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1299 - 5 Mistakes When Making Offers on Vacant Land You MUST Avoid!

Hosted by: Joe McCall

Joe:

Hey, guys. How you doing? I want to share with you the five biggest mistakes that you need to make sure you avoid whenever you're making offers or buying vacant land. And if you ignore this, you're going to be ignoring it to your peril because it's really critical. You understand what makes a good deal a good deal, what makes a bad deal a bad deal. And we're going to be talking about that right now. So one of the things that's important, as you're doing your due diligence on properties, obviously, is to know who is on title. And this is a big deal with land. And for some reason it's sometimes harder to get cleared marketable title with vacant land than it is for houses. So one of the questions that often comes up is, I got a great deal, but the person who signed this contract is not the owner on title, or Mary and George and Jim Smith are on title, and only Mary Smith signed the contract. Is that okay? Or Jim Smith is on the deed and he died five, ten years ago. And the kids now, you know, own the property and they signed the contract. So what do you do? And this is a this is a big deal. Obviously it's a good question. A lot of land investors, they do their own closing. So they do the paperwork the deeds themselves and then close the deals themselves. And I don't actually recommend doing that. All of my land deals I've ever done, I've always we've always use title companies because of issues like this. And every county is different where some counties may have certain paperwork that needs to be filed to clear the title. And there's different ways and places to go to do title, deed search and stuff like that. And bottom line is I don't want to worry about that. Right? I don't want to ask how, I want to ask who. So when it comes to making sure the title is clear, that's very, very important. It's one of the main, most important things in the due diligence process when you're looking at land. But you don't have to learn how to do it. There are companies that you can hire on Fiverr.com, believe it or not, that can do title searching for you, but you still have to be the one to make that decision, so why not? I'm saying why not just hire a title company and have them do it for you? That way when you close that deal, you know you have a clear and marketable title on it. You have title insurance, and then when you turn around to sell it, you're good to go, even if you're buying it for five grand and it's worth 15 or 20 grand. I still recommend using title companies. But you may be thinking well, and I don't want to pay a thousand \$2,000 in closing costs. But you know, it's okay when we're making our offer. We're starting with what price can we sell it for? And then we're subtracting all of our costs. We're subtracting closing costs, our profit. Realtor commissions, any private money, interest payments that we're having to make to a private investor, etc.



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Joe:

So that's how we come up with our offers. We build it into the price. Okay, so go ahead and build \$2,000 into your price for closing costs for using title companies. This makes everything so much easier. So it's really important. And here's the other thing I'll say too. If there are title issues okay, I'm not going to spend a bunch of time and energy on that deal. A lot of times I just go back to the seller and say, all right, these are this is what my title company said. This is the problem and this is what you need to do when you get it figured out. Let me know. Let's talk again and I'll actually buy the deal or I'll give you a new contract or will extend it or whatever. So sometimes what we'll do is we have 60 days, 90 days to close normally, but if there's title issues, we'll tell the seller, let's just go ahead and update this contract. Let's put it out there for six months. You'll take care of it before then. So we might do an amendment or adjust the closing date out to be six months, contingent on them actually clearing the title. But then what happens is usually there's a you don't want to just give the title company and say, all right, and tell the seller what they need and then let them work it out between themselves. If it's a good deal, you need to be kind of actively involved in this. So kind of depends on the deal. If there's a lot of large spread in the deal, then I'm going to be actually be more involved with working with the seller to make sure they get the paperwork and the stuff signed that they need. If it's a marginal deal, there's not much equity in it. I'm probably just going to pass, because a lot of these title issues can take a really long time to clear up and work out, so that makes sense. There's a lot more in here that we're going to talk about. We're going to go look at some land here just a minute, and I'll show you some of the other things you need to look for as part of your due diligence. All right. All right. So just driving around and I live about 20, 30 minutes away from here. And I found a lot for sale that I thought, hey, this looks pretty good. They were asking \$40,000 for it. It's a three acre property, beautiful wooded area looking at all the pictures. And I'm thinking, this looks really nice. Let's go check it out. Right. Maybe we can make an offer on it now. It has been on the market probably 280, 290 days. So something's going on. And you look at the price drops. It was dropped from 60 to 50 to 40 in the last nine months or so. And so we thought, let's just go look at it and figure out what's going on. Why hasn't this property sold yet? Why do they keep on dropping their price? And we were wondering like, well, maybe we know we could make an offer on this property with more creative terms. Maybe. Maybe we could make an offer on seller financing and then get it under contract on as a seller finance deal, and then maybe sell it on seller. Financing or sell our contract to somebody else. But there are certain things that you need to look at with vacant land before you make offers. I mean, even if the seller were to sell you a property for a dollar, or sometimes it's just still not worth it. Okay, so what are those important things that you need to be aware of? Number one is access. Okay. Does it have a road? Now looking at this thing. Yes. There's a road here. And so it obviously has access. The pictures from Zillow showed it on a road. It looked like it was very



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nice and accessible. So that was check mark. Right. But the second biggest thing is terrain. So what is the property like when you get there. You know can you do anything with it. Is it usable. Is there any utility to it. Okay. And as soon as we got here we realize, oh, this is why this property hasn't sold yet. And if you look and I don't know how easy it is to see with the camera, but you can see it drops off like a cliff. This is three acres, okay. But maybe 0.2 acres is actually usable because it drops off so steep there. Okay. And it's on a nice private road. Beautiful houses nearby, right across the street. I wish a property in this beautiful area was maybe more remote for me personally for my personal preferences, but this is just a quick, simple example of why this property probably won't work. Like, I probably wouldn't even want to buy this for a dollar because it's practically unbelievable.

Joe:

Okay, there's a lot of the homes here were built probably 40 to 50 years ago. It's an older, established neighborhood and all of the good lots have been taken, unfortunately. Right. So I thought, well, maybe this would still be a good deal because we could make an offer with creative financing, maybe make an offer \$4,000 down and \$200 a month until paid. Right? That is a great strategy. We're going to go look at another lot here and a little bit and make an offer with seller financing on that lot. But this one man, even if the seller would accept seller financing, I don't think I'm interested because like maybe 20% of this lot is actually usable and the rest of it just drops off like a cliff. And I know it's hard to tell from the camera, but it's pretty. I mean, like, even the video guy and I were talking about, we need to be careful not to get to walk too far off because I might fall down this aisle practically cliff over there. Beautiful area. But even at \$40,000, even if I were to buy it for 20,000 or \$10,000, still not a good deal because although it has good access, not very usable, the terrain is just not there. Okay. So we're going to get back in the car. We're going to go look at another property here, and I'll show you what might be a good deal and how you can actually take maybe a marginal deal and turn it into a good deal with the right terms. All right. So this lot is obviously a little different. Don't have the cliff. Very nice very flat. But I wanted to talk more about specifically what are the things that you need to look for when you're buying vacant land. And sometimes, you know, you can't go out to the property like we are now to put your eyes on it. But there's a lot of things you can do online for free to do this kind of research. Right. So again, here in this checklist that you can get for free it's simple. And kit.com I'm going to review with you just the few things you need to make sure you're watching out for. And we talked a little bit about it before. But the number one thing is access okay. This property obviously has access. There's a road right here that we're on okay. That is the most important thing. In fact, when I'm looking at a property, make an offer on it. If it doesn't have road access, I'm passing. I'm not even going to make an offer. And okay, the seller couldn't even pay me enough money to buy their property because it's got to have road access, plain and simple. That's the number one thing. The next thing is the terrain. All right. What does it look like now? This property is



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very flat and the trees kind of in the background. It's got good road access. So that checks that off. This is a there's a lot of different utilities you could do with this property behind me. It's probably five acres or so. And it goes into the trees. And you could build a house here. You could probably put a camper or maybe go hunting or something like that out here. So there's a lot of different use because the terrain is more useful. Right. The other thing that's important to understand, and I'm kind of doing this in order of importance, although this all matters. But the other thing is is it a floodplain or a wetland? Okay. This I can tell you just because I know the area, this is definitely not a wetland, not a floodplain. But how do you find out? How do you know whether it's going to be underwater or not? And there's a lot of different free resources that you can look at online. Again, if you go to simple and kit.com, I give you my tools and resources in there. I use a tool called map. Right now it's called land ID, but you can go there and you can just click on and off layers and it'll tell you if it's in a floodplain or a wetland right now doesn't mean that it's a deal killer. So if it isn't a wetland, that's not necessarily a bad thing because there are some parts. Maybe down in Florida it's a little warmer than it is right here, right now. But anyway, down there in Florida, we sold lots of land that's in a wetland or a floodplain, and that's what people want. And you can look and you can see, well, yeah, people are building homes around here. There is a lot of recent activity. So sometimes that area is this good recreational land. You know, they know they can't use it year round. But you know they might build something there but put it on stilts. Then maybe they go with their four wheelers once a year, a couple times a year to go mudding, just go riding in the mud or they want to. Place where they can camp when it is dry, where they can go to the river and just play. Right. So but it's really important, you know what you're looking at. And if you are in an area that's in a wetland or a flood zone, you know, are there other people still buying properties there? So it's not a deal killer. The road access is a deal killer. Sometimes the terrain is a deal killer. Like what we were looking at that last lot. But wetlands, flood plains, it just kind of depends. Okay, the other big thing you want to look at are the taxes.

Joe:

Okay. Are the taxes current? And usually with vacant land like this, taxes is not a big deal. Maybe a few hundred bucks a year. All right. In a really nice expensive area. Maybe it's a thousand bucks a year or something like that. But property taxes, you just need to know what the back do past due taxes are okay. So if it's we did a property, we made an offer on a property we didn't ultimately didn't buy it. But they had oh, they had over \$36,000 in back taxes. All right. Well that was a lot. But we had enough room in there. The reason why we didn't buy that deal is because of the it's just not in a good area. There's a lot of properties around the area that were sale. They weren't selling, but if it would have been in a good area, \$36,000 in back taxes, that's a lot of money. But we could have sold that thing for \$150,000, could have made a \$50,000 profit after paying the back taxes. So it's just something you need to be aware of. Okay. The other thing is you need to look at comps or



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properties in this area selling fast. Are they selling slow or are they selling it all? And even if you look at active comps and sold comps. All right. So what else do you need to know about due diligence when you're looking at land? Another big thing is HOA is homeowners associations okay. What kind of restrictions does the HOA have? Do they have any restrictions on like how many months out of the year you can have a camper on here? How many days out of the week? What are the hunting restrictions? Can you go hunt? Can you put a tiny cabin on there? Sometimes we have properties where the HOA dues are like 300 bucks a month. Well, that's because they pave the road. Maybe there's a clubhouse nearby. So that's going to be a property. You have to ask yourself if you buy it and you hold on to it for six months, why are you trying to sell it? Are you going to be able to afford the 2 or \$300 a month in HOA dues while you're holding on to that property? Right. This is an area that doesn't have any HOA dues. If there are any restrictions, it's more to the city or the county. But this would be a great lot because there's not a lot of restrictions here. You also need to look at what is it zoned for, and most of the time we're in an area where there's already a lot of people flipping vacant land, so I'm not as concerned about what it's zoned for, but that's something you need to understand. His own for residential, agricultural, commercial. Does it matter? Right. So you need to be aware of that. A few other things real quick. Are there liens or judgments on the property? How do you find that out? You just call the county. Just call the county up and ask them, are there any liens or judgments on this property or you're when you're dealing with it, when you close with a title company, we always do. We want to make sure that that the title company is pulling all that stuff up. All right. Utilities. Yeah. Is there underground electricity is or water. Does it have cell phone coverage even? That's a big deal. Now, these days, can somebody who buys this land and is going to camp on it or whatever, can they have cell phone coverage where they can get on the internet or whatnot? How close is it to electric? There's a big utility power line over here on the other side of the camera, so we're good there. Is there water? Probably have to do a septic system here. You just got to be aware of these things. Not that it's a deal killer, but you got to be aware when you're advertising the property, then that's what you're looking for.

Joe:

Okay. Final thing I'll say I've got two more things here to say is this what's the competition like in the area? Okay. Are there are a lot of properties down there a few miles out way that have been on the market for a really long time. Are you seeing a lot of good, healthy amount of solds now? What's a good, healthy amount to solds? It just I don't know, it just depends. But you know, if you're looking in the last year in a ten mile radius and there's been no sales, then that's not a good sign. If you go on a five mile radius or whatever, you zoom out and you start seeing more solds, that's a kind of a good sign. So look at what has been selling, what's been on the market. Is there something in the area nearby that's been on the market for a long time? Why what's going on. So you need to understand the



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competition. The final thing is this when you're looking at some land buy okay. One of my favorite things to do is find other people that are already doing deals in that area. Land funding companies, other wholesalers, other realtors, other people that are already doing vacant land and bring the deal to them and say, hey, listen, I got a good deal here. I think, would you want to partner with me on it? Right. Let's say you buy this, you make an offer on this land to buy it for 10,000 bucks, okay? And then you pull it out there and you say, hey, do you want to partner on this thing? I think we could sell it for 20. And if the funding companies, if the realtors or the other investors that are buying and doing land in the area doing deals, if they tell you, I'm not interested or that that's way too much forward. Okay. That's not a good area. You're going to find out whether it's a good deal or not, just by bringing the deal to other companies, to other people, to see if they'd partner with you on it, to see if they'd lend you money on it or not. Especially for houses. Okay, if you can't find a hard money lender that will lend you the money on the house, it's not a good deal. You need to get in it later. Okay, so if a funding company says no, we're not going to fund it. If you bring the deal to me and I'm like, no, that's not a good deal, I'm not interested in it. That's a good thing, right? You need to find out that as soon as sooner rather than later. So then you can go back to the seller, either cancel your contract or negotiate a lower price. Okay. So. Due diligence is very, very important. Make sure you get this checklist okay. Because it's going to help you avoid a lot of these costly mistakes. And if you want it again it's free just go to Simple Land Kit.com. Simple Land Kit.com and subscribe to my YouTube channel. Okay. Like I look forward to doing more videos soon and we'll see you later. Bye bye.