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GROUP

TYPES OF PROPERTIES

Some tax lien investors find some types of property more profitable than other types of property. It is recommended to start out with what are generally regarded as the more profitable property types and to avoid starting out with the less profitable property types.

PROFITABLE PROPERTIES

Single-family, one to four units, owner-occupied, and mortgaged properties are the most profitable real estate tax lien investment properties.

Single-Family Properties

- Single-family properties are properties where a single family occupies and uses the property.
- Single-family properties make up the vast majority of all the real estate parcels subject to tax liens.
- Single-family properties are homes and the owners are people.

One to Four Units

- One to four units are the maximum size property recommended to buy the tax liens.
- One to four units are the best bet super-high returns with super-low risks combination.
- Property tax burdens on one to four unit properties are generally much more manageable than the tax burdens on larger properties.

Owner-Occupied

- Owner-occupied property is the best of real estate tax lien profitable properties.

- An owner-occupied property is a property wherein the property owner has more than just an ownership stake in the property.

- The owner of the owner-occupied property is living in the property. The property is their home and they may be raising a family in the property. They are completely emotionally attached to the property.

- If they lose the property, they are losing more than a place of real estate or more than just their equity in the property. The owner of the owner-occupied property is losing their lifestyle if they lose the property.

- They will fight to keep the property. That means there are better odds in favor that the tax lien will be deemed by the owner of the owner-occupied property. The non-occupied property owner may have no attachment to the property whatsoever.

Mortgaged Properties

- A mortgaged property will be redeemed. The ace in the hole is the mortgage lender. Sometimes even a property owner who is an owner-occupant will be forced to give up their home because of circumstances beyond their control.

- A mortgage lender will never walk away from a property that is the security for their loan. They will redeem the real estate lien on the property. Then they will foreclose on their loan.

- There is one caveat to this. A mortgage lender may walk away from a property if they are upside down in the property. Upside down means the loan amount is higher than the property value. And the loan amount would have to be much higher than the property value. This could happen when a property has been contaminated in an environmental disaster.

UNPROFITABLE PROPERTIES

These properties are in and of themselves are unprofitable and should be avoided if just getting started.

Obviously, a property evaluated and then decided not to pursue the tax lien could be considered an unprofitable property. That is not what we are talking about here.

In fact, this is a profitable property in the sense that because time was spent to investment due diligence and passed on investing, and likely to save an investment loss. One or two investment loses can put a serious dent in investment gains!

Raw Land

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- Some pieces of vacant property are worth less than the taxes due on them. The owners may have raw land that is land-locked. They have no way to get into or out of their property without going on someone else's property.

- Many times raw land has no utilities that serve it. It is so far out of the path of progress that it will never have any value. These types of properties have no value, so the property owner stops paying the property taxes. Then the taxing authority taxes over ownership.

- Undeveloped lots can be profitable. There are just too many factors outside your control. The risk is super-high and the rewards are super-low. That is backwards for real estate lien investment strategy.

Commercial Property

- Commercial properties are less risky than raw land. Strip shopping centers, medical office buildings, and retail space are examples of commercial property.

- An extensive background in commercial real estate is recommended otherwise these properties should be avoided.

- There are large investment groups, who typically have large sums of money, who invest in commercial real estate.

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