

RECESSION PROOF REAL ESTATE

J Scott

Who Am I?

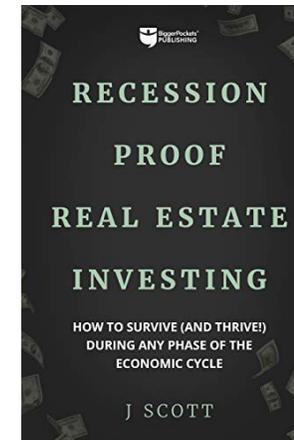
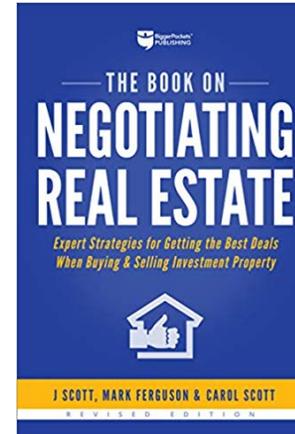
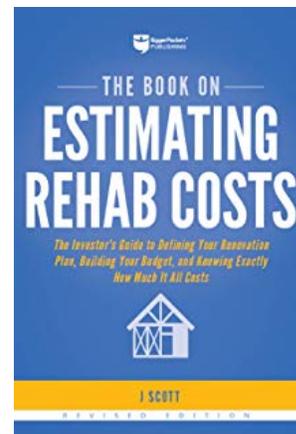
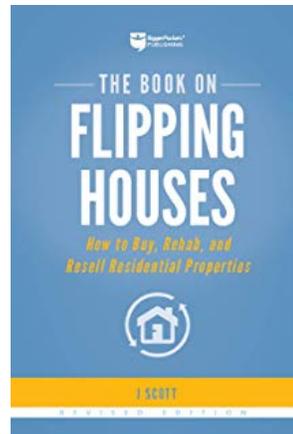
Tech/Corporate/Business Background

Entrepreneur, Investor, Advisor

Started in Real Estate in 2008

Over \$60M in Transactions

Flipping / Rentals / Notes / Lending / Development / Multi-Family



123FLIP.COM

INSTAGRAM: **JSCOTT_123FLIP**

JSCOTT.COM

FACEBOOK: **JSCOTTINVESTOR**

Disclaimers

1. I can't tell you when the next recession will hit.
2. I can't tell you how bad the next recession will be.
3. This time might be different (but probably not).

Agenda

1. Why is this topic important?
2. What is an economic cycle?
3. Where are we in the cycle?
4. What should you be doing now?

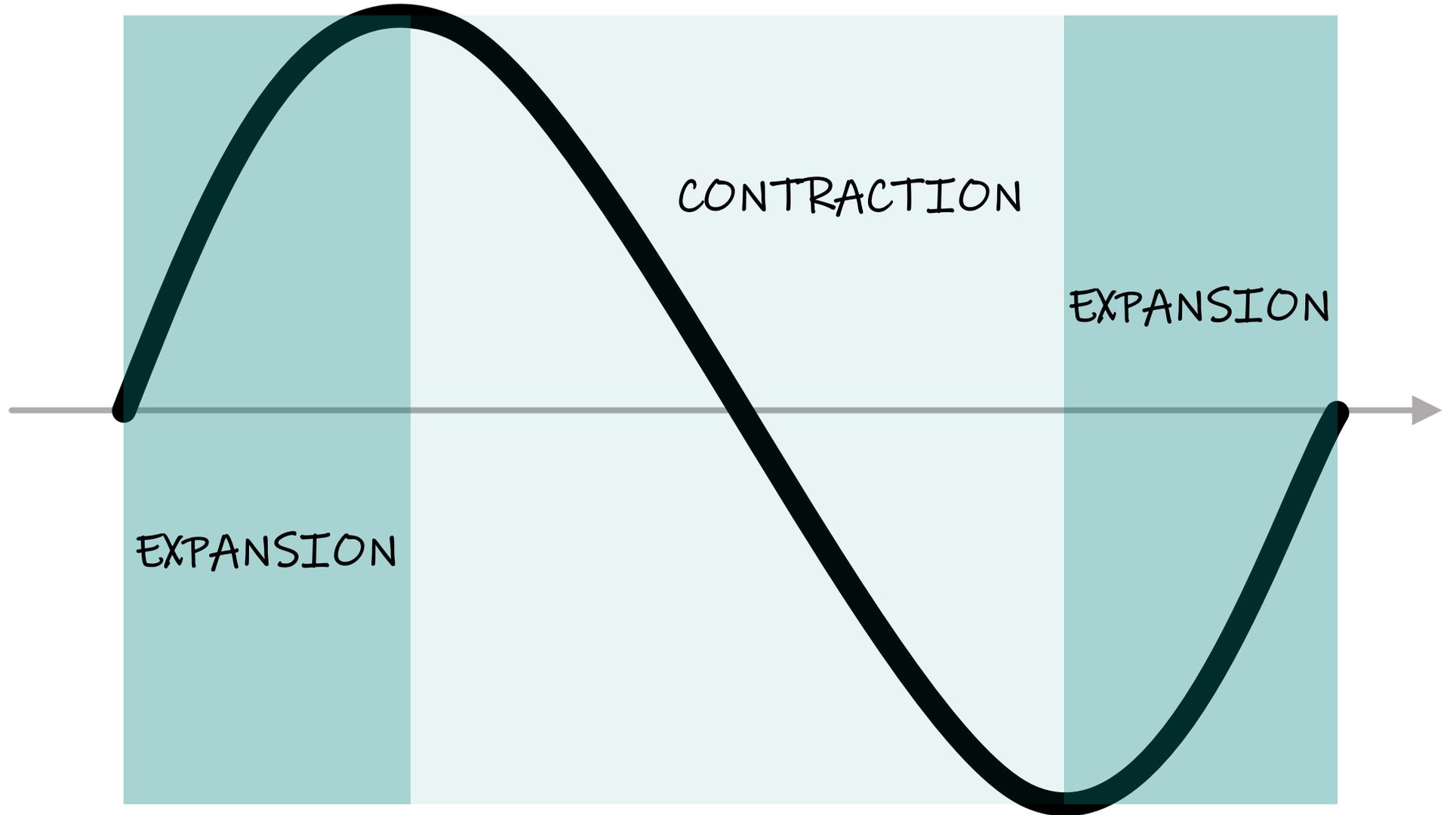
WHY IS
UNDERSTANDING
ECONOMIC CYCLES
IMPORTANT?

Why This Is Important

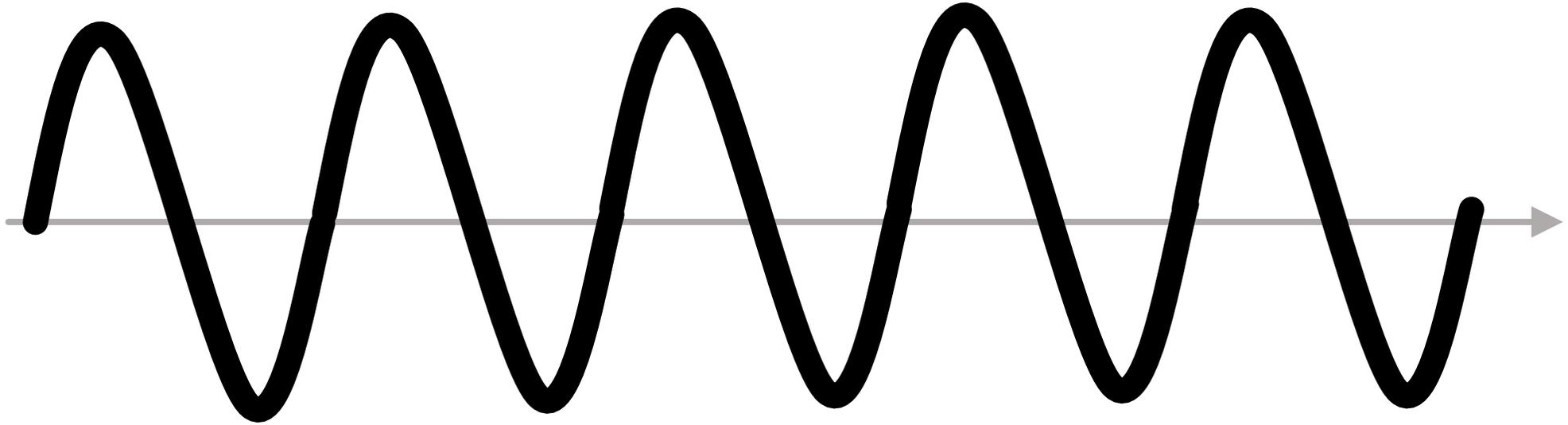
1. The economy affects real estate, even if real estate isn't driving the economy
2. Real Estate is a lagging indicator
3. Understanding cycles will allow us to maximize profits and minimize headaches

WHAT IS AN ECONOMIC CYCLE

What is an Economic Cycle?



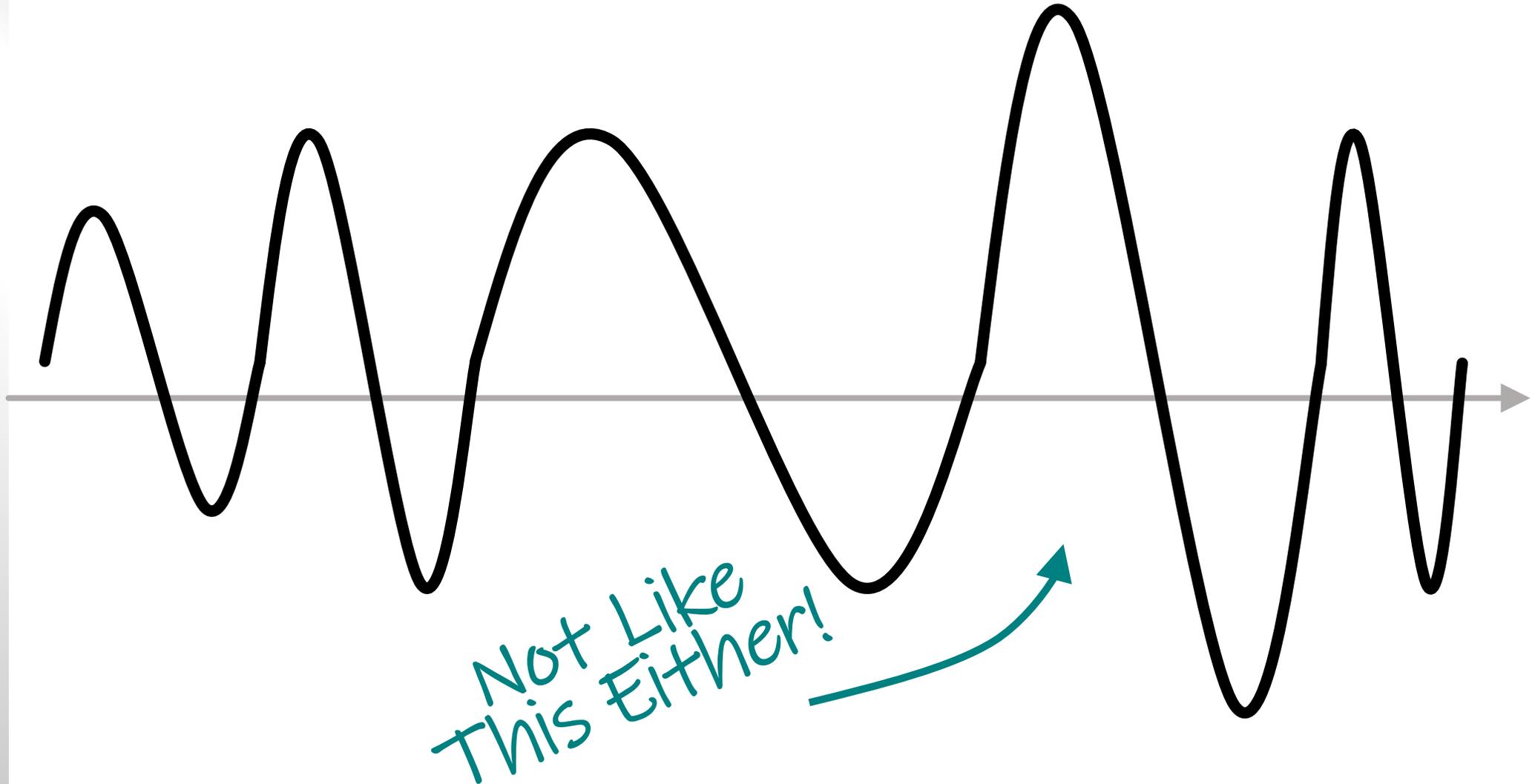
What is an Economic Cycle?



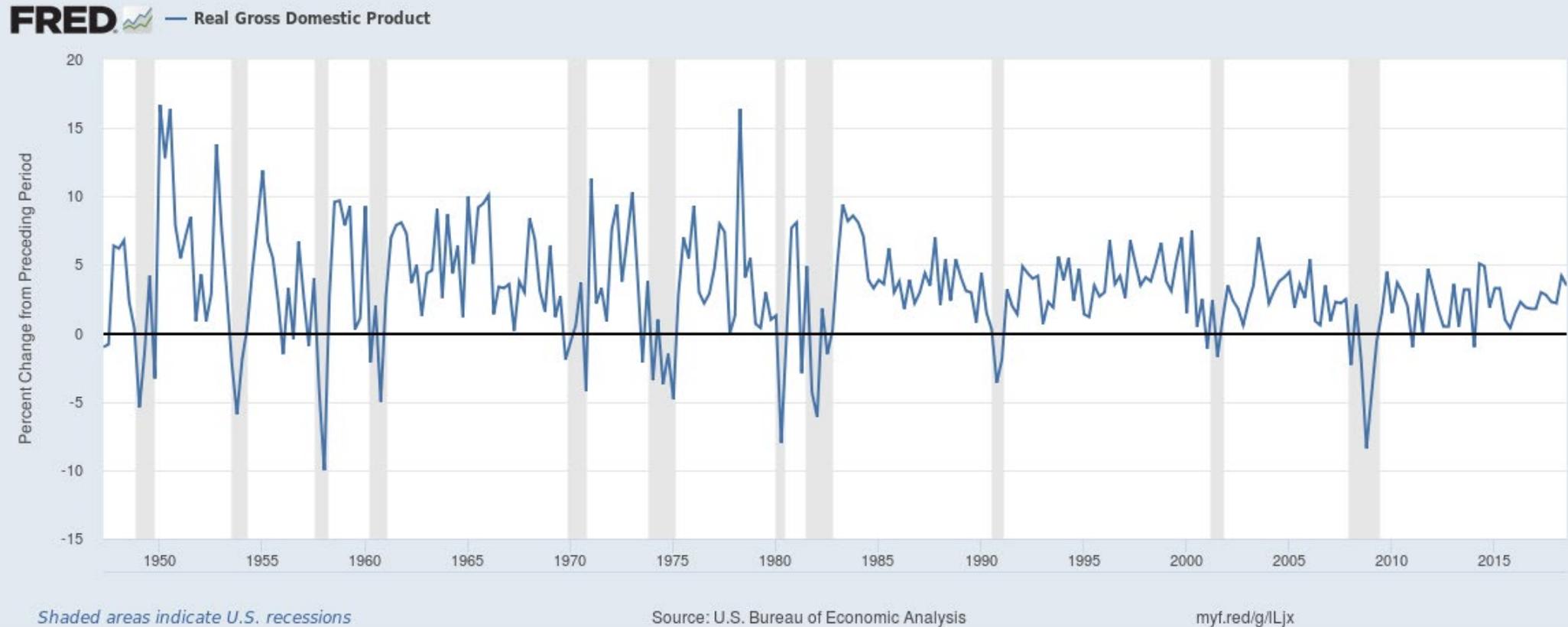
Not Really
Like This!

A teal arrow originates from the text and points towards the sine wave, indicating that the depicted wave is not a realistic representation of an economic cycle.

What is an Economic Cycle?



What is an Economic Cycle?



WHERE ARE WE
IN THE CYCLE?

Where Are We In The Cycle?

TIMING

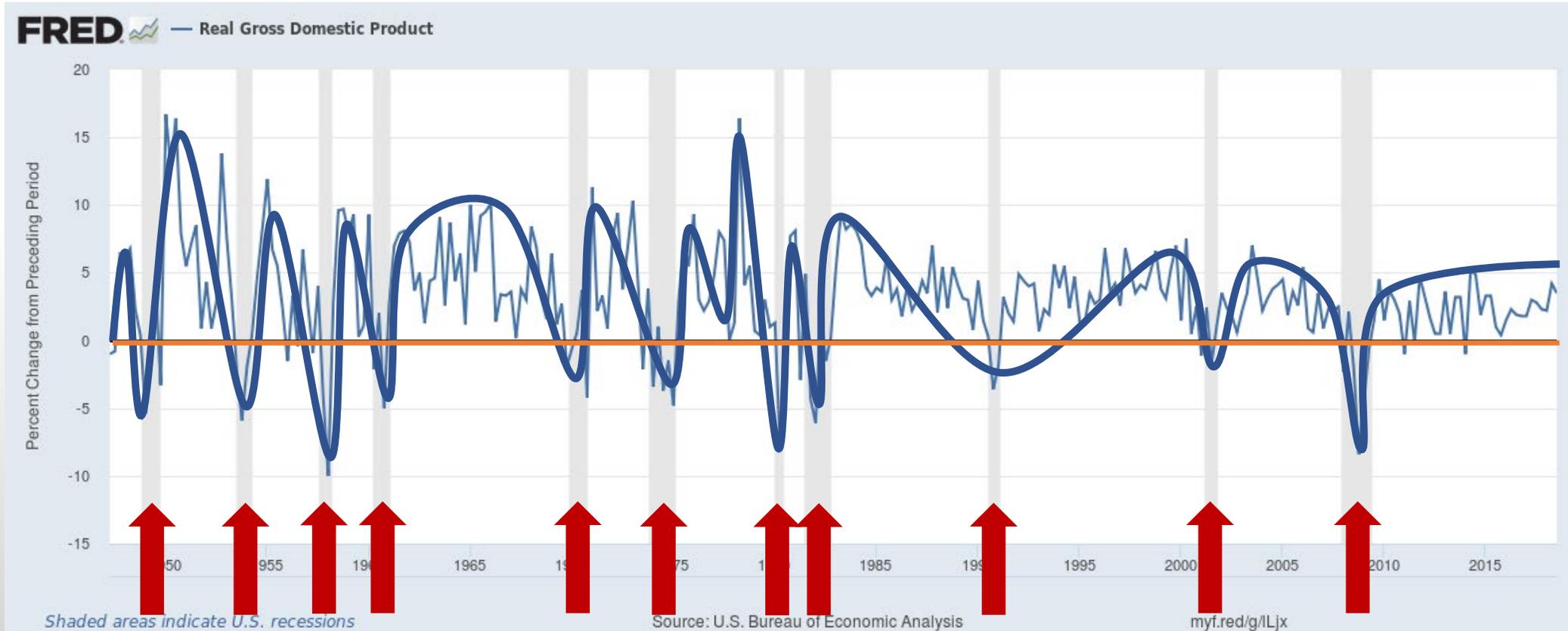
OBSERVATION

ECONOMIC DATA

Where Are We In The Cycle?

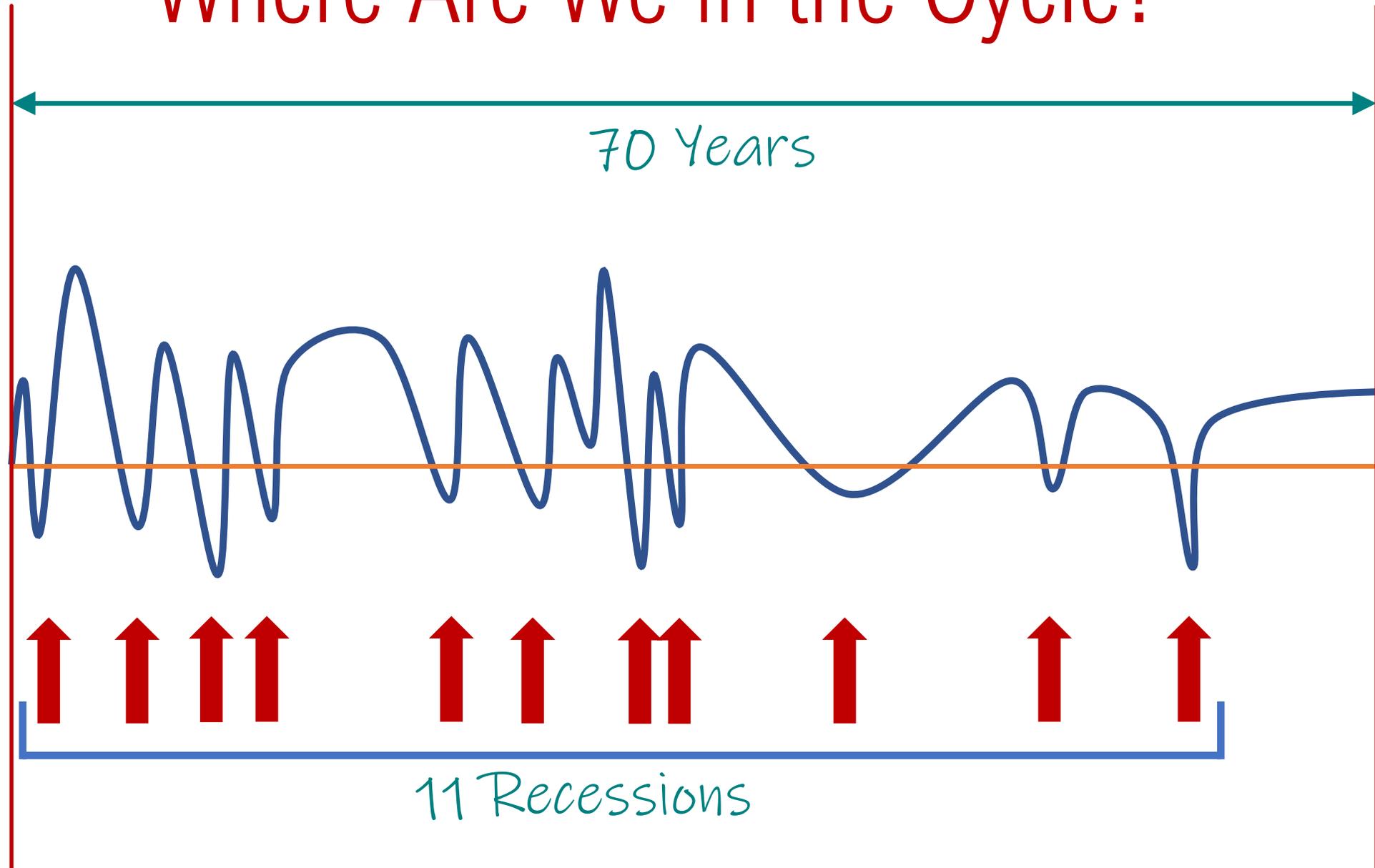
TIMING

Where Are We in the Cycle?



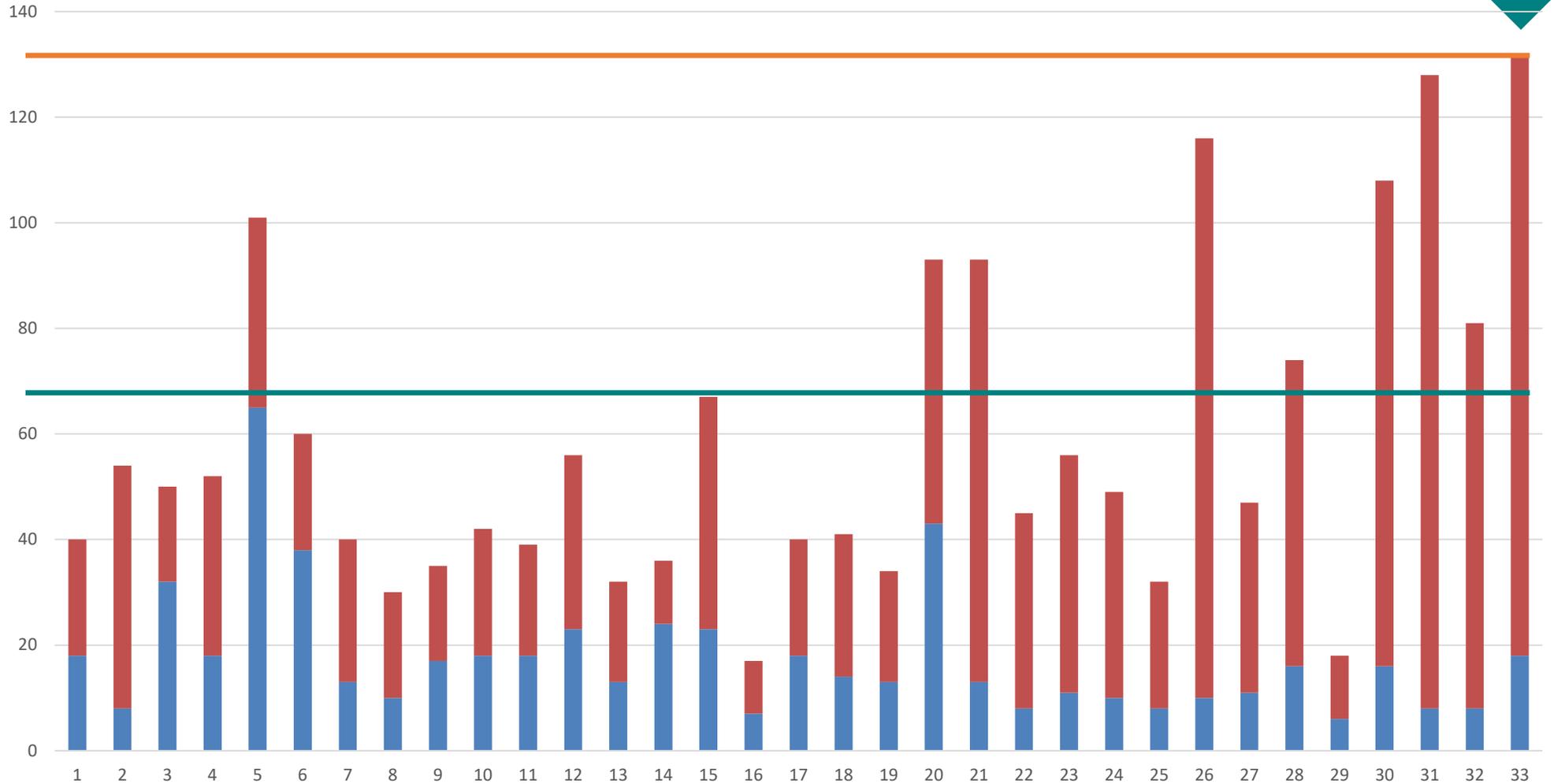
Average Cycle:
~ 6.5 Years

Where Are We in the Cycle?



Where Are We in the Cycle?

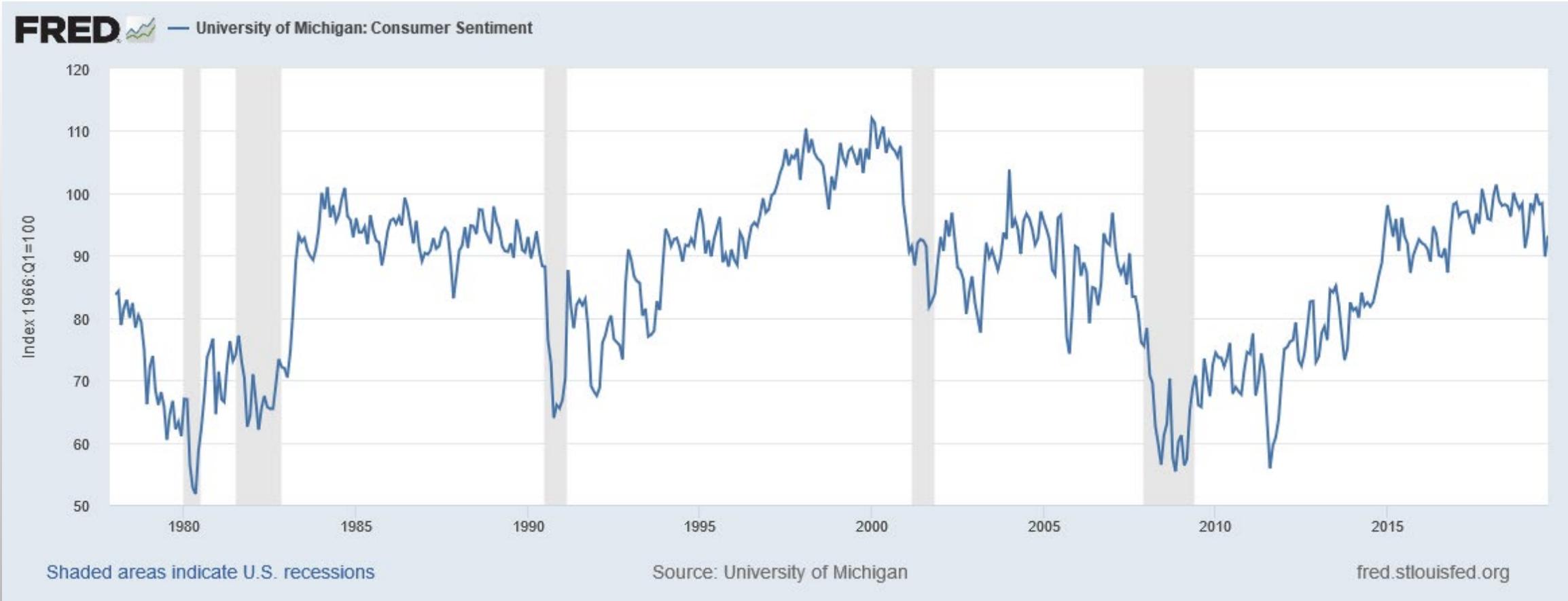
Cycle Duration (Months)



Where Are We In The Cycle?

OBSERVATION

Where Are We In The Cycle?



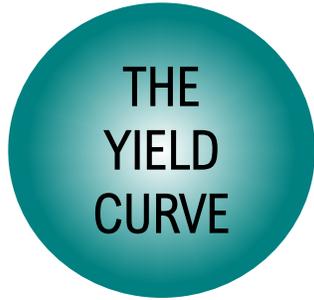
Where Are We In The Cycle?

ECONOMIC DATA

Where Are We in the Cycle?

Economic data is the best way to forecast a downturn:

- Yield Curve
- Buffett Indicator
- Gross Domestic Product
- Business Investment
- Unemployment
- Housing Starts
- Foreclosure Rate
- Stock Market
- Consumer Sentiment



Where Are We in the Cycle?

- Government bonds pay interest
- The longer the maturity, the higher the interest

RECESSION PROOF REAL ESTATE

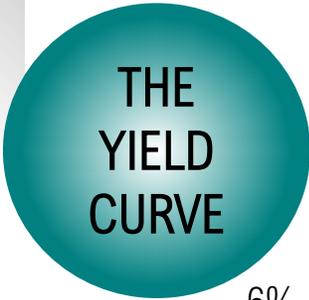
THE
YIELD
CURVE

Where Are We in the Cycle?

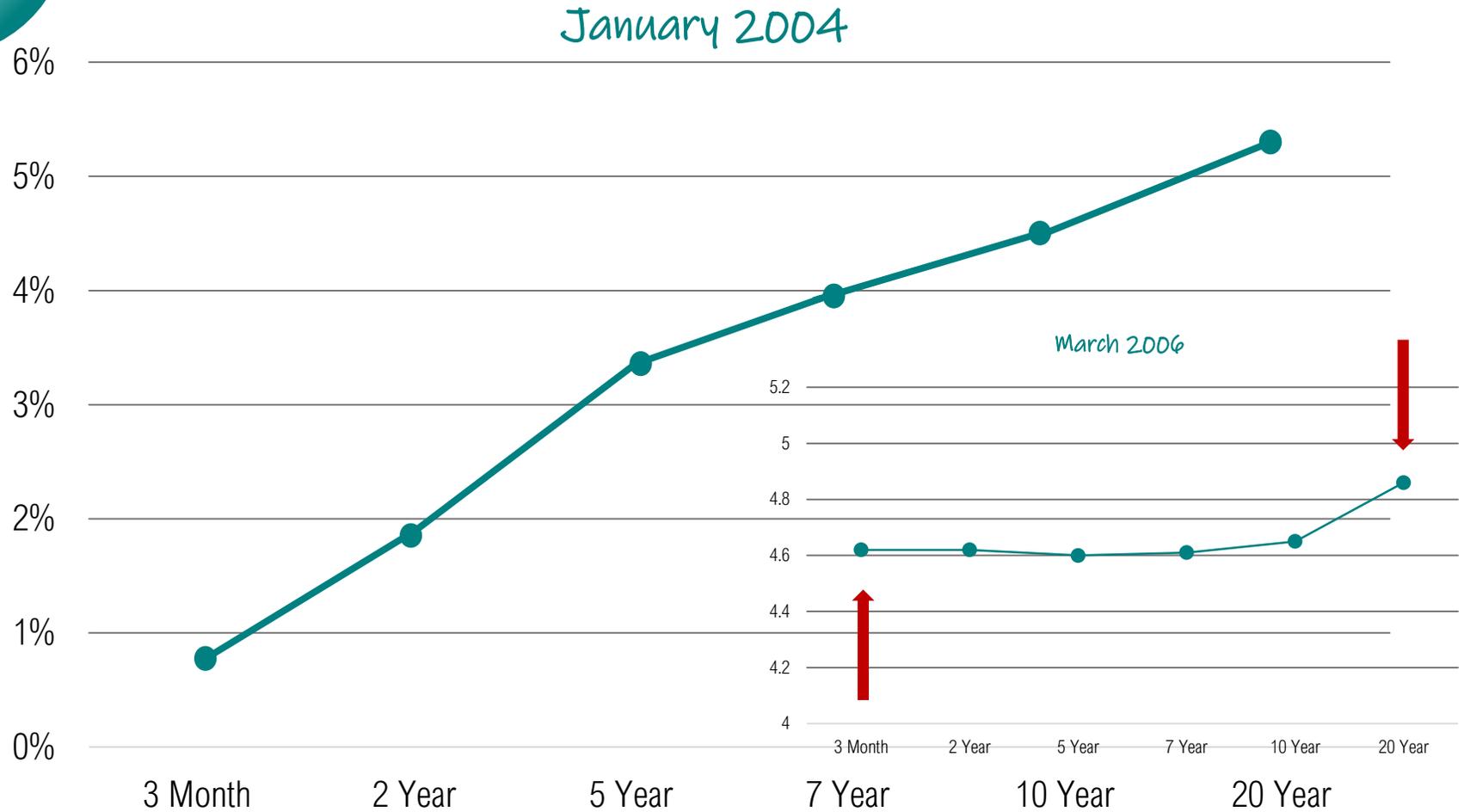
When
Investors
Get Scared

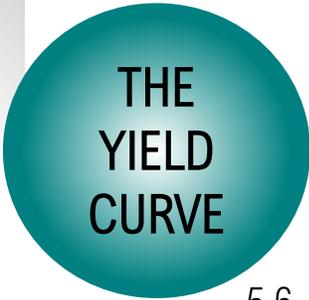
DEMAND
RATES ↑
↓
DEMAND
RATES ↓
↑



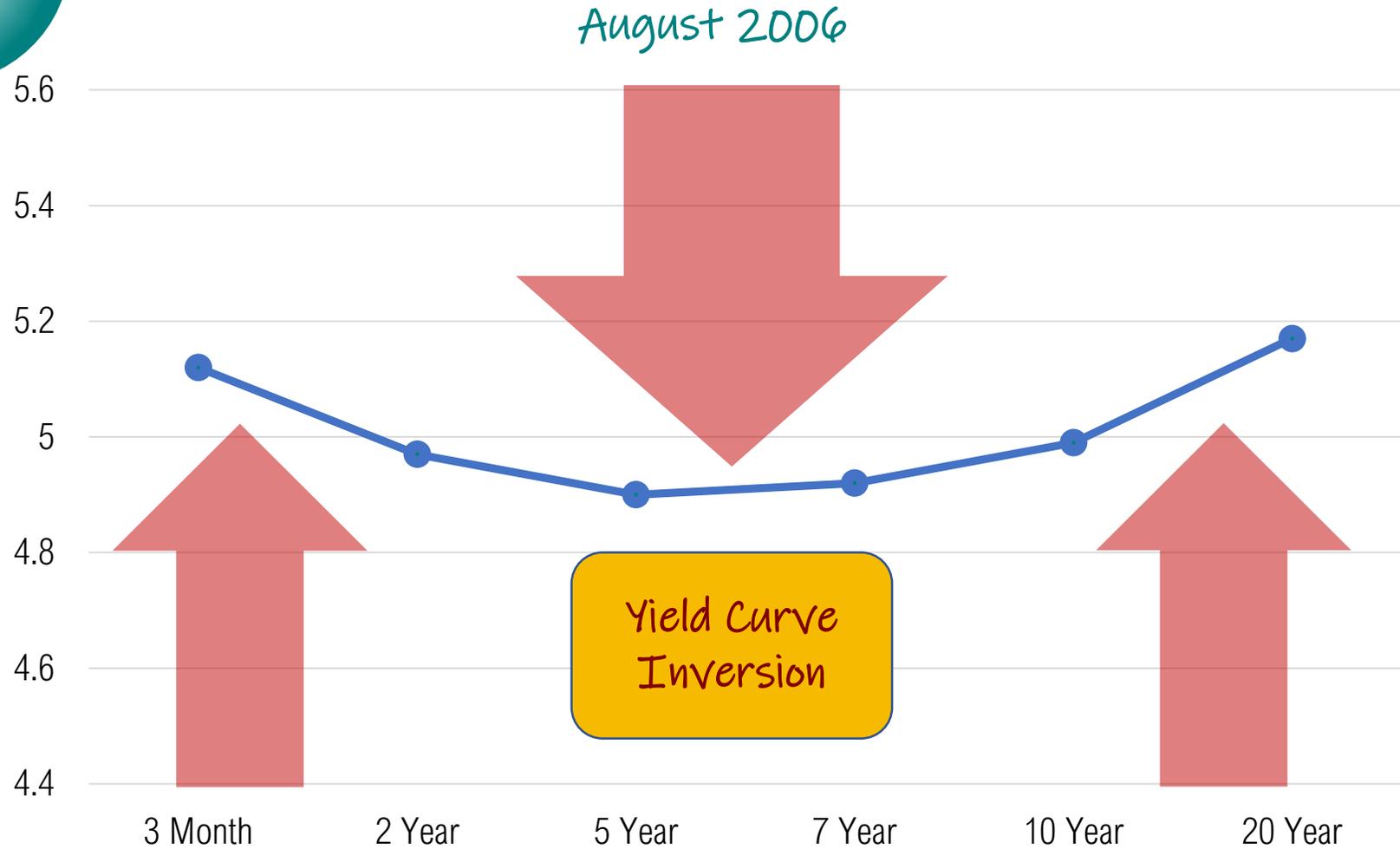


Where Are We in the Cycle?



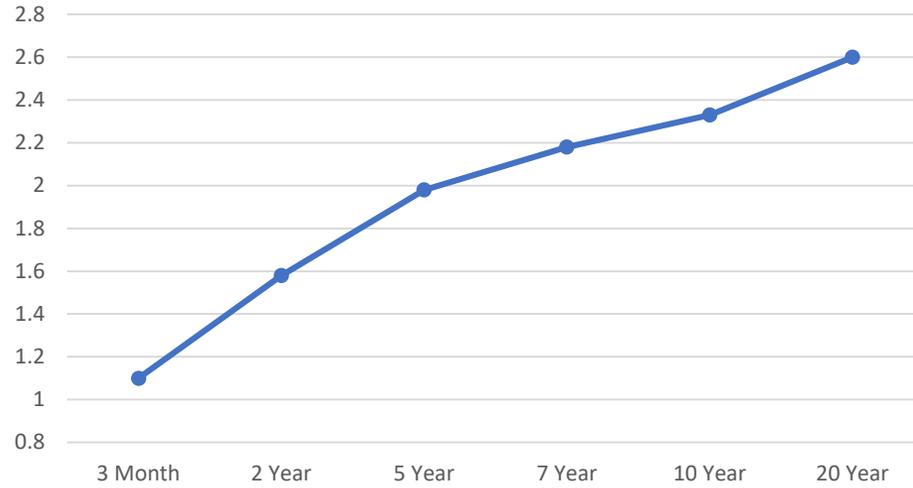


Where Are We in the Cycle?

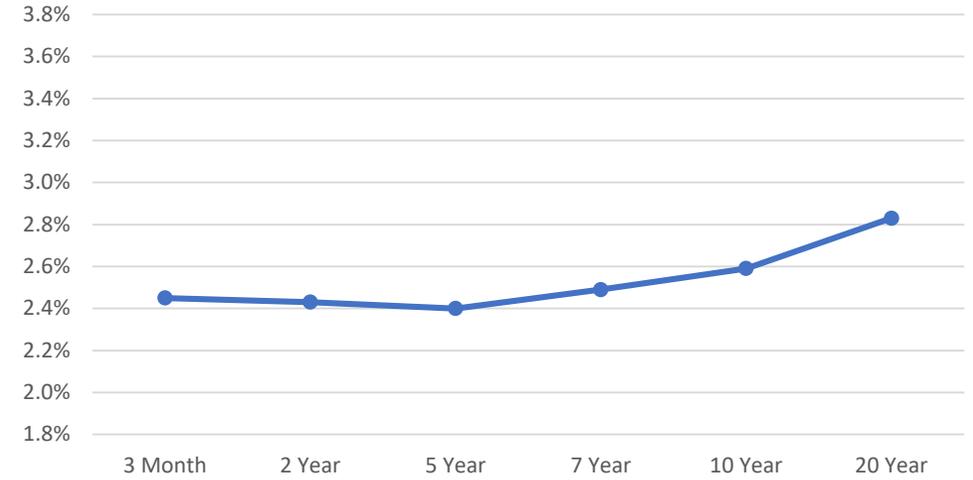


Where Are We Headed?

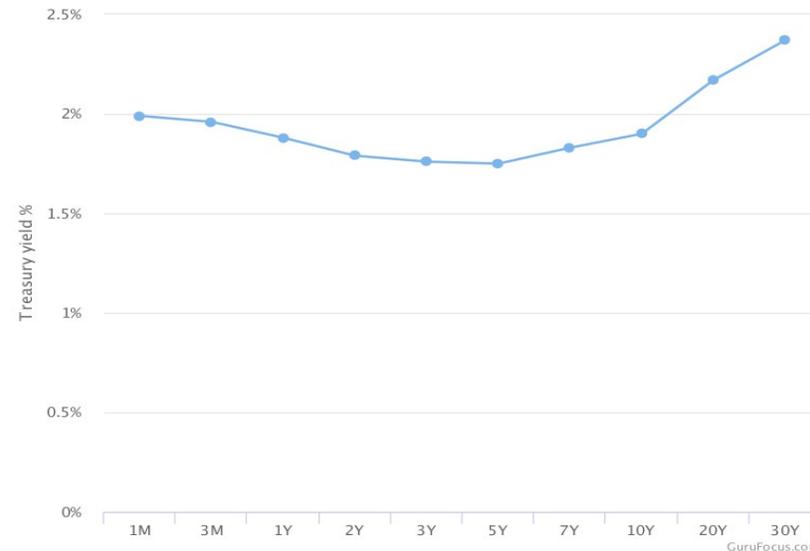
Yield Curve - December 2017



Yield Curve - March 15, 2019

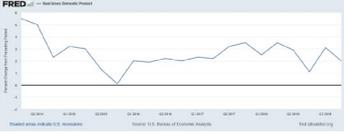
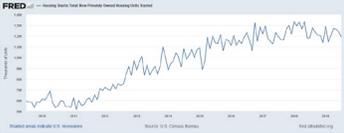


Treasury Yield Curve Sep. 2019



Where Are We in the Cycle?

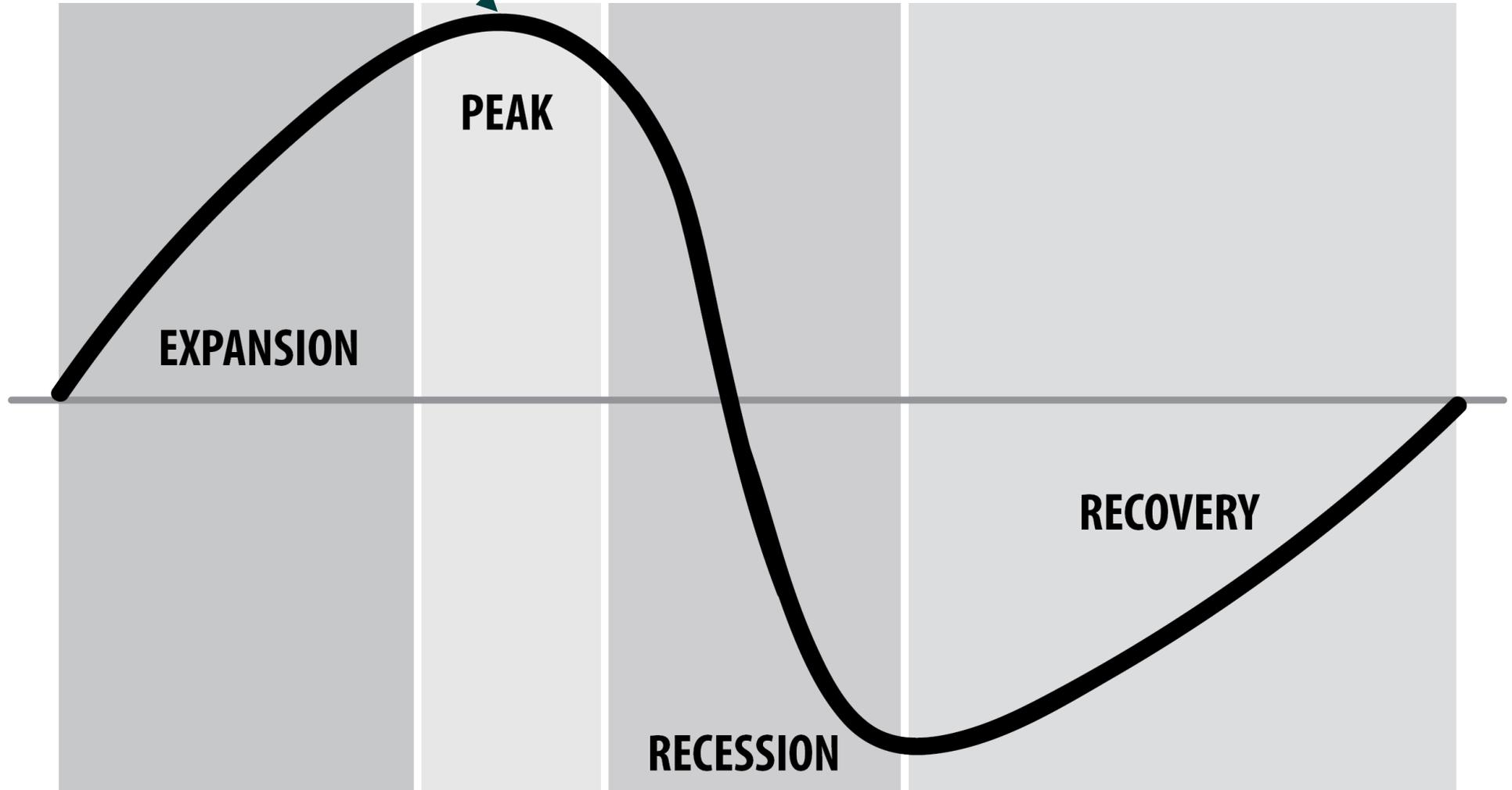
Economic data is the best way to forecast a downturn:

- Yield Curve
- Buffett Indicator
- Gross Domestic Product
- Business Investment
- Unemployment
- Housing Starts
- Foreclosure Rate
- Stock Market
- Consumer Sentiment
- Inverted
- 144%
- 
- Down
- 3.7%
- 
- Slightly Up
- Up
- Down



Where Are We in the Cycle?

We Are About Here



Where Are We in the Cycle?

THE WILDCARDS:

INTEREST RATES
PRINTING MONEY
TRADE WAR

HOW DO WE MAKE
MONEY TODAY?

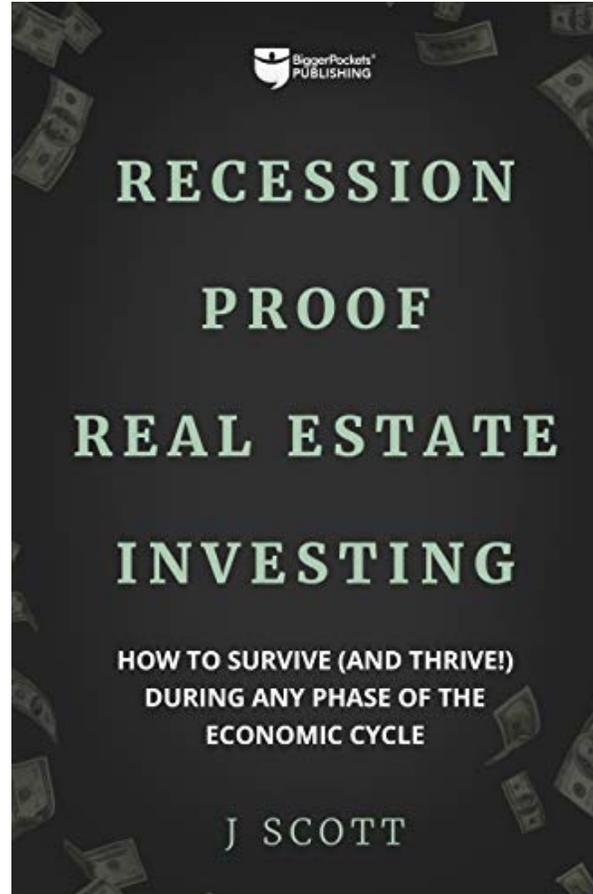
**BUY
&
HOLD**

What You Should Be Doing Today

- Yes, buy-and-hold still works!
- Yes, apartment investing (cash flow or value add) still works!
- Underwriting: Be conservative on rents
- Underwriting: Be conservative on vacancies
- Asset Types: Focus on “B Class” & “C Class” properties
- Value-Add Apartments: Underwrite to longer hold periods

**RECESSION
PROOF**
REAL ESTATE

Want More Information?



AMAZON.COM

BIGGERPOCKETS.COM/STORE