

Top 6 Reasons Why Wholesaling is the Best Niche in Today's Real Estate Market by Than Merrill

If you haven't noticed, the real estate market has changed lately. Prices are flat in many areas and in some markets home values are actually decreasing. Sub-prime lenders are going out of business by the boatload. However, I will let you in on a secret that the ultra-wealthy don't want you to know...there is MORE money to be made in down markets than there is in any up market.

You see, in declining markets there are more buying opportunities. This is why you see the most successful investors buying when everyone else is selling. I say this with a word of caution though because you also need the proper exit strategy so you can profit from these opportunities. So this poses the question I have been asked at many of my seminars lately "what is the niche of real estate investing in today's somewhat turbulent marketplace?"

This an excellent question and one I can answer without a doubt! Wholesaling! There are many different niches you can specialize in as a real estate investor. Some investors prefer lease options, others rehabbing, and others strictly buy and hold. All niches can be extremely profitable if you educate yourself and purchase the property significantly below market value.

However, in this marketplace you want a strategy where you can profit quickly without the risk of holding properties for a significant amount of time. Here are six other reasons why I feel wholesaling is the best way to invest in today's market.

Reason #1: Wholesaling Produces Quick Cash

One of the great things about wholesaling properties is the deals can happen relatively quickly in contrast to longer term value added exit strategies. Anytime you get involved in developing or redeveloping properties, the timelines are much longer, and the checks can be far and few between. Wholesaling, on the other hand, generally produces revenue within three to five weeks. The exact timeline depends on the magnitude of the deal, how many parties are involved, and the nature of the financing from your end buyer. When I say three to five weeks this includes every aspect of the deal from the time you put the property under contract until the time you are cashed out by the ultimate buyer. There are wholesale deals you will be in and out of in a week, but these are the exception rather than the norm. Either way, you will not find any other niche of real estate with this short of a turn around.

Reason #2: Wholesalers Have Very Little to No Risk

Real estate investing always involves some level of risk. Your job as an investor is to evaluate and understand those risks and try and minimize them in any way you can. Wholesaling is the lowest risk strategy in real estate. This is one of the main reasons I encourage most new investors to start out wholesaling properties. As a wholesaler you can eliminate almost all of the risk in flipping properties if you take the proper steps to protect yourself when you go to contract with the seller.

The majority of properties I put under contract have a deposit of less than \$500 dollars and contingencies making my deposit refundable for a set period of time. This set period of time is when you will market the property for a higher price and secure your ultimate buyer. Make no mistake about it, these contracts are very one sided, however as an investor you must protect yourself in every possible way. For \$500 dollars or less you can control a property worth hundreds of thousands of dollars for a specified period of time. You will have the ability to sell the property for more and collect the spread with virtually nothing on the line. Where else can you earn tens of thousands of dollars with little to no risk what-so-ever?

Reason #3: Wholesaling Has Unlimited Income Potential

Wholesaling is the number one wealth builder. The transition from working a job for pennies to achieving unlimited wealth through real estate is an obtainable goal and increasingly well documented. There is no secret that a lot of people choose to go into real estate because of the endless opportunities for enormous wealth. I know plenty of wholesalers who have made over \$200,000 in their very first year with no prior real estate experience. I also know plenty of wholesalers who make over a million dollars a year consistently.

Reason #4: Wholesaling Does Not Require Good Credit

Having bad credit is a limiting factor when it comes to getting into the buy and hold strategies of real estate investing. However, an unworthy credit score should not deter you from wholesaling. As a wholesaler, having a good credit history can help you, but is by no means a necessity. If you have horrible credit it may cost you a few deals during the course of a year by limiting the number of viable exit strategies you have. Don't let this discourage you as there are still plenty of deals out there where credit is not needed. How many deals will you miss out on? I would estimate 10% of the wholesale deals I have structured have required someone to look at my credit. 90% of my deals could have been done by someone with a low credit score or no credit score what-so-ever. A motivated seller will never ask to see your credit score and as long as you can find a buyer before you have to close, your credit will not be needed. Any successful wholesale specialist knows they will only have to rely on the credit of their potential purchaser, not their own.

Reason #5: Wholesaling Requires Minimal Capital

As a wholesaler you will need to spend some money during the course of business as it will be hard to operate your office, your lead generation programs, and sales department without spending some money. However, you will not need huge cash reserves to get started as a wholesaler. The reason is because most of the time you will be using other peoples money (OPM) to operate your business. When you find a buyer before you have to close on the deal you will be using their money to fund the transaction. If you have to close on the property yourself then you will rely on either the sellers existing debt, hard money, or private money to fund the deal. Furthermore, the more creative you learn to be, the less you will have to use your own money.

Reason #6: Wholesaling Can Be Done Part Time

I realize many of you presently reading this article may have time constraints because of another existing career. In fact, lack of time is one of the major obstacles hindering most real estate investors. If you are working another job or own another business your time will be very limited and as a result you need to be very realistic about how many hours you can commit on a weekly business. The great thing about wholesaling is the small amount of time it requires to complete transactions. On average it should take you less than 10 hours to purchase, process, and sell a wholesale property. Most of this time involves the processing of the paperwork, clearing title, coordination of parties, and other logistical information.

Wholesaling is one of the only niches where you can do volume on a part time basis. Other niches like rehabbing and being a landlord can suck enormous amounts of time out of your life. The deals will be smaller, but the amount of money you can make per hour can be astronomical.

Than Merrill, CEO of FortuneBuilders, INC and CT Homes, LLC is currently a full time real estate investor, speaker, and one of the most successful investors in the nation. He is also the star of A&E's hit TV show "Flip this House." In the past few years his company has bought and sold over 300 properties across the nation. Than's clients are some of the most successful investors around the country as a result of the cutting edge marketing and wholesaling systems he has developed.

Than is a graduate of Yale University and he currently resides in New Haven, CT. After college, he played in the NFL with the Chicago Bears and Tampa Bay Buccaneers before moving on to real estate development. To find out more about Than's powerful real estate seminars and home study courses go to www.FortuneBuilders.com.