

FLIP

FLIP

FIND - a house with investment potential

ANALYZE - offer in relation to risk/profit

BUY - an investment house you own

FIX – renovate the house, get it ready to sell

SELL - profit in the bank

FIND

- Evaluate elements that make it a good neighborhood
- Select target neighborhoods that are good for you
- Factors to consider: selling prices, sales activity, appeal and charm, safety, age of homes, proximity to work, school and recreation
- Places to find homes for sale: websites dedicated to selling foreclosed homes, Sheriff sales, networking, auction sites, MLS, real estate agent familiar with investment properties
- Condition – fire damage, water damage, foundation problems, termite damage, asbestos, aluminum wiring, collapsed roof, lead paint, radon
- Neighborhood misfits- unusual architecture, lot shape, layout, size, street, neighbors, scene of crime (psychological defects)

ANALYZE

Flip Potential: Acquisition cost + Improvement cost + Carrying cost
= Total Investment

Identify Improvements – fixes, design choices, uncovering potential through structural and design changes. Must dos – Kitchen, bathrooms, HVAC, electrical, plumbing, floors and wall finishes, structural, landscaping (curb appeal), carpenter bees, roof leaks

Design finishes – What are today's buyers looking for?

Determine the Selling Price – This is extremely important. Maybe the most important factor. Don't overestimate final selling price. Get a professional CMA (comparable market analysis) from a real estate agent who knows how to evaluate your project.

ANALYZE (page 2)

Now we will modify the previous formula:

Flip Potential: $\text{Selling Price} - \text{Acquisition cost} - \text{Improvement cost} - \text{Carrying cost} = \text{Total Profit}$

So basically you back yourself into the Acquisition cost. You will have to walk away from houses that meet all of the other criteria if you can't purchase the home for the acquisition cost that makes your formula work.

Account for Carrying Costs – buying costs, holding costs, cost of money, selling costs, 1031 exchange, LLC, capital gains
Set a minimum profit. Overestimate Expenses and Underestimate Selling Price!

BUY

Financing – Cash is best, home equity loan, hard money lender, operating partners (active partners), investor partners (silent partners)

Work with an experienced realtor!

FIX

Plan and manage the construction process...

Who will do the work and when?

How much will the work cost?

Permits?

Architectural and Engineering drawings?

FIX (page 2)

Let the fun begin...

House secured, plans, permits and filings, foundation repair, pest control, temporary requirements, plumbing pre-demo, electrical pre-demo, demolition, engineering, rough soil and drainage, rough plumbing, framing and subfloor, roof decking, exterior doors, windows, sheathing, house wrapping siding, exterior trim, roof, fireplace, rough HVAC, plumbing in the walls, bathtubs and shower pans, rough electrical, exterior masonry, insulation, concrete work, drywall, garage doors, gutters, wood floors, cabinetry, interior doors and millwork, clean, paint, insulation counter tops, tile, tile floors, final hvac, final plumbing, final electrical finish wood floors, lockout mirrors/shower doors, appliances, carpet, landscaping, final cleaning, accessories and décor (staging) punch.

FIX (Page 3)

Hiring a general contractor (licensed and insured), check references, get a certificate of insurance with you as a named insured, ask for an estimate for the scope of work you want them to perform.

Estimating the costs yourself

Pulling items out of the general contractors list of responsibilities and substituting less expensive specialty contractors or purchasing materials directly to save money.

Using an AIA format for billing and progress payments. Only pay for work completed or materials delivered and stored on premises.
Critical!

Establish a schedule of values.

SELL

Get a real estate agent who will price it right, get it staged, photographed and marketed to get you top dollar.

Did you know the average profit for a flip is \$57,000?

CASE STUDY – 527 Boesel Manville, NJ

before and after



527 Boesel – Kitchen before and after



527 Boesel – Bathroom

before and after



527 Boesel – living room before and after



527 BOESEL MANVILLE NJ - BUDGETS

PROPOSED EXPENSES

Acquisition	\$75,000
Carrying Charges	\$5,000
Repairs	\$70,000
Total Investment	\$150,000

PROPOSED REVENUE

Sale Price	\$205,000
Total Profit	\$55,000

ACTUAL EXPENSES

Acquisition	\$75,000
Carrying Charges (Insurance/\$653, Taxes/\$3,268, Utilities/\$870)	
sub-total	\$4,820
Repairs	
Contractor/\$55,863, Paving/\$3,375, Landscaping/\$886, Radon Mitigation/\$1,614, Cleaning/\$280, Staging/\$100, Home Store/\$665, Floor/\$2,000, Permits/\$1,041, Postage/\$7, Realty Transfer Fee/\$1,176, Legal/\$1,300	
subtotal	\$68,300
Real Estate Commission	\$5,325
Total Investment	\$153,445
ACTUAL REVENUE	
Sale Price	\$231,000
ACTUAL PROFIT	\$77,555