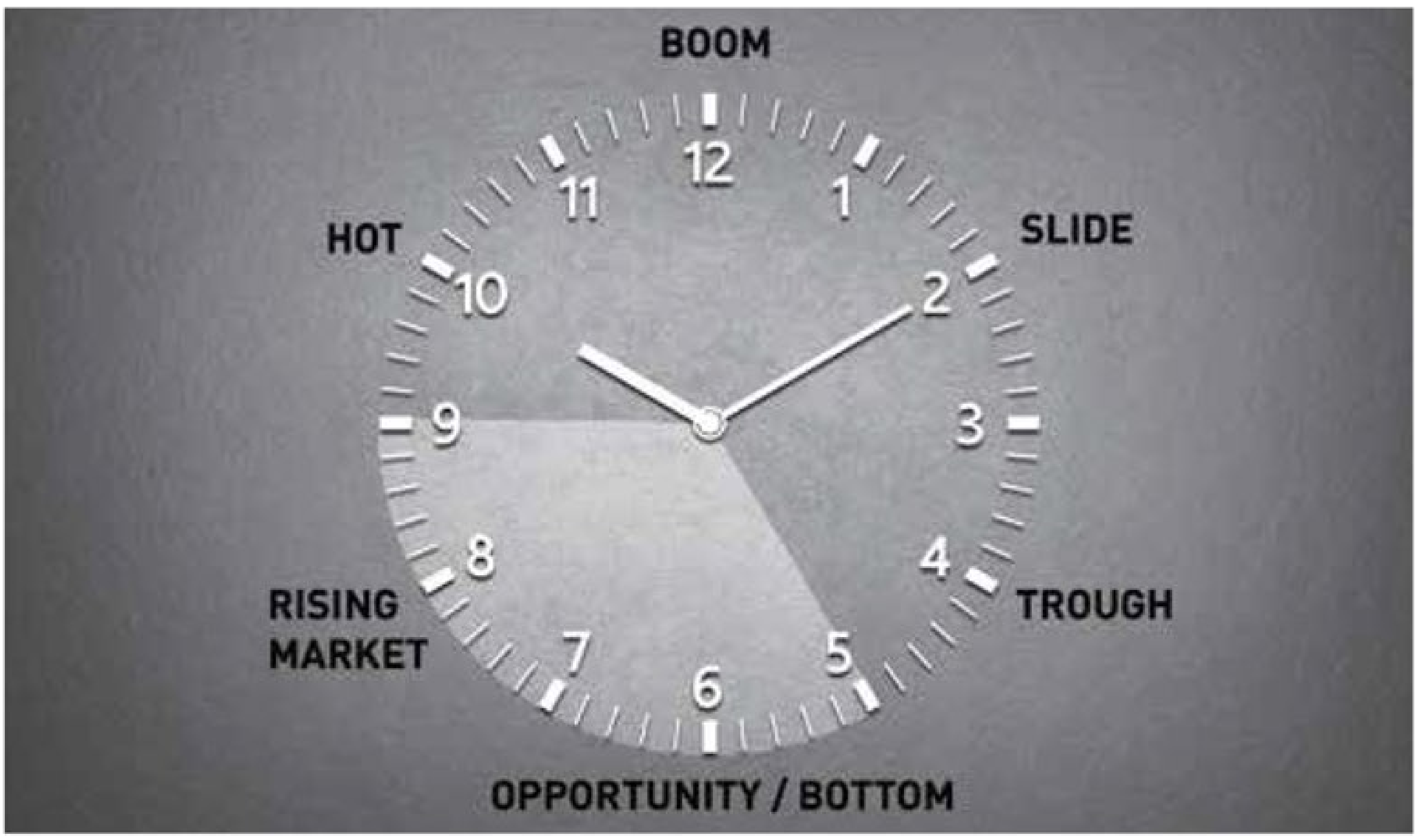
The property clock

with Todd Polke

Savvy investors can identify opportunities in most market conditions, but they also know when to hold off and sit tight



As property investors, we hear a lot about the property clock and market cycles.

The strategy of 'buy and hold in your own backyard' will get you some results, but if you want to achieve financial freedom, you need to be very active in your portfolio.

So how can you navigate the market cycles to maximise your profit?

There are six main phases in the property clock.

6 O'CLOCK – THE OPPORTUNITY PHASE:

Now is the time to get into the market while prices are at their lowest, consumer confidence is virtually non-existent and the market is at a standstill. It is a buyer's market, but savvy investors will detect a hint of life starting to shine through, signalling opportunity is ripe.

Key strategy: This is a favourite time of mine to secure blue-chip real estate at great discounts. Follow the property markets around the clock, buying in different areas to add diversity and get maximum equity growth.

> **↗ Todd's tip**
> When consumer confidence is low, savvy investors can secure blue-chip real estate for a great discount

7 O'CLOCK TO 9 O'CLOCK – VALUE BUYING STAGE:

Momentum is now in the market. Build activity and demand has picked up, confidence is coming back, vacancy rates are decreasing and rentals yields are going up – it's a rising market.

Key strategy: This is a versatile phase of the property clock where multiple strategies can be employed. 'Add value' and 'construction' strategies are ideal to achieve the best bang for your buck.

10 O'CLOCK TO 12 O'CLOCK – THE HOT MARKET:

Sophisticated investors start to get a little nervous in this phase. Although this time delivers some of the greatest growth of the entire cycle, it is time to practise caution and keep your emotions in check.

Key strategy: There is still time for the smart investor, but be wary of paying too much and keep focused on value.

12 O'CLOCK – BOOM TIME BABY:

Things have gone crazy! People are excited, emotional, and buying anything and everything – often paying well over the list price to secure their piece of the boom. 'Fear of missing out' is rampant, and strong demand is spurring new supply.

Key strategy: This is key profit time through either selling or locking in your equity. Cash in and move your money to a location that is just starting its growth cycle. Know when to hold 'em and know when to fold 'em.

1 O'CLOCK TO 3 O'CLOCK – THE SLIDE:

The boom has come to an end. The market is oversupplied, prices have peaked and demand has dropped off. There is now a lot of downward pressure on prices.

Key strategy: Frankly, I can't think why anyone would want to invest in a market that is going backwards. Ensure the properties you are holding cost as little as possible while the market is correcting.

3 O'CLOCK TO 5 O'CLOCK – BUST:

The market is now at its low point. The decline in prices will come to a halt and the market will flatten out. There is still an oversupply and minimal demand or market confidence. We're in a trough.

Key strategy: Wait! Do nothing. Don't make the mistake of jumping in too early. The market may have bottomed, but it could stay this way for years.

Successful investing involves the right strategy, right market, and right time!

Having a great strategy can mean the difference between floating downstream in an inflatable tyre or doing breaststroke up a fast-flowing rapid.

Todd Polke
NSW head coach,
Positive Real Estate