

Top Three Real Estate Secrets

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Think the insiders have some real estate secrets that you don't have? Maybe so.

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Some real estate secrets are right out there in the open for everyone to see. The second secret below, for example, is simply to make low offers. Real estate agents and others will argue that you just waste everyone's time because low offers just aren't accepted, but common sense and experience say that they do sometimes work. Other secrets are not so obvious, as this first one demonstrates:

The Value Is In More Than The Property

{bot_wrgoogle}Real estate prices are determined by the market. If buyers are paying \$200,000 for similar homes in your area, that's probably about what you'll get, unless you make your property better in some way. If buyers will pay \$10,000 more for a finished basement, for example, then it makes sense to finish that basement if the cost is say, \$5,000. When you think "better" however, don't limit your thinking to the property itself. How else can you raise the price?

You can raise your price by making the property easier to buy. This is one of the most overlooked real estate secrets. I once bought property for cash and sold it for 30% more a few weeks later simply because I sold it with easy payments. No cash? You might refinance your home to raise the cash. A \$18,000 lot, for example, paid for with money borrowed on your home at 6%, might be sold for \$24,000, with 9% interest, if you make the down payment and monthly payments low enough for the buyer.

The other way to make it easier for the buyer and so raise your price, is to sell on a lease-option. The buyer pays higher than normal rent, with part of that rent applying towards the down payment if he chooses to exercise his option to buy. The price is typically set according to what the house will be worth at the end of the option period (two years is common). With a non-refundable deposit or "option fee" and high rent, you do well whether or not the house is bought.

How much more can you ask when you make buying easy? It depends on a lot of factors, of course. Here is an example: a couple years ago, we wanted to sell a mobile home (with a lot) that we owned. Because these are difficult to finance, we figured we could get about \$36,000 cash. We sold it for \$45,000 however, by letting the buyer make a reasonable down payment and then making payments to us directly. We also are making thousands from the interest over the years.

The Secrets Of Low Offers

Making low offers can be a great way to get cheap real estate. But don't expect to make a few really low offers and snag a great piece of real estate at half-price. Be realistic in your offering prices, and use this two-step plan to make this strategy effective:

1. Find sellers likely to accept a low offer.
2. Make a lot of offers.

Start by identifying "motivated sellers." This can mean looking in areas that are temporarily slow markets, but primarily you are looking for sellers that need to or want to sell fast for some good reason. These reasons can range from needing to move for a job to just being tired of owning a rental.

Make a lot of offers. Most sellers - even motivated ones - will say no to an offer that is 15% to 20% below their asking price. This is what you'll often have to aim for, though, if you intend to flip the property for a profit, because transaction costs (commissions, taxes, closing, etc.) can eat up 10% of the value. This strategy will annoy real estate agents, by the way, and may even embarrass you. That is the price you pay for getting a great deal.

On the other hand, if you don't have a property in your hands by the time you've made 100 offers, you may be going too low on your offers, or targeting the wrong properties.

Counting Backwards

When doing fixer upper for a quick profit, you have to start at the end and figure backwards. The "end" is the sales price you are likely to get when you sell. Subtract all costs and your desired profit from this figure to determine how much you can offer.

For example, decide what a potential fixer-upper needs and then - with help if necessary - determine what it will sell for once you do the planned improvements and repairs. Let's suppose that this is \$225,000. Now you have to figure as carefully as you can what every single costs will be. These costs include buying costs, repair and improvement costs, utilities, taxes, interest on loans, sale's commission, advertising costs, selling costs, and anything else you can think of.

All of those costs AND the profit you want for your effort have to be subtracted from the projected sales price. This is how you arrive at the maximum price you can offer. This procedure is often ignored by investors even though it is one of the simplest and most important real estate secrets.

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