



**COUNCILWOMAN
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DENVER DISTRICT 8

Residential Property Wholesaling

Budget and Policy Committee
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Residential Property Wholesaling – Background



What is residential property wholesaling?



Residential Wholesaling is done by investors, typically protected by an LLC, who buy houses, usually with cash offers, and flip them. Two primary methods to accomplish this:

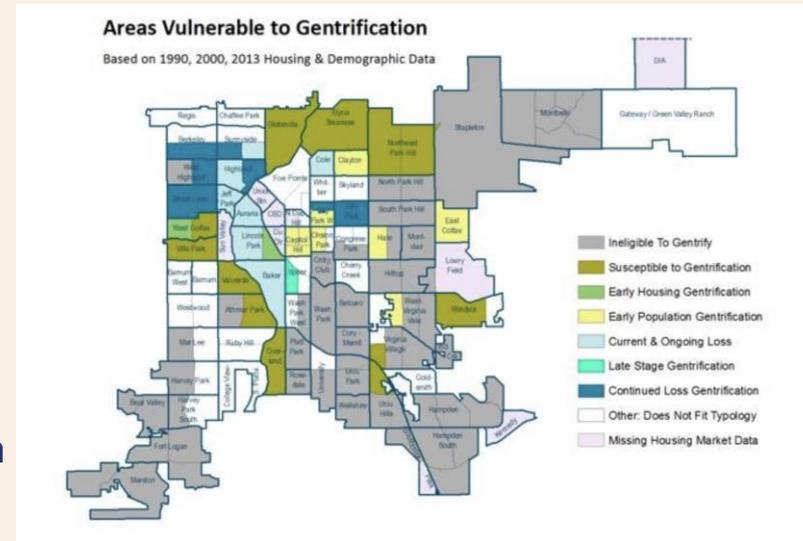
- Double Closing Method
- Assignment of Contract

Investors are not required to obtain a state real estate license and are not regulated by Colorado if acting as the principal in these transactions.

The Problem: Below market rate offers on houses



- **As an equity issue:**
 - Investors target distressed neighborhoods: areas with low mortgage lending, low-incomes, and disproportionately large non-white populations.
 - Can be done in response to or in anticipation of changing economic conditions, such as catalytic investment or state and federal infrastructure projects
 - Spurs gentrification
- **As a consumer rights issue:**
 - Investors often use high pressure sales tactics on unsophisticated or vulnerable populations to procure property for far less than it is worth.



Examples in Denver

- **Data collected using publicly available records**
- **Transactions of one LLC**
- **2023-2024 data**
- **No evidence of state license held by investing company**

Zip Code	Initial Sale Price	Number of Days	Profit Made	Zip Code	Initial Sale Price	Number of Days	Profit Made
80219	\$255,000	0 days	\$24,950	80222	\$450,000	0 days	\$25,000
80219	\$325,000	0 days	\$18,000	80218	\$205,000	0 days	\$14,500
80247	\$220,522	0 days	\$9,478	80211	\$670,522	0 days	\$74,478
80205	\$436,000	0 days	\$24,000	80237	\$280,522	0 days	\$14,478
80247	\$215,000	0 days	\$10,000	80206	\$647,500	0 days	\$17,500
80219	\$235,000	0 days	\$51,000	80205	\$357,000	0 days	\$22,000
80221	\$310,000	0 days	\$10,000	80216	\$200,000	7 days	\$65,000
80211	\$240,000	0 days	\$9,995	80204	\$230,000	0 days	\$20,000
80220	\$650,000	0 days	\$49,950	80219	\$305,000	0 days	\$20,000
80211	\$380,000	0 days	\$19,950	80207	\$385,000	0 days	\$24,500
80222	\$440,000	0 days	\$52,450	80219	\$235,500	0 days	\$6,500
80219	\$307,250	0 days	\$5,700	80204	\$650,000	0 days	\$19,500
80212	\$734,000	0 days	\$25,500	80205	\$300,522	0 days	\$24,478
80221	\$630,000	0 days	\$28,000	80206	\$260,000	0 days	\$19,500
80207	\$550,000	0 days	\$75,000	80205	\$275,000	3 days	\$74,500
80219	\$249,000	0 days	\$20,000	80207	\$280,000	0 days	\$9,500
80219	\$225,000	0 days	\$14,000	80212	\$875,000	0 days	\$15,000
80224	\$635,500	0 days	\$39,500	80222	\$575,000	0 days	\$24,950

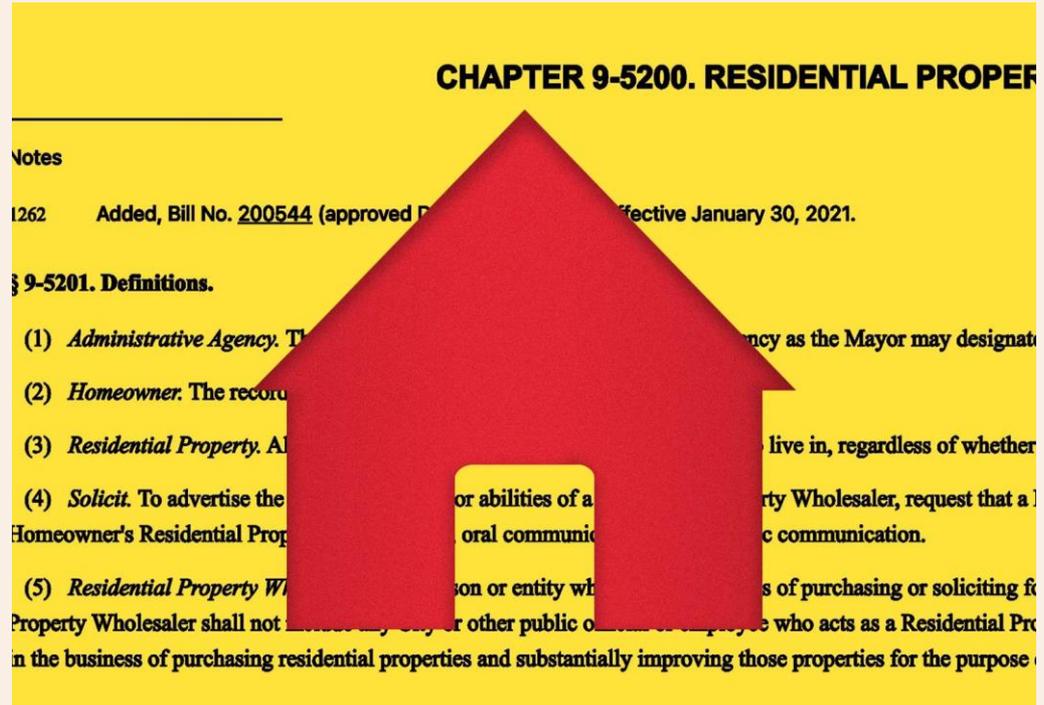
A bill to regulate residential property wholesaling



The Solution: Regulation of Residential Property Wholesalers



- Research into other municipalities:
 - Philadelphia
 - Baltimore
 - Atlanta
- Three part bill:
 - Licensing Scheme
 - No solicitation list
 - Prohibited/Regulated Conduct



Definition of Residential Wholesaler

- **Residential Wholesaler:** “any person or entity who is in the business of purchasing or soliciting for purchase a residential property, not for use as a residence for the residential property wholesaler, and with the intent to assign the contract for sale or resell the property for a profit.”
 - Does not apply to realtors or brokers subject to license by the Colorado Real Estate Commission.
 - Does not apply to those that substantially improve the residence before selling the property.



Licensing Scheme

- **Requires residential wholesalers to register with Licensing and Consumer Protection**
 - Licensing and Consumer Protection may create any additional requirements for the license
- **Requires annual report of the number of residential wholesalers and the number of transactions conducted by them every year.**

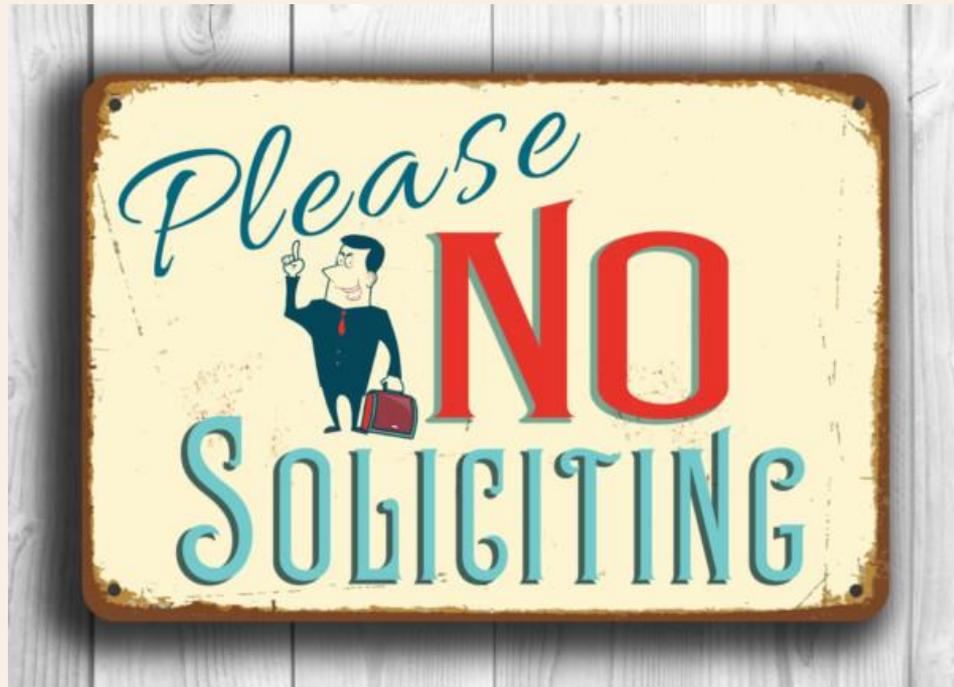
License directory

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Do Not Solicit List

- **Licensing and Consumer Protection will create and maintain a list of no solicitation.**
- **Residential property owners may request not to be contacted or solicited by residential wholesalers by being added to the list.**
 - Can also add the residential property to the list.
- **Residential Wholesalers subject to fines and civil penalties if they solicit property or owners on the list.**





Prohibited/Regulated Conduct

- **Residential Wholesalers are prohibited from:**
 - Operating without a license.
 - Knowingly making any substantial misrepresentations, false promises, or engaging in any conduct which demonstrates bad faith or dishonesty.
 - Contacting or soliciting a residential property or residential property owner on the no solicitation list.
 - Repeatedly or continuously contacting a residential property owner with the purpose of harassing, molesting, threatening, coercing or intimidating the residential property owner.
- **Residential Wholesalers must disclose to a residential property owner at least three (3) days before presenting an offer to purchase a residential property the wholesaler's intent to assign the contract for purchase or to resell the property for profit.**



Next Steps: Upcoming Discussions

- **Denver entities**
 - Mayor's Office
 - Technology Services
 - Human Rights and Civic Partnerships
 - District Attorney's Office
- **Other municipalities**
 - Atlanta
 - Baltimore
 - Philadelphia
- **Industry engagement to follow**

Questions?

