

Audio: Welcome to the REI Diamonds Show with Dan Breslin, your source for Real Estate Investment Jewels of Wisdom.

Dan Breslin: Welcome to the REI Diamonds Show. I'm your host, Dan Breslin, and this is episode 211 on flipping buildable lots throughout the US with Ray Zhang. If you are into building wealth through real estate investing, you are in the right place. My goal is to identify high-caliber real estate investors and other industry service providers. Invite them on the show and then draw out the jewels of wisdom, those tactics, mindsets, and methods used to create millions of dollars or more into the business of real estate.

Today's guest is Ray Zhang. Now, Ray came to the US from China 11 years ago and pretty much started from scratch. Similar to my own history, my own story. Ray had a history in deal-making before he discovered the power of real estate and then the power of real estate offers larger deals than flipping cars and stuff that was found free on Craigslist, much larger spreads in real estate from making larger deals.

On today's show, Ray and I discussed in great depth and detail his strategy for selecting markets, selecting mailing lists of valuable building lots in those markets, and even his blind offer strategy for making offers in mass via direct mail. Now, this was a really cool and unique episode for me in that, Ray and I are going to talk through details that I think a lot of people simply wouldn't have the experience to ask about.

I actually learned a ton here on this episode. I had a blast and I hope that the same is in store for you. Shall we begin? All right. Welcome to the REI Diamond Show, Ray. How are you doing today?

Ray Zhang: Good. Hi, Daniel. Thank you for your inviting.

Dan: Yeah, absolutely. I appreciate you taking the time out, and closing out the distractions so we can have a conversation here. I'm looking forward to getting into the land deals and real estate and all that, but why don't you give us a little bit of background maybe about how you got into real estate, maybe where you're at in the country where you're doing deals in the country. Just the backstory here, so we know who Ray is.

Ray: Absolutely. I came to America about 11 years ago with the intention of freedom, right? American Dream, I'm Chinese with American Dream, so it's awkward. Yeah, I came to the country to learn English and then I found out I was homeless because I brought about \$3000 American dollars here. I thought that was a lot of money because that's all my parents had and they sold everything and gave me that. Later found out very quickly that \$3000 can only afford a car, so that's the only thing I bought and then that's in my home from there, right?

Dan: Wow.

Ray: I started living in the car for about three months. Then I was like, there is something I can do right. I start to do the lawn, cut people's grass, and try to earn some money. But then that wasn't enough, so I start to flip things right. When I didn't have money, I go to Craiglist and there

was a free section on Facebook you can search for free in the marketplace and just go grab those and sell them. So that's when my flipping journeys start and then later on I started to flip cars and after a while I find an apartment to live in and I start to have some type of money.

I look at all those people who make big money or at least other advertisements. They say they make big money on real estate. so that's when I got super intrigued by real estate. But honestly, shamefully, to say I had been trying for houses for 6 years, and didn't work out for me very well because I was in Hawaii, those markets are a bit tougher. I started to flip land virtually about four years ago. That's when everything started to tear around for me.

Dan: Wow. Your parents gave you \$3000 and I assume they must still be in China.

Ray: Yeah. My dad is still there, yes. My mom passed away, unfortunately.

Dan: I'm sorry to hear that.

Ray: Yeah.

Dan: What did your parents say? How old were you when you came over here?

Ray: I was about 24 years old.

Dan: Okay, a young guy there.

Ray: Yeah.

Dan: Was this your idea or their idea, leaving China to come to be the solution, and then they made the sacrifice to put this opportunity in there for you to go?

Ray: Yeah, because I was in university in China and then I started to have some intern in China, and then I tried that 9:00 to 5:00 job and really didn't work out for me very well because in China if you haven't been there, their workload is crazy. They go there like their boss expects you to go early, and don't want them to go after the time you're supposed to go home. Basically, only have time to eat and sleep, and the rest you have to spend in the office. I was asking myself, this is the kind of life I want, right?

Then a very famous guy helped me. His name is Donald Trump. I didn't speak much English, but one sentence I remember is, "You are fired." Right? I watched that episode every episode. I was like, "Those are some guys I want to be someday." Then that's where the American Dream comes from. I started to apply for a school here in Hawaii. I got admitted and that's why I came to the American first in Hawaii.

Dan: Okay. What were you going to go to school for at the time?

Ray: I didn't know what I was doing, but I studied at university study. There's a major called that university study. I just chose tennis or whatever I had to choose, but those are pretty fun. But I

got kicked out actually doing business because I flip a lot of stuff, right? The principal didn't like it.

Dan: To survive, you're flipping. I think it's so cool. My pressure is nowhere near the pressure that you described growing up because I had my parents here and I could live in their house, right? It was nowhere near the pressure, but I remember growing up and I think I was maybe 14 or 15 and I used to collect and like buy and sell things too, right? I had the grass-cutting business when I was young, knocking on doors and asking for the sale.

That was helpful when it comes time to go into real estate later. But I remember buying and selling car audio equipment because I was passionate about car audio, so I would buy speakers, I would build the box and then I would put a newspaper ad together and I would sell meat guys in parking lots to make the deal.

Buying and selling were something that I always gravitated toward along the way. I remember my dad flipping, he tried to do a couple of rentals himself when I was maybe 9, 10, and 12. When he talked about the numbers, we're going to buy it for 15 grand, we're going to put 15 in it, we're going to rent it out. He did the whole numbers and I'm like, "This is a lot more money than my paper route is and this is one house." I'm a little kid at the time.

I knew I wanted to be in real estate and it took me until I was about 26 to get my first deal it just got the same skills, right? That's why I like the background, Ray. Because the same skills that maybe I had tried with a little bit of success here and there, buying, selling, buying something, selling it, right? I like that. I understand that newspaper ad. I put the newspaper ad when I started buying houses, I got the first deal contract for I do think \$6000 or \$5500, sold it for \$11,500, and collected the \$6000 difference as my profit and it changed my life.

Ray: Yeah.

Dan: Is there a life-changing deal that occurred? Whether that was your first, or maybe even one of the later deals, Ray, where you said, "Oh, this is it, this works..."

Ray: Yeah.

Dan: Would you mind giving us that one?

Ray: Absolutely. Are you talking about real estate or some others?

Dan: Hey, if you have another one that made you feel that way, we can start there and then we'll follow up with the real estate one because I'm sure that was also impactful.

Ray: Yeah. One thing I don't like to work for other people is sometimes we feel like the boss or the employer cares about us so much, but in fact not the case, right? They care about the company first and maybe they're family first, not you, right? I believe my boss care about me, but when I was a tour guide in school and then I was like, "This thing is not going to work for me." I work for 8 hours a day. My employer doesn't allow us to take tips. If I take the tip, I have

to give it to him.

Dan: Wow.

Ray: That's one of the rules and so I said, "This thing is not going to work for me." I started to flip cars. I remember the day I flipped my first car, I bought it for \$1400. I sold it the next day for \$2800. That seems not too much right now to talk about it. But by then I worked for \$8 an hour so that's how long I have to work to get that profit and that afternoon I sold that car in the morning, that afternoon I went to the boss's office, I said, "I quit, I'm done." I thought he'll be like, "Oh, it's so sad, I'm not going to let you go." He was like, he didn't even look at me.

He said, "Okay, you can go, go to the back and fill in the paper." That's it. That's all he said, so I never looked back and I never worked for anyone after that. As far as land, I remember the first deal I got to and I bought it for \$1100. I sold it the next day for \$2700. That's a quick a hundred more percent return and then I start to notice there's something that maybe we don't know beforehand, and you can do this virtually.

I was in Hawaii, and I did that in Colorado, so you can be anywhere to flip land. With cars, you have to stay local, right? If you try to flip cars in Chicago, if you're in Florida, that's impossible, right? You have to do it locally, but with land, you can do it from anywhere, so that's an eye-opener for me with land, yeah.

Dan: Did somebody teach you that land trick where I imagine you're 6 years in the business, you're doing webinars and reading books and bigger pockets and things? Was there anybody who coached you along on that first deal?

Ray: Yeah, I paid a guy \$70,000 to coach me that, but he didn't teach me that. He taught me how to land on terms, meaning you buy land and sell on terms for cash flow, and after I learned that, I was like, "If you want cash flow, why you don't go to apartments? Why do you go to land?" They're a much higher default rate on land, right? I started changing the system and flipping just for cash, not terms. Yeah.

Dan: That was 4 years ago, you said earlier. What is your business looking like today? What kind of scale have you achieved, let's say in the last 12 months? The number of deals, dollars, however, you want to define what scale looks like, Ray?

Ray: In 2022 last year we did almost a hundred deals. The net profit is about \$900,000. I never been to any land at a flip. Even in my local market, I never go there. I spent about 2 to 4 hours a day flipping land last year. This year so far we're closed 4 deals and I bought 11 deals already. That land is very cool, we went to all different places like the Bahamas, and you can still flip land virtually wherever you are.

Dan: Wow. Pretty mind-blowing. Do you have a team built out that helps you do this now?

Ray: Yeah, I have a VA. I pay him \$2 an hour. That's unbelievable. I share with Joe McCall and I saw the comment and someone said, "Oh, he's lying about \$2 an hour." I'm not lying, this is the

truth. I pay the guy \$2 an hour. He thinks a lot of money. On the other side of the world, if you've always been in America, you are American, you probably don't know what's happening on the other side, right?

Those countries are very poor and also have acquisition managers. I'm hiring right now, so under this post side on the [inaudible], we try to sell the land. We have realtors to help me out at Title Confidential close them.

Dan: What does the format look like? Maybe we should start with just an overarching definition of maybe the ideal deal circumstances, right? Because people say, "Hey, we want to buy land." We talk about like you mentioned on the other person who was doing it, they're buying the land and then selling it on terms and they're chasing people for money and to me, that sounds like a lot of work and a lot of headaches.

Ray: Absolutely. Yeah.

Dan: Right? Then you talk about buying and selling it, you're talking my language. I love the velocity of money. I love getting in and out of a deal as quickly as I can. Buying a deal today, and selling it tomorrow, that's fantastic. Right? Getting right out of the deal a week later, right? Whatever it is. Then we have other people, right?

If we were just going to say, "Hey, we buy land, and we said that to the public." They might think, "Well, we're buying a big piece of land and we're going to build 65 houses on there." Maybe defines Ray Zhang buy box or ideal lot size that you would've done on like the four deals you did this year.

Ray: Yeah, we buy and sell, mostly infill lots, not like a [inaudible] lots. Infill lots mean you drive around and see a lot of houses, but in the middle, there's land and those are our market. Specifically, how do you choose a market, which is the first step to flipping land? We just go to major cities, for example, if you're in Dallas, we don't go inside Dallas because Dallas is very competitive, but we go from 30 minutes to 2 hours away from the major growing city.

Then we go to the secondary market surrounding the major market and those ones are more like, you have more infill lots not too competitive, and people have no idea what their land is worth. Surprisingly, a lot of people in houses special, they're wholesalers, they're flippers. They don't know how much the land is worth, so yeah.

Dan: Are these generally going to be buildable lots right now or is this an infill lot where it's like an odd misshapen lot and the neighbor buys that lot from you? Or are they typically going to need to be a buildable lot?

Ray: It needs to be a buildable lot and sometime before I buy it we have to call the city or the county zoning department to make sure that it's buildable because in taxes sometimes there is a city limit rule. If your land is less than let's say 0.15 acres, they're not allowing you to build something, right? You got to make sure that what's the minimum size to build.

I don't buy too much of the [inaudible] like you have to walk into the lots, right? You cannot drive in the lots that are absolutely not buildable, right? Wetland, we don't buy, land lots, we don't buy, so there's some land we don't buy, we mainly focus on that land, that buildable.

Dan: That makes sense. I assume that these are going to be local builders most of the time we were talking before the show started and you also mentioned that you have people who are collecting the land, maybe they live in the neighborhood and they're going to hold it long term, right? What percentage are builders of your buyers on the hundred deals last year and what percentage are the collector, investors, I guess you could call them buyers?

Ray: I would say about 60% is builders.

Dan: Okay.

Ray: When we buy the land, we put it back on the market to sell. That's when the builders saw the listing, but about 40% of the rest just want to buy our land. Everyone wants a loan something and land is their option, right?

Dan: On those deals, about how long does a property stay on the market? Obviously, it was probably faster this time, last year, or the year before.

Ray: Absolutely.

Dan: Are we talking days, weeks, or months?

Ray: About last year, this same time or we're talking about hours. We put in the morning and up around noon under contract. But right now, I say after October starts to slow down quite a bit, especially in December, I only close 2 deals in December, so very slow.

Right now, we do see longer time on the market, but my method is building to be the cheapest land on the market because we're good at negotiation and when we buy it, we make sure that the land is absolutely super cheap, that people don't even believe it and then we buy it and then we sell it to be the lowest in the market, so if there is any sell going on, that'll be us.

Dan: Okay. Do you typically close the deal with the seller and put money at risk? Do you take the title before you market the deal?

Ray: I do take the title and there are a couple of layers. We make sure our money is safe. The first layer is the offer letter. We offer about 40 to 50 cents on the value. How do you determine the value, the sole price if let's say all the neighborhoods sold that land for around \$10,000, similar size, and we offer \$4000 or \$4500 on the offer letter and that's the first layer of security? The second layer is negotiation, so when the offer comes back, we negotiate again and we tell the seller, "What's going on with the land tell the truth."

Let's say there are a lot of weeds or of trees, I tell the seller, "Hey, Daniel, your land has so many trees and land doesn't have really much of a smooth access. I might need to spend thousands to

clean it up, what do you think is the best you can do?" I let them answer that, right? That's the negotiation.

The third layer is the realtor. Before I put my money in the lots before I close, I'll call the realtor who sold land nearby. I'll ask him, "Hey, if I want to sell this on the market by you, what's the minimum you think we can sell this for?" The keywords are maximum because all the realtors tend to go to the maximum thing, not the minimum.

Dan: Are you using a quick claim deed or is this a title insurance transaction or are you pulling title on these lots?

Ray: Yeah, it's a title-insured process. Sometime in taxes, they don't recognize quick claim deeds.

Dan: Okay.

Ray: Yeah, we don't do that.

Dan: Let's say we got that example, the offer letter. I assume the offer letter we can probably talk lift selection and letter maybe in a moment, but just as a brief answer, is my assumption that the offer letter I'm sending out is like a letter with the offer, that's my first point of contact.

Ray: Correct.

Dan: Right. Okay. In that example, we offered \$4000 on the letter they call, we say, "Hey, the lot needs to be cleared, this is expensive. What's the best you could do? I don't care, Ray, give me \$500 and it's yours. I don't care, Ray, give me a thousand dollars and it's yours." Now, it's a thousand dollars. What are you expecting as your minimum for that realtor to tell you that they can sell that house? I'm sorry, that lot for where you feel safe?

Ray: Yeah, if let's say for a thousand, I don't even call the realtor, I'll buy it, right? For a thousand, I would not lose.

Dan: Okay. All right.

Ray: Let's say it the \$10,000, right? I'm buying for \$10,000, then I need to consider, well, before I put the money, so if the realtor tells me, "Hey, the minimum you can sell for is \$12,000." I'm not going to buy that deal, so for all the effort I have to pay the realtor the fee and the title company and I don't even know, if I can't make money or not because of all the closing fees and all the realtor's fees, so that number has to be at least \$20,000. Okay, I want that number to be doubled. If it is lower than that, I don't do too much.

Dan: Yeah. The title insurance fees, the realtor fee on that \$20,000 sale, is that about \$2000 or \$3000? What is that?

Ray: About \$2000. Yeah, About \$2000. Typically, with a very small deal like that, the realtors

tend to collect about 10%.

Dan: Okay. They have a thousand dollars minimum commission, something like that.

Ray: Yeah, about 10%. Yeah, and for, if a deal is \$50,000 and 60,000, they can do about 6%.

Dan: That would be that same realtor is bringing the buyer?

Ray: Correct. You're not going to lie...

Ray: They share it between the buyer, agent, and seller.

Dan: Oh, they are sharing it in that instance?

Ray: Yeah.

Dan: Got you. Okay. Let's talk about market selection. We're 30 minutes to 2 hours outside of the Dallas, Fort Worth area somewhere, right?

Ray: Mm-hmm.

Dan: How are you building a list of lots that are buildable in a way where you're not getting these infill lots that are landlocked? If at all, maybe you have to take the junk with the treasures, maybe not.

Ray: My system building is I only believe in selling, so whatever is sold is happened, already happened. I don't predict. I am not that smart, right? What do I mean by that? First of all, I actually download the mailing list, we're going to mail out. I download the comparable list so the comparable list has to have a couple of things in the comparable list. I want it in the last 3 months alone, not 6 months because 6 months going to happen a lot of things, only 3 months. For the last 3 months, I want the address of the lot.

The subdivision, the lot, the size of the acre of the lot, and also the sale price. I want that for information in that comparable list. Then I use that comparable list to download the mailing list, for example, in the past 3 months in this county, subdivision A did not have any sold. I don't even go to that subdivision because I want my money to be safe, right? Let's say in the county's comparable list, they have subdivisions A to 1, 2, 3, and 4, and if they all have sold data in that subdivision, and then I'll download my mailing list based on that.

Dan: Okay. We're taking a countywide, what is the source for getting the download, the comparable list? Let's walk through that, exactly.

Ray: Yeah, there are two methods to do it, for disclosure states like Florida, South Carolina, and North Carolina, you can download it from the list source. There's a company called listsources.com you can download there and you can choose the last 3 months, they can land alone and then only in the land, right?

You can download the list there and for non-disclosure states like taxes, you cannot do it only source because if you download in the list source, they don't have the last market sale price, which is the sole price. That's key information I need, right? You can download that from redfin.com.

Dan: Okay.

Ray: Yeah. Redfin has those tags.

Dan: Are you having to go in there and how do you use Redfin to figure that out then if there's still not a disclosure state, but Redfin does have the information?

Ray: Correct. Redfin is owned by a broker company. Meaning the owner itself, they have access to the MLS. When you go there, for example, if you go to Austin and you choose sold data, it will show you exactly how much that lot is sold for. Yeah. But in other services like Zillow, you don't have it. You don't see any price sold and on the list source, you cannot see that either.

Dan: Interesting. Redfin, because they're owned by the same companies that own the MLS, Redfin becomes this superior data source in some instances.

Ray: Absolutely. What I do is I hire a VA, the guy I pay him \$2. I'll tell him to do, let's say we want to go to this county nearby Dallas County and then I'll have him collect all the information in that county and I only need information the address, the size of the lots, the sole price, and also the subdivision.

Dan: He's going to build that list by hand on Redfin, he's going to go through one at a time, and put it in an Excel spreadsheet.

Ray: Yes.

Dan: Then you go back, you can then what? Take the subdivision, the county, and the zip code to put that in the list source and then pull vacant land.

Ray: Correct.

Dan: Okay.

Ray: Yeah.

Dan: Why only 3 months? I guess you're not trying to have the frothy 2022 January market data because those markets are no longer viable in some sense, right?

Ray: Also, we are, yeah, not a very predictable market. We don't know what's going on later on, right? But we know 3 months is a very safe timeframe. But think about it, if you are, let's say right now it's December and it is June last year the same as June, as December last year,

probably not, right? September last year and December last year is very close as far as the market prices and all the trend. Yeah.

Dan: That's mind-blowing.

Ray: I only do 3 months, right now.

Dan: Yeah, the 3 months and the sold data as your research project for the county, I mean, if there are 25 zip codes in the county where Dallas was located, how many of those are you going to typically see? Will it be zip codes or will it literally be subdivisions that you're going to want to pull?

Ray: Subdivisions. Not zip code because zip code is big. If you cross the street that could be a poor neighborhood. If you cross another street, that'd be a rich neighborhood. I used to do it based on zip code, so I lost a lot of money. I didn't know, right?

Dan: Okay.

Ray: Yeah, the subdivision is the smallest unit. Yeah.

Dan: All right. That is a very interesting way to go about it. What are the numbers that would be pulled off this list? Right? It's 5 or 10 subdivisions, are there 3 or 4 lots in each one? Are you finding dozens and dozens, hundreds of vacant lots? What's the size of the list in the end?

Ray: Of course, it depends on the county or the market, but basically what I see is you can at least find, sometimes close to 50 subdivisions in that county, or even more, right? Each subdivision, when you pull the mailing list, that should be at least there are 10 of them, you can mail 2. I take that sold data, I start to make offers, I mail them out, and whoever wants to sell, they'll copy back.

Dan: You're constructing the offer by subdivision?

Ray: By subdivision and based on the sole price.

Dan: Okay. Then just put the 40% calculation in Excel, and make a spreadsheet?

Ray: Yep. Typically, 40 to 50 cents on the dollar, so if a more competitive area, I would do like 50% or...

Dan: Okay.

Ray: Yeah, if less competitive, I'll do maybe 40% or 42%.

Dan: Interesting. What is the average deal size now recently? Are these all \$5000 or \$10,000 purchases sold for \$20,000? I mean, is it a \$40,000 purchase to sell for \$80,000?

Ray: Yeah, I make sure that each deal, I make a least \$10,000, at least as a bare minimum. I used to do a lot of small deals. In my first year, I did 200 deals and land deals. I buy for a thousand, sell for \$2500. But I'm tired of those, right? Right now, we're doing deals ranging from \$15,000 to \$250,000. We recently closed the deal at the end of last year. We bought it for \$70,000 and sold it for \$155,000.

Dan: Nice.

Ray: Yeah. It's land nearby Houston. You can basically choose the price range, whatever you want because the land is very flexible. You can find land for a couple of hundred in the neighborhood, you can find land for half a million, right? It really depends on the people's choice.

Dan: Interesting. Do you take into account at all, from a broad market selection, if we're looking at the United States, how would you land on a particular county to then do that next layer of research?

Ray: You can do that in the list source. You can choose the last 3 months only in vacant land and then choose the whole United States market. Then you can download that comparable list without paying for it. There's a buy partial list at the end of the checkout, and you can choose the Kane, and you can export the list showing Kane sold for how much land, and then you sort it by large, smallest, you can find the market that sold the land the most.

Dan: At the most price point, or the most volume of sales, or both, a combination?

Ray: No combination. Just the volume of sales.

Dan: Volume.

Ray: Yeah.

Dan: Okay.

Ray: Volume. Yes.

Dan: Were you taking the consideration to selling price as you selected the market?

Ray: After you choose from that, you're sorted by largest to smallest, and you choose the market and then you can verify in Redfin to see if that price range faces the budget. But normally, I tell people you want to have at least 40 sold in those last 3 months in the Kane, so if Kane has less than 40, I'm not interested.

Dan: That's because it's too risky, right? There may be no more builders are...

Ray: Yeah. It's not very risky because every land has an owner and you can definitely sell that, but it just depends on the time. If you have 10 sold in the last 3 months in the Kane when you'll

have land for sale, that'll be taking a while, right?

Dan: Slow moving.

Ray: Correct. Yeah.

Dan: What is the longest piece of land other than land that you hold for the long term? What's the longest deal that it took for you to sell the property?

Ray: Yeah. When you buy, you really be careful. Right now, I'm taking students, I teach them, right? Before you buy, I tell them what land you don't want to buy, right? For example, one of the lands we don't buy is land with drainage, right? That's a very hard expensive lesson. I bought the land last April, I forgot to check with the realtor to see if there's drainage on the lots. There is drainage inside. I bought it for \$18,000 and without the drainage, I can easily sell for out for \$50,000 but it's still on the market right now. I don't...

Dan: Is that like there's a sewer line in the middle of the...?

Ray: The property is inclining to go to the drainage. Drainage is outside the property.

Dan: Okay.

Ray: It's like this shape, it's a slope. It's going down, so no builder wants to build there.

Dan: Do you ever check the topography of the land as part of your due diligence process?

Ray: Right now? I do.

Dan: Fair enough. Do you spend time going to the county's GIS maps for things like utilities and...?

Ray: Absolutely.

Dan: Yeah. Okay.

Ray: Yeah.

Dan: What other due diligence didn't we talk about on a piece of land? Like the drainage that could be a deal killer or maybe something that on the flip side, you're excited when you see it.

Ray: A lot of houses nearby. I'm super happy to see that and that means if I buy the for short sale very quickly, and also there's power nearby and there's water nearby, right? Not on the lots though. There's white land not good, so if it is close to the ocean, your land will be worth a lot of money. People love water, right? Also, even if there's no ocean, there's a lake, and a river, and is for sure will raise the price of your lot. Yeah.

Dan: Okay.

Ray: Yeah, but you got to make sure it's not on the lot.

Dan: Can't feel it otherwise, right?

Ray: Yeah.

Dan: I think we're sitting here, you and I talking, it's January 2023, and a lot of people are probably tightening up because of the potential for a recession in the economy. Things are changing in the economy, the interest rates are rising. What modification to your business model maybe, or right, if someone was going to do this, right? Is it still a good idea to try and do this when we're staring down the barrel of these headlines about real estate declining and all that things, right?

Even earlier in our podcast, we were talking about it's longer to sell a deal and we're looking back 3 months and we were making jokes about how great it was 12 months ago. Is it still great? Are you still excited? How are things changing in this niche of flipping buildable lots?

Ray: I'm more excited actually. When I tell people all the time, the land is a business that you earn money from when you sell because there's a profit, right? You also earn money when you don't sell. Why is that? For example, I bought land 3 years ago in Oklahoma, and I completely forgot about it. Because they never sent me a texting bill because I moved and they sent it to the old address, and never forwarded it to me.

I bought it for \$2000 by then, and by then the land was worth about \$4000. I bought it for half, right? 3 years later, I was going to go to that market, I searched my name, and I was like, "Oh, that's my name is this me?" I look at it, "Oh, that's me." I started selling, I put a market within days, and we sold it for \$15,000, so when you don't sell the land worth more, and think about clothes or fashion business, right?

The clothes we are wearing are fashionable this year, but what if you don't sell them next year? Nobody is going to buy that clothes. This is a business you want to get into, right? Why I'm super excited about this thing is when there's a recession, you do the opposite thing when people sell you back, right? That's exactly what the word buffet means. When people panic, you are happy, right? Because you can get things super cheap, and the one twist I'm doing right now is I'll lower my offer price, right?

We make offers already based on the last 3 months because if the last 3 months' performance drops, my offer automatically drops, and then I will change my percentage of offering even less so that I can get a double kill. Then right now, I hope people panic. If they panic, the more I get land, I can sit here. If I don't want to sell, that's fine. I can keep it and someday they'll go up, right? Land typically doesn't go up, go down very much like houses.

Dan: Yeah, there's the concept of land banking, right? We'll probably touch on you and I just like you were talking about, right? The land has the potential to keep on rising. If it's well

located, the well-selected buildable lot we would see in Philadelphia as an example where I grew up, New York buyers would have much more money, and their context for the property values is significantly higher because New York's real estate is exponentially more expensive than Philadelphia's.

When I was growing up in the eighties, there were transitioning neighborhoods where gentrification was taking place, and the New York buyers would buy the shells, or sometimes just old-dated property, they would pay whatever the retail value was at the time. It was probably \$5000, maybe \$10,000, or \$15,000 to \$20,000. They would board it up and they would just pay the taxes and they would forget about it.

In a sense, that was a land banking model in that people were the same way the money would go to an IRA and sit there and be forgotten about for 10 years, 20 years. The New York buyer would do the same thing with houses in Philadelphia boarded up, and the taxes were cheap enough in Philadelphia where they could sustain that long-term vacant land in Philadelphia, for the most part, is going to have reasonable property taxes to allow that land banking strategy to work long term. If the lot is well selected, you had to buy it for the right price too, right?

Ray: Absolutely. Yeah.

Dan: When I moved to Chicago in 2015 and I started to get comfortable in the Chicago market, Chicago is almost like a New York market and it's very expensive for real estate. Chicago, is surprisingly expensive, even in crime-challenged neighborhoods, you're still dealing with \$300,000 houses, \$350,000 in some, and it's very expensive to live in Chicago. The land banking model does not really work in Chicago because a vacant lot in a crime-challenged area where there is no new construction taking place may have a tax bill of \$1800 to \$2000 per year.

You can buy the lot for \$5000, but within 2 years you can't sell it. Now, you're losing money from the value, right? So even in really desirable areas, I knew some people who defaulted weren't doing a land banking strategy on purpose. It was land that was in the family, and he's paying \$5000 to \$6000 per year in taxes because it's a really desirable area where new construction is going on and it's like over the course of 10 years to 15 years, and he didn't pay the taxes, so he had penalties and they're piling up, but he's way negative now.

Ray: Yeah.

Dan: If he would've sold it before. When we talk about a land banking strategy, I think part of the market selection in something like that is going to be evaluating the county's tax structure to not take a commission on the property taxes being too high. Do you have any insight on that? Or maybe you would discuss your own land banking strategy for properties you might decide to hold now, Ray?

Ray: I think you covered it all, so just make sure that the taxes are not crazy high, another about market is I never go to migration outstate, meaning people are majority moving out instead of moving in. For example, I would never go to the market. I don't care how much it's worth, so because people are moving out, New York was losing 300,000 people last year compared to

people moving in.

California is the same thing. I'm not going to hold and hold them by there, buy and hold there because I want to hold a place that first of all, as you said, taxes are affordable, and secondly, people are desirable to go in like Florida and Texas. Those are very good states to hold your land, you don't want to hold it for 10 years later and that state is at the end. Yeah, it's empty and nobody is there anymore, right? Yeah.

Dan: Do you actually have a strategy right now? Is that part of your business model to hang on to certain properties for the long term? Or is it much more transactional, getting get out on everything?

Ray: I would say about 20/80, I'll just keep 20 of them, hundred percent of them, and sell 80 of them unless it's...

Dan: It's actually a lot higher than I thought.

Ray: Yeah. Unless their market is less. For example, in Florida, there's a market called Ocala. So Ocala is not as famous as Orlando or Tampa, but it's in the middle. A lot of people are moving to those markets right now. I keep a lot of lands there and where I live Jacksonville is the largest city in the entire country. I still have a lot of lands here because I think Jacksonville will be very famous, so that's where I keep the majority of my land.

Dan: Okay. All right.

Ray: Yeah.

Dan: Yeah. I was thinking, as you actually mentioned it, not to go back in the story a little bit, but we are, so you talked about adjusting the offers during the recession, and people are afraid to buy with the headlines in your face. I think about the way that we're seeing the market operate, even in our own company, we'll sell into the marketplace, and sometimes we don't do any renovation. We sell a property as is. Another investor comes in, they buy it, and they do the renovation, and we're selling deals at remarkable prices.

I'm surprised, right? I encourage people like, "Just make the offer." If you go look at a property, make the offer, it doesn't matter what the asking price is, you got to make your offer. I see the person who makes the offer get the deal and a lot of times that's how I'm getting a deal. I make an offer on everything, right? I feel my company is a market maker, and I have an obligation to the United States real estate marketplace to make an offer on any piece of property that's presented to diamond equity.

Ray: Yeah.

Dan: We owe them a price quotation. This is why our company exists. We're willing to buy it and take on the risk. If it's a worthless lot that's landlocked, we are going to take a pass on certain pieces of real estate. But if there's a buyer in Kansas City with a 10-unit building, I'll make an

offer. If there's a seller with a shopping center in Flint, Michigan, I will make an offer, right? If there's a house in Atlanta, I'm going to make an offer.

I think that has been one of the overarching principles of certainly my own real estate career, is to get over the fear in a marketplace that's changing and figure out what the offer's going to be, and actually make the offer. Because if you never make the offer, you're never going to have a chance to make the profitable deal. I see a lot of newer investors, or even experienced investors sit on the sidelines, and they're missing some very good deals right now, as we speak in the recession, right, Ray?

Ray: Absolutely. It's the same as dating. If you date a girl, you tell her, "I like you, you look beautiful, let's go some other time." Right? If you always say, "Oh, you go there and look at her, Oh, she is beautiful," and you are afraid to say anything, you're not going to do anything, right? The girl will not approach you. The seller will not say, "Hey, Daniel, I really love you to buy this land and or the house. Can you do this price?" No, they'll never say that.

Dan: Correct. Cool. Ray, you've done a remarkable thing in 11 years. You've come to the country, I don't know that we mentioned it on the recorded part of the podcast, but we were talking there beforehand, about how you literally had to learn English when you got to the States.

Ray: Yeah.

Dan: To have built a remarkable business that did what it did for you in 2022, and to be hanging on to land and building a portfolio, it's amazing. I think a lot of people look up to and respect that. I'm curious along the way, were there any sources of wisdom? Were there any books that were very instrumental in helping to like, shape your mindset that you might recommend to people who are listening right now?

Ray: I had a book called the Science of Getting Rich, so to get rich is really a science. I was first introduced to the book when I was wiping off people's floors, remember I was cleaning people's floors. I was putting on my earphone. I was listening to that twice a day. Listen to that book, it's not a big book. I listened to that twice a day. I really change my mindset because, for any type of success, it's an 80% mindset, right? 20% of how you do it. You got to change that and it's really hard to think rich when you are poor.

Dan: You're right about that.

Ray: Yeah. How do you get to that level when you are poor? It is crucial. If you look around, whatever you see, whether it is a table, or your iPhone, whatever it is, is actually created twice. The first time is created in their mind, so how do you create rich when you're poor? That's crucial and then you can create it in a reality. That is really helping a lot.

Dan: Do you remember if that was the Wallace Wattles version, or whether that was Bob Proctor's version, or was this another author?

Ray: That's called Wallace Wattles. Yes.

Dan: Wallace Wattles. Okay.

Ray: Yeah. He's like an old Asian, in his 20s, 1920 something author. Yeah.

Dan: Wow.

Ray: Yeah.

Dan: Yeah. I think I read that myself from around 2009 to 2011. I remember reading Science Are Getting Rich. It's a very unique recommendation. I think that's the first time I've heard that on the show here.

Ray: Yeah, this is the first time I heard people read it.

Dan: Okay. Yeah, we get a high five.

Ray: Yeah, they always thought I was talking [inaudible] but that's a different book.

Dan: Okay. Yeah, that's pretty cool. If you could go back, right, as a closing question, I'd like to ask my guests, if you could go back to a crucial time in your life, right? Let's say it is when you were 25 or 26, maybe you were in Hawaii at the time, I'm not sure, but certainly, in the beginning, is there the crown jewel of wisdom? Like what would you share with yourself then knowing everything that you know now?

Ray: The principle. I always abide right now, when you are poor, take a lot of risks with little money. A lot of people do the opposite thing. They're afraid of doing things when they're poor. Let me ask you, what are you afraid of? Right? There's nothing you need to be afraid of when you're poor because you don't have money, you cannot lose much. But the opposite thing is true too. You take a little risk with a lot of money when you are rich.

A lot of people do the other side, again, they take a lot of risks with a lot of money, and then that's when they go back to their poor life. When you are poor, take a lot of risks and when you are rich, take very little risk with a lot of money. I think right now, for me right now, I'm not mega-rich, but I'm very careful of what I invest, and what I spend and I don't want money \$1 out without my record, and without my knowledge.

Dan: I love it. I wrote it down. I got like three pages of notes here. This has been a really great episode. Ray, is there a website or contact information or anything else you'd like to ask of the listeners before we wrap up?

Ray: No. If you have any land questions, just I'm on my Instagram. My Instagram is virtualflipland, one word.

Dan: All right. Well, hey, I appreciate you coming to the show. As I said, I got a ton out of this myself. I'm sure the listeners would agree, so thank you for coming on the show, Ray.

Ray: Thank you, Danielle. Thanks so much.

Dan: Thank you for tuning in to the REI Diamonds Show. Remember to review and subscribe to your podcasting app. Just search REI Diamonds and click subscribe. If you're interested in receiving my weekly big idea email where I provide the most valuable jewel of wisdom that I discovered during the recording of the most recent episode, sign up at reidiamonds.com. At that site, you can also access the 211 episode archive.

Again, that's reidiamonds.com. Last year in 2022, my house flipping, well, I should say my real estate buy and sell company, Diamond Equity Investments, bought and sold 327 deals. Those include houses, apartment buildings, vacant land, and commercial property. So far this year we've done 29 and we have another 178 deals currently in our inventory, either under construction or under contract and awaiting close. I share that to say this.

Here are three ways that you and I can do business. Number 1, if you are interested in having access to real estate deals that you can buy, fix, and flip for profit, go to accessrealestatedeals.com. Number 2, if you are an accredited investor who is seeking double-digit returns, you can sign up for my private lender network to receive my private mortgage investment opportunity emails at fundrehabdeals.com. That is how you join my network of private lenders to potentially fund my projects.

Number 3, I love off-market deals. Do you have any work? Here's what I am personally buying right now, 10,000 to 100,000 square foot commercial retail or industrial properties throughout the US with a value add component. I prefer the northeast, the Midwest, and the Southeast, but I will consider deals in other parts of the country. I'm also buying large vacant parcels of land, 10 acres or more in the Sunbelt states that are suitable for the development of 100 lots or more.

If you have something like that, shoot me an email with the details using the subject line and I quote, Deal for Dan. We are at the conclusion, my friend. Next up, we have returning guest, Johnny Wolf, discussing how to amplify your cash flow on single-family rentals while minimizing vacancy using technology and third-party hands-off management, even in other markets where you don't live. I'll catch you and Johnny next time.

Audio: Thank you for listening to this episode of the REI Diamonds Show with Dan Breslin. To receive email notifications of new weekly episodes, sign up at www.reidiamonds.com.

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