TOP 10 MISTAKES TO AVOID AS A WHOLESALER

Although real estate wholesalers are considered easy to deal with, they make several mistakes while dealing with clients and customers. These mistakes can result in a loss, or they will get the bad part of the deal.

Here are top mistakes that real estate wholesalers tend to make.

NO MONEY OR ACCESS TO CAPITAL

One of the biggest benefits of wholesale is that you don't necessarily need any money to get started. Selling the contract for the property to an investor who will close in your place is what a wholesaler does.

If you don't have the marketing, the connections, or the relationships to find an end-buyer, figure out a way to buy deals just in case you can't find a buyer. You will be liable for paying for the property if, for some reason, you can't locate a buyer. Additionally, you'll be responsible for paying for your marketing efforts and items like bandit signs. When wholesaling deals, always have multiple exit strategies.

DON'T KNOW HOW TO SHIFT WITH THE MARKET

Find deals, even if they are at market value, assume the mortgage, and seller finance to someone else at a lower interest rate that they won't be able to get at the bank. You need to learn how to shift with the market and adjust to who's buying, what they're buying, and what the market is telling you you need to do.

DON'T KNOW HOW TO FIND GOOD DEALS

The biggest mistake wholesalers make is they get a property under contract, they send it out, nobody wants to buy it, and they end up dropping it. You need to know what value is and why somebody would want to buy the value you're trying to sell.

A lot of people just think that if they go and get a property under contract off-market, they mark it up for $5,000 to $10,000, send it out to everybody, that somebody's going to want to buy it. It's just not true. Especially right now when the market's shifting, you need to find really good deals and add value to it, that way an end-buyer will take it off-your hands.

DON'T HAVE A DISPOSITION PLAN

Find people who you know are true investors who have the cash and are ready to take action, and make sure you make those connections and bring them good opportunities. Don't waste their time.

IGNORING THE BUYER’S NEEDS

Profit is the ultimate goal of any flip, and this is also true with wholesaling. However, there may be occasions when you are too preoccupied with your gain to remember the buyer's.

The two are connected. The buyer will want to bargain lower if he believes that the renovation required for a house will prevent him from making a profit. If he offers too little in negotiations, the deal won't bring you any profit.

Put yourself in the buyer's position to prevent this. It doesn't imply you should disregard the renovations because you won't be making any of them.

NOT MANAGING TO GET AN INSPECTION

Wholesalers can occasionally grow so smug in their persuasive sales skills that they fail to see when they are being duped. Sometimes sellers will try to convince you that the house doesn't have many significant issues when there are. Other times, the seller is completely unaware of these concealed issues.

Always inspect the house to ensure no hidden issues, such as a gas leak or a mould issue. Just know that the investors will examine the house if you don't. Avoid contracting a place that no one will want to buy.

NOT CRUNCHING THE NUMBERS

It would help if you decided whether or not the house is worth buying before entering into any agreements. Always keep in mind that getting an accurate ARV, or "after repair value," from a real estate broker should come first.

Then, figure out 70% of the ARV and deduct your wholesaler's commission (usually a few thousand dollars). Your MAO, or "maximum allowed offer," will be the number you ultimately settle on. Never exceed this limit while making a transaction; otherwise, you risk losing money.

BAD MARKETING

If you don't sell yourself, you'll probably have difficulty succeeding in this industry. Even if you manage to secure a terrific price on a piece of real estate, it's unlikely that you'll be able to continue your good fortune.

Additionally, you won't have as many options when it comes to selling. You won't get your pick of the lot; instead, you'll be forced to accept the few or the only offer you receive.

AVOIDING A BUYER'S LIST

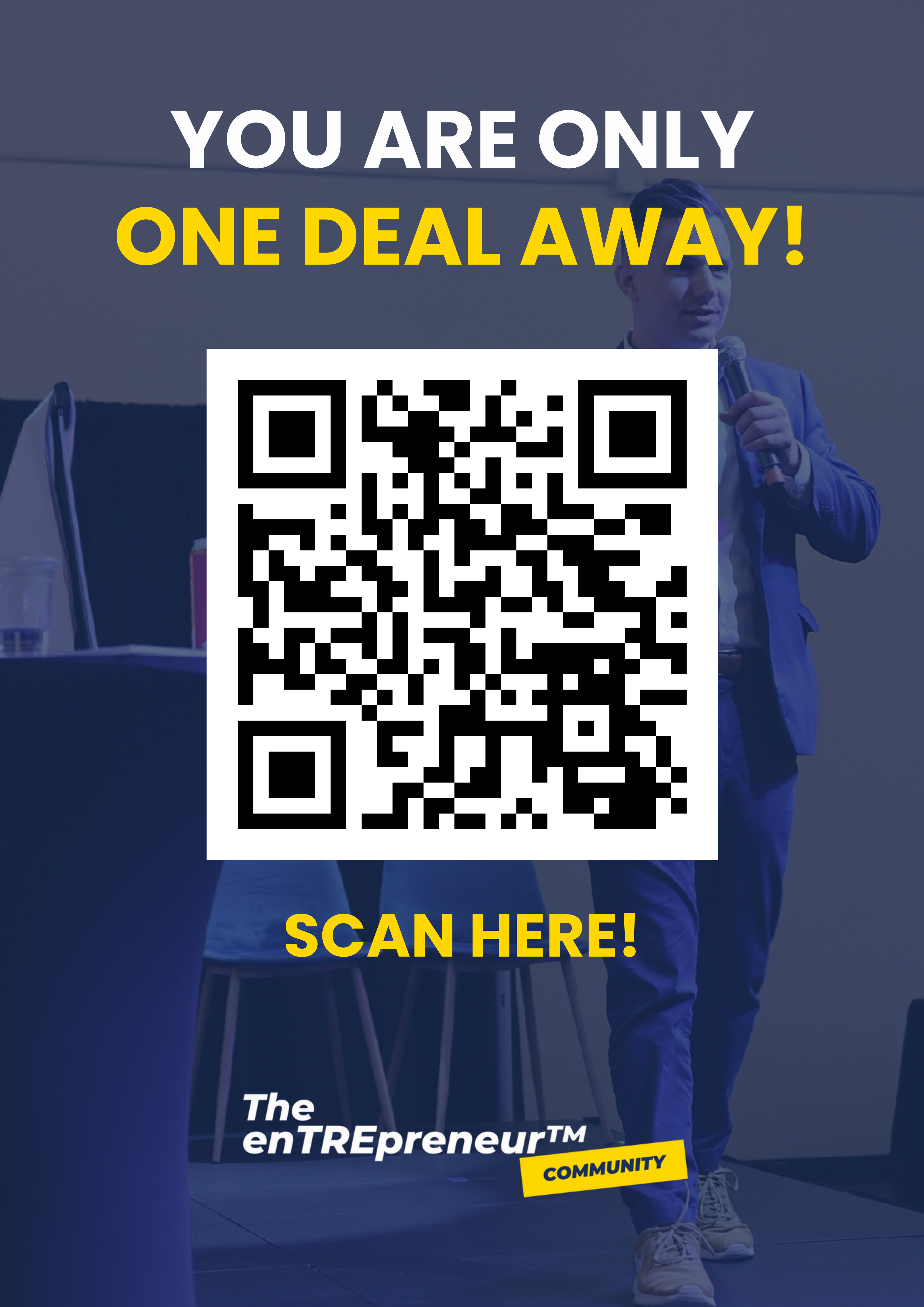
Creating a buyer's list is one of the primary methods wholesalers use to locate investors to sell to. These recurring purchasers are people you may network with at a REIA meeting, and they are constantly looking for fresh real estate opportunities.

Some wholesalers wait to compile this buyer's list until after they have placed a property under contract. If you wait too long, you might have to be prepared to settle for a lower offer and engage in another negotiating round. In the worst case, you might have to close on your dime rather than with the buyer.

GIVE THE RIGHT PRICE

Sometimes, even after following all the right procedures for marketing and compiling a buyer's list, you still don't receive any offers. You may be having a problem with your asking price being too high.

With a note indicating you are dropping your starting price, you can entice potential purchasers in and acquire more bites. To let the folks you first contacted know you were willing to negotiate down, send emails or letters to them.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