

CLICK AND RETIRE

HOW INTERNET LAND TRADING
CAN MAKE YOU RICH

by

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io publishing

CHAPTER 1 – SWEATY PALMS

It was an accident. I wish I could say I was brilliant, but sometimes in life, it's dumb luck that prevails.

For several years, I've been fascinated with online auctions. Yahoo, eBay, Ubid. I'm a veteran of online commerce. Not just little stuff. I've bought three cars, one of them a Mercedes SL, two motorcycles, and a Rolex watch through eBay auctions.

One evening a year ago, I was poring through eBay and I clicked on the wrong button. I suddenly found myself at a page that contained land auctions. My first reaction was incredulity. Who in their right mind would be interested in buying land off eBay? The thought of not actually walking the land before buying it went against my every instinct.

I'm a real estate investor. I own dozens of single-family and multi-family properties worth millions of dollars. It's how I make my living.

Through the years, other successful real estate investors have consistently given me one piece of advice: If you want to invest in land, make sure there's a building on it. Raw land provides no cash flow.

Okay, I should have clicked out of that site in a New York second, but I was curious. I examined literally hundreds of land parcels, most with photographs, all with descriptions of the properties. People were offering hundreds of acres in the Rockies, square miles in Nevada, bottom land in Oregon. How could they have any chance of selling these parcels to people who lived thousands of miles away? I was really puzzled.

Then I made the discovery that totally changed my mind. I saw a link that showed recent land sales. This was getting more interesting.

On this new page, I was able to peruse land sales that had been completed. Tons of them. I began to see a pattern. There were two kinds of sellers: individuals selling one parcel and local real estate agents or land dealers whose names popped up again and again on sales in certain geographic areas. This was clearly a viable business. A market of buyers and sellers inhabited this niche.

I spent the next week doing what I call "due diligence." This is the process of looking into any and all information that might be available to help me better understand online land sales. Having traded on eBay, I tried to analyze the validity of sellers. For those not familiar with eBay, in order to participate in an auction, one must first register and provide identifying information. You establish a screen identity which is then used for all transactions. Anyone considering bidding on one of your auctions will want to know how others have fared in dealing with you. A number appears next to your screen name and shows your feedback score for eBay transactions in which you have been involved. Feedback information tells about the quality of the experience that other buyers

and sellers have had with a particular individual. Anyone can click on the number next to a seller's screen name and see this feedback information on how other buyers felt about their transactions with the seller.

In looking at land sellers, I disregarded anyone who had only a few transactions. I focused on the sellers who had made numerous land sales and who had good feedback (over ten responses) from buyers.

After a week, I had a decent understanding of the online land market. I even researched a parcel. It was 160 acres in eastern Nevada, near Winnemucca. I called the county land office to make sure that this specific parcel existed. The name on the title was the same as the seller so I felt more comfortable about doing business with the seller.

In my research, I saw that land in that area of Nevada was selling on eBay for \$80 to \$100 per acre in larger parcels (160 acres, 320 acres, or 640 acres – a square mile). Smaller parcels, such as 20 acres, sold for almost twice that. Once I had a benchmark of comparisons for the general area, I felt more confident in composing a bid.

Many of my earlier questions had been answered. Did the land exist or was this a scam? The county recorder had given the information that made me fairly certain the land existed and that it was owned by the seller.

Was the land buildable? As far as I could determine, the county had no restrictions on what could be done with the land.

Was it accessible? I learned that Nevada law requires that all raw land parcels have setback easements around parcel perimeters to allow for the building of future county roads. So, yes, this parcel would always be accessible; it could not be landlocked. (Nevada and Arizona law does not allow parcels to be landlocked. A subdivider MUST give an easement along the borders of the property to allow for future roads. Utah does not provide such protection.)

Was the land serviced by any utilities? It seemed that no electricity, water, or sewer lines were nearby. Was this a major problem? No. Over forty people had bid on this property already. They knew it was raw land and they were interested in it. Whether they intended to build in the future, or hold the land for speculation, or provide an estate to their grandchildren, didn't matter to me. They were willing to buy for some reason, which meant that if I bought the land, I could also sell it. Worst case scenario, I should be able to get close to what I paid for it.

On most items, eBay provides a counter on auction pages to show how many individuals look at a specific auction. Over a thousand individual visitors had looked at this parcel. That told me there was a lot of interest in this parcel or the region in which the parcel existed.

Okay, I had now analyzed the bejabbers out of this parcel. Could I do this or should I go back to what I know?

There comes a point in any new situation where a decision is needed. Proceed with nervousness or go back to what is safe. Or in some cases, keep analyzing until being stuck in "paralysis-by-analysis." I had spent six days becoming familiar with eBay land in general and in this 160 acre parcel in specific. Only a few minutes were left in the auction. I had to do something. As I always tell my students, "When you're outside your comfort zone, you're about to

grow." Well, I was way outside my comfort zone. Any more growth and I'd need a new wardrobe.

I had determined that \$100 per acre was about the top end of the going rate for large parcels around Winnemucca. So, for this 160 acres, I was willing to bid as high as \$16,000, and no more.

I have signed contracts for millions of dollars, but having my finger poised on the computer mouse and hovering over the BID button made my pulse race. A week of research rode on this decision. \$16,000 of my money was about to be put at risk. My palms were sweaty. A last minute fear swept through me. Did this land really exist? Was it contaminated by nuclear waste? Were the photographs on the bid page a hoax?

With thirty seconds left in the auction, I upped my bid to sixteen thousand dollars and one cent. Then I pushed the bid button.

I spent the next thirty seconds just staring at my computer screen. What had I done? Was I nuts? No matter how intensely I might experience buyer's remorse, I couldn't back out now. I had entered into a binding contract.

What part of stupid didn't I understand? How could I ever have blundered into this situation? In the space of a minute I had become a nervous wreck.

My computer dinged and informed me that I had email. The seller of the parcel had just sent me a note. "Congratulations," he said. "You have the winning bid." Then he listed his phone number for me to contact him.

I did not feel like a winner. I felt like I had jumped off a cliff, one of those Mexican high divers who plunge two hundred feet between jagged rocks to a tiny patch of blue water. Any second now, I would smash into the rocks and be torn to shreds. When I hit the water, sharks would come after my bloody carcass and that would be that.

My computer chimed again. The email said, "You little stinker! You beat out my top bid by One Penny!" This is exactly what I needed. Some irate bidder coming after me because I aced the auction at the last second. I might wind up in a hole on my own land, murdered because of a penny. Oh, I sorely regretted ever stumbling into eBay land auctions.

But when I read the rest of the woman's email, things changed. The message said, "I own the parcel next to yours and I really want your 160 acres. Would you sell the parcel to me for another thousand dollars above what you paid?"

Maybe it was the trauma of the last few minutes, maybe it was just simple greed. I emailed the number two bidder that if she would deposit \$1,000 dollars into my PayPal account, I would call the seller and inform him to close the deal with her.

Ten minutes later, PayPal confirmed that \$1,000 had been credited to my account. I moved the funds to one of my checking accounts and called the seller.

I was out. I had made \$1,000 in ten minutes.

Yeah, I was a genius.