

Real Estate Exit Strategies for Raw Land Development – How to Make Money Selling to Developers

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In the ever-evolving world of real estate investing, there are countless opportunities to build wealth and secure your financial freedom, and I bet you're itching to get there!

Now, in case you're new to this real estate investment model, let me quickly tell you about [raw land acquisition](https://vestright.com/raw-land/) (<https://vestright.com/raw-land/>) – one of the most lucrative niches in the industry. It's a process we teach to entrepreneurs or savvy investors how to add value through entitlements to a piece of raw land before selling it to a homebuilder.

This opportunity is better than traditional [real estate investing options](https://vestright.com/real-estate-investing/) (<https://vestright.com/real-estate-investing/>), from rental income and lease options to rent-to-own investments and house flipping, plus everything in between.

But choosing the right **exit strategy for real estate** for each raw land deal you make is crucial.

In this article, we'll explore the various real estate exit strategies for raw land development and how you can maximize your profits when selling to homebuilders.

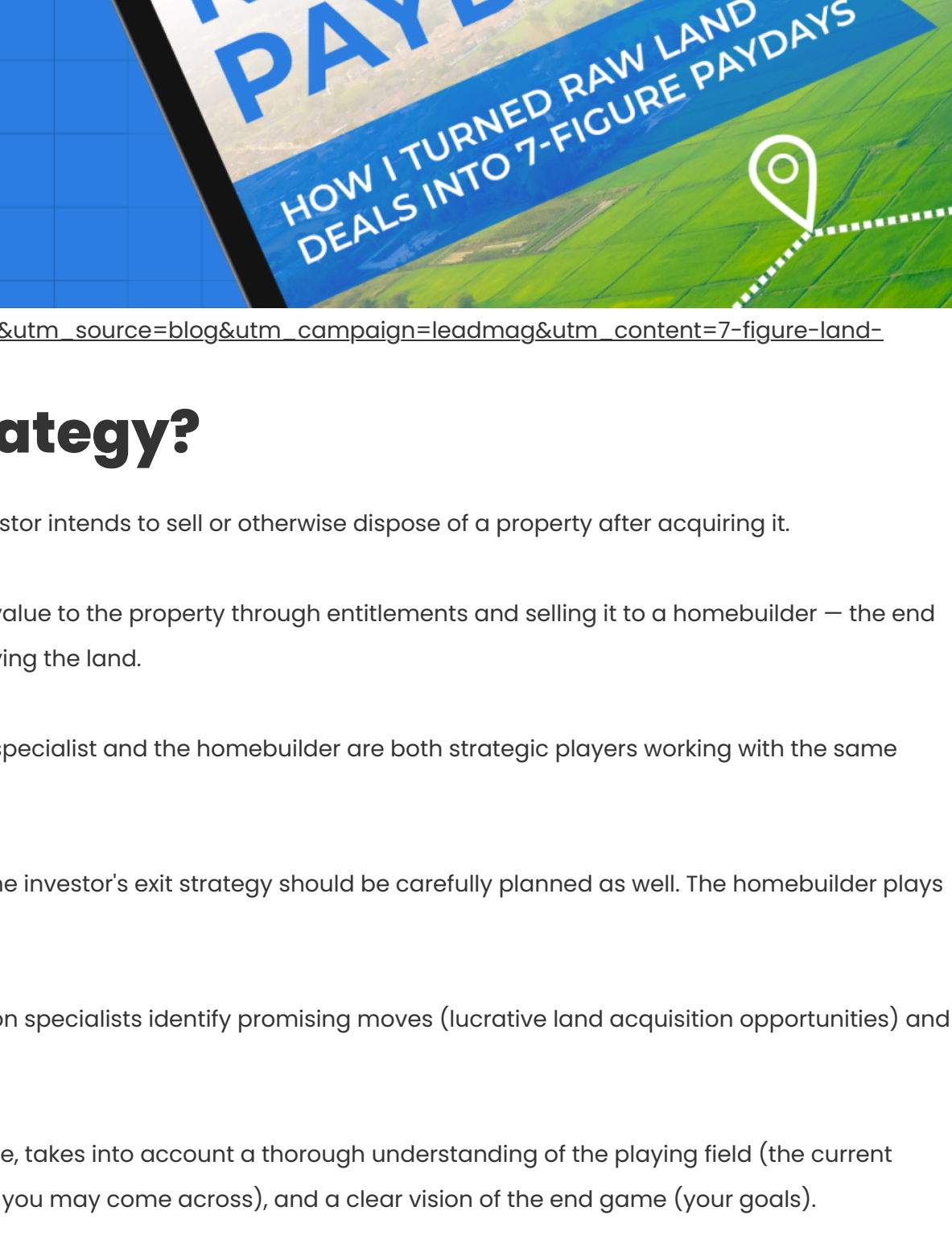
At VestRight, we've helped countless students make profitable land acquisition decisions and transform their lives into something bigger for their future.

Let's dive in and discover the several key factors that lead to success when creating your real estate exit strategies, so you can make it big.

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What is a Real Estate Exit Strategy?

A real estate exit strategy is a predetermined business plan for how an investor intends to sell or otherwise dispose of a property after acquiring it.

In the context of raw land development, your exit strategy involves adding value to the property through entitlements and selling it to a homebuilder – the end buyer – for a profit. Meanwhile, the homebuilder's exit strategy involves buying the land.

A real estate exit strategy can be looked at as a game of chess, where the specialist and the homebuilder are both strategic players working with the same board, which represents the land and real estate market.

Just as a chess player carefully plans their moves to achieve checkmate, the investor's exit strategy should be carefully planned as well. The homebuilder plays with their own set of moves.

At VestRight, our team serves as skilled coaches, helping our land acquisition specialists identify promising moves (lucrative land acquisition opportunities) and providing step-by-step guidance on executing successful exit strategies.

Ultimately, an effective exit strategy in real estate, like a winning chess game, takes into account a thorough understanding of the playing field (the current market conditions), the ability to adapt to challenges (any risk or problems you may come across), and a clear vision of the end game (your goals).

By considering these factors, real estate investors can develop a comprehensive plan that maximizes returns and minimizes risks, ensuring a smooth transaction process and financial success.

Why Is Having An Exit Strategy Important?

A well-defined exit strategy is crucial for any real estate investor or entrepreneur looking to close a successful deal because it helps you minimize your risk, maximize profits, and ensure a smooth transaction process.

With raw land development, a solid exit strategy can make the difference between a successful deal and a costly mistake.

With VestRight's programs, investors can confidently navigate the complexities of raw land acquisition and the best exit strategies to position themselves for success.

Risk Management

An exit strategy serves as a risk management tool, helping investors minimize their losses in case of unforeseen circumstances.

By having a clear exit strategy in place, you can remove potential risks and maximize your potential. The right exit strategy will always include conducting thorough due diligence on a piece of land, assessing the potential for market value appreciation, and understanding local real estate market conditions.

Optimizing Turnaround Time

Selling to homebuilders as a land acquisition specialist can offer a relatively quicker profit turnaround compared to other real estate strategies. Homebuilders possess the necessary capital and resources to expedite development projects, reducing the time it takes to profit.

With VestRight, you can learn to strategically identify and approach homebuilders for a faster and more streamlined transaction process. By understanding their needs, you can position your properties for quicker sales with higher purchase prices.

While raw land deals aren't a "get rich quick" scheme, the average turnaround time for a deal is still a short 12-18 months. We empower our specialists to optimize the process by understanding the homebuilders' preferences, streamline your transactions, and efficiently generate profits for the raw land you find and add value to.

Profit Margins

Homebuilders are typically willing to pay a higher price for raw land that has development potential because all the heavy lifting is done by us—aka the entitlement process that we teach here at VestRight.

Entitlements refer to the necessary approvals and permissions required to develop land for specific uses. Our approach involves identifying land with significant development potential and understanding the value it can add.

By strategically assessing the land's suitability for various types of development and securing the necessary entitlements, you can substantially increase its value. And when you master the entitlement process, you'll be well-equipped to negotiate higher prices with homebuilders.

Lower Marketing Costs

Another benefit of selling to homebuilders is the potential for lower marketing costs compared to selling to individual buyers.

Homebuilders often have an established network and resources to identify opportunities, making it easier for you to connect with the right buyer.

And with VestRight, you can tap into our knowledge of the homebuilder market, saving YOU time and money on your marketing efforts. We can help you with tactics like leveraging our relationships with homebuilders, utilizing targeted marketing strategies and showcasing the selling points of your property.

Some of the Best Exit Strategies in Real Estate

There are numerous exit strategies available when finding a homebuilder to sell the piece of raw land to. Below, we'll discuss a few of the most common and effective strategies but know these are not the only options available as a land acquisition specialist.

The Immediate Exit

The Immediate Exit strategy is ideal when you're looking to minimize risk and maximize payout. In this scenario, you would exit the deal early on, typically within the first 6-to-8 weeks, and agree on the developer covering fees.

This approach minimizes risk by avoiding the potential costs associated with feasibility study fees and earnest deposits. By waiting for construction drawing approvals and closing, you can achieve larger returns.

The Safe & Reliable Exit

The Safe & Reliable Exit strategy is another popular option for investors looking for a balance between risk and reward. In this approach, you would enter and exit the deal in approximately three months, waiting for the feasibility study.

This option provides a same-day payday and a higher payout compared to the Immediate Exit, while still mitigating some of the risks associated with longer-term investments.

The Buy & Hold Exit

The Buy & Hold Exit strategy is geared toward those who are willing to wait for the highest possible returns on their investment. By entering and exiting the deal in around 15 months, investors can maximize profits by waiting for approval and closing as the payday.

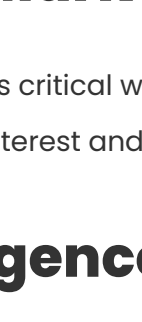
This approach often involves using the buyer's money to pay the seller and earning a spread on the transaction. It works best with highly motivated buyers who commit to a longer-term investment.

Why Adding Value Before Exiting is Key

Adding value to raw land before selling it to a homebuilder is crucial for the purchase price, maximizing your profits, and ensuring a successful transaction.

By conducting thorough research, obtaining necessary permits, and making strategic improvements, you can significantly increase the market value of your property and position the land as an approved project ready for development for the homebuilders.

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You have to remember, these homebuilders are seeking land that's already been approved because it streamlines their development process.

We help you understand homebuilders' needs, identify the right value-adding strategies, and position your land as an approved project. By focusing on adding value before exiting, you ensure a smoother transaction, attract reputable homebuilders, and maximize your profits.

Factors to Consider When Choosing The Right Exit Strategy

When selecting the right exit strategy for your raw land investment, take into account the following factors.

Market trends:

- Analyzing the real estate market
- Understanding local demand for land

Financing options:

- Traditional financing options
- Alternative financing options

Legal considerations:

- Zoning laws and regulations
- Permitting and entitlements

Risk tolerance:

- Assessing your personal risk tolerance
- Minimizing and removing risk in your exit strategy

Market conditions:

- Economic factors impacting the real estate market
- Timing your exit strategy to capitalize on market conditions

Mistakes to Avoid with Your Exit Strategy

When executing an exit strategy for raw land development, there are several common pitfalls to sidestep, so you can enjoy greater success in your land investment ventures.

Over-Improving

Over-improving a piece of raw land with development potential can be a costly mistake, as it may result in a property that exceeds the market demand and ultimately leads to lower profits.

It's crucial to conduct thorough market research and understand the potential ROI for any improvements you plan to make.

Underestimating Costs

Accurately estimating the costs of adding value to raw land is essential for the deal early on. This proactive approach minimizes your risk as you plan for the potential costs associated with feasibility study fees, earnest deposits, and other expenses.

Failing to Consider Market Demand

Understanding current market demand is critical when adding value to raw land. Investing in improvements that don't align with the needs and preferences of the homebuilders can lead to a lack of interest and lower returns on investment.

Insufficient Due Diligence

Performing due diligence is a vital step in any real estate investment process.

Skipping this step or not conducting thorough research can result in unexpected issues arising during the development process, such as legal disputes, permitting problems, or unforeseen environmental concerns.

Inadequate Financing

Failing to secure sufficient financing can result in stalled projects or even the inability to complete the development.

VestRight helps investors explore various financing options to ensure their investment is adequately funded and their exit strategy can be successfully executed.

Building a Strong Network for Raw Land Development Success

Developing a strong network of industry professionals, including landowners, homebuilders, and representatives from local jurisdictions, is crucial for maximizing success in raw land development.

When connecting with these key stakeholders, you can gain valuable insights, forge partnerships, and access exclusive opportunities that contribute to your real estate investing goals.

Partnering with Landowners and Homebuilders

When you work on a raw land deal, seize the opportunity to establish connections with both the landowners and homebuilders involved.

Building relationships with landowners allows you to gain insights into potential off-market opportunities and negotiate favorable deals. Similarly, connecting with homebuilders gives you a chance to understand their needs and preferences, potentially leading to mutually beneficial partnerships.

Engaging with Local Jurisdictions

Developing strong relationships with representatives from local jurisdictions, such as zoning boards and planning departments, is essential for navigating the regulatory landscape.

By connecting with these stakeholders, you can receive necessary information about zoning regulations, development processes, and any potential challenges or opportunities in your target areas.

This knowledge will help you make informed decisions, streamline your deals, and mitigate risks.

Accessing Exclusive Investment Opportunities

A strong network not only offers valuable insights but also provides access to exclusive investment opportunities and unique seller financing options that may not be readily available through traditional channels. Leveraging VestRight's industry network can give you a competitive advantage in the market.

Invest in building a robust network with landowners, homebuilders, and jurisdiction representatives. By nurturing these relationships, you create a strong foundation for successful raw land acquisition, opening doors to profitable deals and long-term success.

Plan your Exit Strategy and Claim Raw Land

Well-planned real estate exit strategies for raw land are key to making sure your deals are successful so you can achieve maximum profitability for your investments.

By mastering multiple exit strategies, understanding the factors to consider, and steering clear of potential pitfalls, you can confidently navigate your raw land deals and build a diverse, profitable real estate portfolio – all without breaking your piggy bank!

And with VestRight's method, you'll be able to leverage industry insights, raw land acquisition and real estate investing resources, and a fantastic network of professionals to maximize your returns and achieve your financial goals.

So, what are you waiting for?

Step into the world of raw land acquisition and get top-notch exit strategy advice from VestRight! Download our [free Raw Land eBook](https://go.vestright.com/7-figure-land-paydays2?utm_medium=organic&utm_source=blog&utm_campaign=leadmag&utm_content=7-figure-land-paydays&utm_term=may) (https://go.vestright.com/7-figure-land-paydays2?utm_medium=organic&utm_source=blog&utm_campaign=leadmag&utm_content=7-figure-land-paydays&utm_term=may) to get started!

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