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A Quick Lesson on How I Comp Properties and Make Offers

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Hey guys, welcome to the Real Estate Investing Mastery Podcast

Coming at you from my car, driving on my way to go pick up one of my sons from his driving, driving lessons, classes things, Driver's Ed, pretty cool, huh? And today I wanted to talk to you about comps. Finding comps on properties and doing it really simple, cool? All right so what's interesting about this, I was recently asked this question from one of our coaching clients and, hold on a second. Oh, it was annoying. I have a little, one of those tin cans of Altoids and it was bouncing around and clattering and making all kinds of noise.

Anyways, one of my clients, coaching clients asked me a question about comps and she was saying, it's taking us so much time to come up with offers and find comps on these properties it's frustrating she needs help. What do I do? And I first thing I thought it was like, well why is it taking so long, number one? And number two, why are you doing it? Why don't you get a VA to do it or virtual assistants do it for you? So I'm just going to walk through with you, I did a Facebook live and a YouTube video today about it.

So as you're listening to this, maybe a few days from now, a week from now, go back to go to YouTube and or my Facebook page, my Facebook page. If you all don't know as Joe McCall Wholesaling Lease Options or just go search YouTube for Joe McCall find my channel there. I did a video today, I think it was today. Yes, talking about this thing and I showed from an example deal how I find comps really quickly and how I use them to create offers. And I even had a spreadsheet that I gave away as part of that social media stuff.

So by the way, if you don't follow me on social media, you should go follow me on whatever your thing is except Instagram I'm not into Instagram yet I'm a old school late adapter. I'm an early adapter for like everything else except social media. So I'm not on Instagram that much, but go look me up in the Facebook or in the YouTube and you'll see me there. And I did one today about finding comps and I gave away a spreadsheet. So that kind of ties into what I'm going to be talking to you about today. And you'll also get to see me kind of do it on that video cool. And if you liked the video, give it a thumbs up and share it on your profiles and say, hey, check this out.

So what I do when I'm doing comps is I just do the averages when I'm looking for the ARV or the after repair value of a property I keep it super simple and I just average or do the median price of either five or six different sources like Zillow, Redfin, Realtor.com, Eppraisal, PropStream, which is



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awesome. Go get it PropStreamJoe.com and Real Quest Express. So there's like six right there, maybe seven, where you can go get their estimate of value, okay. Real Quest Express, Zillow, Eppraisal, Redfin, Realtor.com and PropStream. I might be forgetting one, but that will give you some kind of estimates. So put them in a little spreadsheet and average them.

The other thing I like to do is I also like to look at the median of that. So in a spreadsheet you'll do equals average parentheses and then the group of cells. Median is the same formula equals median with an n at the end. And then in parentheses the cells that you want and the media and all that is it kind of removes the outliers, sorts everything from low to high and it gives you the number that's in the middle. And so it kind of helps with ignoring the ones that are really cheap and the ones that are real expensive and gives you a good round number.

So I compare those two and sometimes just use the one that looks like it makes more sense. That's it. It takes me, if I were to do it myself a couple of minutes to do that. Now hopefully maybe you have a VA that does that for you and that gives you the ARV. Now when it comes to, if I'm going to make a cash offer, it's super easy. I like to look at the lowest sold comps I look at the three lowest sold comps and I average them and I multiply that number by 80% and that gives you just a good place to start and you might try that and you may feel like, oh my gosh, this is way too low, the seller's going to kill me if I make this kind of an offer. Well, that's the kind of offer you want to make. If it doesn't make you uncomfortable and a little queasy, then you're offering too much.

If you don't have that knot in your stomach like, oh my gosh, I can't do this, then you're probably offering too high of a price. So take the three lowest solds and do that make the offer. Now, if the house doesn't need any work at all, yeah, maybe you can do just %75, %70 to 75% of ARV minus your wholesale fee. Typically when you're deals are only wholesaling properties that need some work anyway. So that's why I like the three lowest solds average them. Multiply that, excuse me by 80% and that's a good cash price that you should offer. The other thing I'll say about that is when you do come up with the cash offer price you want to compare that number to the active listings.

There's a real easy way to do this in Redfin. So I wish I could show you, but I really like using Redfin and PropStream to find for finding comps. In Redfin you got to scroll down until you find a map of the property. And somewhere below that map will be a link called map similar properties. And the weird thing about Redfin, I don't want to get too techie here, but like if it's a listed property that's actively listed on the MLS, you won't find that little button there. So you have to open the map and then you'll find that link that says map nearby properties.



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Anyway, you click on map nearby properties and you will see all of the properties that are listed for sale around that home and then from there you can change the filters and look at solds. But so what I'm saying is this, when you figured out kind of what the comps are, the three lowest solds, and you can do that in Redfin or on PropStream, they're both really good. Then compare it like you want to add your wholesale fee on top of that, right? So let's say the house is worth fixed up \$180,000 and you look and you see three lowest solds or maybe a \$100,000 dollars on average and you take that 80% of that and you're going to offer \$80,000.

You want to make sure that after you add your \$10,000 wholesale fee, so you're going to be advertising that property for \$90,000 you want to make sure there's not any active properties listed on the MLS that are listed for sale for less than what you're trying to sell your property for. You understand? So you want to make sure you don't see any properties that are on that are listed for \$85,000 or \$80,000 because then that buyer's going to think are you an idiot? Like why would I want to pay \$90,000 for your house when I can buy a similar house that needs less work for \$80,000 somewhere else?

Do you, can you smell what I'm stepping in, right? You understand what I'm saying? So always compare your prices. Now when I'm making an offer, I'm always thinking about how can I make this deal marketable to my buyer? Who is my buyer? Who is my end buyer? Is it a tenant buyer for lease options? Is it a cash buyer? Is it a landlord? Is it a fix and flip investor, buy hold, right? So always be thinking about who the buyer is and when you're making your offer, how can you make that deal the most attractive to that end buyer? Does your end buyer have cash or do they want terms? That's going to kind of determine how, what kind of offer you make? Does that make sense?

So that's it for cash offers. You want to see what the ARV is and then for your cash offer, you almost don't care about the ARV because I just told you, you take the three lowest sold comps and you multiply that, you average that and you multiply that by 80% but you can also do what's called the typical standard Mayo Formula, maximum allowable offer, right?

You take the Arv Times 70% maybe 75% and then you subtract repairs and you subtract your wholesale fee and that could be where you start, what kind of offer you make. The other thing is sometimes I like to make a sandwich lease option offer, and this is really, really simple. When I'm making a sandwich lease option offer, I take the ARV that I calculated by taking the average of those six or seven different websites, you know, and I multiply that by %85, 85% because that means I can tell the seller, listen, I'll give you the same equity you would get if you sold with a realtor. Then I figured out what kind of rent that property would rent for. Does it rent for \$1,700 a



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month. So then I'm going to offer the seller 75% of the rent, because I want to get it at least \$300 to \$400 a month in cashflow, right?

So I want 25% of the rent for cashflow and I want 15% of the price for the equity of the property. And that's my offer. And I try to get five years and I might put \$500.00 to \$1,000 down. So as an a simple example, let's say it's \$100,000 house, I'm going to give the seller on the A to B an option contract, a lease option contract for \$85,000 in five years. And I'm going to lease, let's say it rents for \$1,000 bucks a month, I'm going to lease it from the seller for \$750 a month, right?

So I'm going to have a contract to buy it from the seller for \$85,000 and I'm going to rent it from the seller for \$750 a month. And I have five years to buy that property, I have an option for five years. One of the things though that I'm telling the seller is listen, I'm going to take care of all of the day to day maintenance and repairs, which by the way, I'm passing onto the tenant buyer, but I'm also telling the seller I'm going to take care of the vacancies so you don't have to worry about vacancies anymore.

Then I'm going to put a tenant buyer in the house. I'm going to advertise it for, I'm going to sell it for \$110,000 sometime in the next two to three years and I'm going to advertise it for \$1,000 dollars a month in rent. So what are my profits? I'm making \$110,000 minus \$85,000 so that's \$25,000 back in profit. And then I'm making \$250 a month in cashflow. So that's, you know, probably about let's just say \$3,000 a year in cashflow over three years. That's 36, \$9,000, I'm tired. Yeah, let's just say \$9,000 in cashflow over three years plus \$25,000. I'll make \$34,000 \$30,000. Let's just say \$30,000 in profit on that deal. Not bad, right?

And then the final thing I might offer to the seller, if they say no to a sandwich lease option offer like that is I'll give them the \$100,000 dollars that they want for the house and I'll rent it from them for the market rents \$1,000 a month and I will, um, then just sell that contract or assign that contract to a tenant buyer and then I'm done and out of the deal. So I hope all of those numbers didn't kind of like make your eyes gloss over. Here comes my son, he's going to want to drive, so I'm going to have to hurry up.

But anyway, that's kind of how we find comps, okay. Just keep it super simple. All of that I just said took me way longer to explain it then you really needed to be, but it should just take you a couple of minutes, get the APP and your VA should do it your virtual assistant should do it for you. Find the average of those six or seven different websites that give you a value. Do the average or the median. That's your ARV boom, that's it go for it. For repairs, I usually do, if the seller says it doesn't need any repairs, I might do five bucks a square foot.



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If it needs cosmetics, I might do \$10 or \$15 a square foot. If it's a full gut rehab, \$25 bucks, maybe \$30 bucks a square foot, depending on where you're at, right? Just use that for repairs. If you're making a cash offer, take the average of the three lowest sold comps that have sold in the last 6 to 12 months, average those multiplied by 80% that could be your cash offer. You don't even have to worry about ARV you don't even have to worry about repairs. If you're doing a sandwich lease option offer, then I do 85% of the ARV and I do 75% of the rent that's my lease option offer for five years. Then I turn around and sell it to the tenant buyer at about like 105 cents of the current market value. Oh whew lots of numbers. And then on a wholesaling lease option deal, I just give the seller whatever price they want.

That's it, that's how you do it super simple and easy. And you know what? You will learn this you'll become an expert at it the more you do it, just practice it, do it. You're going to make mistakes. You're going to fail. You're going to make a bad offer. A lot of bad offers. That's okay, that's all right. You know, sometimes you make a really bad offer and the seller accepts it. Like what I mean by bad is like really, really low.

My first deal the seller wanted, well she wouldn't even tell me what she wanted it would, it expired the year before for like \$130,000 and \$40,000 I had no idea I couldn't get comps. It was multifamily in the middle of nowhere in the sticks. And I didn't have any buyers and I didn't even know how to figure out like how to make an offer based on the rents. So I just pulled, I used the rectal extraction method, which is kind of gross, but it kind of funny. And I said, I don't know, I'll give you \$50,000 for it. And the seller said, yes. Okay I put it up, sign in the yard, sold it like the next day for \$65,000. So yeah, sometimes you just got to guess, and if it doesn't make you queasy than you're offering too much, that's what you do. Go make it happen. Make some offers. Peace.



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