

Thinking Outside the Box

By Dan Craddock

Times Change! Things Change! In all walks of life you run across this same saying over and over again. Our world is constantly in motion and the real estate market is no exception. I read in the newspapers everyday how the market keeps going down and there is no end in sight. Pessimism is running rampant. The number of foreclosures is rising at a rapid pace. Sub-prime lenders are going under every week and a flood of low priced properties are hitting the market. How can we prosper in such a market where the parameters keep changing? How can we utilize our knowledge and capabilities to profit in today's market?

Think Outside the Box! Every market has its own peculiarities and nuances. In today's tumultuous market, techniques that work one place may not in another. However, a derivation of a technique may work in your market. The only way to tell is to know your market inside and out. Knowledge is definitely power when it comes to real estate. Let's be perfectly clear, just knowing and understanding the real estate techniques to use is not enough. You must know how these techniques relate to your particular market and how you can apply them creatively.

I've included some examples below of investors thinking outside the box and using creativity and vision to put deals together. Hopefully you'll be inspired to tap into your creative side and create your own stories that we can share with others.

Sam found a deal that is a home run in terms of profit to be made on the deal. The property is still in the name of the father who is deceased. By procuring a probate attorney and paying for her services, he has secured the confidence from the seller that he can get the deal done. Sam will put the property in a Land Trust and take over the current loan on the property. His exit strategy is to rehab the house and sell it to a retail buyer. There is no doubt that Sam will be successful. Sam is helping the man out of a situation since he was behind on his mortgage and about to lose both his house and his credit and Sam, in turn, is making a hefty profit for the opportunity of doing so.

On a previous deal, Sam did a lot of work but he just couldn't get the price down low enough to make it work due to some unknown foundation costs that had to be factored in. His vision was to assign the contract. The deal has since died but probably would have been pursued more diligently if the aforementioned deal did not come along. My advice to Sam was to call an investor who had expressed some interest in the property and give it to her for a mere \$2,000 assignment fee. By doing this, at least he would have made something for his time, effort and trouble.

Nick found a deal by sending out letters to his target area. The deal didn't have enough profit in it to assign it to another investor. Instead of passing on the deal, Nick purchased the property himself and is having the work done by a rehabber that he found when he was driving the neighborhoods. The house will be retailed and Nick stands to make more than a simple assignment fee for his efforts. There is risk involved but it's a calculated one based on the property, the area, the rental market and the housing market. He knows his market, he did his homework and it's paying off.

While driving the neighborhoods, Pete spotted a small, very small, frame house that was literally the size of a 2 car garage stuck between 2 brick duplexes. The house just down the street sold for over \$160k and the one directly across the street is selling for \$189k. Being the creative person that Pete is, he quickly purchased the property at a huge discount. He went to the local university and inquired about getting a draftsman to draw up some plans for him at a much reduced cost. The AS-IS plan was drawn up as well as the TO-BE plan, quite professionally I might add, and the city accepted them. He completed the project and then retailed it for a nice profit. Pete was fortunate enough to have a diligent, hard working crew to depend on to finish the job. Not everyone could have pulled this off. This is a man with vision who looked at the property not 'AS IT IS' but 'AS IT COULD BE'.

Each of the deals mentioned are completely different and utilize various, simple, creative techniques. Each person utilized some of their own strengths and previous knowledge in other areas and, while combining them together, was able to apply the techniques to their market and their deal. The bottom line is that each one of these investors are doing deals and learning so much in the process. Their new found knowledge and confidence will assist them greatly in doing and structuring future deals.

If you gave three different investors a particular scenario, we'd probably come up with three different variations of the same approach using our own background, knowledge and experiences. It's not right, it's not wrong; it's just a reflection of who we are and what our life experiences have been. Take the knowledge you've learned about real estate and couple it with your knowledge of other areas and other disciplines. Use your unique talents to find and structure deals. It's your job to tailor a project using your knowledge and skills to your particular market and your particular deal.

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