



WEST FLORIDA REIA NEWS

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Know Your Exit Strategies

By Barbara Grassey

INSIDE THIS ISSUE

- 1 Know Your Exit Strategies
- 1 Scared Money Never Wins
- 4 Become a Member
- 4 Find Us

Having only one exit strategy for a real estate deal is NOT an exit strategy. It's a recipe for disaster. In today's market, you need at least three solid exit strategies before you close on a deal. Buy low and sell high works in a high volume, fast turnover market, but our market and the real estate market in general, is not at that level right now, no matter how much smoke the NAR blows up our skirts.

Most real estate investors are not volume dealers. On a national basis, the average investor buys five properties per year. Wholesalers flip 3-4 contracts per month. Franchise wholesalers (i.e., Homevestors, etc.) do more deals per month but they're still not buying in bulk and certainly not selling in bulk.

Which doesn't mean that buy low, sell high is not a solid strategy. But

Please see *Exit Strategies* on page 2

Scared Money Never Wins

By Barbara Grassey

There's a saying among gamblers that scared - or desperate - money never wins. It popped into my head when I was talking with a friend about a new investor we both knew. My friend had given this new investor advice that she didn't take and the investor lost out on a deal. I have another investor friend who had tried to help the same lady. He said at the time, "She doesn't listen."

And she doesn't. She asks for advice and then doesn't listen or only implements part of the advice. Net result: no deal or a bad deal, which can be worse than no deal.

She's a smart woman but she doesn't listen. I suspect the reason

Please see *Scared Money* on Page 3

*If you respect someone
enough ask for their
advice, respect them
enough to listen.*

Exit Strategies

Continued from Page 1

it's only ONE strategy. What happens if your buyer doesn't appear?

Time to drop back 10 and punt, as my Dad used to say.

First of all, let's get wholesaling out of the way. In wholesaling, you option a property and work to flip the contract to another investor, usually a fix and flip rehabber or a fix and hold landlord. If you don't have a taker for the property, you let the option die. Nothing lost except a little time and maybe a nominal amount of cash.

But let's say you contract for a property, close on it and rehab it. You're looking for your qualified buyer. You find one. They contract for the property but can't get financing (or more often, the promised financing falls through at the closing table). Do you start the search for a new buyer all over again? Do you have back up offers? Are you bleeding money on the deal? Do you need to sell the property outright or can you sell it on terms creatively -- Contract for Deed, hold the mortgage, lease option? Will the property rent at a positive cash flow if you can't sell it?

If you're a fix and flipper working with hard money, you're on a short fuse. Most hard money loans are for a finite period of time. Can you refinance out of the hard money yourself, either using conventional financing or through a private lender? Can you afford the payments if you extend the hard money loan? If it's a small loan, you may be able to do that. It's expensive money but it may not be prohibitive. For instance, a \$50,000 hard money loan runs about \$500 per month. Can you rent, lease/option or owner finance that property for 2-5 years and still make a profit? Probably yes.

Whatever you do, you need to have flexibility coming out the other side. Even the house you live in should be approached this way. If you had to move away tomorrow, could you rent out your personal residence at a positive cash flow? Most homeowners can't these days.

When you contract for a property, ask yourself:

If I can't find a buyer

1. Can I rent it at a positive cash flow?
2. Can I owner finance the property for 2-5 years at a profit?
3. Is there enough money in the deal that I can hold a first mortgage and immediately sell the note at a discount to get my profit out of the deal?

If the answer is yes to at least two of these questions, than go ahead. You've got yourself a deal.

Even the house you live in should cash flow if you ever need to rent it.



Always have more than one exit!

Scared Money

Continued from Page 1

for this is because she has a constant drumming in her head: “Gotta... Gotta. Gotta... Gotta make a deal. Gotta make some money.”

She’s in a tight financial situation and thinks she needs to hit big; she needs a \$40,000 deal out of the gate.

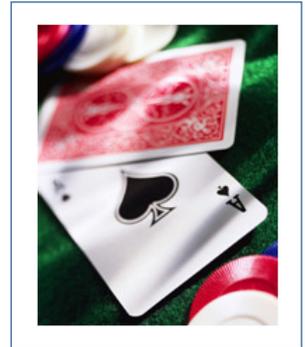
Do investors make \$40,000 on deals? Sure. Not as often as the TV gurus would have you believe but yes, you can and will make a \$40,000 profit on a house eventually. It probably won’t be on your first wholesale flip. Most wholesale flips net \$5 - \$10,000 for the wholesaler. Many are “small” deals in the \$2,000 - \$5,000 range. It’s great to hit a grand slam every now and then but baseball games are won on consistently hitting solid singles. Real estate is much the same way.

You don’t want to be in the position where you **have** to make a big payday. First of all, most of the deals you find don’t have that much spread or if it does, the money is 3-6 months down the road, after the property is rehabbed. Often big money is not fast money.

More importantly, having to make a big hit puts too much pressure on you and on the deal. You should always negotiate from a position of strength; you want to be a “don’t wanter.” **Having** to make a deal puts you in a weak position.

Financial stress affects your decision-making process and not in a good way. Under enough pressure, you literally are not thinking clearly. Your mind is racing and you will fail to take something into consideration or your desperation will cause you to discount risk and foresee an impossibly rosy outcome. Desperation makes you take risks you normally would avoid.

Real estate investing should not be a form of gambling. If you hear yourself thinking “I’ve got to make this deal” then slow yourself down. You need to be able to walk away. And if you respect someone enough to ask for their advice, respect them enough to listen to it.



“Real estate investing should not be a form of gambling.”

Become a Member

Not yet a member? You can join online at

www.WestFloridaREIA.com.

You can follow us online at [Facebook.com/WestFloridaREIA](https://www.facebook.com/WestFloridaREIA)

Next Meeting:

TUESDAY, JULY 8, 2014

Meeting Place and Time:

Sarasota Association of Realtors
2320 Cattlemen Road
Sarasota, FL
Doors Open: 6:30 pm

West Florida REIA Members: FREE

Guests: \$20.00

First Time Attendees: Free



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Coming Up:

Next month, we are discussing how much of your nest egg to invest, how the money you have to invest affects your strategies, and formulas you can use to weigh risk/reward and to guide your investing.

And oh yes, there **WILL** be spreadsheets!

In the Port Charlotte/North Port/Englewood area?

Our **Port Charlotte Sub-Group** meets every Thursday night at 6:30. Bring your deals, your questions, your experience. Pick up a new trick and talk shop with fellow investors.

Sub-Group Leader: Carol Pollard

Perkins Restaurant

1700 Tamiami Trail

Port Charlotte, FL

\$5 per meeting

FREE to West Florida REIA members and first time attendees.

VOLUNTEERS NEEDED

We can always use a helping hand!

We're looking for people who can help check in members, assist with coffee set up and break down and putting together our newsletter.

If you'd like to help, please email us at

info@WestFloridaREIA.com