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## 1145 – How to Profit in a Recession by Offering the Sellers Multiple Options

Hosted by: Joe McCall

Guest: Gavin Timms

- Joe:** Hey, guys. How are you doing? Joe McCall here with Gavin Timms.
- Gavin:** Oh, how are you doing Joe?
- Joe:** Doing well, hey.
- Gavin:** I guess I got it right back. Yeah, we're back.
- Joe:** And what are we going to be talking about today, Gavin? You know.
- Gavin:** I do, I think making offers.
- Joe:** Yes.
- Gavin:** Multiple offers.
- Joe:** Well, yeah. And we're talking about how to survive and thrive and profit in a recession because the recession is coming. And some would say it's already here. I was just reading this morning in The Wall Street Journal that tech stocks have already had their largest decline from the beginning of a year since year to date, the biggest decline since 22. So the last 20 years, the tech sector has had the largest decline. Now, does that affect housing? Maybe, maybe not. But we're seeing record high inflation, record high gas prices, record high interest rates, well, record high interest rates. It's been a while since we've seen interest rates as high as they are. Right. So anyway, things are changing and we need to be prepared as I fix my microphone here. We need to be prepared and ready to profit and not take advantage, but take advantage of all the opportunities that are coming our way. Does that make sense? Yeah. We need to be ready. We need to be prepared. And that's what this series is all about. And that's why we've created this PDF that you can get for free on how to create a recession proof business and make 100 grand a year. And you could use these same principles to make 100 grand a month and you can get this PDF for free at REI proof dot com REI proof dot com. So this is a video series we're doing. We're talking about



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where the opportunities are, what you need to be focused on, what you need to be working on, and how you can do more deals. These are simple, basic, fundamental real estate investing one on one things. And if you figure this out, you will have a lot of success in this business. And even if you're in a competitive market, you'll be able to stand head and shoulders above your competition because you'll be doing these fundamental things better than anybody else. And that's how you're going to do more deals, right?

**Gavin:** Hundred percent.

**Joe:** We've got a mind map here and you get this mind map included with the PDF if you're interested in it. Okay, let's show that right now. How's that? So these are there's three important things that you need to focus on in this market, in this recession, if you want to succeed. And I'm going to say not market, but in this recession, if you want to do a lot of deals, by the way, you haven't I've been thinking about this. And in 10 hours, do you think somebody could actually make \$10,000 a month working just 10 hours a week?

**Gavin:** Yeah. Focused on the right things. Absolutely.

**Joe:** If you're focused on the right things. Exactly right. And these are the things you should be focused on. And I was listening to your podcast this morning about this on my way home from the gym. And this lady was asking she was sharing how she always asks herself this question, whatever she has to do. Number one, she it's a mindset hack that you need to tell yourself that you are the kind of person who does what you say you're going to do. Right. And then the second thing is you need to make decisions in advance. Number one, these are the two secrets to making ten grand in ten days or less. Number one, tell yourself that you are going to be the person. This is like a mental belief that you are going to be the person who does what they say they're going to do. So if you say you're going to make ten grand, you're going to become that person that's going to make ten grand. You're saying that you're going to flip houses and wholesale deals and you're going to profit in a recession. You need to become the person that does what you say you're going to do. That's number one, is having that belief that you're going to be that person who does what they say you're going to do. That's all what we what we all want to be. But how many people are actually doing that? The next thing is you need to make your decisions in advance. You need to make the decision in advance that you're going to be not in the real estate investing business, but in the marketing business. You need to make the decision in advance that you're going to talk to five sellers in a day. You're going to make an offer to every seller you talk to. You're going to follow up every 30 days with every single seller that you do make an offer on. So making these decisions in advance, if you figure those two things out, you're going to you're going to crush it in this business. And the other thing that



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she was talking about, I thought, this is so fascinating. Whenever you're looking at something now that you decided, all right, I'm going to be the person who does what they want to do and I make my decisions in advance. And I'm going to plan out your week and you say, all right, if I'm only going to work 10 hours a week, 2 hours a week day, I need to do these things on Monday, these things on Tuesday, these things on Wednesday. You get my point. So when you're looking at you just have a small amount of window, a small window of opportunity. What you need to make the decision then. All right, how can I get this done in an hour or less? You're looking at any big thing you're working on. How can I get this done in an hour or less? How can I talk to five sellers in an hour or less? How can I make five offers in an hour or less? How can I do my follow up on these 50 leads in an hour or less? It's kind of asking yourself bigger, better questions. And an even you could take it another step further and say, These are all I need to focus on these three things making multiple offers, buyer marketing and following up. All right, how can I get somebody else to do this for me? Maybe some of it you can't. Maybe some of it you need to do. If this is about thinking bigger, asking better questions is, how can I get somebody else to do this all for me? How can I do none of it? What? Where are we going to?

**Gavin:**

I was just going to say like one. I'll give you an example. Like when I go to England, right? I would say I want to go to England. Our family out there, friends out there. I don't get to see that often. And I have limited time. So what it forces me to do is that you talk about an hour or two window, it forces you to prioritize exactly what you need to get done. And the crazy thing is, is I make just as much money. I'm way more efficient when I work 2 hours a day because I just get the things I need to do versus when I'm here in the U.S. and I'm sitting there all day and I go off of the 10 hours, but did I actually get anywhere? What could I have actually done that in two? Right. For example, like we met before starting this 30 minutes, 25 minutes before, and with our call to get my camera on messing around and we're discussing things. But if we didn't have that time, we'd be more focused right and go right, I have an hour and then you're going to just knock it out, whatever it is that you need to do. And you'll start to see that if you prioritize and you focus on the things that make money, that you can actually do it.

**Joe:**

We need to be focusing on revenue generating activities, revenue generating activities, which is making offers marketing for buyers following up. So these are three things. If you want to succeed in this recession, if you want to do a lot of deals, make a lot of money, these are some things that you need to be focusing more on. And you can I just want to mention this in case you're just joining us, you can get this free PDF report of all of this stuff and the mind map that we're going to be showing you here for free. No strings attached at RTI proof dot com REIT proof dot com. And I zoomed in enough I was going to be okay there.



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**Gavin:** Yeah, well, good.

**Joe:** I think we're good. All right. So talking about making multiple offers, we have in the mind map here and video of actually us doing this. Before. So if you want to watch that video, if you click on this link in your head, if you have the mind that you'll see a video of us doing it. But you got to understand this more sellers are open now than in a while. I don't know if ever, but in a long time they are more open now to getting creative offers. A creative offer is just so you know, like there's cash offer and then there's creative offers. And a creative offer could be a mixture of a combination of several different things. But usually what it is is. All right, Mr. Seller, I can get you your price if you're willing to wait. I can pay you 50 grand cash, or I can get you your price of 75 grand if you're willing to wait for it paid for some of your equity or get some of your equity with payments over time, you could be a lease option. It could be on financing, it could be subject to there's a lot it could be a combination. Like there's such things as have you heard of no vacations? Have you ever done innovation? Yeah.

**Gavin:** I haven't. Now, here's the thing. I would in that I know what it is, but I would just partner with someone who doesn't.

**Joe:** That's a great point, because you don't have to learn these strategies either. Find somebody else that's already doing subject to's or lease options or owner financing or innovations and partner with them. Bring them these deals. When you do, here's the point. A cash offer is going to be down here, but we can get sellers at a higher price if they're willing to be open to more creative types of things. It's either price or terms. Price or terms, right. The great thing about creative financing deals is that you have four or five things you can negotiate with a cash offer. You only have one thing you negotiate and that's price. But on a creative deal, you can negotiate term like how long, number of years you can negotiate price down payment, the monthly payments, option deposits or credits, option rent credits or things like that. So you can you can negotiate a lot of different things, down payment, if I didn't say that. So as a as this recession comes in and get stronger and stronger, and I think it's going to be here for a couple of years, three years, maybe sellers are going to become more open to creative financing. And before, you know, you make a cash offer, they're going to say no, and that's it. But then you follow up with them and you say, You know what? I might be able to get you more if you do something like that. So sellers are more open and it's important in a recession not to be a one trick wholesaling pony. Now you can make a lot of money being a one trick wholesaling pony. You can you can make a lot of money doing that. But it's important to learn the other creative types of things. And here's the thing, too. We talked about it just a second ago. We have actually I



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have coaching we have coaching clients that will partner with our students on creative deals and they'll actually. Dustin, I'm thinking of in particular will actually get on the phone if you have a motivated seller that is motivated, wants to sell their house now but maybe doesn't have enough equity or is not willing to drop their price as low as you need to be, you'll get on the phone and talk to your seller with you and sell them on it and partner with you on the deal, whether it's a lease option or subject to or innovation or something like that. Now you can give sellers whatever price they want as long as you're willing to wait for it. And there's different types of creative financing offers that we like to make and we kind of break it down into cheaper houses and nicer houses. So in the Midwest, where I am, cheaper house might be anything under 150 grand. All right, nice. Your house might be anything above that kind of just depends on the market. Now, these are numbers that are going to be different for you if you're in California or whatnot. But for a cheaper house, there's kind of like for cheaper houses. I typically don't want to do lease options on cheaper houses. So the three different options we might give to a seller would be a cash offer, seller financing with interest only, or maybe seller financing with principal only payments. And you know, there's a bunch of in-between things that you could do here, too, right? You could I know I have students that have done this where they maybe give the seller seller financing with no payments for a year and then the seller they'll give the seller 5% or it could be a 0% for ten years and then 5% after that.

**Gavin:**

Yeah. And I think, you know, on this list is thinking, well, how do you know that it is all down to the conversation that you're having, right? So you focus on what it is that they need, what is their problems? What are the key the key points that they need help with? And that's when you come in and solve it. And you might think, why would anyone take no payments for the first year? Maybe it's free and clear. Maybe it's just, you know, code violations constantly on of it's vacant. They don't want to deal with it. There are stateless. They could get in the calls. They don't want to give the property away. So maybe say, okay, well, I'll clear it up, I'll maintain it, I'll look after it. But I'm not going to make payments for the first year. And after the first year I want to pay you x the new structure the deal because it might not be the money they need is about are you going to stop me getting these code violations and cut the grass and maintain it and do all of these things? So that would be an example of that, where that would happen because of your solving in the seller's problem. That's what you always got focus on.

**Joe:**

I had a friend out on the west side of the US that had some properties in Saint Louis and they were vacant and they were properties. He tried to rehab every time he rented it out. Property managers would flake out, tenants would trashed properties. And these houses now had been vacant. He owned them for four or five years and they had been vacant for a year or so and they were not in a good area. And he was getting calls all the time from



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neighbors that would call him and say, Hey, when are you going to cut the lawn? When are you going to fix the house up? And it's trashed. It's a mess. There's a bunch of drug dealers hanging around, but he just kept on ignoring the calls. Well, guess what these neighbors did? They started. They found out who he was married to. They started calling his wife. They started calling his parents. They started calling her parents. And like he was like, help me, Joe, get out of this. Like I said, he was a friend. I said, I can help you, but I'm not going to like how much I asked. I told him, I said, How much you going to pay me to buy your house? These are properties I don't want, but I gave him some options. I said, All right, well, you know, I might be able to give you a cash offer for this. Just so you know, I'm honest with you, I'm going to sell it and make a little profit. I think he owed 50 or \$60,000 on them. I offered him \$5,000 cash for these deals. That's how bad of a neighborhood it was. And this was about five, six years ago anyway, before the market had come back. But I guarantee you, these neighborhoods where these houses are, they're still probably only worth I probably wouldn't pay more than five grand on them anyway. Then I said, Oh, or I will do some owner financing and I gave him some different options. And we even one of the options because I was his friend, I said, Listen, you help me manage the rehab and find a new property manager. If you want to put the money into it, then I'll help you sell it after rehab or whatever. I had a student one time who found a nice property in a good area in a small town that needed a lot of updating, but just cosmetic updating. The bones were solid, you know, the electrical plumbing was all good, but it just needed about 15, 20 grand in work and it was a free and clear property. And this the homeowner was out of town, used to live in the house, I think small town, but it needed a lot of a cosmetic updating work. He got tired and frustrated. He was explaining this to my student. He got tired of all of these lowball offers from these investors that were calling him all the time, and he just wanted somebody in the house. He didn't want to give it away. He didn't want to manage tenants and he didn't want to fix it up either. So what's he going to do? She offered him a cash offer. He said no. He asked. She asked why. And he's just like he just found out, like it's not the he doesn't want to give it away. So anyway, to negotiate with him and said, listen, well, what if I lease option this property, I'll lose it from you for a period of time and then buy it. I'll give you give me five years. And during that time I might actually find a tenant buyer that will move into the house and fix it up, take care of the maintenance and repairs and fix it up themselves and I'll give you your price. I forget the numbers exactly. But she said, I'll give you your price if you let me keep 100% of the rent for the first two years and then the next three years we'll split the rent 50/50 and I'll take care of maintenance and repairs and I won't call you for anything that needs to be fixed during this time. The seller said, Yes, it's a great deal. So she put zero down. She was putting a sign in the yard to lease option handyman special rent to own found a buyer buyer stopped as she was putting the sign in the yard and said, I'm interested in this property. He was a self-employed electrical



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contractor, residential electrical contractor and, you know, just had a hard time getting a good mortgage because he was self-employed and but he was making great money and he could fix this house up himself. So she's keeping \$900 a month in rent, cash flow on this property for the first two years. And then the next three years, she's splitting it for five. She's getting 450 a month. All right. And this ten, a buyer is fixing the property up themselves. That's an example, the great example of a creative deal on a property that needs work. So there's a lot of different options anyway. So we're here at this with the cheaper houses. Typically what I like to do, since I don't want to do nice lease options on cheaper homes because these are going to be in rougher areas, we'll give them a cash offer, seller financing, interest only principle only, maybe a combination of the two or whatnot. Now real quick, when we make cash offers, there's different methods that we like to use. Sometimes it just is all you need to do is like, look at what investors are buying for and offer ten grand less. Go to Redfin, you can go to Zillow and you can look and find, all right, these properties are selling for 20. That doesn't matter. The size doesn't matter, the RV doesn't matter. The repairs, these things. Investors are buying these things for 20. I'm going to offer the seller's hands. Yeah. All right. So the one method is the average of the lowest sold. And so these are better for properties. And you work, you can go look and we'll show you an example. In a minute, just go to Soledad and take an average of the 3 to 5 lowest souls and offer 80% of that or ten grand less. That's one way to do it. Another way to do it in this kind of depends on what your buyers are telling you. There's a lot of buyers I know in Saint Louis that when they look for properties, they just take the monthly rent times, a certain number or divided by a certain number. And that's how they figure because they buy these properties based on ROI or cash flow. So this is best for rental types of properties. So you take like for example, the monthly rent times 55 minus repairs and this is going to vary in markets. But in Saint Louis at one time, this is what a lot of the big buyers did. So if a property rents for 900 bucks, they multiply that by 55 and then subtract repairs. They want to be all in the \$39,500. All right. This means I need to offer \$29,500 so I can sell it to my buyer for 39 five and make a \$10,000 profit. Now, maybe the number is 35. Now today, 45. But just take the monthly rent times a certain number and you need to find out what those numbers that number is for your investors and maybe they have a different way of doing it. I remember one guy said he takes 90 the monthly rent divided by .13 or something like that, and that gave him his all in number. So then you subtract repairs, tractor wholesale fee, and that's what you offer them. Yeah. So each area has a different number. I mean, maybe for areas of 30. The number is 35 or 65. And for repairs, this is kind of old. You know, if it's basic, if the seller says it doesn't need any work and you see some pictures, I might still do five bucks a square foot for repairs. If it's minor cosmetic, I might do 10 to \$15 a square foot. If it's more, forget rehab, maybe 30 bucks a square foot. Okay. We don't spend more than a couple minutes at the most figuring out



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repairs, and usually I just rounded up to the next five grand. Okay. How do you do repairs? Do you even do repairs when you're looking at estimates?

**Gavin:**

Yeah. I mean, if it's a cash deal, I think to keep it simple, we just look at the three lowest, you know, the three lowest sold, the the similar obviously size, things like that. And then we just try and get under it and then it doesn't really matter as long as they're in. Obviously, they're not retail. Right. You know. The three lowest, they all need work just like yours. But if we do the repairs, I mean, I think obviously it goes with obviously the inflation or the prices over the last year. It's gone up a lot. I mean, depending on your market, I mean, even Alabama probably looking at \$45 a square foot for a full rehab. Now, California, I don't even want to think about what it is there, but it's insane. And this is the other reason you see, which we haven't talked about in this recession, is with these prices so high, is the you've got to be calculating for this, right? Not only you got to calculate for your flippers, if you were buying these to flip, we've also got to give yourself at least 25% of a grace period of going over budget. There's not many people that come on the budget very, very, very rarely will ever come under budget. As you start to take rules out all things back, you're going to get more problems. This. It's just the way that it is. Yeah.

**Joe:**

And remember, too, we're not doing the ARV times 70% minus repairs yet because these are cheaper properties. When you're looking at properties in the hood that rent for eight or 900 bucks a month, there is no RV for those homes. My experience in these lower end cash flow markets, when when you're in a cash flow neighborhood, we're selling to landlords they don't care about after repair value because they're not fixing that up to sell it to a retail buyer or fixing it up to get them rent ready to put a tenant in it. So it's different. That's why we're looking at the average of the lowest sold or the rent amounts times, some dollar of some dollar number. And there's also the ROI method, which is a little kind of different but similar where what kind of ROI or return on investment or cash on cash return does your buyer want? You know, buyers sometimes are looking for they want to make 15% of their money in the first year. All right. So every part of town is different, but typically it's 10 to 15% if they want to make 10% on their money in the first year. So let's say just looking at round numbers, I'm going to get my calculator out here. So if they if the rents are 1000 bucks a month and you times out by 12, the gross rents are \$12,000 a year, are you going to take out about 40% of that for property management, vacancies, maintenance, repairs, taxes, insurance, things like that? You're going to take out 40%. So I'm going take 12 grand times point six. That means my net rent is about 70 \$200 a year, 70 \$200 a year. And I know my and. Tester wants to make 10% on their money. I'm going to take 7200 divided by point one. That means that investor needs to be all in on that property for \$72,000. And if I know that property needs 25 grand in work, I'm going to take 72 grand, subtract 25,000. That's 47,000. And I want to make a \$10,000 wholesale fee and



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subtract \$10,000. I'm going to offer the seller who owns I'm going to offer the owner 37 grand. I'm going to sell it to my buyer for 47 grand. That buyer's going to put in 25 grand in repairs. They're going to rent it out for a thousand a month. They're figuring 40% for vacancies, management, maintenance, repairs, etc., etc.. They're going to make 10% on their money. Now, these are cheaper properties that we're talking about that we're selling to investors. Now, I have a calculator here, a spreadsheet in this mind map that you can get. Where where can you get this? My map at RTI proof dot com. And I'm going to show you that here in a minute. But seller financing interest only, principal only payments. And we have a calculator here that we're going to show you. And we're going to actually look at an example deal real quick here. And we're not going to take very long in this because they're already over our time. But this is a deal that we just found random on in Tulsa, Oklahoma. Five 720, East Third Street, Tulsa, Oklahoma. And if we look at the Zillow link here, Gavin, I'm going to go ahead and send you right now this Zillow links, you can look at it while I'm talking the way here. I just put it in. I just texted it to you. So this is a property in Tulsa. We're going to zoom in a little bit so you can see it a little better. The Zestimate on this thing, which doesn't matter to me much at all, is \$113,000. It rents for about 950 a month. Okay. And then we look here at the Redfin. Here's the Redfin link on this property was last sold in 2013. Now says 4.5 million. Probably what that means. It was a part of a hedge fund, spent 4.5 million on like 50 different properties. So that's kind of weird how that shows up sometimes in some counties, but our Redfin estimate is 102,000. But this is obviously a rental neighborhood, right? If I go into Street View and you look around here, this is a good rental neighborhood, good solid blue collar rental area. Now, I don't know Tulsa that well, but I'm going to guess maybe this is different now because of the market that we're in. Like not too many investors are going in here to buy a house, to rehab it, fix it up, make it really nice granite countertops and everything, and then sell it to a retail buyer. There's a lot of rental homes in here. Probably this neighborhood is 40 to 50%. Landlord owned, gets a great neighborhood, great area for cash flow. There's a nice little house. But a lot of the people that do own and live here are probably people that have lived here for a very long time. Most of it are landlord owned properties. All right. So anyway, let me move here so I can see this a little better. All right. Now, remember, there's different ways for making cash offers. Now, I like Redfin because I'm going to let's say this is a property and these pictures are old. These pictures here on Zillow were from 2020. So let's say we talk to this landlord. You call him. He says, yeah, I just want to sell it. It's had three tenants in there in the last couple of years. It probably needs updating. It needs a lot of work. He's just a tired landlord. He's frustrated. He lives in Florida. He just wants to get rid of this property. It's a three bedroom, one bath, 920 square foot. You can rent it for 950 a month. So we're going to make him an offer to buy this property. All right, Gavin, so I'm doing this. Why don't you look at what you would offer from what you see in Zillow? And I'm going to show people what I would offer on this property from Redfin. So I know it's 920 square feet. I'm



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going to click on this map and I'm going to click down here on the lower left somewhere. Why don't I see a hold on you? There's usually a button that says Map nearby homes for sale.

**Gavin:** But Zillow. Zillow also is not putting the address in the line to get me closer to it. I don't know why you have to search.

**Joe:** Let me zoom down a little bit. If I open up this map. Well, this is interesting. They're used Redfin used to have a button right here that said, show me nearby homes for sale. And that's not there anymore. All right. So not a big deal. I can show you what else we can do. This property is in seven, four, one, one, two. Okay, let me go back up here. It's in seven for one, one, two. So I'm going to go right here. Seven, four, one, one, two. It's kind of centered me on that zip code right there. And I'm going to click Remove Out Line and I'm looking at Sold in the last year. There's a lot of them, but I'm going to do home type. House only click done all filters. I'm going to do square feet. I'm going to Max 1200 square feet because ours is 900 and something. Got another 722 homes right now that are sold in the last year under 1200 square feet. So I'm going to you need to go in and find out where this property is located. Let me click on the map here as Zillow. Zillow's not giving me a map link either.

**Gavin:** It's not. No. So you have to if you click on it and then zoom in, it should center it. But it's not I don't know why is not pulling the link. It's bizarre.

**Joe:** Let's try this a different way.

**Gavin:** Now found. I mean I have found. Want to find across the major there maybe one 1081 4101.

**Joe:** All right. So I'm just looking at the map here and I can kind of see where it is. So see McClure, Clark Park and where the with this interstate kind of goes up here like that. So the property is right in this area. All right. So I just kind of centered the property in the map center, the property in the map. I have 299, so maybe I need to zoom in a little bit more. All right. Now, I got 59 homes. I'm going to take this table almost sorted by price. Okay. So this house is approximately right in the center of the map. So I might even go here and add another filter. The max size is 1100 square feet. And maybe we'll do last sold in the last six months. Yeah, that's what I have. All right. So I still have now 98 homes sorted by price from low to high. And you can see. Here. We got 45,000. 45,000. I'm writing this down. 47,000. 53,000. 59,000. 612 are the lowest five souls in this area. So I'm just going to go to my calculator quick and dirty.  $45,001st$ .  $45,000 plus$ .  $47,000 plus$ .  $53,000 plus$   $59,000$   $612$



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divided by five. That's going to give me an average of 40 9922 times point eight. I'm going to offer the seller \$39,937. Okay. The other thing then you want to do is you write. You see here, I'm going to. Okay. I'm going to offer 39 grand. So I'm going to sell it for 49 grand. You want to look at your active comps, if there are any, and there's usually none. It's really low right now. So this is your competition. You may need to zoom out a little bit more. All right. So here's a property for sale for 30, 65. Why would somebody want to buy yours 49 when they can buy this one for 36? Let's just look at the pictures. That's the garage. So this is a full get rehab. Maybe yours is a little nicer. Maybe this isn't that bad. Yeah.

**Gavin:** This problem says their own. The disaster was 900, right?

**Joe:** Yeah. 950. I think.

**Gavin:** You see, if you on the 1% rule, you got to be all into this thing that 90,000 or less after repairs. After repairs? Yeah. So you're going to be Max.

**Joe:** Sorry, but I feel good. If I offered 39, I know I could sell it really quickly. For 49, it'll be the cheapest property out there.

**Gavin:** Yeah, I agree.

**Joe:** And that's my cap. So what would you make a cash offer on? Based on.

**Gavin:** Yeah, I think I think you're, you know, based on Zillow is the same thing I went to the last six months. You know there's more that need fix fixing sorry that have been fixed. I think if it was a retail thing, you might get 140 fixed up. There is actually one pending in the area, 4179, but it's pending. So that doesn't mean they actually got that. So I would I would agree, but I think this been more of a rental area. You need to run the numbers based on on the rental market rather than the rehab market. So therefore, I would be around where you are based on this maybe needing 20,000 in a were to get it kind of ready try and be all in for who sold it for 50 been for 7070 5000 and then get 900 rents.

**Joe:** Yeah. I just realized for some reason when I'm in Zillow, in Google Chrome, it doesn't work. So that might be part of the problem I was having earlier when I'm in Safari. Zillow works just fine. All right. But anyway. All we're talking about here is looking at what are the recent sold carbs and what is the active carbs. How does that compare? This is what your buyers are looking at. Yeah, they're going to say literally look at all the comps that have sold and low 40.



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- Gavin:** And you said something important as well is you got to go and check the active is really important that you do that because if there's something out there that's as good as yours for less money, you already know you're too high. Mm hmm.
- Joe:** Yep. So I feel good offering 39, 40 grand. Sight unseen. I don't care about ARV. I don't care about repairs. I know it's going to need updating because the three tenants have lived in it in the last couple of years. Sellers are frustrated. Tired. Landlord. Probably not been had not had much rent collected in the last couple three months. It's probably a lot of deferred maintenance. The tenants not been taking care of the property. They just want to get rid of it. Yeah. All right. Now, when it comes to seller financing, let me just show you real quick what this spreadsheet does. And this is a spreadsheet that you can get in the mind map itself. So let's say the seller, you know, they say they want to sell it for 60 grand. I just put that in there that this is not this does not have anything to do with determining your offer price. This is based on the ROI method. What I mean by that is like I'm making an offer based on what I know investors are willing to this. These are the returns they want on their rental properties in this neighborhood. All right. And I know landlords, they want to make, let's say, 12% on their money, this 920 square foot for repairs. I'm going to do 25 bucks a square foot. So I'm figuring it's going to be about 23 grand. The rents on this thing is 950 a month. I'm figuring about 40% for expenses. So the net cash flow on this thing will be about 60 \$800. I want to make at least a \$10,000 wholesale fee. There's about \$1,000 in closing costs. So I'm going to make an offer for 23 grand. This is less than what I was doing before, and I got to sell it for 33 grand. But let's say I make this 10%. That kind of gets me closer in line. So I know of an investor buys it for 34 VISER for 44 grand puts 23 grand into repairs. I get a \$10,000 wholesale fee and they've got a thousand closing. They're going to make 10% on their money, figuring 40% for expenses, property management, maintenance, repairs, etc.. Okay. Yeah. And remember that that rent to price ratio investors are typically especially the bigger pocket cash flow. Investors are looking for that 1% rule. Right. And so they want to be between 1 to 2%. If I can sell it for 40 for after repairs, they're going to be in it about 1.4%, which is good. Now, I scroll down here the spreadsheet. This is the same thing that we did before. Just put in the numbers here of the lowest sold. You're going to come up with a number of times 80%. This is that and this is the rent time something. So if your investors are saying, I want the rent times 55 and 30, 23 for repairs, you're going to go for 20. So there's different numbers here. You're going to. But it's just real quick, simple ways to figure out. All right. Now, I'm just going to cover this next part real fast, because this is not as is. It just takes a little bit more time. But let's say I want to offer seller finance. I'm willing to give the seller more if they're willing to wait, if they're willing to do some seller finance. So let's say the seller wants say they want 50 grand for my cash offer. Now, let's say they want 64. I'm just kind of playing with the numbers here. The cash offer that I'm going to be making is about 34 grand. Just playing with the numbers here to make sure



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it makes sense. Okay, this is better. So the seller says they want 70 for it, let's say, because they're looking at Zestimate. Zestimate says it's worth one. 20 120,000. And they're thinking, I know it needs repairs, so I'd be willing to sell it for 70. It's going to be a lot less than what we're willing to pay, but I might be willing to give them that asking price if they consider seller financing. So I might offer them 5% down 5% interest only payments balloon in ten years. And so after repairs, this means I'm going to buy it for 40. I'm going to need 25 grand. My annual net rent. Debt service. Monthly payments. Net cash flow. Da da da da. I'm going to make \$412 a month in cash flow. If I were to buy this property for 40 grand. If I were to buy this property for 40 grand and put 25 grand into it to fix it up, and they have a couple of grand for closing costs and then rent it out. My net cash flow, after all my expenses would be \$412 a month. So this might be my offer price. I'm going to make 20% cash on cash return, offering the seller more than my cash offer was. Yeah. Now, if I do principal only payments, I might even give the seller more a higher price. 10% down with principal only payments. And I'm not paying any interest. So my net cash flow on this will be about. Three if I do 240 payments. So that's 20 years. So my net cash will be about \$394. All right. So what I want to show you here is I give the seller options. You can play with these numbers. You know, when you get this spreadsheet, just go to file, make a copy or download it as an Excel spreadsheet. But here you see my I'm going to give the seller option. Option number one, I'll give you cash for 23 grand. If you do seller financing interest only payments, I'll give you 40 grand. If you do seller financing with principal only payments, I'll give you 47 grand. And you're still. Now, even if you wholesale this deal, let's say you get it under an owner financing contract and you sell that on a financing contract. Even after you sell that package, your end buyer will still be making 14% of their money or 12% of their money, which is really good. There'll still be cash flowing. 394 for \$112 a month on these lower end properties. This spreadsheet I also have this is something I haven't played with in a while, but there's another tab here that you can mess with. All right. So that is pretty cool. Now, one of the things maybe we'll show you on another video is I have a software called Automated Off Approach that I give to our students for free. But in here you can put in the information on the property. It helps you figure the after repair value, helps you figure out hash offers using two different methods. It helps you figure out two different lease option offers and two different owner financing offers based on this stuff. So anyway, that's something that a lot of my students use and get a lot of value out of it for now, I think. Gavin, we need to wrap this up. Yeah. And I hope this has been helpful to you guys. There's the whole point we wanted to make and show you some of these things is if you want to do more deals in this market, you need to make multiple offers. And maybe on the next video we'll show how we make multiple offers for nicer homes like cash offer and lease option offers to those homes as well. Maybe I'll show off my fancy software, which I love to play with. But yeah, to get this mind map guys, to get the PDF report which looks like this, it's a lot of stuff, very colorful content and it actually gives you



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**Gavin:** Awesome, thanks, Joe. Thanks, guys.