Wholesaling Real Estate

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You've come across a decent property. After you've completed your due diligence, you believe it's a good purchase. But what if you don't have the time or money for it, or it isn't exactly the type of investment property that fits you? What should you do next? Just let it go? Absolutely not! You can consider wholesaling it.

Wholesaling is either the sale of a purchase contract on a property to another investor (i.e. contract assignment), or the closing and immediate/quick sale of the property to another investor (i.e. double closing). This strategy is somewhat different from what we talked about before, which is to buy and renovate the property to turn it into a rental.

One obvious advantage of wholesaling is the relatively short timeframe a deal can happen.

The second advantage is that wholesaling involves less risk than other strategies like rental.

For a detailed analysis and explanation of these advantages please read our book.

The wholesaling process

If you have never wholesaled real estate before, you may wonder what exactly wholesaling looks like. We'll break down the process in a series of steps. Keep in mind that some steps in wholesaling are the same as in other strategies.

Step 1: Looking for deals

First, you need to create and execute marketing campaigns to let people – residents in your target area, or other investors – know that you're in business to buy properties. The process of "prospecting" is explained in a previous chapter.

Step 2: Analyzing deals

Here, you analyze which properties have good potentials. In a previous chapter, we talked about how to analyze a deal in detail. A good way to evaluate a deal is to assess the property for the purpose of buying and renovating. If it makes business sense for you to buy and renovate a particular house, you know it's a good investment.

Step 3: Buying contract setup

In this step, you negotiate the sale price with the seller or listing agent. During your bargain, your price should have a big enough discount for two reasons. First, it has to make sense from the viewpoint of buying and renovating because, after closing, that's what you aim to do for yourself or other investors. Second, you leave enough profit margin for yourself so that when you sell the contract to other investors, you can still profit from the transaction.

Step 4: Looking for contract buyer

After you get a contract, you now have the option of either closing the deal for yourself, or looking for potential buyers of the contract so you can earn a profit. When you're approaching your potential buyers, make absolutely sure you tell them clearly that you're just a "contract holder," not the property owner; legally, you don't own the house until you close on the property. Hence, all you have on hand for sale is a purchase and sale agreement, not the property or the title itself. When buyers express interest in buying the contract, you should do your due diligence to check them to ensure they're financially qualified for the deal.

Step 5: Closing direction

If you have an interested buyer, you can close the contract by selling it to him/her or, you can double-close on the property.

Step 6: Closing process

Lastly, you'll fulfill the closing process, which includes meeting all the deadlines, terms and conditions of the contract, and communicating with all parties involved throughout the process. Previously we have discussed about the things to watch out for during closing.

Wholesaling is a great strategy because it allows you to earn profits in a very short period of time. This comes especially helpful when you come across good deals but are too busy working with your day job or taking care of other renovating properties; you can still earn nice profits instead of letting opportunities pass.