

40k Flips

Module 5: 40k Flips with a Zero Marketing Budget

This call is all about getting your 40k flips, finding your properties and making offers with a zero marketing budget.

Our Guest for this class is Mark Cantwell.

We're going to talk about how we find properties, how we evaluate properties and how we make our offers and how much money we offer.

We have different resources that we use and two angles in finding foreclosures...as a brokerage and not as a broker

Two different methods in evaluating properties:

1. What we do on a daily and weekly basis to search properties.
2. The criteria that we use to search the specific properties and sites.
3. Resources that we use to do research to look at homes (MLS, Hud homes, etc.) How we run a CMA and the step by step process for how we make an offer, how we accept bids and how many bids we make before accepting an offer

Mark and Josh have been buying homes since 2004. Mark is a previous teacher and is now focusing on real estate properties. He has been in this business for eight years and is focusing on big profit properties. His primary focus is finding deals and lining up the contractors and outsourcing improvements.

Mark is the guy looking for deals

On finding deals there are many websites used.

One of the best website is zillow.com

Search for at least a thousand sqft, at least 2 bedrooms with a square footage that you can turn into a 2 to 3 bedrooms.

Do this search everyday until you find one.

For those who don't have access to MLS, you should take Zillow seriously.

Criteria for the search of the right home:

MLS: Set up a search inside the MLS (if you are a licensed agent or working with an agent)

Zillow: create an account then under homes you can add in specific cities that you want, then put on the price point (0- 20k -these are serious Junkers though. you can try 30k-80k), 2 bed+, 1bath+, minimum of 900 sqft, lot size not that important, year built is not that big deal.

Check for sale box, by agent, by owner, new homes, foreclosures

The pre-market is nice to see but unreliable.

Recently sold is great to check out as well.

We're always looking for SFR. You can also include pending statuses

Notice all the yellows that pop up in the screen...as a basic search, eliminate the recently sold, the foreclosures and the pre-market properties

The search would only go for by agent and by owner then click apply

This will bring up the map for the search results

You can save the search and reopen it every day.

The process:

1. Set up the search: on the Zillow site and on MLS with your agent
 - a. 80k and under, mark the specific zip codes, 900 sqft above, 2+ bed (which we can convert to 3 in the future), 1+bath
 - b. check websites like homesteps.com, homepath.com (Fannie mae and Freddie mac websites), and hudhomestore
2. Look at the pictures and start looking at comps (what's been sold around it. Check the values and compare to the subject).
3. Look at the price history

92% of the homebuyers (*investor or retail) start their search online.

And remember: the more work the better!

You cannot trust Zillow necessarily to give you resale price. It's a good resource for looking up home values and looking up properties and trying to find foreclosures but it's not great giving you the after retail value or your resale price.

4. Price history. We can get from multiple locations and we can get it free
Title companies and closing attorneys will provide you resources for free to help you close deals
CMA-current market analysis: 3 solds, 3 pendings and 3 actives.
We look at the solds only, because actives are misleading. The active prices are not realistic. If we don't have enough sold that's when you look at the pending.

History sale

Short sale ...not pre foreclosure. Getting a possible offer to cover the mortgages-the highest possible price. It's not a realistic price.- that's when we look at the listing history.

A property can be listed with 1 agent, then not sold, then another agent not sold, then another agent then sold. We can see how long the property is in market. It should be less than that.

It's important to see the average DOM (Days on market) around 4 mos. in our area...

5. Go look at the property with the real estate agent:
look at 1 house, drive in the neighborhood, look for comps, or you could get a house you're looking for. You should have your phone or computer so you could get the info immediately that you need on the house you're looking at.

use your real estate agent as your resource. Give them good percentages since you're a cash buyer, agents love to work with you so don't be afraid because he knows he'll get something from you. If you're a repeat customer, you will be taken care of.

When you choose the house, look for a normal house: colonials, ranches or splits.

3 bedroom 1.5 bath, middle class price range. Bet 125-150k.

Make sure driveway is good

Do a mental inventory of the construction or rehab process on that house you're looking at.

How we arrive at our offer:

Real estate agents are smart: No showings till sat-sun. No offers will be viewed on Monday. All buyers walk thru at the same time. Mini property launch-strategy that we use.

1st scenario:

Analysis #1: before getting in the house- know the neighborhood. You can't low ball on this since many buyers are interested

Learn the formula. Know the price per sqft which is \$78/sqft.

In getting an accurate resale price. You need much information as you can get an agent that can get the number. Determining the after retail value and the sale price is what triggers getting the resale price.

If you get the repairs finished, the property would sell about 3 mos., then 45 days to close. 3 months' worth of improvements. Total 7.5 mos.. But we want to make the deal less than 6mos.

A review:

1. Set up search- and begin searching the mentioned criteria
2. Look at the pictures. Look at the curb appeal
3. Look for comps. what's sold .drive around and get the prices in the neighborhood.
4. The only perfect way will always be the MLS not Zillow. If you don't have access, sign up as an assistant to a realtor so you have access. (few hour class one time)
5. Take marketing assistant class, you get access to the MLS just like a real estate agent. Partner up with an agent. Give him a good percentage.
6. Look at the price history. Use Zillow or ask Title Company or use county auditor's site.
7. If you find something interesting, look at it and use half a day to check the house.

Next Module would be writing the offer, making the bids and disqualifiers and continue with this discussion.