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1132 – Should You Wholesale or Hold the Property?

Hosted by: *Joe McCall*

Yo, yo, hey. Joe McCall, REI in your car. What's going on, guys. Hope you're doing well. It's beautiful day today. It's actually this is strange. It's middle of early nights of like the first or second week in May. First or second. Yeah, week in May. And today it's going to be 95 degrees. I'm scratching my head trying to figure out what's going on tomorrow. I'm actually playing golf with some friends that are coming in from out of town and normally spring is beautiful and it's going to be 95 degrees, which is crazy. I just don't get it. Last year the same thing happened. I had some family come in from out of town and we went to go play golf and it was hot and humid. It felt like it was a hot summer day of July. But anyway, I'm sorry for complaining. I shouldn't be. It's a beautiful day. It's a great day to be alive. And every day, you know, I'm telling you, I really I'm not I don't want to brag, but I every day I walk out of my house, I look out the window. I just thank God for giving us such a beautiful house, giving us such a beautiful area to live in. We live on if you you've probably seen me walk over, you know, drive around on my Segway and some of my videos and stuff like that. We have this beautiful house on three acres. It's private. You can't see neighbors. It's it's a lot of grass. You know, it's it's not like three acres of woods. It's probably two acres, two and a half acres of open kind of grass area. And then we're surrounded by woods and it's in a beautiful area of St Louis. It's not out in the sticks or in the country. It's like in the city. I just love it. And every time I drive by it through it, you know, and then walk around, I just thankful to live there and to work there. So we have a separate little building carriage house, we call it where I work out of. And so my commute is like a two minute walk and less than that one minute walk. I love working from home. You know, the bathrooms are cleaner, the coffee is better. I get to see my wife and my kids. My kids homeschool. I love this business because it allows me the freedom to work whenever and wherever I want. That's one of the things when I started my business, this isn't what I want to talk about, but this is actually pretty good. I think hopefully it inspires you. But when I started my business, I wanted something and I remember writing this down because I heard it from my coach. I wanted a business that would produce immediate and consistent cash flow. So I wanted to make piles of cash and streams of cash, right? I wanted a business that would produce immediate and consistent cash flow. You should write these down, make these good, and steal these things and make them part of your own vision for your business. I also wanted a business that would help people and benefit the community. I wanted to be able to help people. Right. Not just, you know, steal steal properties from people. I wanted to be able to help people with their problems and benefit the community. Yeah, I didn't want to be one of those stories on the local news. Somebody's taking advantage of poor old widow and stealing all of her equity or whatever, right? So that's why I do a lot of lease options. I also wanted a business that I could run from home or from anywhere in the world. I wanted a simple business with low overhead, so I didn't want an office. I wanted a business with it was profitable and had low overhead and could be run from home or from anywhere in the world. So if I wanted to, I could go travel for three months, which we've done several times with our four kids, me and my wife. Or I could, you know, work from home. I could work in the living room. I can work from the backyard. Starbucks,



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although I don't. Who would want to work at Starbucks anymore? I used to be cool to work there. Now it's not. But like, you know, a coffee shop. We lived in Prague for three months. You know, it was so much fun at the time, living there and working from a cafe in Prague or we were in France for three months or a month, you know, working from a chateau in France, a chalet in Italy or whatever. Right. Like do they have chalets in Italy? I don't know, but. It's as though that's the Swiss Alps.

Anyway, the main thing was I wanted a business that allowed me to spend more time with my family. For me, that's really important. And I think for most of you it is as well, right? We're not in this business just to make money. It's a lot more than that. We want the freedom to do what we feel like God's calling us to do. You know, what is our purpose in life? What's our destiny like? I don't believe we were just put here on the earth to get fat and happy. We were put here on the earth and God blessed us to be a blessing to others. So what is that for you? Maybe it's, you know, serving the poor in the inner city. Maybe it's serving the down and outers and the up and outers. Maybe it's. What would be another example. Excuse me. Sorry. Thank you. Just driving through this intersection here. Yeah. So what's God called you to do? So write down what you want your business to look like and think about that. I was going to talk about something completely different today, and I forgot what it was, but I remember what it was.

Yeah, I'll go ahead and tell you because it won't take me that long to talk about it, but it has to do with wholesaling. And when do you decide to wholesale a house versus keeping it to fix and flip? I was thinking about this the other day and sometimes, you know, you get a great and I was talking to one of our coaching clients, Terry, and he's got a sweet deal right now that if he fixes it, if he's going to buy it, if he fixes and flips it, he'll make about a hundred grand. But if he wholesales it, he might make 120 grand. If he wholesales it, he'll make 45 grand. Okay. So there's a difference of about, what, 55, \$75,000 if he holds it. But the problem is this. The it's going to take nine months to fix this property up. It's a full gut rehab. It's in a good area. It's kind of one of those very gentrifying areas. It's going to take nine months. So he could wholesale it now and make \$45,000 or go through the hassle and the management of rehabbing it. And hopefully in nine months, as we're seeing this as I'm recording this right now, interest rates are at five and a quarter percent or something like that. Just a month ago they were at like 3%. So what if interest rates keep on going up? I don't know if they will that much more. But, you know, right now we're kind of in this crazy time right now where inflation is going up and gas prices are getting super expensive. It's getting harder to get a mortgage. Interest rates are going up. I mean, the average homeowner their payments are going up 5 to \$700 a month compared to what they were a month ago, as I'm recording this now. All right. So people that before could afford a \$500,000 home now can only afford a \$450,000 home.

So it's kind of a lot of uncertainty. The stock market's crashing. People are kind of freaking out. There's all kinds of rumors about food shortages and supply chain issues. And you know, you can't I was looking at trying to buy a camera the other day and this camera that I bought, I want to buy another one for my YouTube studio. It cost \$1,000 a year ago when I bought it. Now they cost \$2,000 and you can't even buy used ones anymore. You can only buy new ones. You can't buy new ones anymore. You can only buy used



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ones on eBay. So anyway, I mean, things are going crazy. So sometimes I wanted to bring this up. This is important. Some of you are thinking about this right now. You're looking at a great deal and you're wondering, should I keep this or should I wholesale it? Sometimes a fast nickel is better than a slow down. Because again, you're thinking. Wow, I'm turning down 120 grand, you know, an extra 55, 60 grand or whatever. But there's nothing wrong with making a quick nickel. And when you can make a quick 35, \$45,000 and a wholesale flip, that's great. And I would suggest you take it, especially now kind of in this economy and the uncertainty. And some people would disagree with me, but here's my argument for why I think that during that time, during that nine months, you're spending all this time managing the rehab, the stress that comes with it, the problems with the contractors. You know, it's adult day care many times. Maybe you have good contractors, but most people, most normal people like us have horrible experiences with contractors. I mean, they're so busy right now, it's hard to nail them down. It's hard to get work. It's hard to hire people. So you're managing an adult day care for nine months and then you're dealing with the city inspectors, code enforcement, you're dealing with neighbors or dealing with. Once it's finally done and rehab. And you're done managing the contractors, you're you're dealing with picky buyers, you're dealing with realtors. And, you know, it's just it's it's a lot of work, which is why, obviously, you make more money doing that.

But during that nine months, you're rehabbing this house. And if, again, if it all goes according to plan is it's always going to take longer than you thought it would, and it's always going to cost more than you thought it would during that nine months you could have wholesale with all of that time and energy put you put into it, you could have wholesale three or four more deals and made the same amount of profit without all the risk and without all the liability. You're not borrowing a bunch of money for the rehab. You're not taking on any risk and any potential liability from future lawsuits, from the homeowners suing you or whatever. Right. The new homeowner suing you for later on or a contractor problems and things like that. So that's just from the factor of saving a ton of a ton of risk and saving yourself from a bunch of liability. I would argue you make more money wholesaling than you do fixing and flipping because I mean, fixing and flipping is sexy. That's awesome is what you see on TV. You feel like a rock star. It is something. There's something cool about remodeling a house and making it look beautiful. There's a pride in that, right? But during all of that energy that you put into rehabbing, if you would have just wholesale, you could have made a lot more money, if not the same, with a lot less hassle and headache. And didn't I start this thing off with like I'm more impressed with how much you net than how much you make. And so it may sound awesome that you made 120 grand on a deal, but. All of the time and energy and overhead that you put into that. How much did you really net at the end of the day? Sometimes wholesaling is better. But here's one more thing I want to say about this whole thing, and I hope you guys are staying on my train of thought here. Sometimes it's better to wholesale because of the just the uncertainty, what's going on in the market. But if you are going to fix and flip it, make sure you have multiple exit strategies. So here's my big advice and I got this from a friend of mine, Cody Hofhine. And super cool guy. I think he says his company is called Joe Home Buyer. So if you Google Joe home buyer, Google Cody Hofhine you'll get his info.



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But he was talking about this the other day. I thought this was really good. You should. Whenever you if you decide to rehab. You should make sure you have multiple exits. So if you can't sell it, you're going are you going to be okay with holding it as a rental? Something to really think about. And this particular house I was talking about with my coaching client, Terry, probably would not be a good rental. I mean, he's hoping to sell it for 500, \$550,000 or something like that. Right. That thing would probably rent for 2020 \$500. I don't think that would cash flow. It might a little bit I don't know. I have to look at the numbers, but it probably would not cashflow much. Maybe you could do an Airbnb on it. But then he's got to buy a bunch of furniture and he's got to manage all of that. Right? So that's not a good rental property. A good rental property in the Saint Louis area is going to cost you like 100, 150 grand. Right. That's a good rental property. This is outside that price range, the ROI, your cash on cash return. Your numbers are not very good on that. So that's what you've got to think about if you're looking actually fiction flips that's flipped this thing. Or should I wholesale it? I would in this environment right now, in this economy, with the inflation and interest rates going up and everything that's going on, I would only fix and flip if for whatever reason you can't sell it for what you're hoping to sell it for, or if you go over budget in your construction costs or whatever, you're going to be okay holding the property as a long term rental, maybe turn it into an Airbnb or do whatever. Are you going to be okay with that? If you only have one exit, if you only have one exit, you're going to be in a world of hurt. And I've seen this happen before. There's so many experts out there that are claiming that it's easy to get rich and easy to make money in real estate, and they've never lost money. And everything they touch is turned to gold, which of course, they've only been in the business for seven years. They only they got started in 2015 when it kind of hit the bottom. Maybe 2012. Kind of hit the bottom in 2012. That's when they got started. Right. But those of us that have been around in the highs and the lows and the climbs back up have seen this. And if you want to, it's going to happen again. I mean, house prices can't just go up forever. The market goes through cycles. He'd want to be caught with your pants down. You don't want to be caught with a bunch of leverage and bunch of debt. Cash is king. Cash is king. And I'm going to be talking more about this in the coming days, I think, on my podcast and my YouTube channel, because, like, you got to make sure you're fundamentally safe and secure in your business and you're not taking on any risk. And that's why I love wholesaling, because you're in and out of a deal so quickly, you're only trading the paper. You might have to hold the deal, but only for a few days while you wholesale it. So there's very little risk and it works in any market. That's why I love wholesaling up market, down market. There will always be people buying houses. It will always be a demand for housing. You just got to find out who the buyers are, what they're looking for, where are they looking to buy it at, and what they're paying for it. And when you figure that out, you go find it for them and you wholesale it to them. You're not buying and holding properties. You're not fixing and flipping. You're not managing tenants, you know? Yeah, you're not making the cash flow, quote unquote, but you're making still a lot of cash wholesaling deals. So it is, I think, the only recession proof real estate investing strategy, whether you're buying houses or land wholesaling is the only recession proof real estate investing strategy. It works really, really well in down markets and it works really, really well in other markets. So be very, very careful when you're just thinking about holding a property to fix and flip it. Make sure you have multiple exit strategies.



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Okay. So I know, I know I covered a lot of things there. I hope that help is helpful to you guys. I appreciate you all. Thanks for listening to the podcast. Listen, I got a free ebook for you. In fact, I got really, really free ebook. I have it. Okay. If you want the actual physical copy of the book, you go to REI Secrets dot com, REI Secrets dot com and you get the book for free. Just pay shipping and handling. So you got to pay six or seven bucks if you want a free PDF of the book with no strings attached. Except yeah, there is one string, but it doesn't cost anything. If you like this podcast, I want to ask you to leave a review from your phone. If you go to Review Joe Dot net, Review Joe Dot net and if you leave me a video review from your phone at Review Joe Dot net at the thank you page, it'll send you to a page where you get a free PDF of the book Review Joe Dot net. Just so just leave me a review, I'd really appreciate it and it just shows up on my page and yeah, let me know what you think of the podcast, what you think of the show. Maybe you watch on on YouTube, listen on the podcast. Let me know if anything that I've done and shared with you over the years has helped. I really appreciate it. And as a gift for leaving a review, whether it's good or bad, I don't care. I'll give you a free PDF of my book Review Joe Dot Net. You've got to do it from your phone Review joe Dot net. We'll see you guys take care of a good one, bye bye.