

Is Now a Good Time to Invest in Apartments?

By Steve Steadele

Question: The financial market is a mess. Lenders are hard to work with and sellers are still asking high prices. Is it really a good time to start apartment investing right now?

Answer: This is a huge topic. I'll try to keep it short, but I could go on and on about this for hours.

Although apartment buildings have cycles similar to the economy, they don't necessarily experience the same ups and downs at the same time. If you had asked this question a year ago, my answer would have been, "It's always a good time to buy apartment buildings, somewhere." Someday we'll get back to that answer, but not today. Instead, the answer is more like, "It's a good time to buy almost everywhere." Here's why. If you know how to determine what phase any given market is in you can make a lot of money. We all know that. It doesn't matter if you call it buyer's phase one or emerging market or whatever you want to call it - if the market is near the bottom of the cycle (or beginning to go back up) you can make a fortune. But we're facing something today that is unprecedented. We've never seen an apartment investing market like this before.

When the economy tanks (like it has) real estate has historically suffered with it. Years ago developers didn't have the kind of information they have at their fingertips today. As a result, the number of new units to enter the market at the end of the expansion phase was enormous—meaning we were stuck with massive oversupply. Developers didn't know it was time to stop building until it was too late. That's when knowledgeable investors started buying. The rental market suffered until demand eventually caught up with the extra supply. Then they sold.

Today the surplus of information has resulted in shorter, more manageable apartment building cycles. (The single family market is another story. Today, it suffers not because of oversupply, but because lender criteria has changed. More on that another day.) Apartment cycles are not nearly as turbulent as they were decades ago (which makes cycles harder to identify). Over the past three to four years, the amount of new apartment development has been very, very low. That's the main reason the apartment market is not experiencing the same issues as single family homes, retail, and office buildings. Values have suffered somewhat depending on the asset and MSA (Metropolitan Statistical Area). Condo conversions are no longer pressing prices and tighter lender criteria has made it more difficult to invest. This has caused prices to decline a little bit, but other economic factors are actually helping apartment owners. Many are experiencing more cash flow than they've seen in years because everyone was buying a home.

There are very few new units scheduled to come out of the ground over the next two to three years. Meanwhile, demand continues to accelerate. Foreclosures are at an all time high and over 4 million people turn 18 every year. Demand is shooting through the roof while supply remains nearly constant. To top it off, it's a buyer's market.

So the short answer is yes - it's a great time to start investing in apartment buildings. For the most detailed information available, check out my Complete Course at www.stevesteadele.com.

Steve is the author of the book Multifamily Millionaire, a successful Real Estate Investor, Broker, Entrepreneur and self-made millionaire. He is a featured speaker at Real Estate Investment Associations across the country where he shares his wealth of knowledge, experience and enthusiasm for the real estate industry. Today Steve specializes in the acquisition and disposition of investment real estate throughout the United States. To learn more about his products and services, visit his Web site at www.SteveSteadele.com.