



Sources of Real Estate Deals & Their Pros and Cons

If you are in the market for a real estate deal, where do you go? A successful real estate deal starts with *buying right*. As they say, “the deal is made going in”. The purchasing side of a deal is the only side you can control – if you don’t like the terms you don’t have to buy. It is better to have no deal than a losing deal. Let’s look at the four most common sources for discounted real estate and their advantages and disadvantages:

The MLS

Pros: 1) You are given the time to fully inspect what you are going to buy. 2) You are given the luxury of changing your mind if you don’t want it anymore - within the inspection period. 3) You can obtain conventional financing. 4) Many times, bank-owned properties are for sale at a lower price than the opening bid was at their foreclosure auction.

Cons: 1) Since the MLS is the most common place where buyers look for deals, you are not alone; once you identify a good deal you must act quickly and decisively. 2) If the property has been listed on the MLS, a detailed history of the property and the sale is available to anyone with access. If you are planning to fix & flip, it might be tough to explain to your buyer’s lender’s underwriter what you did to justify a 40% or 50% increase in value over what you bought it for. Many fix n’ flippers will not buy through the MLS for that reason.

Foreclosure Auctions

Pros: 1) You will own a property within 24hrs. 2) Providing you do your homework and are a disciplined bidder, you can get good deals.

Cons: 1) Must pay cash. 2) You have less than 24hrs to prepare for your bid. 3) Most of the time you will not be able to see the inside of the property. 4) Some properties are still occupied by the previous owner or tenant.

Note: for some reason there seems to be this thing about buying at the auction... like, “I ran a marathon,” as if buying at the auction guarantees a deal. Nothing is further from the truth. No one considers that maybe that guy who bragged to you about running a marathon took 19hrs to cross the finish line – know the details before you are impressed.

Wholesalers

Wholesalers are usually professional auction buyers (or sometimes “farmers”). They will buy the property at auction and then resell it for a premium. You can get on their list, and every time they have a property available you will be notified.

Pros: 1) You have more time to take a look. 2) Most of the time you can see the inside. 3) Many times they will help you acquire a hard money loan.

Cons: 1) A large percentage of the time, the premium you pay them is high enough to make it a non-deal.

Farming

Farming basically goes like this: you pick a neighborhood containing your ideal prospect properties. You then proceed to become intimately familiar with the people living there. Send them a card, go to their community meetings, knock on doors, get to know everybody; all this, with the intention of being the first to find a distressed seller to offer a solution to.

Pros: 1) You are the first at the scene. 2) Hopefully, you did a good job building relationships and you are *in* with the seller. 3) If you wholesale your properties you can do this business without any money of your own.

Cons: 1) It is very time consuming and has to be part of your life.

Conclusion

Hopefully, this gives you somewhat of a feel of what's out there. In principal, no one source is better than another. Much depends on market conditions and your personality, experience, and financial strength. Personally, I focus on getting deals through the MLS and the Auctions, those two avenues are the most conducive to me. Feel free to contact me with any questions or comments.

Good luck!

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As an investor himself, as well as a licensed Realtor®, Dimitri has over a decade of real estate experience. Dimitri's specialties include primary residences, second homes, investment properties, commercial properties and land. He has been recognized for being a Multi-million Dollar Producer, and is an accomplished Realtor® committed to superior results for his clients.

"Strive not to be a success but rather to be of value" Albert Einstein