Case Study: Avoid Downturn Losses, Don't Repeat the Housing Crash of 2008

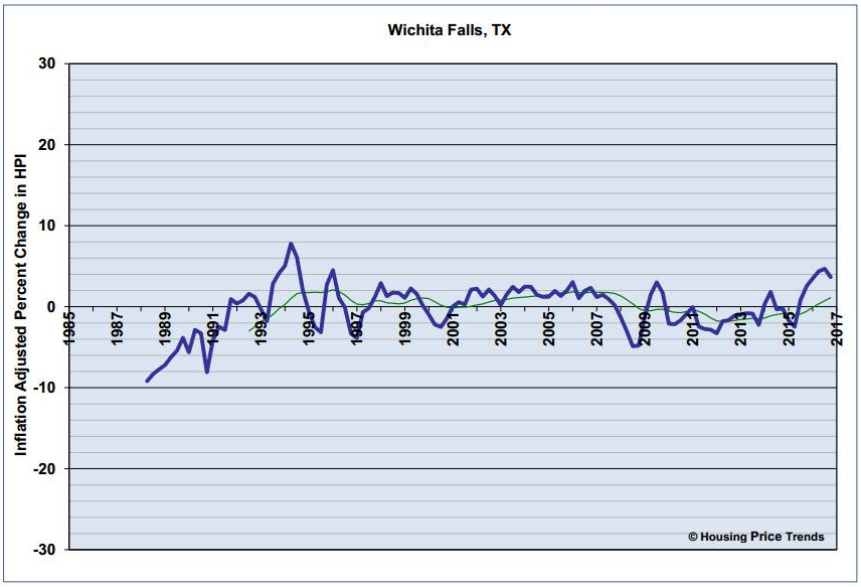
Millions of investors and homeowners lost billions of dollars in the housing crash of 2008. While many lost much, some lost almost no equity, while still others profited during that time. Why such different results?

Let's go back to 2005, when housing prices were going up everywhere. Actually, prices during that time period were ***not*** going up everywhere; this is, when you account for inflation. As any smart investor knows, you need to account for inflation when you invest over any length of time.

The first group: those who lost almost no equity. Here are some cities where prices were fairly stable during that time:

- Decatur, AL: price *changes* from 2000 and 2006 ranged between +/- 2% per year
- Pueblo, CO: price *change* was about +4% per year in the middle of 2001 and began falling to zero in 2006
- Albany, GA: price *changes* from 1993 and 2007 were generally below +2% per year
- Cedar Rapids, IA: price *changes* from1996 and 2017 ranged between +2% and -4% per year
- Bloomington, IL: price *changes* from 1996 and 2017 ranged between +2% and -4% per year, except for short periods of -6% per year
- Durham, NC: price *changes* from 1993 and 2007 ranged between 0% and +4% per year
- Buffalo, NY: price *changes* from 1991 and 2017 ranged between +4% and -6% per year
- Oklahoma City, OK: price *changes* from 1992 and 2010 ranged between +4% and -3% per year
- Wichita Falls, TX: price *changes* from 1997 and 2008 ranged between +3% and -2% per year

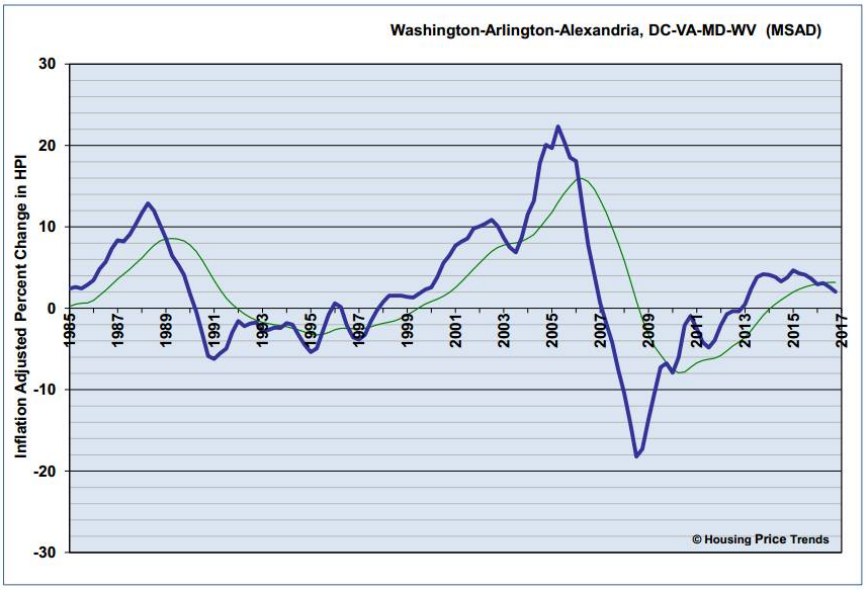
Here is the price *change* chart for Wichita Falls, TX to give you a picture of what that looks like:



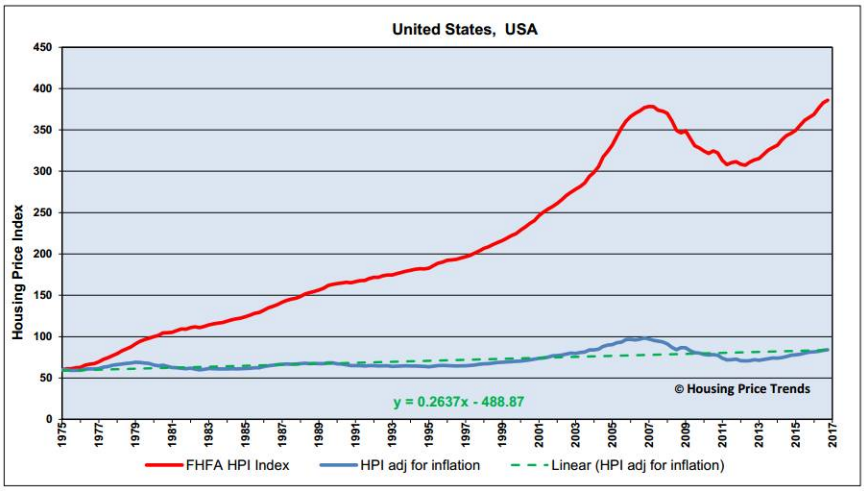
The second group: those who lost significant equity. For comparison, there were a number of cities that experienced significant price increases during that time. A few of these cities will demonstrate how much of a change this was:

- Miami, FL: experienced peak housing price change of 24% per year, adjusted for inflation in 2006, but also reached a -28% per year price change decline by 2009
- Modesto, CA: experienced peak housing price change of 25% per year, adjusted for inflation in 2005, but also reached a -39% per year price change decline in 2008
- Las Vegas, NV: experienced peak housing price change of 37% per year, adjusted for inflation in 2004, but also reached a -34% per year price change decline in 2008
- Washington, DC: experienced peak housing price change of 22% per year, adjusted for inflation in 2005, but also reached a -18% per year price change decline by 2008

All these cities had massive price increases, followed by massive price declines. The following price *change* chart for Washington, DC illustrates this clearly.



So, why were so many investors trapped in the housing crash? First, most were not even tracking the housing prices, and those that were, were looking at the national Housing Price Index (HPI) chart like the following (without the blue line):



They were looking at charts that only displayed the red line, the raw HPI numbers. When you adjust for inflation, the blue line, you see a much less profitable picture. However, housing prices nationally just started to flatten in 2007. Most of the so-called “experts” never predicted the housing crash. Most investors had a de-facto strategy of holding their properties. Even those looking at the HPI chart for their city were no better off. They just did not have the tools to tell them to sell and get out of the housing market.

The third group: those who profited during the housing crash. These were the very few who knew (1) price patterns were different in different cities, (2) you need to look at price *change* charts, not Housing Price Index charts, (3) you need to account for inflation, (4) some cities had relatively flat price change patterns and some cities had periods of large price increases as well as price declines, (5) you need a system to tell you the best time to buy and sell in a particular city, and (6) you need a system to protect you from a housing crash or even a period of flat prices where you make no profit from appreciation. Those who followed such a system would have bought properties in specific cities well before the housing boom was news. They would have sold before the housing crash was news. They would have made outstanding profits during that time. Here are some examples from the same cities in the second group, with some additional cities (returns are for 25% down payment on properties):

- Miami, FL: buy 2Q2001, sell 4Q2007, 65% annual return
- Modesto, CA: buy 1Q2002, sell 4Q2006, 57% annual return
- Las Vegas, NV: buy 1Q2004, sell 2Q2007, 48% annual return
- Washington, DC: buy 4Q2000, sell 2Q2007, 52% annual return
- Boston, MA: buy 3Q1998, sell 2Q2006, 39% annual return
- San Diego, CA: buy 4Q1998, sell 3Q2006, 62% annual return

That's the difference between using a system to capture optimal appreciation periods. The goal is *not* to be in a market during *all* periods of appreciation, but only after prices have established a pattern over a period of time. That's what reduces risk. Also, a system that can tell you when to sell before prices decline, reduces risk even more.

Let's go back to the first group: they lost almost no equity. But, they also made very little profit from appreciation. In fact, over a 30-year period, about 25% of cities had a housing price decline, when you account for inflation. That's a big risk for a long-term property hold. In fact, the average return for a 30-year period was only 3.5% per year. That is not the way to get wealthy.

With the **Housing Price Trends** system, you have a system that gives you Buy and Sell signals in more than 400 U.S. cities. The average return using the **Housing Price Trends** system is 31% per year (with 25% down payment). Get access to current Buy and Sell signals, and charts and tabulations for more than 400 U.S. cities now. Become a Member now!