

# 7 Investment Property Exit Strategies

Congratulations you have bought an investment property. Have you decided on what your exit strategy is? Will you be immediately flipping it or holding on to it for a while and renting it? Or perhaps offering owner financing...? After you close on a property, the weight of responsibility of the project will set in. From day 1 your property is losing money, because you have holding costs like: taxes, insurance, possibly a mortgage. Right now it is a financial expense-clock and it's ticking. That is why planning on your "exit" strategy is so important. Here are the top 7 real estate exit strategies to begin making you money...soon.

## Real Estate Exit Strategies

### #1 Retail Flip

Buying low, Rehab and Sell at Market Value.

**Pros** - Buy, Fix, Flip and Sell and make a profit. Then do it all over again \$\$.

**Cons** - Your capitol is tied up until you re-sell. Plus No cash flow.

### #2 Wholesale Flip

Buying and NOT Rehabbing then Selling *Below* Market Value.

**Pros** - Shorter holding time. No Rehab Expenses. Get your cash back fast and do it again.

**Cons** - Difficult to buy properties low enough to realistically flip wholesale to the next investor so they can fix and flip and make money themselves.

### #3 Rent

**Pros** - Fast exit strategy. Remodeling can be a quick clean up, which saves time and money. You begin realizing cash flow quickly.

**Cons** - You may hate being a landlord. Your money is tied up in the property. Tenants might not take care of your property.

### #4 Lease Option

**Pros** - Option payment gives you some immediate return on investment. Lease option tenants usually take better care of the home than rental tenants. Eviction is cheap vs. an expensive foreclosure. You can look forward to a sale at the conclusion of the option period. Usually you command more than the property's market value. If they fail to pay, you keep the option money and the rent paid. Evict and then do it all over again.

**Cons** - Money is tied up. Tenants might not buy after a 1 or even 2 year option period.

## **#5 Land Contract**

**Pros** - Creates ownership in the buyer's mind so they take better care of it. Larger down payment for the seller means more return on investment. If they fail to pay, then evict them, keep the payments and down payment, clean it up and do it all over again.

**Cons** - You might have to do an expensive \$3,000-\$5,000 foreclosure action if the judge sees this transaction as more than a glorified rental agreement.

## **#6 Auction**

**Pros** - Fast sale - one day sell and then cash in your hand in 30-60 days.

**Cons** - If it does not sell high enough, you may have to bid it back at 10% plus a \$1000 + marketing fee.

## **#7 Owner Held Mortgage**

**Pros** - Attract more buyers. Command a higher sale price. Purchasers are responsible for all property taxes and insurance from the closing onward. Can demand a larger down payment, which can mean more skin in the game for the purchaser. Seller collects a mortgage payment each month with no maintenance responsibilities.

**Cons** - The purchasers could stop making payments, stop paying the taxes or insurance. Costly \$3,000-\$5,000 foreclosure to get back possession. Buyers could wreck the joint.

**To Summarize:** First learn what all of your exit strategies could be, then decide which exit strategy works best for you based on your short and long term goals. Don not worry about making a mistake. Better to learn as you go than to analyze it and do nothing. Over time and with every investment property, you will see just what exit strategy or strategies work best for you.



To learn more on how to design your own personalized exit strategy, Grab your phone NOW and dial Adolfi R.E. at **(315) 695-6434**.