



STANDARD OPERATING PROCEDURE • VALUATION BLUEPRINT

THE UNDERWRITING MASTERCLASS

Institutional Valuation Protocols, Comps Architectures, and Negotiation Frameworks for Single-Family Houses, Vacant Land, & Non-Disclosure Markets.

MANDATORY CLOSER DIRECTIVE:

"Wholesalers derive ARV strictly through closed, fully renovated comparable sales using the Price-Per-Square-Foot method. Never base an offer on an automated valuation model (Zestimate) or stale historical price histories. AVMs are blind to physical condition, lag the market, and destroy credibility with serious cash buyers. Underwrite strictly, anchor low with confidence, and never breach your Maximum Allowable Offer."

1. RESIDENTIAL HOUSES

Comps \$/SqFt • 70% Rule MAO • 5-Point Photo SOP

2. VACANT LAND

3 Triangulation Methods • Satellite Aerials • 50% Anchor

3. NON-DISCLOSURE

100% Zillow-Native • Active Ceiling • DOM Calibration

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FOUNDATIONS OF WHOLESALING ECONOMICS: THE BICYCLE ANALOGY

To underwrite accurately, you must understand the economic mechanics of wholesale real estate. In wholesaling, we do not purchase real property with our own cash or collect realtor commissions. Instead, we secure a legally binding Purchase and Sale Agreement, which creates **Equitable Title (Equitable Interest)**. We then assign those purchase rights to an end cash buyer via an Assignment of Contract in exchange for an **Assignment Fee** (\$10,000 to \$50,000+).

The Garage Sale Bicycle Analogy:

Imagine walking through a neighborhood garage sale and spotting a vintage road bicycle leaning against a fence. The tires are flat, the chain is rusted, and it is caked in grime. The homeowner just wants garage space and offers it to you for **\$20**. You know that once cleaned, lubricated, and fitted with fresh tires, that exact model sells to enthusiasts for **\$150**.

Instead of fixing it yourself, you snap 3 photos and call a bicycle flipper friend: *"I have this vintage road bike locked down for \$20. Give me \$50 cash and I will hand you the bill of sale right now. You can clean it up for \$30 in parts and sell it for \$150 all day long."*

Your friend pays you **\$50**. You pay the garage sale owner **\$20**, pocket the **\$30 difference** as your fee, and your friend makes a \$70 profit. **Everyone wins:** the seller got quick cash with zero hassle, the investor got a discounted asset with built-in equity, and you made a profit with zero physical risk. Real estate wholesaling is the exact same transaction: we replace the \$20 bicycle with a \$200,000 house or \$40,000 vacant parcel, turning that \$30 fee into a \$15,000 to \$40,000 assignment check!

MODULE 1: THE SFH COMPING FUNNEL & FULL MATHEMATICAL FORMULAS

In residential wholesaling, After Repair Value (ARV) represents the future market value of a property once fully remodeled to top-of-market retail standards. Wholesalers do not invent values; we extract values from real closed MLS sales using the 4-step funnel below:

THE SFH COMPING FUNNEL

- 1 FILTER CLOSED SALES ON ZILLOW**
Toggle "Sold" only • Sold in last **3 to 6 months** (expand to 12m only if <2 solds) • Radius: **≤ 0.5 to 1.0 mile** • Size: **±20% Living SqFt** • Same vintage / construction type.
- 2 PHOTO INSPECTION: SELECT 3 TO 5 TOP RENOVATED COMPS**
Open listing photos. Verify true **Tier-A Turnkey finishes** (granite/quartz, stainless, new roof, modern baths). *Strictly ignore distressed foreclosures and teardowns.*
- 3 APPLY THE COMPS PRICE-PER-SQ-FT FORMULA**
Calculate average price per square foot across selected comps, then multiply by subject living area.
- 4 CALCULATE CASH OFFERS VIA THE 70% MAO FORMULA**
Apply the 70% rule, deduct estimated repairs, and deduct your wholesale fee.

FORMULA 1: AFTER REPAIR VALUE (COMPS \$/SQFT METHOD) – WRITTEN IN FULL

$$ARV = [(Price_1 \div SqFt_1 + Price_2 \div SqFt_2 + \dots + Price_n \div SqFt_n) \div n] \times \text{Subject Living SqFt}$$

Where:

- **Price_n**: Recorded closed purchase price of comp n.
- **SqFt_n**: Finished living area square footage of comp n.
- **n**: Number of verified Tier-A renovated comps selected (minimum 3, optimal 3 to 5).
- **Subject Living SqFt**: Total finished living area of the property being underwritten.

FORMULA 2: MAXIMUM ALLOWABLE OFFER (70% RULE) – WRITTEN IN FULL

$$MAO = (ARV \times 0.70) - \text{Estimated Renovation Costs} - \text{Wholesale Assignment Fee}$$

Where:

- **0.70 (Discount Rate)**: The 70% rule. Allocates 30% gross equity for cash buyer's holding costs (taxes, insurance, utilities), loan points/interest (hard money), buying/selling closing costs, and required 15%-20% net ROI.
- **Estimated Renovation Costs**: Full labor and materials budget required to bring subject property to condition of comps.
- **Wholesale Assignment Fee**: The net contract assignment profit earned by LPG Group (minimum \$10,000, standard \$15,000-\$25,000).

MODULE 1 (CONT.): COMPLETE STEP-BY-STEP SFH ARITHMETIC

To ensure absolute clarity, below is the complete step-by-step arithmetic walkthrough for a 1,500 sq. ft. subject property in Orlando, FL:

Step 1: Calculate Price-Per-Square-Foot for Each Comp

COMP #	DISTANCE	BED / BATH	SALE PRICE	LIVING SQFT	EXACT CALCULATION	RESULTING \$/SQFT
Comp 1	0.25 mi	3 bd / 2 ba	\$310,000.00	1,480 sqft	$\$310,000.00 \div 1,480$	\$209.459 / sqft
Comp 2	0.55 mi	3 bd / 2 ba	\$330,000.00	1,520 sqft	$\$330,000.00 \div 1,520$	\$217.105 / sqft
Comp 3	0.40 mi	3 bd / 2 ba	\$325,000.00	1,500 sqft	$\$325,000.00 \div 1,500$	\$216.667 / sqft

Step 2: Calculate the Unweighted Average \$/SqFt Across Comps

Sum of \$/SqFt = $\$209.459 + \$217.105 + \$216.667 = \$643.231$ / sqft
 Average \$/SqFt = $\$643.231 \div 3 = \$214.4103$ / sqft (Use \$214.41 / sqft)

Step 3: Multiply Average \$/SqFt by Subject Finished Living Area

Gross ARV = $\$214.4103 \times 1,500 \text{ sqft} = \$321,615.45$
 Standard Rounding to Nearest Thousand = **\$322,000.00 ARV**

Step 4: Full Step-by-Step 70% MAO & Offer Stack Arithmetic

1. Baseline After Repair Value (ARV):	\$322,000.00
2. Multiply by 70% Discount Rate (Investor Capital Cap):	$\times 0.70 = \$225,400.00$
3. Less Estimated Renovation Budget:	- \$45,000.00
4. Net Basis Before Fee:	= \$180,400.00
5. Less Wholesale Assignment Fee:	- \$15,000.00
6. MAXIMUM ALLOWABLE OFFER (MAO — HARD CEILING):	\$165,400.00
7. Target Contract Purchase Price (85% of MAO):	$\$165,400.00 \times 0.85 = \$140,590.00$
8. Opening Anchor Offer (LAO — 60% Rule Anchor):	$(\$322k \times 0.60) - \$45k - \$15k =$ \$133,200.00

MODULE 2: THE 3 COMP CONDITION TIERS & PHOTO INSPECTION MATRIX

Comping from list view is fatal. You must open listing photos and categorize every closed sale into one of three distinct condition tiers:

THE 3 COMP CONDITION TIERS MATRIX

TIER A: TURNKEY RETAIL

SETS YOUR ARV CEILING

Quartz/granite counters, new stainless appliances, luxury vinyl plank (LVP), updated architectural roof, modern tiled walk-in showers, fresh paint. Sells at peak retail with conventional mortgage.

TIER B: AVERAGE LIVABLE

SECONDARY CONTEXT ONLY

Clean and functional, but 1990s/2000s finishes. Formica laminate, builder oak cabinets, functional older mechanicals, dated carpet. Sells at a 15% to 20% discount compared to Tier A.

TIER C: DISTRESSED / CASH

CASH FLOOR ONLY

Hoarder properties, roof leaks, foundation cracks, fire/water damage, severe deferred maintenance. Sold for cash. **NEVER use as ARV.** These are cash buyer flips.

5-Point Physical Photo Inspection SOP

COMPONENT	WHAT TO SCRUTINIZE IN LISTING IMAGES	TYPICAL REPAIR BUDGET RANGE
1. Roof Condition	Check for curling/missing shingles, dark algae streaks, sagging rafters. Distinguish 3-tab (15-20 yr life) from architectural (25-30 yr life). If roof is 18+ years old, budget a complete tear-off.	\$8,000 to \$16,000 (\$350-\$450 per square [100 sqft])
2. HVAC & Mechanicals	Look for outdoor condenser unit photos. Check for bent/rusted cooling fins. Check manufacture year on serial data plate. Units older than 12-15 years require replacement.	\$7,000 to \$12,000 (Complete split-system replacement)
3. Kitchen Remodel	Check if cabinets are modern shaker wood or worn particle board. Check if counters are stone (quartz/granite) or laminate. Check if appliances are matching stainless steel.	\$12,000 to \$25,000 (Cabinets, stone counters, appliances)
4. Bathrooms	Check if shower has modern tile surround or cheap yellowed fiberglass insert. Check vanity condition, modern fixtures, and water damage around toilet base.	\$5,000 to \$10,000 per bath (Tile, vanity, plumbing fixtures)
5. Flooring & Paint	Check if carpet is stained or worn. Cash buyers replace all flooring with waterproof Luxury Vinyl Plank (LVP) and paint all interior walls neutral light gray/white.	\$5 to \$7 per sqft total (LVP materials + labor + full paint)
Quick Wholesaler Repair Estimating Rules of Thumb: • Light Cosmetic: \$15 to \$20 / sqft (paint, flooring, light fixtures) • Medium Overhaul: \$30 to \$40 / sqft (kitchen, baths, HVAC, paint, floor) • Full Gut Remodel: \$55 to \$75+ / sqft (roof, HVAC, foundation, gut to studs)		

MODULE 3: WHY ZESTIMATES FAIL FOR ARV & THE SELLER PSYCHOLOGY RULE

THE GOLDEN RULE: Cash buyers underwrite strictly on closed MLS comps and actual appraisals. They will laugh at a wholesale deal packet that quotes a Zestimate as value justification. Basing your offer on a Zestimate creates dead contracts you cannot assign.

ANATOMY OF AVM (ZESTIMATE) FAILURE

1. Blind to Physical Condition

Algorithms have zero eyes inside the home. A Zestimate treats a pristine, designer-flipped home and a water-damaged hoarder property on the same street identically based on historical public tax filings.

2. Blended Comps Soup

Algorithms pool foreclosures, tear-downs, and luxury custom builds together across broad ZIP codes without understanding micro-market boundaries, school districts, or 4-lane arterial barriers.

3. Non-Disclosure Blindness

In 12 deed-restricted states (Texas, Utah, Missouri, etc.), Zillow does not even have access to recorded deed sales prices. Its estimates are based on listing asking prices, tax assessments, and guesswork.

4. Lagging Algorithm Latency

In shifting, softening, or high-interest-rate environments, automated algorithm adjustments lag actual buyer cash sentiment and real-time appraisal standards by 3 to 6 months.

HOW TO WEAPONIZE THE ZESTIMATE FOR SELLER PSYCHOLOGY

The **only** valid use for a Zestimate is understanding the seller's mindset before you dial. The seller has already looked at their Zestimate and anchored to it mentally. Here is how top closers disarm that anchor:

CLOSER SCRIPT: NEUTRALIZING THE ZESTIMATE ANCHOR

"Mr. Seller, I see that Zillow shows an automated estimate of \$320,000 for your home. I completely understand why you love that number. But here is what the computer algorithm does not tell you: that \$320,000 assumes your home has already been completely remodeled with a brand-new architectural roof, modern quartz countertops, new HVAC, and pristine landscaping. It also assumes you are paying a 6% realtor commission (\$19,200), 2% in seller closing costs (\$6,400), and waiting 60 to 90 days for a buyer whose mortgage could still fall through.

When you factor in the \$45,000 in physical repairs your property needs today, you realize that retail number is not cash in your pocket. Our offer is guaranteed net cash to you in 14 days, with zero fees and zero repairs required."

MODULE 4: VACANT LAND (VL) INSTITUTIONAL VALUATION & THE 3 METHODS

Vacant land has no bedrooms, no living area, and no roof. You cannot value land using house formulas. Top land wholesalers value parcels using the 3 institutional triangulation methods below:

THE VACANT LAND VALUATION WORKFLOW

1

FILTER "LOTS/LAND" ON ZILLOW

Check **Sold & Active** • Match acreage within **±25% to ±50%** of subject lot. *Never comp 0.25 acres against 10 acres!*



2

SATELLITE & AERIAL INSPECTION

Check **Road Frontage** (paved vs dirt) • **Power Lines** on street • **Tree Density** • **FEMA Wetlands**.



3

TRIANGULATE VALUATION (3 INSTITUTIONAL METHODS)

Pillar 1: Direct Comps × Multipliers | Pillar 2: Residual Build Backwards | Pillar 3: 15% Build Ratio.



4

STRUCTURE 40%–50% LAND CASH OFFERS

LAO Anchor = Baseline × 30% to 50% – Clearing | MAO = Baseline × 50% to 65% – Clearing – Fee

LAND METHOD 1: DIRECT COMPS × MULTIPLIERS – WRITTEN IN FULL

$$\text{Lot Market Value} = [(\text{Comp}_1 + \text{Comp}_2 + \dots + \text{Comp}_n) \div n] \times M_{\text{Access}} \times M_{\text{Utilities}} \times M_{\text{Topography}} - \text{Tree Clearing}$$

Where Physical Multipliers Are:

- **M_Access (Road Frontage):** Paved Road = 1.00 | County Dirt/Gravel = 0.85 | Unimproved Easement = 0.70 | Landlocked = 0.35
- **M_Uilities:** City Water & Sewer = 1.00 | Well & Septic Required = 0.85 | Electric Only = 0.75 | Off-grid = 0.50
- **M_Topography:** High & Dry Level = 1.00 | Rolling Slope = 0.85 | Steep Slope = 0.65 | FEMA Wetlands = 0.35
- **Tree Clearing:** Cleared = \$0 | Light Brush = \$1,500 | Heavy Mature Timber = \$5,000 to \$12,000+

LAND METHOD 2: RESIDUAL BUILD BACKWARDS (BUILDER MODEL) – WRITTEN IN FULL

$$\text{Residual Lot Value} = \text{Finished Spec Home Sale Price} - (\text{Home SqFt} \times \text{Build Cost/SqFt}) - \text{Builder Profit Margin} - \text{Soft Costs}$$

Worked Example: New spec home sells for \$380,000 | 1,850 sqft @ \$145/sqft build cost = \$268,250 | Builder profit = \$60,000 | Soft costs (permits/impact fees) = \$12,000
Residual Lot Value = \$380,000 - \$268,250 - \$60,000 - \$12,000 = \$39,750.00

MODULE 5: LAND METHOD 3 & SATELLITE AERIAL INSPECTION SOP

LAND METHOD 3: 15% BUILD RATIO FORMULA (ZACK GINN LAND MODEL) – WRITTEN IN FULL

Wholesale Target Offer = (New Spec Home Sale Price × 0.15) ÷ 2 = New Home Price × 0.075

Rationale: Raw land typically represents 15% to 20% of finished new home value in residential subdivisions. The wholesale acquisition target is exactly 50% of raw land allocation (7.5% of finished home price):

Worked Example: New spec homes sell for \$360,000 on Zillow → Land Allocation = \$360k × 0.15 = \$54,000 → **Target Contract = \$54,000 ÷ 2 = \$27,000.00.** You assign to a builder for \$38,000 and make an \$11,000 wholesale fee!

Aerial & Satellite Land Inspection Blueprint

Never underwrite a vacant parcel from tax records alone. Open Google Maps Satellite view and execute the 4–point inspection below:

AERIAL & SATELLITE INSPECTION ANATOMY

1. Road Access & Frontage

- **Paved Public Road (1.00x):** Direct asphalt maintained by city/county.
- **Maintained Dirt/Gravel (0.85x):** Visible tire tracks, county maintained.
- **Unimproved Easement (0.70x):** Private two-track through neighbors.
- **Landlocked (0.35x):** No deeded access. Walk away unless adjacent owner is buying.

2. Electrical Utility Poles

- Zoom in along street. Look for tall wooden power poles with transformer drums and overhead wires.
- Power lines in front of lot = **\$0 extension fee.**
- Power poles end 1/4 mile away = **\$5,000 to \$15,000+** utility company extension drop fee.

3. Tree Canopy Density & Clearing

- **Cleared Meadow / Grass:** \$0 to \$500 mowing fee.
- **Light Brush / Small Saplings:** \$1,500 to \$3,000 mulching.
- **Dense Mature Pine/Hardwood:** \$5,000 to \$12,000+ bulldozing, clearing, and stump removal.

4. FEMA Wetlands & Drainage

- Check for standing water, dark marshy soil, green algae ponding, or drainage swales cutting through parcel.
- Cross-reference the address on the *FEMA Flood Map Service Center*. Parcels in Floodway or wetlands lose 60%+ of buildable value.

MODULE 6: NON-DISCLOSURE MARKETS: THE ZILLOW-ONLY PLAYBOOK

WHY RELYING ON "PRICE HISTORY" IS A DEAD END: In non-disclosure states, deed sales prices are legally hidden. Looking at the "Price History" table on a subject property or comp often reveals a listing from **12 years ago (e.g. 2014)** with **"--" as the sold price!** (See 4919 Tremont St, Dallas, TX). Relying on historical price history leads to completely outdated or blank data.

To comp houses and land in Non-Disclosure states **strictly using Zillow without platform hopping**, use the 3 proven Zillow-only methods below:

THE 3 ZILLOW-ONLY COMPING SOLUTIONS IN ND STATES

SOLUTION 1: The "Active Ceiling" Method (Your Absolute Risk Buffer)
Filter for **Active** listings within 0.5 miles on Zillow that are fully renovated. **The lowest renovated active listing is your absolute ceiling.** If a remodeled 3/2 down the street is listed at \$300,000 and has been sitting for 18 days without an offer, your ARV *cannot be higher than \$285,000 to \$290,000*. Back out repairs and wholesale fee from that active ceiling. You are mathematically protected from overpaying!

SOLUTION 2: The "Pending / Under Contract" Comps Technique
Filter Zillow for **"Pending / Under Contract"** within 0.5 to 1.0 mile. The price displayed with the yellow Pending banner is the final contract asking price. Calibrate using **Days on Market (DOM)** before pending:

DAYS ON MARKET (DOM)	MARKET CONDITION	PENDING PRICE CALIBRATION RATIO
< 7 Days	Hot / Multiple Bidding War	100% of Pending Price (or +2% to +5%)
7 to 21 Days	Normal Market Clearing	98% to 100% of Pending Price
30 to 60 Days	Cooling / Seller Concessions	95% of Pending Price (Deduct 5%)
60+ Days	Stagnant / Multiple Price Cuts	92% of Pending Price (Deduct 8%)

SOLUTION 3: Agent-Reported Solds in Zillow Feed
In non-disclosure markets, listing agents voluntarily report sales prices to the MLS in roughly **30% to 50% of transactions**. Zillow's feed captures this and displays: *"Sold \$XXX,XXX"* on the comp card. When available, use these as confirmed empirical closed comps!

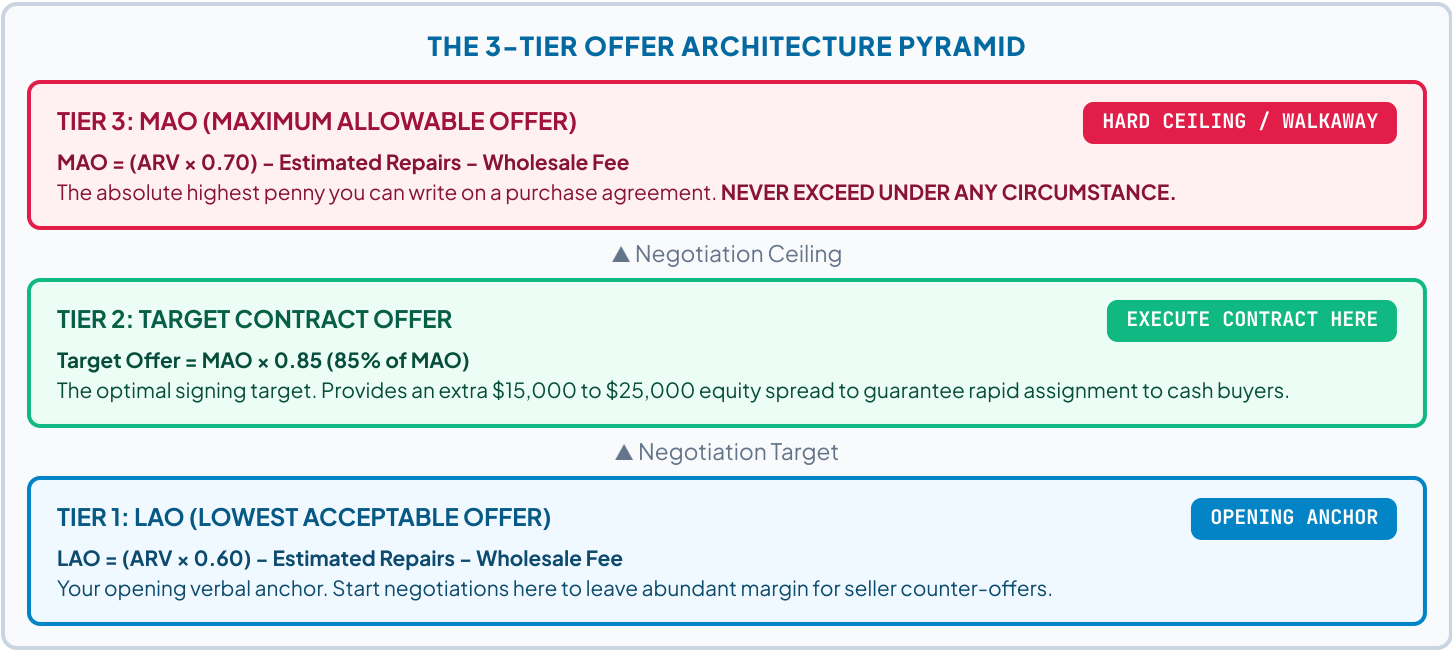
NON-DISCLOSURE PENDING PRICE CALIBRATION FORMULA – WRITTEN IN FULL

Estimated Sold Price = Pending Listing Price × C_DOM

- Where C_DOM Factor Is:
- **1.00:** If DOM < 7 Days (Hot market / multiple offers)
 - **0.98:** If 7 ≤ DOM ≤ 21 Days (Normal market transaction)
 - **0.95:** If 22 ≤ DOM ≤ 60 Days (Cooling market / seller concessions)
 - **0.92:** If DOM > 60 Days (Stagnant listing / price cuts)

MODULE 7: THE 3-TIER OFFER ARCHITECTURE PYRAMID

Every underwriting calculation in the suite produces 3 actionable numbers. Understand their purpose and how to deploy them during negotiation:



MODULE 8: CLOSER NEGOTIATION SCRIPTS & OBJECTION HANDLING

Master closers frame the offer around the property's physical reality before stating any numbers:

SCRIPT 1: Delivering the Opening Anchor (LAO) via Condition Framing

"Mr. Seller, based on our preliminary inspection, looking at the age of the roof, the HVAC system, and the updates required in the kitchen and bathrooms to bring the home to current neighborhood retail standards, our team has to budget roughly \$35,000 in physical renovation costs. In our business model, we absorb 100% of that market risk, pay all of your title and closing fees, and buy completely as-is with zero commissions. In order for our numbers to work as an all-cash purchase, our opening purchase price is \$[LAO]."

SCRIPT 2: Overcoming the "Zillow Says \$300k" Objection

Seller says: "Zillow says my house is worth \$300,000! Why are you offering me \$160,000?"

"I completely understand. If your home was already fully remodeled with quartz countertops, new roof, new AC, and designer landscaping, it could very well sell for \$300,000 on the open MLS. But selling on MLS means paying 6% in realtor commissions (\$18,000), 2% closing costs (\$6,000), plus spending \$45,000 out of pocket on repairs before a bank appraiser will even approve a retail buyer's mortgage. That puts your net proceeds around \$230,000, and you have to wait 90 days. Our offer gives you guaranteed cash in 14 days with zero out-of-pocket costs."

SCRIPT 3: Overcoming the "Competing Investor Offered More" Objection

Seller says: "Another wholesaler offered me \$190,000 yesterday!"

"Mr. Seller, anyone can write \$190,000 on a piece of paper. But ask yourself: did they put down a \$5,000 non-refundable earnest money deposit with a licensed title company today? In our industry, many amateur wholesalers throw out high numbers just to tie your house up in a 30-day contract. When their cash buyers say no on day 28, they try to renegotiate you down to \$140,000 or cancel the contract entirely. Our offer is backed by real capital, real earnest money, and we close."

SCRIPT 4: Meeting in the Middle at Target Offer

Seller balks: "I can't take \$[LAO]. I need at least \$[Slightly above Target]!"

"I hear you. If I can get my partners to review our repair budget, reduce our holding reserve, and close in 14 days instead of 30, would you meet me in the middle at \$[Target Offer] today so we can send the agreement over to title?"

MODULE 9: REAL-WORLD CASE STUDIES WITH FULL ARITHMETIC

CASE STUDY 1: Single-Family House in Detroit, MI (11403 Saint Patrick St)

SFH OFF-MARKET

Subject Property: 3 Beds, 1 Bath, 1,140 sqft brick bungalow built in 1948. Roof is 18 years old, 1970s kitchen, dated electrical panel. Subject Zestimate = \$88,000 (used for seller psychology only).

Comp Selection: 1.0-mile search yielded only 1 sold comp in 12 months. Auto-expanded to 24 months and 2.70 miles. Located 3 fully renovated brick bungalow comps:

- Comp 1 (0.45 mi): Sold \$94,000 / 1,120 sqft = **\$83.93/sqft** (Granite, new roof, new bath)
- Comp 2 (0.82 mi): Sold \$92,000 / 1,150 sqft = **\$80.00/sqft** (Full modern remodel)
- Comp 3 (1.20 mi): Sold \$89,000 / 1,100 sqft = **\$80.91/sqft** (Updated mechanicals, renovated)

Average \$/SqFt = $(\$83.93 + \$80.00 + \$80.91) \div 3 = \$81.61/\text{sqft}$

ARV = $\$81.61 \times 1,140 \text{ sqft} = \$93,035$ (Use **\$93,000**)

Estimated Repairs: Roof (\$8,000) + Kitchen/Bath (\$12,000) + Paint/LVP (\$6,000) = **\$26,000**

Wholesale Assignment Fee: **\$10,000**

MAO = $(\$93,000 \times 0.70) - \$26,000 - \$10,000 = \$65,100 - \$36,000 = \$29,100$

Target Contract Offer = $\$29,100 \times 0.85 = \$24,735$

Opening Anchor (LAO [60%]) = $(\$93,000 \times 0.60) - \$36,000 = \$19,800$

Deal Outcome: Closer anchored at \$20,000. Seller countered at \$28,000. Signed contract at \$25,000 (Target Offer). Assigned to a landlord cash buyer for \$38,000. **Net Wholesale Fee: \$13,000!**

CASE STUDY 2: Infill Lot in Port Saint Lucie, FL (1402 SW Medina Ave)

VACANT LAND

Subject Property: 0.23 Acre (10,018 sqft) residential infill parcel. Paved road, overhead power line across street, city water available, requires septic tank. Moderate pine tree cover (\$3,500 clearing).

3-Method Triangulation:

- Method 1 (Comps): 3 nearby 0.23-acre lot sales averaged \$48,000. Multipliers: Paved (1.0) × Septic (0.85) × High/Dry (1.0) = **\$40,800**.
- Method 2 (Residual Build): New spec homes selling for \$380,000. Build cost = \$150/sqft (\$277,500). Builder profit = \$60,000. Lot value = \$380k - \$277.5k - \$60k = **\$42,500**.
- Method 3 (15% Build Ratio): $\$380,000 \times 15\% = \$57,000$ allocation $\div 2 =$ **\$28,500 Target**.

Active Baseline Value: **\$41,500** | Tree Clearing: **\$3,500** | Fee: **\$10,000**

MAO (60% Rule) = $(\$41,500 \times 0.60) - \$3,500 - \$10,000 = \$24,900 - \$13,500 = \$11,400$

Opening Anchor (LAO [45%]) = $(\$41,500 \times 0.45) - \$3,500 - \$10,000 = \$5,175 \rightarrow$ Offer **\$6,000**

Deal Outcome: Closer offered \$6,000 citing tree clearing and septic costs. Seller lives out of state, accepted \$9,500. Assigned to regional builder for \$22,500. **Net Wholesale Fee: \$13,000!**

MODULE 10: NON-DISCLOSURE CASE STUDY & MASTER FORMULA SHEET

CASE STUDY 3: Non-Disclosure Ranch in Dallas, TX (4919 Tremont St)

NON-DISCLOSURE MARKET

The Problem: Subject property listing history on Zillow was from 2014 (\$690k with "---" sold price). County CAD value is \$215,000 (artificially low, ignored).

The Zillow-Only Solution (Active Ceiling + Pending Comps):

- **Active Ceiling:** Lowest renovated active listing within 0.5 mi is listed at \$425,000 (sitting for 22 days). ARV cannot exceed \$410,000.
- **Pending Comp 1 (0.3 mi):** Pending at \$415,000 (DOM = 5 days → hot bidding war → use 100% = \$415,000 / 1,750 sqft = **\$237.14/sqft**).
- **Pending Comp 2 (0.6 mi):** Pending at \$399,000 (DOM = 14 days → use 98% = \$391,000 / 1,700 sqft = **\$230.00/sqft**).

Average \$/SqFt = $(\$237.14 + \$230.00) \div 2 = \$233.57/\text{sqft}$

Derived ARV = $\$233.57 \times 1,720 \text{ sqft} = \$401,740$ (Safely below the \$410k Active Ceiling)

Estimated Repairs: \$40,000 | Wholesale Assignment Fee: \$20,000

MAO = $(\$401,740 \times 0.70) - \$40,000 - \$20,000 = \$281,218 - \$60,000 = \$221,218$

Target Contract Offer = $\$221,218 \times 0.85 = \$188,000$

Opening Anchor (LA0) = $(\$401,740 \times 0.60) - \$60,000 = \$181,000$

MASTER MATHEMATICAL FORMULA CHEAT SHEET (ALL FORMULAS IN FULL)

1. Comps \$/SqFt ARV Formula:

$$\text{ARV} = [\sum (\text{Comp_Price} / \text{Comp_SqFt}) \div n] \times \text{Subject_SqFt}$$

Strict standard. 3-5 Tier-A renovated comps.

2. 70% Wholesale MAO (Houses):

$$\text{MAO} = (\text{ARV} \times 0.70) - \text{Repairs} - \text{Fee}$$

Hard ceiling. Protects cash buyer equity.

3. Residual Land Value:

$$\text{Lot} = \text{New Home} - \text{Build Costs} - \text{Builder Profit}$$

Spec builder maximum purchasing power.

4. 15% Land Build Ratio:

$$\text{Target} = (\text{New Home} \times 0.15) \div 2$$

Equals 7.5% of finished spec home value.

MODULE 11: THE CLOSER'S PRE-OFFER DECISION TREE

Follow this exact operational decision tree on every lead before making any verbal or written commitment:

PRE-OFFER OPERATIONAL DECISION TREE

1

LEAD INTAKE: IS THIS A HOUSE (SFH) OR VACANT LAND (VL)?

- **If House:** Go to Step 2A (Check Disclosure State status).
- **If Vacant Land:** Go to Step 2B (Check Aerials & Run 3-Method Triangulation).

STEP 2A: HOUSE (SFH) COMPING

Is it a Non-Disclosure State (TX, UT, MO, NM)?

- **NO:** Pull Sold comps (3-6m, ≤ 1.0 mi, $\pm 20\%$ sqft). Calculate ARV via Comps \$/SqFt.
- **YES:** Check Active Ceiling + Pending Comps with DOM calibration.

STEP 2B: VACANT LAND COMPING

Inspect Satellite Aerials:

- Paved road? Power poles on street? Tree clearing cost?
- Triangulate Method 1 (Comps), Method 2 (Residual), and Method 3 (15% ratio). Establish Active Baseline.

3

CALCULATE THE 3-TIER OFFER STACK

Calculate **MAO** (70% rule hard ceiling) • Calculate **Target Offer** (85% of MAO) • Calculate **LAO** (60% houses / 45% land).

4

DIAL THE SELLER & ANCHOR LOW WITH CONDITION FRAMING

Deliver **LAO Anchor** framed around roof, HVAC, and kitchen remodel costs. Disarm Zestimate anchor using Script 2.

5

CLOSE CONTRACT AT OR BELOW TARGET OFFER

If seller agrees at or below MAO: **Sign contract immediately & send to title**. If seller demands above MAO: **WALK AWAY**.

MODULE 12: THE CLOSER'S 10-POINT PRE-OFFER VERIFICATION CHECKLIST

Never submit a verbal or written purchase contract until you have checked every box below:

CHECK	VERIFICATION ITEM	OPERATIONAL UNDERWRITING RULE
✓ 01	Property Record Verified	Living square footage, beds, baths, and lot size verified against county records and Zillow listing.
✓ 02	Comps Are Renovated	Inspected comp photos. Ensured comps used for ARV are Tier-A turnkey (never use distressed sales as ARV).
✓ 03	Proximity Radius Clean	Comps are within 0.5 to 1.0 mile without crossing 4-lane highways, freight railroads, or school district boundaries.
✓ 04	Size Range Verified	Comp living areas match the subject property within $\pm 10\%$ to $\pm 20\%$ ($\pm 25\%$ to $\pm 50\%$ for vacant land).
✓ 05	Non-Disclosure Protocol	If in TX, UT, MO, NM, etc., used the Active Ceiling + Pending Comps method. Did not rely on 10-year-old price history.
✓ 06	Vacant Land Aerials	If vacant land, verified paved road access, utility poles along street, tree density, and FEMA wetlands.
✓ 07	Realistic Repair Budget	Applied realistic repair numbers: \$15/sqft cosmetic, \$35/sqft moderate overhaul, \$55+/sqft full gut remodel.
✓ 08	Open at LAO Anchor	Always open negotiations at your LAO (Lowest Acceptable Offer) framed around repair needs and closing costs.
✓ 09	Target 85% Contract	Aim to execute the contract at your Target Offer (85% of MAO) to protect your wholesale assignment fee.
✓ 10	The Walkaway Rule	Never breach MAO under any circumstance. If the seller will not agree under MAO, walk away.

CLOSING SIGN-OFF CONFIRMATION

By submitting this underwriting file, the acquisitions manager confirms that all comps, photos, aerials, and repair estimates have been independently verified per LPG Group Standard Operating Procedures.

Acquisitions Manager Signature: _____

Date: _____

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