1209 - Maximize Your Profit! Uncovering the Secret to Cash Flow with Land Investing!

Hosted by: Joe McCall

Joe: What's going on everybody? Welcome. This is Joe. I'm doing a live coaching call right now with some folks, and I wanted to stream. We already answered a lot of the questions here, and I wanted to stream something cool that I've been working on. I think you're going to get a kick out of. And basically, I've been doing a lot of land deals lately, right? And one of the reasons why I love Vacant land is because I can get cash flow from vacant land. What, cash flow? Yeah. You can get cash flow from vacant land. You buy it with cash at 25, $0.35 on the dollar, and you turn around and you sell it for $0.85 on the dollar for cash, maybe 100, 105 cents on the dollar with owner financing. So an example, I'm going to walk through some examples in these two spreadsheets here with you guys in a minute. But I want to I want you guys to start thinking bigger about like you're going to wholesale these deals and make a quick 5 to 10 grand. And that's awesome. Sometimes a quick nickel is better than a slow dime, but what have you got to hold on to? Some of them maybe every month wholesale, the first vacant land deal, and then the rest of them for the next month. Next three weeks, you sell them with owner finance. Because here's one of the advantages. The big, big advantages of owner financing is when you're advertising a vacant lot. And remember, we like rural, vacant recreational land. We like property that's way out in the sticks, an hour or 2 hours away from the city. That's that you could do something, you know, 5 to 20 acres, something that's bigger. You're going to sell those your buy those things for super cheap. You're going to sell them for cheap. But there's a lot of demand for owner financing of those kinds of properties, right? So when you advertise a for every one call that you get from a cash buyer wanting to pay cash for it, you're going to get four or five calls from people wanting to own or finance it. And our owner financing is super simple. And this may some people that are really into notes may disagree with this, not like it, but we sell it to the first person that makes a deposit and can make the monthly payments. We don't pull credit. We don't really qualify them. It's just dirt. It's just vacant land. That's not doesn't Dodd-Frank doesn't apply to this because it's vacant land. Nobody's living on the land. If there was a house on it or they were going to build a house on it, then that's a different story. But this is just cheap, rural, recreational, vacant land. So I'm gonna show you some numbers here at the spreadsheet that we're going to blow you away because you could buy a property that's worth ten grand. You buy it for $2,000, sell it for ten grand an owner financing and get 2 to 300 bucks a month from that thing. Now it's going to last year. That cash flow will last five years or less, maybe more. So it's not as long like when you're selling a house or renting a house, you get cash flow for 30 years or more.

Land is going to be a little different. But I would argue that land is still better than houses when it comes to cash flow because you don't have the hassles and there are a lot of hassles of and I've owned a lot of rental properties and I buy a lot of properties from tired landlords, right? They owning rental properties houses is very, very difficult. Very difficult. I was listening to a podcast. Was it a podcast or video? No, no, there's somebody I won't mention names, but it's somebody on the radio. They do a lot of radio shows, if you know what I'm talking about. And they were talking about this. It was a testimonial for this program. It's a real estate investing program. They're talking about how awesome this deal was. All right. So get this. I just got a rough memory here. The house is worth about 150. They bought it for, I think like 110. They put 30 into it for repairs. So now there's $10,000 in equity. They were bragging about that, by the way, because it's a long term buy and hold rental. So they were saying it has $10,000 in equity. Okay, So it's worth 150. They bought it for 110. They put 30 into it. So they're all into it for 140, which I question that number to begin with. What about their buying cost, the carrying costs, all of that other stuff while they were fixing it up. Now the values have gone down as well. All right. So whatever.

Joe: Listen, what we're seeing right now are the same things we saw back in 2006 and seven. It's getting crazy. People are happy with deals with only ten grand in equity. They're happy with deals that have maybe no equity as long as they cash flow. Well, here's the thing. I don't know what it rents for, but she said we're getting $500 a month in cash flow on this thing. No, no, no, no, no, you're not. No, you're not. Let's look at the numbers and maybe I can. Sure. You know what? Let's do that. Let's look at what the numbers probably are on this thing. And I'll share this with you in a second. Here, let me sign in. There's a website I like to use called Deal Check dot io. And we'll look at something here in just a minute. But okay, so the cash flow on this thing was like she was saying $500 a month and they go no, no, no. Maybe, maybe. But I doubt it. Why? Because and they said we didn't use any of our own money, so we leverage this whole thing. So they basically owe 140 and it's worth 150. So what's their mortgage payment on? $140,000 mortgage taxes and insurance? I'm going to guess maybe 1200 bucks. 1000. To 1200 dollars. Maybe things have gone up with higher interest rates going to be around 1200 bucks. Somebody correct me if I'm wrong, please. All right. They're renting that thing for probably depending on the where it is for, let's say, worse. Best case, there it is, 1200. And they're renting it for 1800 a month. So most people, not most, but some people, when they're talking about how great the rental property is, they're looking at, okay, I'm getting, you know, 1700 a month in rent and I'm my mortgage payment is 1200 a month. All right. So I'm good. I'm getting $500 a month in cash flow. But there's so many things that people forget about. Number one, vacancies. One vacancy is going to eat up at least three months of rental income. I'm telling you, that's the way it is. You're going to have one or two months where they're not paying a month for you to get them out another month or two to clean the property up and get another tenant in there.

Anytime you have a vacancy, maybe it's once every three years, but you're going to have three months of lost rent. So if your rent is 1750 a month, let's get a calculator out because it's not that hard. If I can find it 1750 times three, that's 50 $200. You've lost an income on that property. So any cash flow that you think, boom, right there, it's already gone. So you should be setting aside when you own rental property houses, at least 10% of your rent every month for future vacancies and repairs. And thank you, Dan. Don't forget about the repairs. You're going to have three or four or five grand in repairs to get the property cleaned and fixed up again, right? Yes. All right. Then if you have a property manager, you're going to have to pay that property management company a fee to put a new tenant in there, which is usually one month's rent. So there's another 1700 dollars. It is not uncommon unless you're managing these properties yourself, you're doing them repairs and maintenance yourself. It's not uncommon to lose 5 to $10000 on a regular single family median priced home when you have a vacancy. 5 to 10 grand. It's not uncommon. You have things to fix up lost rent, property, management fees, blah, blah, blah. And who's making that mortgage payment, by the way, do you think you can call the bank and say, Hey, you know what? I'm sorry, I can't make the next payment for a few months? Can you just wait? Can you put a pause in? Because I got to fix this thing up and get another tenant in their banks going to say, we don't care. Which is a great lesson to learn because it's always better to be the bank than to be the landlord, isn't it? Oh, but the banks are only getting 3%. Five, 6%. But I'm telling you, it's always better to be the bank than it is the landlord who has all the biggest buildings downtown. It's the insurance companies and the banks and the technology companies.

Joe: All right. So hold on. You're absolutely right. Dan is saying rentals are getting rich over the long term. And you're absolutely right. So my I tell people is until your properties are paid off and like you should not count any of that cash flow as cash flow. Every dollar that comes in, you should be setting aside for things like vacancies, maintenance, future repairs, future capital expenditures, property management and anything else. So if you're getting really 500 month cash flow, you need to be you better be saving every single penny of that every single month and not put any of it aside. And then any extra cash flow after you have a good savings account goes to paying down your principal faster. Forget the lies and the B.S. of refi til you die to build, to refinance and get into more and more debt. You'll never experience financial freedom that way unless you're doing bigger apartment buildings, big, complex commercial deals and things like that. All right. So back to the single family house. This lady's getting 500 a month in cash flow and then she says, my cash on cash return was 30%, which didn't make any sense to me because she's not using any of her own cash in the deal. So how did her cash and cash return is infinite, isn't it, if she's not using any of her own cash? But regardless, when you see in a lot of turnkey providers do this, turnkey providers that are selling rental properties, they put the deal out there 20% cash on cash return, 20% ROI. And you look at the numbers, you've got to look at it. You should always be setting aside on rental properties. And I'm going to tell you why after explaining all this, why land is so much better, because you don't have to do this now. There are advantages to houses. You get tax write offs and depreciation. You can use leverage and you can't do those kinds of things with vacant land. But bear with me here. You have to save at least 10% for vacancies, 10% every month off the gross rent. It comes in, you've got 8 to 10% for property management. You've got to have regular maintenance and repairs. You should be setting aside at least 8 to 10% for that. Okay. Like, you know, the faucet needs to be replaced or fixed or the garage door opener stops working or whatever. Right. Then another huge expense that so many people forget and ignore is future capital expenditures. What does that mean? That water heater in five years you're going to have to replace it. How much is that going to cost the roof? You're going to get new. You need to get new flooring, new carpet when the tenant moves out. Right. So there is a lot you're looking at really. Maybe if you're if you're really, really good, it may. Managing rental property 40%, 40 to 50% of your rental income is going to be gone to future repairs and maintenance vacancies, property management, things like that. 40 to 50% of your rent is gone. Then you've got the debt service that you've got to make. You've got to make payments on that stuff, Right? The stresses me out thinking about it because I was that guy with rental properties and it was great. On paper you can get a spreadsheet to tell you anything you want. I'm going to be showing you some spreadsheets here in a minute, but you always got to think, worst case scenario, if you own rental properties, you need to make sure you're setting aside like you should think. I don't have I'm not making any cash flow on these things. I'm telling you again, one vacancy in a year and a half for two years later down that road with that nice tenant, that's really awesome. And you're going to they start paying rent. You can have one or two months of fixing the house up, maybe evicting them. You're going to have all of those costs associated with that loss. Right? And then once it's cleaned up, you got to advertise it to get another tenant in there. Then you have to pay the property management company another month, a one month's rent fee to place a new tenant in there. You're looking at 3 to 4 months of lost rent, at least in rental expense.

Joe: Okay, so why vacant land? Because you don't have to save any money for vacancies, maintenance, management, repairs, future capital expenditures and things like that. You have taxes, 40 bucks, 100 bucks a year, 200 bucks a year. Maybe you will have vacancies. You know, you maybe you could say, well, Joe, you going to have a higher default rate with vacant land than you would have houses? Okay, maybe. But here's the thing. When I'm buying vacant land, I'm buying it at 25 to $0.35 on the dollar. So that property, simple round numbers, it's worth ten grand. I'm buying it for 20 $500. So even if I'm using private money, if you're if I'm using a credit card to buy this property, I'm paying that thing off in six months. With a house, you have to pay it off in have 30 years. If you're doing good, you pay it off in 15 years. So you're basically this for all intents and purposes, you've got a free and clear asset that's producing cash flow. What's cash flow? Anything that puts money in your pocket, what's liability, anything that takes money out of your pocket. Right. So what if you could have a portfolio of 20 vacant lots that are debt free, free and clear, putting in three or $400 a month in cash flow. So I'm going to show you a spreadsheet here. Kind of looking at the numbers, how am I doing with time? I'm doing good looking at the numbers of like, what is the potential cash flow for some of these deals? And then I'm going to show you another spreadsheet on how you can make multiple offers to sellers. What have you used? Have you ever heard of the phrase arbitrage? Arbitrage is where you and I can't define it. Maybe I should Google it, but it's like you take something and then you kind of let's look at it actually here, arbitrage and I will share my screen hopefully here. Boom, boom, boom, boom, boom. This is it. Yes, my screen. All right. Type in the chart. You guys can see this. Arbitrage is the simultaneous buying and selling of securities, currency or commodities in different markets or in derivative forms in order to take advantage of differing prices for the same asset. So what if you could arbitrage owner financing so you buy a deal with owner financing that maybe 3% interest and then you sell the deal with the owner financing it, maybe ten or 11% interest? Oh, that's pretty fascinating. What if you gave a seller an offer to buy their lot and you gave them two options? Hey, I'll pay you cash for your property at $0.25 on the dollar, or I'll give you $0.50 on the dollar for owner financing your property. I'll double my price if you carry the financing. Oh, now you're giving sellers options, right? What if then you even went to the you go and look for listed properties. Listed vacant land in some good areas, find some properties that are listed with agents and send those kinds of offers to the agent. Might be able to find some deals. Right. So I was talking about houses. There's a tool that I really, really like to use. It's called deal check. If you go to deal check dot io, let me open up a new screen and else I'll send this. I have an affiliate link don't I Joe McCall dot com slash deal check I think maybe not. Oh, bingo. Hot diggity dog. All right, so I'm gonna do a new screen share with you here on this other screen. If you go to Joe McCall dot com slash deal check this is a software that I love and I do get a commission from this. But you can try it for free and it's only ten bucks a month and it helps you analyze rental properties. I've done videos on this before. Of all of the rental analyzing software out there, this is by far the best. And I've looked at almost all needs ten bucks a month. There's a free version, but you get all kinds of really good comps at the 20 bucks a month. So I'd recommend getting the monthly and that's if you pay annually. Whatever. Okay. All right. So let me do a let me do a new screen share here. And let's walk through an example. Let's look at what a house would be using that example that I just did. And let's go look for a real one on. I like Redfin. Redfin. Somebody give me a county right now in the chat of a of a city that you live in. I'll give you 5 seconds. One to a. Quick, quick. Chop chop. Three. London ten is Riverside County. No, that's too expensive.

Bernalillo, wait. What is that? Right? Oh, I want a county for houses, not vacant land. Prince William, Virginia. I don't know where that is, but let's look that up. Prince William County, Virginia. Okay, This is near D.C.. I'm assuming these houses are pretty expensive. Well, let's see what we got here. Let's look for sale. Let's look for anything under 300,000 goes down from 505 to 56. All right, well, let's just say let's look at this property. But it's a vacant lot. All right, Let me let me just let me do a different county that I know. Remember, I was talking about this is Saint Louis County, Missouri, and I was talking about this lady who bought a house for 150 grand and she owed 140 on it. And she's getting $500 a month cash for the purpose of me showing you this is to show you I'm calling B.S. on that politely and nicely, because she's just misinformed and she's going to find out soon enough what the deal really is. Okay. So let's say I'm looking for a homes right now that are selling for under 150 grand. And let's make sure these are houses and let's make sure they're not complete wrecks. So let's say minimum price 125. So we're looking for properties that are currently on the market in Saint Louis area, 425 $250,000 is 174, which would tell you maybe Saint Louis County. Saint Louis is a good market to buy rental properties. And I'm not saying again, I'm not saying a rental houses are bad and evil. I'm going to show you let's just compare a house to a vacant lot, shall we? All right.

Joe: So some of these have been on the market for like less than two, less than a day. Let's change this a little bit to maybe narrow them down to. Well, the thing I like about Redfin is you can do a search here for like the keyword motivated. Let's look motivated. There's one home. This home has the word keyword motivated in it. They're asking 147. This is it's in Illinois, it's an okay area. There's other keywords you can look at. Let's try out TLC. There's three homes, TLC, This one's a short sale. This is a great house right here. This has been on the market. It's a great neighborhood area of town. It looks like a nice house from the outside. And it's been on the market 141 days, three bedrooms, two baths, 620 square feet. Their asking price is 145. But look at the pictures and I'll make the make it a little bigger here and you'll see why I like deal check here in a minute, because it's going to save you when you're analyzing rental properties. It's going to save you a ton of time. And you can see this house just needs cosmetic work, really. Right? Doesn't need a whole lot. This might be a great rental property. Let's see here. All right. I'm going to just take this address, copy it, and let's put it into this deal. Check software. I'm going to click Add property and I'm going to do import property data and put the address right here. Click search and deal. Check will pull this property up again. Joe McCall dot com slash deal check. And you're going to be glad that you if you're doing houses this is good to look at so this is giving me here the property it was built in 1966 brought all of this up right Three bedrooms, two baths, an attached basement. I wonder what a detached basement looks like. Or maybe the parking. Okay, The parking is attached in the basement. Okay. All right. I guess that's what you call that. I call this a split level, right? When you walk in the door, you either go up or you go down. This has been back on the market, by the way. This look at this here. Looking for a three bedroom, two bath sugar garage. You come to the right place, wants to offer nearby dining access, shining wood floors, some newer carpet level backyard and large patio utility home needs, some TLC and some repairs. Special financing with six grand in lender credit be Painesville, so the seller might be getting a little motivated. All right. So anyway, let's look at this back at deal check Realtor.com, estimate 145. What it's listed conveniently right there. Renting as the rent estimate is about 1380 for this area. I think that's about right. Okay. Property taxes, two grand a year insurance, they're estimating 725 a year. No previous sale history. This is interesting. Nearby schools photos. It pulls the photos up from Zillow I think brings in the information. It was listed September 20, 20, 2000, recording us about four months ago. There is the listing agents information cool as Click Save property. And now let's put some numbers in for like if we're going to analyze this property and there's a few things you need to do with that, then as we're looking at this, let's go to edit property right here, edit property. Let's say we buy this thing for 140, You know, let's do this. We're going to make them an offer and we're going to let's make him an offer. 85% of what they're asking price. That's pretty fair for an MLS listed property. So they're asking 145 let's times that times 85%. So let's offer 123 250 and let's say they say, okay, fine, the after repair value on this property, let's say it's one because we're going to fix it up, make it nice, let's make it 155 Just I'm spitballing those numbers. I have no idea how we're going to use financing and financing. You know, when you get an some of you guys help me out here, you're going to put down 20% on a on a loan. Probably 25%, depending on how many properties you have, the more the better. And you're going to finance what's a good interest rate for an investor loan right now, 7%. Help me out here in the chat. Seven and a half percent. All right. Let's just do let's do 7%. Oops. Seven, 30 years. Okay, cool. What's a good down payment these days? Let's be conservative. Let's be friendly. Let's say 20% down 7% interest. This is an investor loan note, mortgage insurance called purchase course. You can have about 3% in purchase costs, rehab costs. You can itemize it here. Let's just say, you know, 15 grand to get this thing nice. That's going to be cosmetic paint carpet. I think that's actually pretty low. There's a tool I use in FreedomSoft that helps me come up with rehab estimates. But I'm going to do that. If you go to FreedomSoft and just put in the address added in as a lead, give some basic information. It'll give you a rental grade rehab and a fix and flip nice rehab based on how much you want to put into it. But let's just let's say 15 grand to get it rent ready. And it's almost rent ready as it is now. But let's keep it at that. Let's say the gross rent. You can view recent rental comps right here, which is one of the cool things I like about this. This is the property and you can bam right here. Look at similar properties from a map what they're renting for and rent cast. This is service I guess they use, they're saying 1380 a month. It ranges from 1250 to 1510. The average list from what they're showing down below is 1340. If you look at rent per square foot, it's about 1800.

Joe: So you just can kind of look at this. I'm going to say I'm going to make this nice. I'm going to set the rent at 1500 a month. Some of these homes are, you know, less than a mile, two miles away. So I'm going to do 1500 a month. Let's go back to edit property. Where does that go? Right here. Let's do most have 1495. How about that? Vacancy rates are 10%. Cool. Other income, no operating expenses. I like to itemize this. All right, so taxes are going to be 2000 a year. Insurance about 725 a month. Roger, I. We are. Dana, will you help Roger here? He says we never respond to his comments or answer the questions. Roger, maybe you just got on, but I've been answering a lot of questions here from the chat. Yeah, I think he wasn't able to open the links. I'll see if I there email him or something. Okay. Sorry, Roger. We're doing our best. All right, So 725 a month or a year for insurance property management, 10% maintenance, percent of rent, you know, 8 to 10%. I like 10% capital, future capital expenditures, at least 10%. These are things, again, you're going to replace a water heater or a roof or whatever, 10%. All right. Let's go back. And we're figuring 644 a month of operating expenses, long term projections, 3% a year. I think that's okay. Income increase, you're going to increase. The rent expenses are going to increase a little bit. When you sell it later on down the road, you're going to pay realtor commissions, let's say 6% there. Now we're adding in depreciation. So this is where the real value of owning rental property for the long term is. As long as it's a long term play. This is where the value of owning rental property comes in because you can write off and it helps offset your taxes. We good there. All right. So let's look at buy and hold projections. Well, let's look at the property analysis first. Here is the analysis. You need 43 grand to get this property. That's down payment money and rehab money. Okay. Now, there's different ways, you know, you could maybe buy it with hard money and then refinance it. That's getting a lot harder to do, by the way. But your real cash flow on this deal is $25 a month. That's your real cash flow month and your cash on cash return on this deal. I'm telling you, it's not 30% you're looking at. This is pretty bad, less than 1% cash on cash return. But let's look at the numbers here. Okay? If you're buying over 123, you're financing this, you're getting down payment. So your purchase costs are about $3,700. Your rehab costs are about 15 grand. So this is your cash needed, 43 grand. Where's it going to come from? Maybe you've got it sitting in a bank account. If you borrow the private money, if you borrow all that money private from a private lender, you don't have any cash flowing because now you're paying them something. Well, let's say you're lending, you're paying. You know, you're amortizing this over 30 years. Here's the numbers. Okay. GROSS rents 1495. You have vacancies and you have operating expenses, which is going to be about 49% of your income. Yeah. Dan says that $25 is burned up with gas after two trips to the property and Home Depot, your loan is going to be 656. And if you open up any of these things, it kind of shows you what this stuff is. But I'm telling you guys, these numbers right here, let me zoom in. This is what you don't see. If you were to Google turnkey rental properties, let's see who comes up. Here's somebody in Saint Louis. Now, hopefully I'm not offending somebody by this. Here's a turnkey rental property for sale. Let's look at the details. I don't know. This may just be a property right off the MLS, but sometimes they give you a numbers projections and they're smart. They don't. But okay, if I had more time, I would find some of these and show you the horrendous mistakes of some of these turnkey providers do with their properties. Here we go. Let us look at maybe some of this is new construction. Maybe. I don't know. See here, This is a property in Detroit, Michigan. There you go. It's a great market to be in. It's a nice house, though, right? You buy this thing for 19, 100, 19,000. The rents for 1200 are all good. That meets the 1% criteria. This must be a great deal. They're saying a 35% cash on cash return, $264 a month in cash flow. They call it B.S.. All right. But here they're showing you total investment would be this because it doesn't need any repairs. So that's good. Let's see if they tell you anything more about the property here. Financing options, property management, company investment terms, buying process. So they don't show you anything about this numbers, how they came up with this I just call B.S.. Maybe you'll be managing the property yourself, but this is no way.

Joe: See what my point in bringing this up is? And God bless Martel turnkey. Whoever they are, They don't show you these things here. Most turnkey providers don't. And this is what frustrates me with some of these late night gurus. You've got property taxes, you've got insurance, you've got vacancies, you've got maintenance and capital expenditures. Guys, I'm setting aside 10%, which is only $150 a month, $150 a month times 1250 times 12. That's only 1800 dollars a year over three years. That's 50 $400. Guess what? You have three years of just one thing to go wrong, like a roof, water heater furnace, a leak. You have to replace vanities, you know, re fix all the mold in the shower and things like that. Stresses me out just thinking about it. Even on a good property like this, you're doing good. If you get if you break even, you're doing good. All right. Anyway, net operating income, your cash flow on this thing, 25 bucks. If I were to run these same numbers on this property, I bet you not this one. I bet you my cash flow would be zero at a negative, especially in this neighborhood. Somebody here says, Oh, never mind, I won't say it. Somebody was saying something not nice about Detroit. I don't know. I mean, can you really? This is a three bedroom, one bath. It's a 915 square foot house. Can you really get 1200 dollars a month for 915 square foot house in Detroit, Michigan? Maybe. Maybe, maybe. All right. So back here to this, these are the kind of numbers you need to look at, right? Let's look at the cap, the investment returns. You're talking about cash on cash return, less than 1%. This is kind of the bit my favorite number to look at, cash on cash return. And what is how do you define that? It's your yearly cash flow divided by your total cash invest. Real simple return that this is really this is your this is a return on your cash. How much cash are you getting back as a percentage of the cash you put into the deal? Okay. Very important to know that number. Rent to value is good. Now, here's the cool thing about deal check is you can have purchase criteria. So you can say, all right, well, I want some criteria I want and you can set these up. I can edit the criteria here. You can say, I wanted to pass the 1% rule, which means the rent is at least 1% of the value of the home. 50% rule. That's like we'll look at that. I mean, I'm pretty sure that's it's got to pass. The operating expenses need to be less than 50% of the gross annual rent. So one of my criteria was it has to be cash flow more than $100. And the cash on cash return needs to be more than 10% of this example. And it failed both of those. And you could go in here and edit criteria and you can say these are all the criteria you can put in there. You could say, well, with the purchase price, cash needed 70% rule 1%, 2%, rule 50%. Real cash flow. Boom, boom, boom, boom. Cash on cash return. All right. And then there's financial ratios you could put in as a minimum criteria. Let's go back to where we were on this thing. So this isn't going to work. This isn't a good deal. Let's look at buy and hold projections. This is where if you're holding this kind of a property long term, this is might be where it makes sense. So your expenses by year end, you can see it goes one year to five, ten, 20 than 30 years over here. Okay. Operating income, your cash flow per year is $300. Not too great. But what's happening here, you're getting a lot of deductions from depreciation, loan interest and operating expenses. So you get to write off 19, almost 20 grand a year from your taxes, your income. Not bad. And you also have you're building up equity. So your loan, your tenant is paying the rent for you. So you're building up equity in the property, which is good. You know, year five, you got $86,000 in equity. That's significant. That's really good. And if you sell it on year five, you know you're going to walk away with a total profit of year five of $35,000. Not bad. Better than a punch in the gut, better than a poke in the eye with a stick. And if you hold it for 30 years, you're going to make your total profit on this deal will be $405,000. That's really good. This is why when you buy a rental property, you need to look at the long term buy and hold wealth building factor of all this. All right. So anyway, the cash flow does grow over time. Pretty good. I love this, right? Because it helps you really see what these properties are like. And then you can look at sales comps here if you want. You can it pulls up comps for you on these properties. You can do rental comps as well right here. You scroll all the way up. So the cool thing about these rental comps is when you're putting together a report. If you're a realtor or if you're a wholesaler and you're selling your property, you can put together a ten page report summary of this property and give it to someone. I'll show you what that looks like in a minute. Here you can see the owner records from county records. It pulls up some information from the county records. Sometimes it gives you the owner information, sometimes it doesn't owner look up. You could look that up if it's available. What think it is, it's not showing any sale history or any current owner information. That's fine.

Joe: All right. Let's look at offer calculator. One of the cool things about this is if you if you're super Christ like if you're it's really important that you want to have a cash on cash return of 10% then that means you need to buy it for $73,000, not 123. So it tells you what you need to buy it for. If you're if you're if you have to make $250 a month net cash flow, then you need to buy it. The number will be a little different there, won't it? So I'm going to uncheck cash on cash return. And so then you need to buy it for $78,000, not 123. So it's pretty cool how it does that, right? Again, I always like cash on cash return. Let's say you're happy with 8% while you're still then you're limited by the cash flow there. So really nice how you can calculate your offers. And then one more thing I want to show you here is you can create a report. So let's say you're a wholesaler and you're selling this property to somebody else and you marketing it. You can create a PDF report and I'm going to copy this link and put it in a Zoom chat for you guys. Those of you that are watching on Zoom, you can take a look at that. And let's also just look at it here and what it looks like. This is just a link that you can send to people to review the property if you're selling this deal. So you might be a realtor selling these rental properties. It's really cool. And I'll show you what the PDF of this thing looks like to just download the PDF and I'll open that in a minute here, but this is a link that you can share. Go back here with, you know your prospective buyers. It explains the cash needed, the cash flow, the cap rate, the cash on cash return. This will be a hard deal to sell. Maybe if I fudged on the numbers and did what these guys did at Martell, I can make the numbers look pretty good. All right. Sorry. Here's a map. You can view a satellite, zoom in on the properties next to, you know, an industrial park, a what do you call it, a junkyard or something? This looks like a good area, right? This is a nice area. This is a good long term buy and hold. All right. Anyway, you can look at all the numbers are going to be right here, just like what we were looking at before. Pretty cool. And when you're showing these reports, it's really important that you under-promise and overdeliver. So if the rents are going to be 14 to 1500 a month, you should tell them the rents will be 1400 a month. If the repairs are going to be 10000 to 20000, then you need to put 20,000 in these reports. So this thing is a link you can email to people and it has your contact information. It has it has all of the for sale comps, all of the rental comps that you put in here. And then at the very end, this got the pictures that came from the listing and it's going to have your contact information at the bottom if they want more information about the property. So here's a PDF, it's 16 pages, which is super cool. I don't know why I'm talking about all this, because some of you are going to like you're going to be using I did a did a class with a lady, Alicia, and we were teaching people how to make money as a realtor selling investment properties to investors. And she started using this report and just fell in love with it because her buyers were going crazy over how beautiful and amazing this report was. And she was just finding deals off the MLS's or from investment groups like Facebook groups and then sending them out to her clients and they're going goo goo eyed and crazy because she's sending these to doctors and dentists in California who like numbers and they're looking at this and thinking, this is amazing. All the property analysis and returns. Okay, cash flow, boom, buy and hold projections. Love it. All of your ratios, cash flow over time, equity over time, and then a page or two pages of the recent comparable sales. And you can choose which ones to choose chosen not show like maybe not want to show the $30,000 one and then list of two pages of rental comps. And here it's showing the estimated average is 1790. I put in there 1495. Right. So you can see you can you can pick and choose which rentals to show as comps uploads all of the photos into this final information and then disclaimers, and then your information is at the top. All right. So that's pretty cool.

Joe: All right. Now what I wanted I wanted to compare like if you were to go buy a property like this, which isn't a bad deal as long as you're doing it long term, but you got to be aware of what the numbers really are. And if you're interested in cash flow, well, okay, you can buy a house, but you're going to be all in this thing for maybe I don't remember the numbers, you know, after repairs and all that you're going to be all in for. Let's just look at it one more time here. Sorry. You're buying it for 123. You're putting 24 down. You have 15 grand. You're going to be all in for 130 $840,000. Okay. You're going to be all in for 140 and it's worth 150. So you're now in debt by $98,000 and you've got. And you've used up $43,000 of your own cash. You have a loan of almost $100,000, and you've sucked up $43,000 of your own cash. That's a pretty deal. I mean, that's a pretty bad deal to get just $25 a month in cash flow. What would happen if you did a vacant land deal? Let me share this number. If you're a student of mine in the land course, you'll have access to the spreadsheet. And if you watch my webinar, I give you this spreadsheet away for free in the webinar. If you've got a simple land class dot com simple land class, it's in the webinar. Again, if you're a student watching this right now on Zoom and you have my land course, you get access to this. It's included. It's in there. All right. Anyway, so here's some approximate numbers. This is a typical land deal. Let's say it's five acres. It's worth 20 grand. I'm going to buy it for 25%. I'm going to buy it for $5,000. And if I sell it with owner financing, I must sell it for 105 grand. If I sell it for cash, I must sell it at a discount. I'm gonna sell at an 85%. So I'm buying it for five and I'm selling it with owner financing for 21,000, or I'm selling it for cash for 17,000. And if you figure average closing costs, my total cost to purchase is 60 $500. If I wholesale this deal, bam, I'm going to make it $10,500 profit. If I wholesale this thing for cash at a discount. Not bad, right? That's pretty good. What if, though, instead you sell it with owner financing again, sometimes a quick nickels, better than a slow down, but that slow down is also good. It means more money. What kind of cash flow can I get from this deal that I only have 60 $500 in instead of the $43,000 I'm in on this house? Well, let's look at this. Let's say I sell it with owner financing. Five years, I charge 11% interest. I'm going to get about 10% down when I do this. So note my cash out of pocket is really only 40 $400. Now, look at this. I'm going to be receiving from that buyer $410 a month. I don't need to take out vacancies, maintenance, repairs, future capital expenditures, insurance, no taxes. Taxes are like a hundred bucks a year. No, that is almost all pure cash flow. Now, unless you've borrowed this 40 $400 from a private investor or your credit card, obviously you have to pay that back. But you can pay that off in ten months, ten months instead of 30 years. So in less than a year, you've got this property free and clear, right? No debt. Now, let's say you have the cash. Most of my students probably have that cash or have access to it. You're looking at $410 a month in cash flow. Now, here, remember, we're talking about cash on cash return. All this is beautiful. Let me zoom in so you guys can see this number. Your first year cash on cash return, 108%, 108%. You know what that is? That's the amount of cash you put into the deal and how much cash you got back out. You if you're paying this with your own money, you're putting in 4400, you're getting $410 a month back in cash flow. You're getting 108% on your money. You can't do that anywhere else. You can't do that anywhere else. You can't do that in the stock market. Maybe you could do that in the crypto market if you're lucky and you know what you're doing and you're pulling out your hair with all of the stress that comes with that. But 108% brother, my man. Right. Total ROI, 311% in your cash, you get your money back in less than a year, 1.7 years. Look at this. Let's say your goal is to make 120 grand a month in passive income. Hmm. So if your passive income goal is 120 grand a year and that means ten grand a month, that means you need to have 24 of these properties. Well, let's say you do one deal a year. Oh, sorry, one deal a month. In two years you will be you'll have enough passive income from your properties just buying one deal a month that you could quit your job. How long would it take to get $10,000 a month? How many of these properties at $25 a month would you need to own to get to ten grand a month in passive income? This is just for you know what? And grins. Let's look at ten grand a month divided by $25. You would need 400 of these properties, right? You need 400 of these homes to get the same cash flow from 24 of these little five acre vacant lots. Can I get a witness? What if you do two of these deals a month? One every two weeks. In about a year, you'll be sitting at over $10,000 a month in cash. Now, to prove it to you, one of my students, if you go to my YouTube channel and you all should be subscribe to our YouTube channel, right? Just go search for Joe McCall. That's not me right there. That big, muscular guy. That was not me. Just in case you're wondering. So here I am, live right here. If you go to my videos, do a search for my good buddy Phil, Phil Marsh. I interviewed this guy about a year ago. Really good interview here. I'm going to put this link to this video in the Zoom chat for you guys watching right now on Zoom. My buddy Pace, I love Pace. We don't always see eye to eye, but Pace is a solid dude. Nobody works harder than pace. He's great.

Joe: All right. So anyway, skip the ad. We do disagree on things. Pace says. That is good. It doesn't matter as long as the cash flows. So we just have a different philosophy. But here's Phil. I interviewed him. In less than a year. He's over ten grand a month in passive income from his properties. He used to do a lot of houses. Solid, simple dude, he lives in the middle of nowhere. Illinois. No offense, Phil, but he lives in Springfield, Illinois. Super cool, dude, and he's still active in the business. I was just talking to him a few weeks ago. All right, so back here to this, is this doable? Can you imagine? Can you picture yourself doing this? I think so. I think it's very, very. All right. Let's do I'm gonna show you one more spreadsheet here, because I told you guys I had two of them. And we're going need to wrap this up here and going a little longer than I expected. By the way, this spreadsheet here that you have, if you're my student, and also I think you get this spreadsheet for free when you watch the webinar, if you go to simple land class dot com simple land class dot com, you will see my webinar. And in that webinar I give you a mind map and that mind map has a link to this spreadsheet. So from here you can also I'm not gonna do this right now, but you know, if you're doing direct mail, which I recommend, how many, how much direct mail would you need to do? 120 grand a year. So I just kind of and if you're just wholesaling these things, we kind of look at you want to do 120 grand a year, you need to send about 369 letters a week. Well, yes, Springfield is the capital of Illinois. I was just teasing. Of course, it's not in the middle of nowhere. I have to give anybody in Illinois had to give them a hard time because I live in Missouri. Okay. So this spreadsheet here, sorry, Robert and anybody in Illinois that I've offended, I'm sorry. Go Cardinals. So this scenario real quick is what might happen if you buy with owner financing and sell with owner financing and you give the seller two options when you buy. So normally when I make an offer on a property, I'm making an offer to buy it with just cash. That's it. But what if you gave the seller's options? What if you said, you know what, I can buy it for cash or I can give you more and buy it with owner financing When you go look at vacant land? Let's look at this here. Let's look at I'm in Saint Louis County area. I'm going to zoom out. Let's look at instead of the pricing here and let's look at land and let's look at I'm going to have to remove the keyword there, TLC. Right. Let's look at lot size, minimum, five acres, 350 vacant lots right now, over five acres. Now, I like to sell cheap, rural, recreational, vacant land to people who want to go hunting right there, four wheelers. So I'm not going to buy this make an offer on this one for 1.65 million. That's to a homebuilder or this one for 1.751.17, rather. You know, I'm looking for recreational vacant land an hour or two outside of the city. So I kind of like to limit my price sometimes here. Let's just limited 250 grand, 150,000, because that's going to narrow it down a little bit. And I want to zoom out a little bit because I want to be an hour or two outside of the city now. I got 383 homes here. What if we then also say, all right, it has to be on the MLS for more than 90 days, 285 Bam. Okay. Some of these are real cheap. These are maybe some infill lots. I don't know. It's kind of weird, but you can buy some of this land right now for 16, 15, 17 grand. Now it's out in the middle of nowhere near Springfield, Missouri, tongue in cheek. But yeah, this is what we're looking for, right? So if it's listed right now for 99 and it hasn't sold yet, I'm going to probably want to sell it for 15 grand, maybe 18 grand with the owner financing, just kind of throwing some things out there. Okay. So anyway, this area by Lake of the Ozarks, the Ozark area of Missouri, this is a great place to buy and sell property. But zoom out a little bit more. Look, there's a 151 properties in this area and you say, well, okay, there's a lot of actors, but do things actually sell? Well, let's take a look at that. Let's see how many have actually sold in the last six months. That's a lot. Six months in the last six months. And these are just five plus acres. You wonder, is there really demand? I thought the market was going down. Everything's slowing down. I thought we were in a recession and the days on market are going along and the interest rates are going up. Why would anybody Everybody's losing their jobs. Everything is falling apart. Why? Who buys who still buys land? I don't know. In the last six months, there's been 350 of them in this southwest corner of Missouri and parts of Arkansas, 350 in the last six months. What if we change this filter from quarter acre and up 1600 vacant lot. 1600. All right. Well, Joe, that's six months. Let's go back instead. I'm sorry. Let's go back three months, 90 days, 624. So you see, there's a big demand even still in this market. There's a big demand for vacant land, rural, vacant land. How do I know this is rural? Well, maybe a quarter acre isn't, but five acres, 150 properties in this map area, the southwest corner of Missouri, little bit up in Arkansas, they're under 150 grand. I mean, if we make this 300 grand, 204 properties that have sold in the last three months. All right. So we like to follow the demand, Right? I if I zoomed out some more, you know, I'm probably not going to do much in this area. I'm going to do more in this area because there's more. And Zillow does maybe a little better job of kind of showing where the sold is already one of. Focus on the areas where a lot of activity is happening. All right.

Joe: So anyway, I wanted to show you like, okay, this works. This is really good. Now let's say you find a property, it's worth $35,000. I usually make an offer at 25 to 35%. Now, I'll tell you this too. This only works for maybe the more expensive price properties. This isn't going to work as well for the property that's worth ten or 20 grand. I would recommend, like if it's got to be worth around 50,000 or more, let's say. Okay, just to use that number for now and the more expensive it is, I'm not going to offer 25%. I might offer 35% on something like this. So let's say it's worth 50. I'm going to offer about 35%. Never, by the way, offer more than 50%. When you're paying cash. 50% for vacant land is always, always, always going to be your max. And that's only in the more premium price properties. Okay. That's a big, big rule. Now, here, look at this. I'm giving them two options offers, one for cash at 17, five and one where I double that for owner financing. Let me show you what happens. Let's say you negotiate with the seller, you're going to put 5% down. Well, and you don't have 5%. So it's only 750 bucks. It's not that much money. You can get that from a credit card, from a friend, whatever, private investor. So that means you put 5% down. You can make that zero two if you want. You can maybe offer them more with zero down. Doesn't matter. Let's keep it 35% and you'll put down because normally buyer seller is going to want some money down, they're going to want some interest. So I'm going to finance this thing for five years and I'm going to pay them 4%. You could do more if you want, but it affects your cash flow. Look at the numbers here. All right. So cool. I'm going to be paying that seller $612 a month. That's a lot. But wait till you see when we sell it, what's going to happen? And by the way, when I'm buying these things, I give myself nine months. I'm sorry, three months too close. So I'm not going to start making payments until I have a buyer. I don't close on that property until I know I have the buyer. So I'm going to sell. If I sell it for cash, I'm going to sell it at 85% current market value. So I'm going to get a wholesale profit after paying closing costs and after even paying an agent to list it for me, I'm going to make a wholesale profit on this deal of 18,007 50. You should be shooting for a minimum of $15,000 when you wholesale land. Ten grand is okay to. All right, but that's pretty much where you want to be. If I offered 45% on this property, make my wholesale for profit would be not bad. 13 750 So you've got some room there, you understand it's got to be where there's fewer buyers on the more premium price properties. Kind of depends on where it is. Let's say you're offering 35% cash, 70% with owner financing and let's say you're owner financing it, so you're paying that seller 612 Well, let's look at on the sell side of things. Let's say you sell this thing with owner financing and I'm going to bump the price up 10% because this is a you know, when you when you know, like if you were to sell a house with granite countertops and in stainless steel appliances, you can charge a premium for that. Right? When you offer financing, you can charge a premium for financing as well. So let's say we sell it for 110%. We get 10% down from our buyer and we do it five years at 11% interest. Here's the arbitrage play. We talked about arbitrage before, right? I'm charging 11%. I'm paying 4%. So my payment collected from the buyer is $1,076. What's my cash flow boom? There you go, $464 a month in cash for my setting aside any money for vacancies, maintenance, repairs, capital expenditures, property management. No, no, no, no, no, no. Total profit on this If I sell with owner financing is 31 grand now my profit of I wholesale it was 18 grand, almost double if I sell it with owner financing and if my goal was to get $120,000 a month in annual cash flow, how many of these properties would I need? 22. So if I did one a month, just one a month, you should be. If you're focused on this, you should be doing one a week if you're really, really hammering up this hard. But you know you're doing it on the side. You're not losing your nights and weekends. You're doing it part time, you're having fun with it, doing one a month. You should get there in two years, two years doing just one of these deals a month. Now you should know what seller in their right mind would ever accept a property at $0.35 on the dollar, Guys, I don't know. We do them all the time. I have students that do them all the time. You're going to get let's say it's one out of conservatively, one out of 30 offers. We're at about one out of every 20 to 25 offers. Get accepted. Let's say you're one out of 30 offers. Let's say you're one out of 50 offers. It's a numbers game. All right. So if you want to do one deal a month, guess what? You have to make 50 offers every month. Not a big deal, because when we make offers, we don't talk to the sellers until after we send them an offer. We send them an offer if they're interested, then we talk to them. Now, this is amazing. This is what gets me excited now. Disclaimers here. You can get a spreadsheet to tell you anything you want to tell you.

Joe: All right, I need to hurry up and get off here. My team is texting me. You can get a spreadsheet to tell you anything you wanted to tell you. So with all the disclaimers of that, I'm not a professional advisor. I'm not a tax accountant. I don't even play one on TV and I'm not that smart. So take those spreadsheets with a grain of salt. Verify. Test everything. Test it. Check it out with an attorney, with a tax advisor and all that good stuff. Cool. You know what I'm going to do? If you're watching this on YouTube right now, I'm going to put these spreadsheets in the description below on the video. How would that be? Would you guys like that? If you want those spreadsheets, I'm going to put them in the description of this YouTube video. I just asked that you subscribe to my channel. Subscribe to my channel. Give me thumbs up. If you like this stuff. I appreciate you guys. And also watch my webinar. I did a whole webinar. I teach you how to find these deals, how to sell them, how to make offers. It's very, very simple and easy. I love this business because I don't have to be the one talking to sellers. I don't talk to them until after they get my offer. All right. Question from Stephanie Is it easier to sell vacant rural land than in the suburbs? It depends on the property. I think it is, yes. Now, having said that, you can still sell quarter acre lots in the suburbs as well. Kind of depends. Okay, guys, appreciate you all. Will see you later. Take care. Comb your hair and subscribe to my YouTube channel. Down below, you'll see a link where you can get these two spreadsheets I just gave you guys. We'll see you.