

## Determining Price under 50-65%

Although the 50-65% of Zestimate Rule is a good place to start, there are unseen factors that may diminish the value of a property even further. This document is meant to help you understand those other factors so you can get ahead of it when appropriate.

### **For houses, this is the way you address Sellers**

Above all, the condition of the property will determine if you need to go lower than 50-65%. So ask those condition questions first. For every kitchen, and bathroom that needs a full update, you're likely looking at \$15,000-\$30,000 worth of work. So that 50-65% easily becomes 40% of Zestimate. Add exterior work, such as a roof replacement which can easily start at \$10,000 becomes a 30% proposition.

At the same time, if the Seller is somewhere around 67% of the value, don't kill the deal. Just say okay we will send you an offer at this price.

If it turns out we need it lower, like 55%. But we already have a Buyer giving us direct feedback such as "Hey there's mold on this one wall". Then we have plenty of ammunition to negotiate a price reduction with the Seller down the line and still make a wholesale profit.

The good part is that you don't technically need to be present for any of it. Here's how it can work out:

1. Price agreed upon for \$67,000 on a \$100,000 rough value house
2. Offer sent to Seller, and Signed using HelloSign template in 5 minutes
3. Seller provides access information
4. You dig for an Investor Actively Working in the vicinity unless the Company already has one for that area
5. Ask the Active Investor to go out to the property and tell him that the asking price is \$87,000
6. Active Investor goes to property and responds to you later that day saying hey guy, I found that this thing has a moldy wall, I need it for closer to \$70,000 and he can close it in 2 weeks (critical to know how fast he can close). Ask him to provide that in writing in an offer and that you will get to work on the Seller
7. You tell the Seller that your Inspector found a surprising mold, therefore you need the property for \$50,000 and negotiate from there. Use the 2 week closing date to really apply pressure. Congratulations, you just negotiated your first deal with about a \$20k spread! Even if the Seller ends up being a hard ass and doesn't budge but a couple grand, there's about a \$5,000 gross spread there!

**For vacant lots, this is the way you estimate lots and then address Sellers** Look up the new constructions in the area, let's say a single family home sold within a quarter mile for \$400,000.

Then you can roughly estimate that the builder likely spent 7-10% on the lot. \$28,000-\$40,000.

So you would address the Seller by saying well we see that the market is asking about \$28-\$40,000 in this area. Then pause and see how they react.

If they react positively, go ahead and just say let's just meet somewhere towards the middle and get an offer to you for \$33,000. What's your email address?