

Phase I  
Fix and Flip  
Real Estate Investing

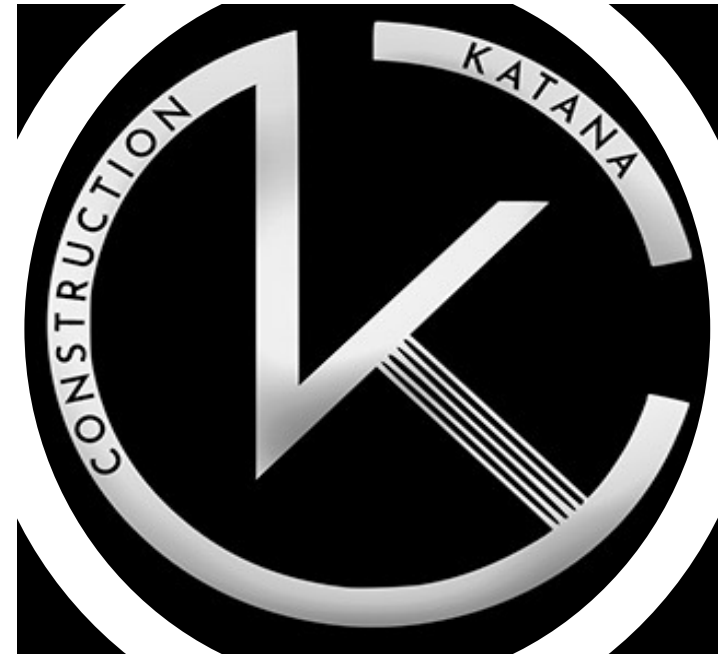
# Speculator vs. Investor

## Speculators

- Have no plan
- Buy high and sell low
- Rely on luck and the market to bail them out

## Investors

- Do their homework
- Follow a specific plan
- Successfully calculate risk
- Make their money going in





## Benefits of Fix & Flip Strategy

- Generates cash
- Flipping is a short-term venture
- Works in any market
- Can be done part time
- Doesn't require a lot of your own money
- An equal opportunity investment choice



- Five Step Process

- Find
- Analyze
- Buy
- Fix
- Sell



# Find

- **Develop Specific Investment Criteria**
  - Price
  - Condition
  - Location
- **Create a plan to generate leads**
  - Fit Criteria
  - Don't fit criteria

*OUTCOME: "A house with investment potential".*



# Analyze

- Make decisions about which improvements will maximize your profits
  - Create a thorough and accurate improvement budget
  - Determine what you can sell the home for once fixed up
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- *OUTCOME: “An offer that maximizes profit given the risk”.*







# Buy

- Make your offer
- Negotiate with the seller
- Bring in professionals to perform a final examination
- Close on the house
- *Outcome: "An investment house you own".*



# Fix

- Use improvement budget to create step by step construction plan
- Your profit depends on ability to implement the plan quickly and thoroughly
- Serious mis-calculations can diminish or evaporate your profit
- Step-by-step improvement process is critical!



*Outcome: "A renovated house that is ready to sell".*



# Sell

- Set yourself up for success in the final stage
  - Set realistic selling price
  - Good marketing
  - Add the finishing touches
  - Maximize profit
- *Outcome: "Money in the bank".*





## Determine Selling Price

### Maximum Offer Formula

#### Eventual Selling Price

-Improvement Costs  
-Quiet Costs  
-Minimum Profit

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= Maximum Offer

- Determine the Eventual Selling Price
- Pull the comps
- Drive the comps
- Read the market
- Check with experts



# Estimate Improvement Costs

- Consequences of Missed or Miscalculated Improvement Costs

- Increased Cost

- Direct cost of improvements
- Cost of the extra holding time
- Downward market pressures if extended into unfavorable selling season

- Increased Time

- Time of performing additional improvements
- Extra time caused by scheduling conflicts
- Longer time to sell due to seasonal forces





## Estimate Improvement Costs

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- 4 Broad Cost/SQFT Categories
- Make-hab: +/- \$5/sqft
  - Falls between just cleaning the place up and a rehab
- Rehab: +/- \$15/sqft
  - Mostly Cosmetic with minimal permitting and inspections
- Remodel: +/- \$25/sqft
  - Replacing is the key word
- Restructure: +/- 40/sqft
  - Major layout changes & structural repairs



## Set Minimum Profit

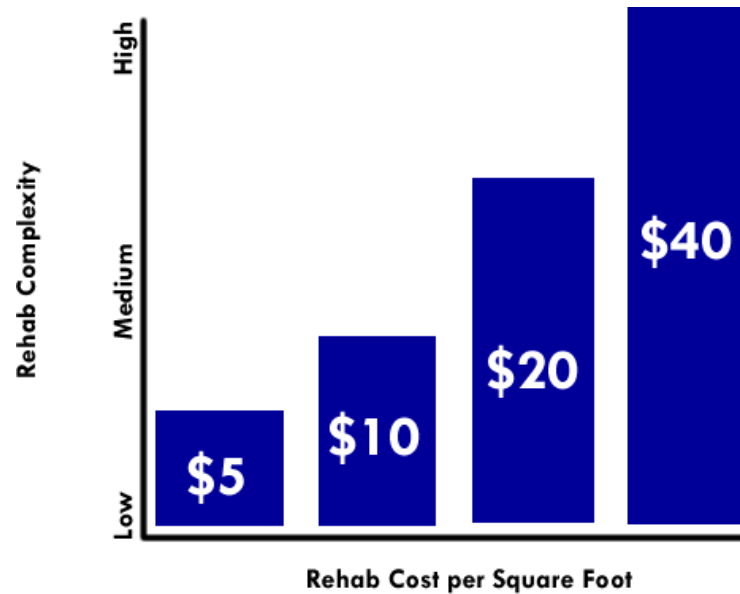
- **Average Profit= 10-20% of**
  - **Sale Price**
  - Base Profit
  - A percentage of  
Eventual Sales Price that  
you should receive for  
every flip
- Rehab Risk Profit
- Additional profit that  
you should receive  
based on the complexity  
of the improvements







# Set Minimum Profit



Recommended Rehab Risk Factor: \$5/sqft

Improvement Cost/Rehab Risk Factor=Rehab Risk

\*\*Add Rehab Risk to Eventual Selling Price

# 3 Biggest Mistakes in Flipping



1. Paying too Much for a House
3. Over or Under Improving a Property
5. Doing too much of the Work Yourself