



# REAL ESTATE INVESTING MASTERY

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## Real Estate Investing Mastery Podcast **Why a Ball Park Offer Is Better than No Offer and How to Calculate it**

*Hosted by: Joe McCall*

*Featuring Special Guest: Peter Vekselman.*

**Joe:** Hey everybody, welcome, this is the Real Estate Investing Mastery Podcast and we are back with another Brilliant at the Basics podcast series, and today we are going to be talking about making offers on properties and how to keep it really, really simple. How to quickly estimate comps, how to quickly estimate repairs, it doesn't have to be complicated and you know what? It's okay, just get it close and make the offer.

If you want more information about working with me and Peter where we can set up all your systems, set up all your marketing, give your business in a box, go to [peterandjoe.com](http://peterandjoe.com), [peterandjoe.com](http://peterandjoe.com). We also wrote a book about all the things that we do. The book is called "Brilliant at the Basics," and if you just want our book you can go to [freebasicbook.com](http://freebasicbook.com), [freebasicbook.com](http://freebasicbook.com). But Peter how are you doing?

**Peter:** I'm doing great, thanks for having me on again.

**Joe:** I love doing these shows because it really, it's helpful for me to just remind myself of keeping things simple, right? We tend to complicate this business, at least I do, and a lot of people I know listening to this get overwhelmed with all of these huge amounts of information. I mean in the internet today, you can get so much from different websites and forums and Facebook and you just bombarded with emails and information and it could get intimidating and really overwhelming when you see all of this stuff that's coming in and you are like, what do I do now?



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And then when it comes to making offers, case in point, we tend to make this really, really complicated, really difficult and it doesn't need to be. So Peter talk real quickly about why it doesn't have to be complicated. Why-- how do you make it so easy? How do you keep it basic?

**Peter:**

Well, first of all, the thing that really I think complicates it for so many investors is the preliminary work they tend to do before making an offer. You know, you hear so many times new investors, sometimes even more advanced investors, they do a lot of research ahead of time, you know. They are combing the property, they are trying to put-- sometimes I even hear people driving out to their properties. Seeing how much work it needs to be done, and look you and I both know that reality is most of the times when we make an offer it's not going to be a deal, I mean that's just the nature of the beast in this business. There is nothing you or I, that's just how reality works.

So if you invest most of your time on the front end evaluation of the property and we already know that the back end piece, that actual offer most of the time will not get invested, then it could be argued most of the time your doing is flat out wasted. So we take a totally different approach here. We do a zero due diligence on the front end. Our strategy is very simple, we want to make as many offers as possible because our philosophy is this, the deal doesn't really start till some kind of an offer gets accepted at some kind of a level.

Now look, again you don't want just to make blind offers, just kind of you know, totally, you know, head in the sand kind of offers. So we do have some basic principles, basic numbers we follow with our negotiators, but they are very basic. So for instance, you know, first you got to figure out what your model is. Our model is you know, we wholesale a ton of deals here. So we know wholesaling is based upon cash flow. So this is how easy it is for us to make offers. I mean it is no more difficult than that. We nailed at a property, 50,000 or under test to cash flow, it's just-- that's just how things work out okay?

So literally we instruct our negotiators, if it's a \$50,000 under property just get it as cheap as you can, negotiate the best deal and let's go forward, that's it. I mean, no due deal, no like-- that's it, simple as that.



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Now, once we get it under contract, once we get it tied up, then we'll go through the process of due diligence. But see at that point we are investing our time and things that legitimately we have the ability to buy, not things that we absolutely have almost no chance to buy. So the goal in the beginning make as many offers as possible, figure out in your market place kind of what the sweet spot is, you know, if you are a wholesale or looking to wholesale cash flow deals, figure out what kind of work you have to be in the ball park for the rental race to make sense, and then just make offers accordingly.

Now if we get into little bit more expensive deals like equity play deals, well our negotiators are sitting in front of computers and they are just working off zero, that's it. So they weren't talking to a seller, they are just quoting you know, 123 main street, Atlanta, Georgia, it shows them you know zero showing this is a \$200,000 property, we may do a little configuration, you know to two three bedrooms, pull some basic comps and just quickly go off, you know 30% or 25% below that, that's it.

So literally, our due diligence is done at the exact same time we are talking to sellers, because talking to sellers is the key, and then what you want to do is you want to get in the ball park somewhere. Get the contract locked up somewhere where you are potentially, potentially looking at a good deal, then you go on a due diligence and then you figure out, you got to renegotiate it, are you so far off you just kick it out totally, or do you move forward.

So keep it basic, keep it simple, don't waste a lot of time in a preliminary work, spend an overwhelming majority of your time talking to sellers, putting offers out, get them on a ball park then do some due diligence in the back end.

**Joe:** That is so, so critically important, it's so good what you just said. I think people need to pause this, go back and rewind it and listen to what Peter just said. You make your money when you make offers. I mean the more offers you make, the more money you are going to make in this business.

You talk to Peter and some of the biggest wholesalers out there that are doing a bunch of deals, they don't even listen to the voice mails as they come in, and if they do it's just real quickly, you know, but it's like you got a phone number, you are on the phone



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immediately with that seller. It doesn't matter if they hang up, it doesn't matter if they left a voice mail or not, every phone call that comes in is a lead.

I was just talking to one of our clients in Saint Louis Peter, and he just did 25 grand on a deal, this is Ronny, and it was a hang up, so this seller didn't even leave a message, just hang up, calls the guy back and the guy says I want 94 and then Peter-- I mean Ronny looked at zero and just did a quick strip like 25-30% off of zero and realized you know, that's pretty close, okay, fine I will get you a contract, and so Ronny actually-- this is a funny story.

He actually went there to the seller, got it under contract and started-- so he got another contract for 90 and he started advertising it for a 105, but get this he advertised and he sent it out to his buyer's lists and he didn't get any response. He didn't get any till I talked to one guy and he said, that number is so full of crap, he said there is no way that you can sell a property that cheap in this neighborhood, you are just trying to throw a dummy out there so you can build your buyers list and get us to call you, right?

And so he said well no this is really a legitimate deal and the guy hang up, didn't believe him. So what Ronny did is he went and he started advertising it on-- so that was to his buyers list, right? They ignored it, so he started advertising it on Craigslist, he did some post slits and V fliers and started sending out and he bumped the price up to a 115 to make it more believable. He got flooded with calls. Flooded with calls and so he sold-- I think he is closing this week and he is going to make a 25,000 dollar profit on this thing.

He's got a buyer that they're just throwing money at him. So my point is this, he didn't-- and he's a rooky, I mean he is new in this business, the thing I like about him is that he just-- you tell him what to do and he'll go and do it a 100 times more than what he was supposed to do. You tell him to jump he says, how high? So then he's going out there, this leads comes in and it's a hang up, he doesn't care. He calls them back right away.

The seller tells him I want 94 he says fine. And he sends an offer not really even studying it that much, not looking at the repair estimates, not looking at all this due diligence and then he makes 25 grand on the deal.



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So many of us, especially when you are getting started, you know you want to listen to the voicemails and a lot of detail, you want to get the address and you want to pull property combs and details before you even call the seller, and we are just trying to tell you stop doing that. But I think your main point is Peter, if it is close give it under contract, right? Make the offer.

**Peter:** There is absolutely no question. Remember; don't look for the perfect deal, Ronny actually kind of walked into it if you see it, but most of the time, most of the time you got to work a perfect deal, right? So if it is anywhere in the ball park, get it tied up, get it under contract. Do the due diligence; you realize the due diligence is a time frame to really evaluate it.

You realize you due diligence number is a time if you got to back to renegotiate it. I mean the key to this business; I always tell people, control real estate, control real estate. Get as many-- look, no one has ever made any money by having zero properties under contract, but there is a lot of people out there spending a tremendous amount of time doing a lot of stuff and have zero on the contract, okay.

And then there is people who are very focused in this business, they are not doing the 20,000 different things; they are very focused on just a couple of things. They have tons of things under contract; they are the ones making all the money.

**Joe:** Right.

**Peter:** So, if you feel like you are already in a ball park, get that thing tied up.

**Joe:** And let's talk real quickly about how you quickly calculate your offers maybe. One of the ways-- I'll just say how I do it, I think it's civil. I just take the zero value times 70% and that's what I offer. Don't necessarily even worry about repairs because I can renegotiate the price after I get it under contract, after I see the repairs and I can renegotiate it down a little bit.

Because in every contract you send there is an inspection period, it's legitimate, right? It's an inspection period and that's where you do your due diligence. When it comes to property that needs -- that's a rental property, something that's under 50 grand and this



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is real similar to Saint Louis in Atlanta and most of the country. You can do a simple-- you want to make sure your offer on return on investment, and so a simple way to do that for me is I know my buyers will buy properties at 35 times rent.

They'll be all in at 35 times rent and every market is different. So all you need to do again is go to zero, find the zero rent estimate on the zero, times that by 35 and that's when you know my investors are going to be all in it, and then I use a simple formula for repairs and this is probably even more complicated than Peter makes it, but I'll tell you what I do. If they say it doesn't need any work I do five dollars a square foot, if they say it needs a little bit of work or just cosmetics, I do ten dollars a square foot, if it a full rehab I do 15 dollars a square foot.

These are just rentals, this is just to get it rent ready, so five dollars, ten dollars 15 dollars and I take the 35 times rent minus repairs based on that Five, 10, 15 and minus my wholesale fee and that's what I offer. And that's if the seller won't give me a number, and I'll offer a countering back. Does that make sense Peter?

**Peter:** No, no, very complicated as always.

**Joe:** Thanks a lot Peter.

**Peter:** But look again, if it works for you, we just simply go-- here is the great thing and you know this, it doesn't matter what market you are in, rents are usually rents. You know it not like all of a sudden you go five miles down the road and you are getting \$10,000 a month and you go five mile the other way and you are getting \$500 a month.

Usually you know, you've got those pockets, but usually rents are pretty much the same in the rental type of areas. So we just know that look, you know, in these 20 zip codes here in Atlanta, if we can buy stuff that's rent ready and literally we don't get as sophisticated as you do, we just tell them look here we move a tenant in there tomorrow. If they say we can't move a tenant in there, we just go off their numbers and we know that we're at a certain purchase price or below, and if it's rent ready that's all we got to do.



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We don't care about what the value is on zero, we don't care about do we have equity, we just work like that. So again the key to I think what you said and what I said, figure out what your market will bear, figure out what your market will bear. Go talk with some other wholesalers, look at their fliers, figure out what investors are looking for and then it's very easier to kind of duplicate and those are the kind of mere image mark deals that you are looking to come up with.

**Joe:** And you can always renegotiate. It's okay to renegotiate. I want everybody to breathe a sigh of relief and just relax and say you know what, it's okay, I can renegotiate, it's all right. So cool Peter this has another great episode in my humble and correct opinion and I just want to let everybody know, Peter and I would love to work with you and we have the website peterandjoe.com, peterandjoe.com. It explains our program where we will actually set up your business, create your systems, do your marketing for you.

It doesn't get any more simple than that and all you need to worry about is starting answering the phones, and we've got a whole support team that will support you, we've got virtual assistants that will support you, we even have VAs that will do all of your follow up, it's crazy awesome. So go to peterandjoe.com to get more information on that.

I think Peter, the next basics video that we do should probably be about negotiating-renegotiating with sellers, will that be all right?

**Peter:** Perfect.

**Joe:** Okay guys, take care. Bye-bye.

**Peter:** Thanks.