where you did NOT want to be after 4pm! The downward spiral continued for almost 15 years.

When I started buying in Brockton, it wasn't because I had a crystal ball telling me that the market was about to change. I was too new at the investing game for that! I bought in Brockton because *I was buying three- to* *six-unit buildings for well below their replacement costs*, and these buildings had great positive cash flow!

Fortunately for me, the city was on the verge of a rebound. The first thing that happened was the city elected a new mayor, Jack Units. It takes strong will, guts, and great leadership to take a city that was a mess like Brockton and begin a *renaissance*. Jack Units possessed all three of these characteristics. He was a true turn-around artist.

The city of Brockton started tearing down the abandoned, drug-infested multi-family buildings. It sold the land at low cost to anyone willing to build a single-family home. Five new schools were built, sidewalks were paved, and the transit system was extended to connect Brockton with Boston.

Wow! This meant that people could live in Brockton and commute to work in Boston without the hassle and expense of driving and parking a car! Brockton began to emerge, and then really took off. All of those properties that I bought took off right along with the city. Property values soared. Before I knew it, I was a multi-millionaire! Just a few years earlier, I had been poor.

(If you ever visit the mayor's office in Brockton, you'll see a pair of shoes proudly displayed on the wall. The shoes have holes in the soles. They are the shoes that Jack Units wore out, campaigning for the mayor's job. Each time I see those shoes, I want to give them a big smooch!)

After several years, I started realizing that Brockton was beginning to peak. I began learning about market cycles and realized that what goes up cannot go up indefinitely. No real estate market can rise 30% per year forever. After a period of soaring prices, there is a decline in prices that brings them *back to reality*. This happens in both the stock and real estate markets.

I knew that if I continued to own my properties in Brockton, I was going to lose equity, and would have to wait for another emerging market cycle. This could take years. I didn't want to wait! And I certainly didn't want to lose any of my equity.

I started a nationwide search of other markets in the United States that had the potential to emerge and soar in value the way Brockton did. I figured I could sell my Brockton properties near the peak, and put that money in at the bottom of the cycle in other markets. Then, while the Brockton market was going through the natural ups and downs of its real estate cycle, instead of losing my equity, I was going to double, triple, or even quadruple it. Then, when Brockton showed signs of emerging once again, I would bring my money back home to Brockton!

How to Predict the Hottest Future Growth Areas

I was right about Brockton, and I was also right that there were other markets at just the perfect stage, waiting to give me another great ride! You see, real estate investing is not a guessing game. You *can* actually predict the hottest future growth areas.

Before you accuse me of claiming that I have a crystal ball, let me set the record straight: It's not like I'm predicting markets 10 and 20 years out. That really would take a crystal ball.

Instead, I'm merely doing what the smart guys would do in those old Western movies: Putting my ear to the locomotive rail. They could sense the freight train speeding toward them by the slight vibrations.

I'm doing the same thing. I can sense that *market freight train* coming, some months before almost anyone else can. And that's all the time I need to buy my properties!

By following my proven success formula, you'll know how to get the most out of your investment dollars. You will accomplish this by being in the right *city* at the right *time* investing in the right *property* located in the right *area* of that city. It doesn't get much better than that!

How Similar Are Real Estate and Stock Market Investing?

When you hear the term *emerging markets*, you probably think of the stock market.

Many books and articles have been written on how to make money in emerging stock markets. We all remember the first Internet stocks, and also high-technology stocks, foreign stocks, and other exotics. Hundreds of billions of dollars were made—and sometimes lost—in those markets.

Emerging *real estate* markets are an even bigger and potentially more lucrative opportunity—yet they have received very little attention: Both real estate and stocks have a place in a diversified portfolio. Many of us have made money in the stock market by trying to find certain sectors of the market that are growing quickly. Unfortunately many of us have also lost money in stocks, because we got in too late. Even when we got in at the right time, the sector might have collapsed before we could get out.

Millions of Americans have reached the conclusion that selecting and monitoring stocks is an exhausting process, even when it works okay. It sometimes seems like stocks are an *insider's game*, designed to profit brokers and mutual fund companies more than the average investor. The billions of dollars worth of fines recently assessed against brokerage and mutual fund companies bears this out.

For people willing to do the work and take the risks, picking stocks can be rewarding. I've dabbled in it myself, from time to time. Today I have so much money that if I put it into the stock market, I'd be treated like a king by the brokerage firms. Yet I choose to put my money back into real estate. Why is that?

When you invest in real estate, you are making decisions based on numbers you get directly from the owner or from trustworthy public records. You do not have to trust a broker, company executive, or mutual fund company.

The numbers you evaluate when you buy a property are all *verified* during the due diligence process. You don't have to trust anyone. If the numbers hold true, you've got a deal. If the seller was shading the numbers to look better than they really are, my systems will smoke that out. In that situation, it's time to renegotiate. If you don't like the numbers, you walk away.

The stock market is fueled by so much else: speculation on management changes; tax law changes; new product launches that may or may not work. . . the list is endless. On top of that, the entire stock market sways under the load of rumors: What the President will do, what is OPEC's next move, and so on.

Forget that! In contrast, they don't call it *REAL* estate for nothing. You deal with reality, not gossip, hourly rumors, and wishful thinking.

The stock market is extremely unpredictable. Another company could come out with a superior technology and put your company out of business. The executives of your company could get into trouble. Or, if the executives are outstanding, they might leave and gut your company of the talent it needs to thrive. Dozens of other factors can put a once-promising company on the ropes.

Real estate is much simpler. Human beings need a place to live. Land is scarce and is getting scarcer every day. People continue to have families and the need for housing continues to rise. America—the greatest country the world has ever known—continues to attract record numbers of immigrants. People are living longer, further adding to the need for housing.

The laws of supply and demand dictate that real estate prices *must* continue to rise over the long term. There will always be bumps on the road, but real estate prices *will* rise over time. That's very reassuring to me, compared to the volatility of the stock market, and the ability to print up more stock certificates tomorrow!

In the Next Chapter

I am excited to share all these secrets of mine with you. Now, let's dive into the details of these amazing real estate emerging markets. We'll do that in the next chapter by talking about how to know you're looking at an emerging market when you see one.

Note

1. (Our holdings include 4,200+ apartments in multiple states and we're growing fast.)