

# Real Estate Reality... The "Buy, Whine and Dump" Syndrome of Investing



- Debbie Yost, Broker/Owner of RE/MAX Casa Grande

I recently watched the movie "Man of the Year" starring Robin Williams. Williams plays a celebrity talk show host who runs for President as an independent candidate and is declared the landslide winner before a faulty computerized election system is found to have calculated the results incorrectly. What began as a talk show guest making an off the cuff remark to Williams as "you should run for President" was picked up and replayed by the media repeatedly over a few days, creating enough of a popular groundswell that Williams chose to become a candidate. What continuously impressed me throughout the movie was the media's ability to change the behavior of the public on almost every topic by what they chose to focus on.

The recent media attention to the ten year anniversary of the death of Princess Diana also demonstrates this point. I realized that Diana became "the People's Princess" because she quickly understood the power of the press and learned to manipulate it masterfully. She cultivated financial support for her charities by allowing the press to photograph her walking through fields with land mines, cuddling sick children and embracing patients with HIV. She could launch a clothing designer to instant celebrity status simply by being photographed in their garments.

Oprah Winfrey has incredible influence and can send a book to the top of the best seller lists by including it in her reading list. Thanks to Oprah, Dr. Phil, Rachel Ray, t-shirt bed sheets and pumpkin facial masks became hot items. When she turns her focus on a product or a person their popularity will greatly increase or decrease, based on her opinion. It will be interesting to see how her endorsement of the candidate Obama affects the Presidential elections. The suddenly popular belief system endorsed by the movie "The Secret" of "What you focus on expands" is easily demonstrated in the three situations I've mentioned. The concept of "thoughts become things" isn't new but has recently become a more mainstream belief system due to the focus and media reporting of scientific verification by quantum physicists.

I've watched the media's impact on the stock market, investments and the housing market over many years and am noticing how much more intensely and quickly markets are changing as the media's ability to broadcast information across the globe in seconds grows. In the '90's the media's reporting on the explosion of internet companies caused many of us to believe we could get rich quick by day trading. The focus on the stock market caused it to heat up much too quickly and eventually bust. The stock market isn't "gone." In fact the Dow recently reached 14,000. And again, I'm noticing the media's focus again on the stock market as "the place to make your fortune."

The media created a much too hot real estate market not only in Arizona, but across the country in 2004 and 2005 by focusing on investors who were buying and flipping investment properties. I can still remember the young families profiled in the Phoenix newspapers who bought new homes and before they were completed had "flipped them" for huge profits. The message that was sent was "if they can do it, you can too" which urged families to overextend themselves financially to buy properties based on the expectation of fast profit. The very first article I wrote for this magazine appeared in April 2005 in the midst of the

most extreme seller's market I had ever experienced. The big question then was "When do you think we will hit the top of this market?" and the question everyone is asking now is "When do you think we will hit the bottom of this market?" My answer today is similar to what it was then. When the media reports that the market has changed, it will already be old news. Every market is cyclical and the intensity and speed of the cycle change is increased by the media's focus. There is a simple philosophy called the "buy, whine and dump" action that can be demonstrated in every real estate or stock market cycle. It works like this: the media begins reporting that there are great deals and you "should" get in on the action. At first we don't pay any attention but over time the media demonstrates how everyone else is doing it and making a fortune, so we decide to "buy." Unfortunately by the time we take action the first folks to create the increased market have already moved on to something else and we realize we have bought at the peak of the market so we "whine." As we realize that we were late to the party, we "dump" and sell the property or the stock and say to ourselves that we will never do that again. Of course the cycle has already changed again and when the media starts reporting that it's time to jump back into the market we ignore it because of our past experience. The media continues to exaggerate the cycle and by the time we decide to jump back in we are almost at the peak of the next market cycle but we don't know this so we buy again and start the whole cycle all over again. This social phenomena is described in a great book called "The Tipping Point: How Little Things Can Make a Big Difference" by Malcolm Gladwell. To put all the media frenzy in perspective ask yourself this question: "Knowing what I know today would I buy the first house my parents bought at the price they paid?"

If it makes sense for you to purchase another property and you can do so without putting yourself in financial jeopardy, this is a great time to do it. There is plenty of inventory on the market and prices are quite affordable, particularly with interest rates in the range of 6% and possibly lower by the time this article is published. Contrary to all the media reports, conventional financing is available for people whose credit report shows they've handled their financial obligations responsibly and there are government backed loans and special grant programs available for people with imperfect credit who have steady jobs and very little cash resources. If you have a home to sell, you probably will sell it for less money than you had hoped for, and if you are purchasing another property, you'll probably also pay less money for it. Focus on living in the way that makes the most sense for your family and stop making your family's financial decisions based on the latest two minute sound bite from the media.

And if you are interested in that April 2005 article regarding the exploding local real estate market and how quickly it changes you can find it on our website [www.yosthomes.com](http://www.yosthomes.com).

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