

A Case Study of a Real Estate Flip in California and, a Sample Letter to Owners!

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This transaction was done in Southern California in an established older neighborhood. A mentor I have did this one. (I will refer to him as wholesaler from now on) He had been out walking and saw this home in an expensive but old neighborhood. A nicely kept home in this area was well over a million dollars in value. He saw a run-down home and sent a letter to the owners, who called him. He went out to meet them and felt the home was needing a tear down. Sometimes, not even the best contractor can help a house recover.

A wholesaler or investor will send this kind of letter to a homeowner:

Dear SELLER'S NAME,

I am a home investor and I would be willing to buy your home and get you an all cash sale in just a few weeks. The home can be in any condition, and I will handle it on an "as is" basis. Call me to discuss this and time that I can come and see the home.

Sincerely,

YOUR NAME

The wholesaler then researched the comparable sales and really just figured out what a rebuild would cost, and also sell for. He does not like building from the ground up so he contacted an investor friend. He had already hammered out a price with the owner of \$775,000 as is. The would basically become payment for the lot in this old and established neighborhood. After getting all the facts, the investor friend who specializes in rebuilds or new construction was quite eager to move on it. So my mentor the wholesaler charged the investor \$50,000 and assigned the whole thing. He was then done with it. It investor proceeded after closing to tear it down and build a new home. Of course, he would maximize the land and build the most valuable home structure he could that were selling well in the neighborhood. The word is that this investor sold the final product for \$1,400,000. I do not have details of his costs and profits.

I do know that the seller was happy, the wholesaler was ecstatic, and the investor was quite happy. My acquaintance and mentor and the wholesaler told how he was in the deal for only a few days and earned \$50,000. That would have been paid to him when the investor cashed out

the seller, which is proper, and the investor no doubt did that in just a few weeks. One more thing, my guess is that the investor did not use any cash or credit either on this one to build the house. But I am not sure of that. Imagine you doing this, as a wholesaler with the letter above, and making this kind of money with just a few hours of work, and getting paid in a few weeks. \$50,000 will not be normal fees, but be rare; but the potential is there, and anything is always possible. Can you go walk a neighborhood and jot down addresses of run down homes? If you have taken the time to network with and get to know a handful of investors, who are active and can perform, then you are able to do what my mentor did. If you were the investor here, which you also could do, you would invest 5-8 months, and make a few hundred thousand dollars. (new home build) In my state, you can owner builder for yourself without a license.

You have every right to make the claim in the letter that you are an investor even if you only wholesale. You do not need money to make that claim, or credit. Are you getting this? That letter can be yours, just copy and paste it.

Case studies like this motivate, but are useless if you do not learn from them and act on them.

Greg Nichols, Owner/Mentor

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