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How to Stay Out of Trouble as a Wholesaler

Hosted by: Joe McCall

Hey everybody. Joe McCall, Real Estate Investing Mastery Podcast, REI In Your Car, whatever you want to call it. How's it going? Today's podcast, I'm going to be talking about how to stay out of trouble as a wholesaler. Are you interested?

Hope you guys are doing well. I'm driving home from having coffee with a good friend here in St. Louis who's a very active wholesaler and it's so funny I give this guy a hard time and I don't think he'd mind me saying this because I'm not going to give you his or her name, but yeah, every time he or she calls me and wants to have coffee, I rarely ever do this, right. It's like with the only people I like because I get a lot of requests, hey, can we have lunch or coffee or whatever? And, yeah, I'm busy sorry. But this guy, yeah, I just like him a lot anyway, every time and I knew this was going to happen. I should have recorded this podcast before I went to hang out with him.

But he was going to be not complaining, but talking about how things are getting harder, like what's going on in the markets changed, you know, just it's slowing down and he's nervous and what do I do now, any tips or advice? And I asked him what I ask every wholesaler when was the last time we did any marketing for buyers? Oh, I could see him roll his eyes. He's heard this before. He said, it's been a long time, Joe. I said, Oh really? Hmm. So maybe you should do some more marketing for buyers. That's a great idea Joe.

And he actually, we're working on doing something together and I'm going to help him with smart, more marketing for buyers. But I can tell you this, it's really simple guys. If you want to stay out of trouble as a wholesaler in terms of a lack of deal flow, go marketing for some buyers. So important, it's not what you think. It's not go out and do more marketing for sellers, it's go do some more marketing for buyers. Why? Well, let's look at this in the big picture. Who's your customer in a wholesaling business? Who is your customer, in any business, right? Who's your customer? A customer is the one with the money, the one with the money that will buy whatever it is that you're trying to sell. So many people in wholesaling get it wrong. They think the customer is the seller and we're always working so hard to find sellers and talk to them and you know, get them on a couch.

And I'm not saying that's bad, but I'm just saying what if we focused as wholesalers more attention on finding the buyers first. Here's the advantage. When you're shopping for what, well, let me say this, it's always so much easier to do deals when you have buyers with cash because it's easier to shop for what buyers want than to try to sell them what you have. Imagine having a bowl



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of spaghetti and you walk out on the street on a busy street, you start trying to sell your bowl of spaghetti to people. Number one thing, their going to think you're weird and they're just going to be like, nah. So you know you go and you find people who like spaghetti and you start selling it to them and it's like, ah, it's cold. It's not exactly what they want. They like parmesan cheese and you don't have parmesan on there or they don't, they're gluten free and they don't like your noodles or whatever.

So but what if instead you found the people who like spaghetti first or whatever they like. It doesn't have to be some spaghetti. You find the people who like Italian food and then you ask them, hey, what do you like? What are you looking for? And then you go find it for them. You go make it for them. You can find out they like lasagna. So then you go find lasagna and you sell. Do you think you're going to have an easier time shopping for what buyers want or selling them on what you have it's a huge difference. And even if you already have a bunch of buyers, you should always be marketing for buyers because guess what happens to your buyers? They get finicky, they get picky, they start getting fat and greedy and they're not too happy with you making \$10,000 anymore on their deals, right?

They're like, man, this isn't fair. I'm doing all the work. I'm putting up all the money. I'm taking all the risk, and you're just making \$10,000, no. But you say, oh, I like these buyers because they're reliable. I know they're going to close on my deals. I know there are consistent and you know they're going to close on these deals. Here's the problem. You start getting cozy with your buyers you start becoming employees of your buyers and your \$10,000 profits goes down to \$7,000, goes down to \$5,000, goes down to \$3,000 and all of a sudden you're an employee of the buyer, don't do that. Buyers get finicky, you know, they all of a sudden they have, they're really at one point, you know, they're hungry they have a huge appetite they want a lot of deals. They'll pay a lot of money, but then the people above them are like, oh, why are we paying so much?

We could save some money. Let's, why? Where's all the money going? And they see you in the middle, this wholesaler dude, like who's this guy? And we're paying them how much, right? And they're going to be like, no screw that. We can get other people to bring us deals. So the bigger the buyer gets, the more greedy they get. I see this all the time. And this is what's happening with this guy I had coffee with. You know, his buyers are starting to become more picky. They're not buying as many deals and they need bigger margins and also we're coming out of the new year. So people, you know, they just, maybe the grass starts getting greener on the other side of the fence. So maybe these buyers, instead of St. Louis buying deals in St. Louis there, they're looking at Kansas city or they're looking at Indianapolis, Indiana, some other markets where maybe the numbers are better.



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So you have always, always got to be marketing for buyers if you want to stay out of trouble, always be marketing for buyers. And what does that mean? Well, lots of things, you know, network with your local real estate clubs. I know I'm guilty of this. I don't like going to their local REIA's because I'm above that. You know, I, I am a professional, fulltime, I don't know, I'm just trying to tell you like a lot of investors and wholesalers don't go to REIA's because they're like, I don't want to hang out with people below me. Like, I don't want to hang out with all these beginners and these, I want to say, people posers, you know, did you ever use the term posers? I did in high school. A poser is somebody that pretends to be, or as is a want to be surfer or a skateboarder or break dancer, we'd call them posers.

I was opposed to my whole life in high school. I was complete nerd anyway. So these posers at these local real estate clubs, you know, you don't want to hang out with them, they always, they're just, they're all talk, they're no action. But here's the thing. There's a lot of buyers that go to these REIA clubs. Maybe they only go to one or two meetings, but they're there you need to be networking with them. What else can you do? How else do you find buyers? Well, my favorite way is to go see who are the out of state buyers that are already buying out of state in other markets. So what are the hot turnkey markets? Well, there's a lot of them in Ohio, Alabama, Mississippi, Louisiana, maybe parts of Nevada, Arizona. So there's markets where all these investors and big hedge funds are still, even today, even after the market slowing down, they're still buying a lot of deals. They're still buying a lot of deals.

And so what if you went and you found out who those buyers were that are buying homes in Memphis, Tennessee from outside of the state of Tennessee, and you send them letters. You send them letters saying, Hey, you know what? We are the Premier Real Estate Investment Company in Saint Louis, Missouri. We noticed that you just bought a house and blah in Memphis. It appears that maybe you're an investor. Listen, if you're looking to get more, you find more deals. St. Louis is a great place, give me a call and let's talk and we'll tell you about what we have, see if you're interested. And then that phone number that goes on the letter. Where does that phone number go? Does it go to voicemail? No, it goes to your cell phone. You're not going to get a ton of calls with these letters, but these letters will get your phone to ring and the people who do call you will be interested, motivated buyers and you know why they're going to do business with you because you're the only one who answers their phone.

This guy I was with this morning, that's why he's done he averages, I don't know, 90 deals a year. He's been doing that for about four or five years and we've had at least three or four of these conversations, which is so funny. And I think he just likes to hang out and have coffee or something, but you know, he is like, every time he's like, oh man, it's slowing down, I'm nervous



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like what's going on? And, hey, have you marketed for buyers lately? Uh, no. Can we do that again? Yeah, sure. So we got a deal worked out where I help him and I do some, I do the marketing and then we split the profits on these deals. But I'm telling you guys, these buyers are out there. You may be worried that the prices are going up. You know, these houses that used to sell for \$60,000 are now selling for \$70,000 and your buyers don't want those anymore because the margins are being squeezed with, you're not, your market that you're selling these deals to are not your old buyers.

You need to find new buyers that are happy to pay \$70,000 because they're in California were prices have gone up from \$400,000 to \$500,000 to \$600,000 for a little three bedroom ranches. And they see like what they just read a book or heard a seminar about real estate investing and then like what? You can buy houses for \$80,000 and they rent for \$900,000 a thousand a month. Oh my gosh. They started hyperventilating. They're getting excited, right? Those are the buyers. And so you can find them, they're already buying in other states and they're already comfortable with buying houses in other cities from outside of their state. Those are the people that you start targeting and that's an easy list to get. You can get that list by looking, let's just say Shelby County, Tennessee. You go into Shelby County, Tennessee and the county records or on List Source or something.

And you say, alright in the last six months to a year, show me all of the investors who bought property in Shelby County, absentee owners from outside of Shelby County. So when you're doing your buyer marketing, don't target buyers that are already buying in your market, that's a huge mistake. You want to target buyers that are buying in other markets outside of yours from outside of those states. Those are the best buyers.

Again, because you know what's going to happen they might be complaining that the deals in Memphis aren't any good anymore or they're complaining about the property management company or this is really common, they can't ever talk to anybody in Memphis. You know, they're in San Francisco, they're trying to build their rental portfolio and this company that they were working with was really responsive at the beginning, but now they're not returning any of their phone calls and it's too hard to get ahold of anybody and they're getting frustrated. They get a letter from you, they call you and guess what? You answer your phone like, oh, somebody can answer their phone. This is the, I'm hoping somebody listening to this, are you listening to this? Like, seriously, are you really, are you listening? The fastest way to deal wholesaling is finding buyers first, finding buyers first and go find what they want.



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Now do you need to get your license to do that? Yeah, maybe. I don't know, maybe not. I don't know. I'm not going to go there. I recommend getting your license anyway. Why not? It's not going to hurt anything. Go ahead and get your license, but get your license if you want. Otherwise, you know, do JV agreements or partnering agreements or something like that on these deals, right? You can find a way to do it where there's a will, there's a way. But get out there, start marketing for buyers if you want to stay out of trouble.

That's all you, oh, let me give you one other piece of advice here. Hold on a second. I'm going to pause this while I turned my car off and go step outside. Alright one other piece of advice. Whatever you do, don't use your own money to start buying deals where you rehab them in the hopes of then wholesaling them out and selling them.

This kind of, you know, there's different ways to do that, some of it is called hoteling. I don't recommend that. I think there's way too much risk, especially now as the market is slowing down and buyers are getting more skiddish retail buyers especially, right? Even investor buyers. But don't do that. You should never, ever, ever use your own money to close on these deals while you fix them up to try to sell them to buyer's, investor buyers or retail buyers. I mean, I just think you're asking for trouble by doing that. The hoteling, here's the thing. If you want to be rehabbing houses, you're just asking for trouble and it's, it's really all rehabbing is, is a giant adult daycare that's what rehabbing is. One of the things that I was talking about with this gentleman today was these deals, I mean, he had this really active buyer that was buying everything but this buyer, he became an employee to this buyer.

Then the buyer said, hey, you know what? Why don't you go ahead and close these deals, fix them up then I'll buy them and or wholesale them and you'll make more money. So he's making more money on these deals, but he's also got way more money at risk. And so now this buyer is starting is starting to get nervous and is not buying these houses as quickly as he used to or he's not being able to sell them as quickly as he used to. And now he's getting nervous because he's got all of his money tied up in these three deals. And the rehab is more than he thought it would be. It's taking longer to sell them that he thought it would take, and he's going to have to sell them maybe at a loss just to get rid of them.

Well, you don't want to ever be in that situation. If you are in the job of selling rentals as a turnkey deals to investors, here's a really important point. Always use the investor's money to buy the house and fix it up alright? And don't ever rehab or do a turnkey deal, a house, like with a property that needs more than \$5,000 to \$10,000 in work, maybe \$15,000 grand, right? You never want to do this on big gut rehabs when you're selling the rental properties to investors my advice,



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and I got this advice originally from somebody who's been in the business a lot longer than I have, and he's done a lot more deals than I have and I listen to him. This is really good advice pay attention. Don't Evers wholesale these turnkey deals with other investors, cash on properties that need more than \$10,000 in work, maybe \$15,000 maybe depending on where you live, right?

But only do these things on cosmetic rehabs. You don't want to be tearing down walls you don't want to be reinstalling entire brand new electrical plumbing HVAC systems. You only want to do this on the \$10,000, a little quick lipstick rehabs make sense? Word of advice from somebody who has seen a lot of people make mistakes, cool. Alright I am standing outside and I'm freezing, so I'm going to go. I appreciate you guys. If you ever do ask me for coffee and if I say yes just be careful what you talk to me about because I will be talking about it probably in a podcast. It's kind of funny anyway, we'll see you guys later.

Hey, if you want, let's see what can I give to you guys? Yeah. How about this, if you would like to talk about working with me, one on one is a private client, go to CoachJoe.net CoachJoe.net and something similar to what I'm doing with this guy where we set up stuff and we do the marketing and we split the deals. We do that for folks. Go to a CoachJoe.net CoachJoe.net and maybe if you're in the St. Louis area, we could have coffee together and if you tell me in advance, hey, don't do a podcast on this, I won't. But also we do private client workshops about once a month where we work with clients and we set up their systems and set up all of their stuff and do the marketing with them and for them. So if you're interested in getting more information about that, go to CoachJoe.net tell us a little bit about yourself and if we feel like you're a good fit, and if you feel like you're a good fit and you like us and we like you, then we'll work together, cool. CoachJoe.net we'll see you guys take care.