



# What Makes a Good Deal Great?

by Dr. Dolf de Roos

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One great thing about real estate is that it is very forgiving of mistakes. This means that in an up market, a bad buy can still turn out to be a good buy in a relatively short period of time. Similarly, in a slow market, a bad buy can still turn out to be okay.

However, these rules work on average. What if you could do much better than average? What if you could make any bad buy good, and any good buy great? What if you could consistently find and buy deals that seem so great, all your friends wonder how on earth you do it?

The fact is you can consistently buy great deals. Of course they may only start out to be good deals, but when you apply some simple ideas, enthusiasm and energy to a good deal, it can very easily turn out to be a great deal, or even a spectacular deal.

Take the case of a seemingly ordinary single family home. It may be eight years old, showing some obvious signs of wear and tear, and looking ever so slightly dilapidated. Anyone could see that a coat of paint and some tidying could greatly improve the looks of this property. However, these improvements are so obvious that they may have already been taken into account in the asking price. Of themselves, these things won't turn a good deal into great deal.

To turn the property around, to really make this mediocre or even good deal great, you have to think a bit beyond the obvious.

First, remember that **you make your money when you buy** a property. In other words, an extra week spent negotiating the purchase price may be worth 18 months of future rental income (and remember the rental income is taxable, but the lower price is free for the asking if the seller accepts). Learn how to negotiate!

Second, when you negotiate the purchase of a property, you can negotiate more than just the price. You can also negotiate terms, such as the size of the down-payment as well as the closing or settlement date. The more interesting (and often overlooked) term to negotiate, however, is some seller finance (often called a seller carry-back or vendor finance).

When you negotiate seller finance, you can negotiate the amount (size of the mortgage), the term (length of the mortgage in years), the interest rate (cost of borrowing the money), and the

amortization schedule (how the principal gets paid back). Sometimes deals don't get done because the seller and the buyer are a mere \$10,000 or \$20,000 apart in price. In other words, neither party will budge from their fixed views on what the property is worth. However, the same entrenched seller may willingly agree to leave in a sizeable second mortgage at an advantageous interest rate, enabling you to proceed with the deal with none of your own money. Suddenly, this good deal has become rather great.

Remember, you never get what you don't ask for! And don't think you have to stop at asking for a seller carry-back. The enticing thing about real estate is that there are no set rules. When you buy stocks and bonds, you are expected to pay in cash. It would be preposterous to turn up at your stock broker with an old jalopy that you want to use to pay for your stock acquisitions. However, when it comes to real estate, there is nothing to stop you writing in your offer contract, that the seller will accept as part payment on his property your old BMW (firing on only three cylinders), which, for the purposes of the contract, shall be valued at \$18,400.

There is of course no law in the land that forces the seller to accept. But you would be surprised how often odd-ball items are included in a contract. Do you have to sell an existing property before you can afford to buy a new one? Use the first as a down-payment on the second. Become creative. You are limited only by your imagination.

You may even have negotiated a long period before you close on the property, but with the right of access to make improvements. If you spend \$20,000 improving the property, its appraised value may go up by \$50,000, enabling you to get a much larger mortgage than before you made the improvements. Bingo! Another great deal.

Even when you have acquired a property, the opportunities to turn a good deal into a great deal are plentiful. Most people think that a dollar spent on a piece of real estate will increase its value by a dollar (it makes intuitive sense). However, you could spend \$10,000 on a property and only increase its value by \$6,500 (for instance by putting a fancy gate on a property with no fences). Conversely, you could spend \$1,000 and increase its value by \$10,000 (for instance by putting a car port on a property with no garage or car port).

Where do we begin to look at how you can massively increase the value of a property without spending much money? Before you even set foot on a property, the first thing you may notice is the mail box. If it is made of wood and is rotting away, or it is made of metal and is rusting away, then a new mail box for \$135 may do wonders to the impression people get. If the front fence has no paint left and is falling over, replacing it can increase the value of the property by a lot more than the cost of the fence.

In fact, there are so many ways of increasing the value of a property beyond the costs involved, that I have written a book called *"101 Ways to Massively Increase the Value of Your Real Estate Without Spending Much Money"*. Find out how to add a helipad for hundreds of dollars, and increase the value of the property by tens of thousands. Discover how to have a security system fitted at no cost, and collect more rent in the process. Rent out roof space for cell-phone towers, erect a billboard against a blank wall, or convert vacant space to storage units. As I always say, the most expensive piece of real estate is the six inches, give or take an inch or two, between your right ear and your left ear. It is what you do with that real estate that will play a big role in how great your deals will be.

In another book, *"The Insider's Guide to Making Money in Real Estate"*, we talk about various kinds of real estate, such as Marine Farms (out at sea) and even air-space. What on earth would you want to do with air-space? Well, the first thing that comes to mind is that you may want to acquire the air space above a building to enable you to build more floors. However, imagine there is an apartment building with spectacular views. The building owners may want to acquire the air space over the building next door solely to prevent someone else building there and blocking their view. Similarly as I discovered in Sydney this month, air space may be bought not just to add floors to a building, or to preserve views from inside a building, but in this case to ensure that a bill board could continue to be viewed from the surrounding suburbs.

In Texas and Oklahoma, it is possible to acquire land, and then sell it, but retain the mineral rights. Oil companies for instance may then drill a well at their own expense, and give you a slice of the revenue if they strike black gold. Is this a real estate deal? I think it's a great real estate deal!

As we have observed, you are only limited by your imagination. You have a choice. Stay at home and numb your mind in front of the television, or go out there with your curiosity on full beam and your enthusiasm set to high, and find good deals amongst the mediocre. The more you play this game, the easier it becomes to turn good deals into great ones.

*Remember,  
The Deal of the Decade  
comes along about once a week.*

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