



# Construction Financing From The Ground Up

## Fix and Flip



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FREE EBOOK

# FIX & FLIP

FOR REAL ESTATE INVESTORS

Take Your Fix & Flip to The Next Level





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## Introduction

Fix and flip investment is a strategy that both new and seasoned real estate investors use to build a robust investment portfolio and long-term wealth. It entails an investor buying a fixer-upper property, renovating it, and putting it back on the market to sell for profit within a relatively short window. There are many factors involved in successfully fixing and flipping a home, some of which an investor can control and others that he or she cannot. One key to finding success in the fix and flip business is timing the real estate market correctly, and while no investor can control which way the housing market swings, it is up to them to create an informed, viable strategy for when to seek out and pursue a fix and flip project.

Focusing on the factors that can be controlled by the investor is more likely to lead to a successful flip, and these include developing a sound budget and business plan, calculating the gains, and researching locations and local tax laws. Additionally, knowing the different lending options available for a fix and flip project can also be a critical decision that can determine whether or not the investment will turn out successful.

This guide will provide you an overview of fixing and flipping properties, as well as elaborating on topics that include:

- **What is a fix and flip investment?**
- **Why it's a good investment strategy**
- **How to get started with fix and flips**
- **Things to avoid when searching for fix and flips**
- **Home improvements that add value to your fix and flip**
- **How to pick affordable building materials for a fix & flip investment**
- **How to sell your fix & flip property fast**

Whether you're a seasoned fixer and flipper looking to expand your knowledge, or you're new to this real estate investment model, this guide will provide you with insight, strategies, and basic principles on how to become an effective fix and flip investor to ensure you're on the path to success.

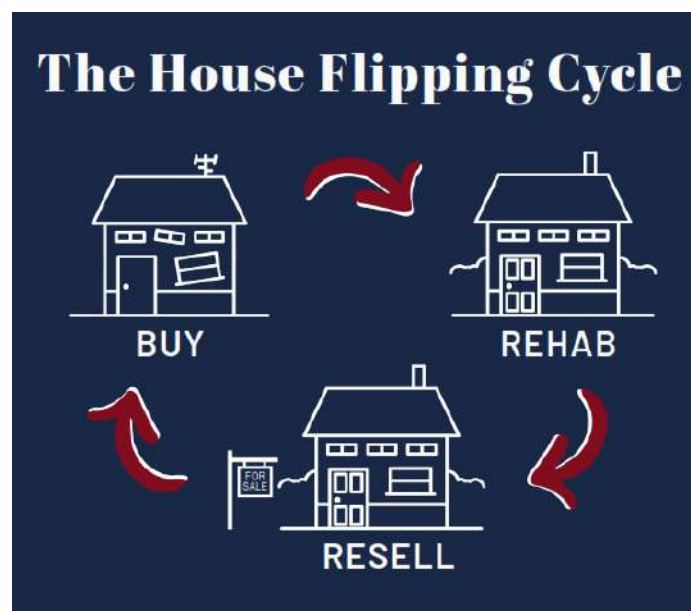




## What is a fix and flip investment?

Fix and flip is a type of real estate business model where a real estate investor buys an investment property with the intent of rehabbing and selling it for a higher price than what was paid. Homes flipped in 2021 were sold for a median price nationwide of \$275,000, with a gross flipping profit of \$65,000 above the median original purchase price paid by investors of \$210,000 according to the ATTOM Data Solutions 2021 U.S. Home Flipping Report. Although these properties often require repairs and renovations that can sometimes be extensive before it can be resold for profit. Fix and flips often have a quick turnaround time between the moment they're purchased to the moment they hit the market.

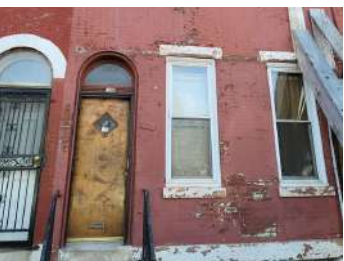
In many cases, an investor can simply utilize the housing market's upswing by simply doing enough work to bring the property to standards comparable to those of neighboring homes, and then reselling just before market prices rise.



**Before & After - Ft. Lauderdale, FL**



**Before & After - Bethesda, MD**



**Before & After - Philadelphia, PA**



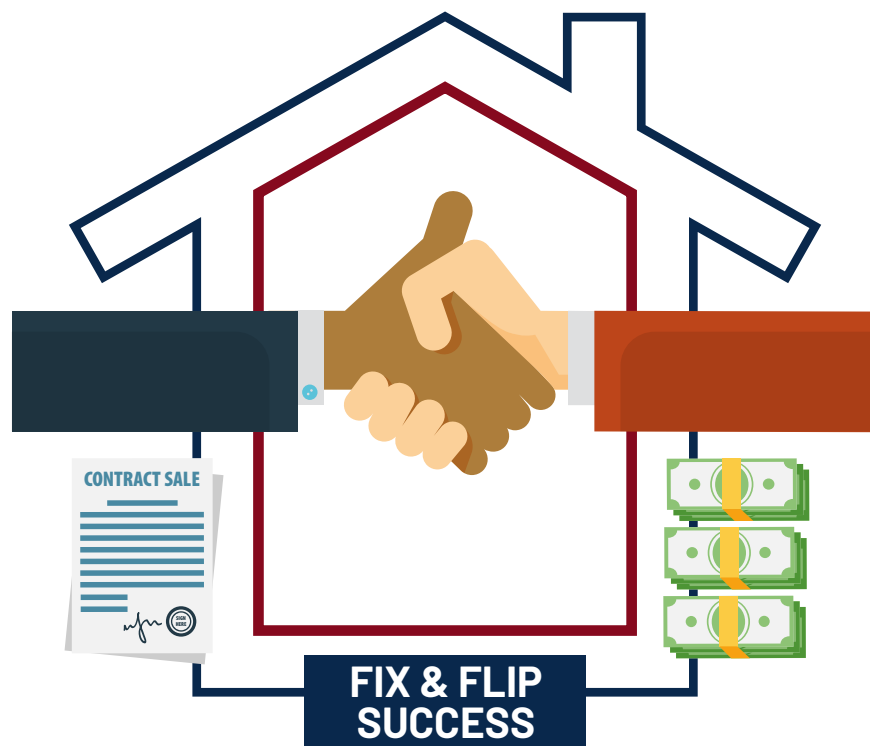
**Before & After - Chicago, IL**

## Why it's a good investment strategy

There are many benefits to fixing and flipping properties, one of them being that it's a lower risk, higher reward investment strategy. Because fix and flips have a quick timeline, you won't have to worry about the long-term real estate fluctuations, and as a result, you experience cash flow at a quicker rate than with other investment strategies that can have longer timelines. According to the ATTOM Data Solutions 2021 U.S. Home Flipping Report, 323,465 single-family homes and condos were flipped in the U.S. in 2021, a 26% increase from 2020. For new real estate investors, this is an appealing route to take as it tends to boost confidence, bulk up real estate portfolios (and experience), and eventually lead to diverse real estate investment strategies.

### Some other benefits to this investment strategy include:

- Big profit potential
- Selecting properties according to your needs
- An increased demand for real estate
- The opportunity to make more money per sale



## How to get started with fix and flips

Like any other business venture, you shouldn't dive into flipping properties without some level of understanding, a proper plan, and a mapped-out budget to guide you. There needs to be a granular level of strategy, budgeting, and due diligence done to ensure you start off on the right foot. If you've already got these down and are ready to venture into your first fix and flip project, here are a few key things to consider before getting started:

### 1. Research

Is the geographic area you're considering worth executing your fix and flip plan in? Looking at things like local real estate market trends, population demographics, and the potential for future growth can make the difference between a flip or a flop. For example, if you buy a property in a run-down area, most likely your buyer will make an offer that is below the market price.

### 2. Network

Becoming familiar with the industry—and who is active within it—is critical to any fix and flip success story. Get to know other real estate investors in your area, as well as realtors, inspectors, and local lenders. They can provide invaluable insights and advice for your first fix and flip project. Moreover, they can become long-term resources for other future projects.

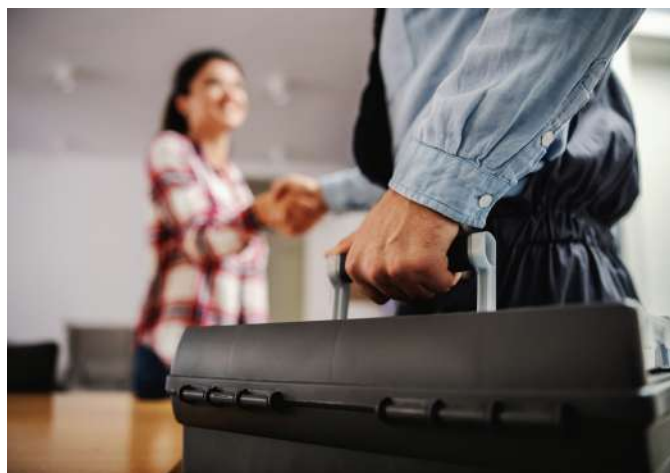
### 3. Find Investors

You need money to purchase a property, so it's important to find an investor or lender that understands your short-term and long-term real estate goals and can help finance your first rehab project. Investors can range from friends and family to private lenders like Temple View Capital, to business associates.

### 4. Start building your fix and flip team

Your real estate venture is only as successful as the people you source to help with the process of flipping a home. Referencing back to the "networking" point above, successfully fixing and flipping a property requires a strong team. Depending on the scope of your project, some people that will need to be factored in can include the following:

- attorney
- real estate agent
- private money lender
- conventional lender
- inspector
- architect
- wholesaler
- painter
- plumber
- electrician
- handyman
- property manager
- interior designer





## 5. Start locating your property

Your real estate agent can help you find the best deal on a property, however, don't leave it only to them to make big decisions. Be proactive and educate yourself about local neighborhood trends, properties on the market, and talk to your agent about your plan before rushing into buying a property without having done the proper due diligence first.

## 6. Analyze the deal

You don't want to overbuy—or oversell a property once the renovations are complete—and evaluating the market you're looking to buy in is a critical step in ensuring you get a fair deal for the neighborhood a property is set in. Compare the value with other properties previously sold in the neighborhood and use that to gauge your property's future possibilities. This is known as “comps.”

## 7. Make the offer

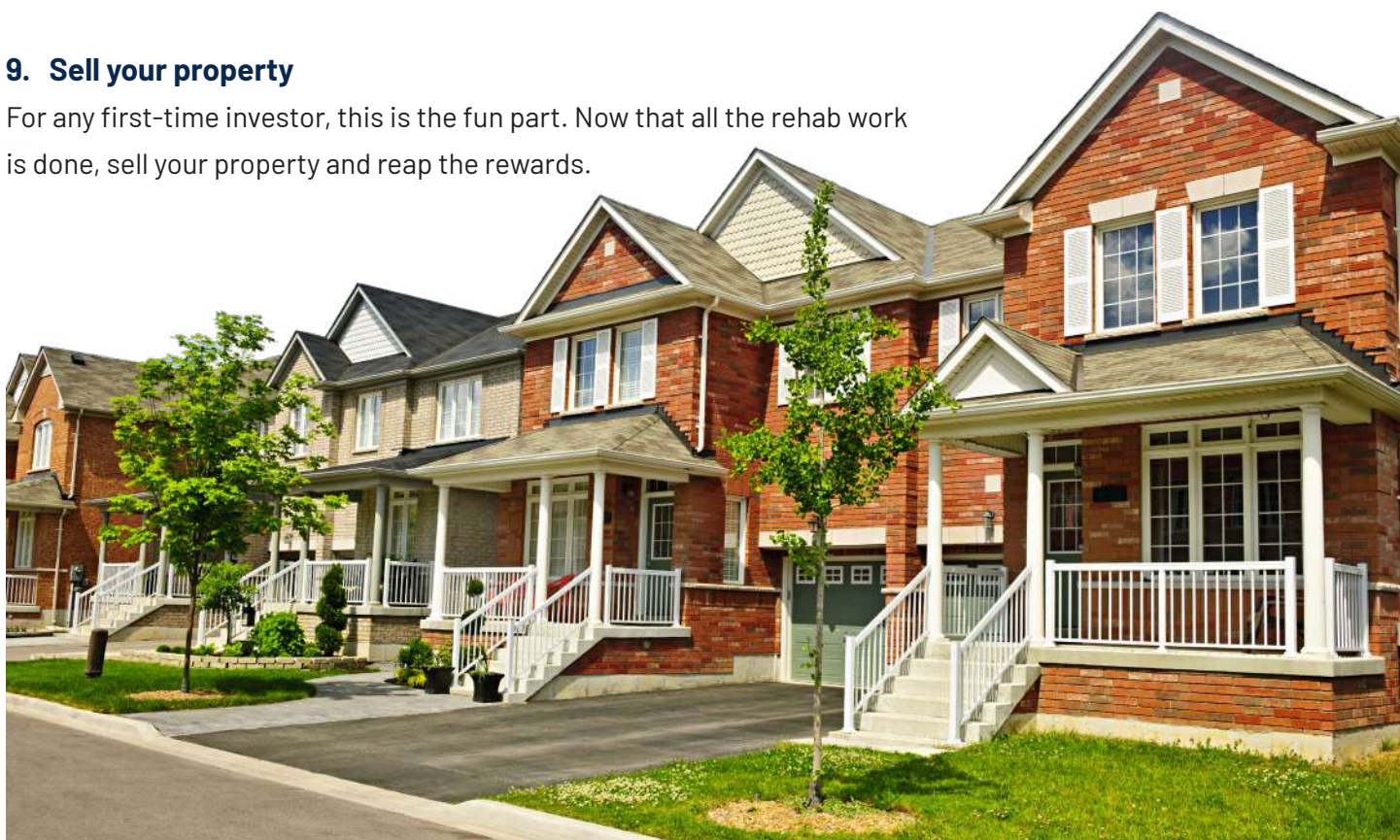
Once your research is done and all arrows are pointing towards a viable fix and flip property, make your offer. This is often where fear of the future can manifest itself, especially in first-time flippers, however, you can't successfully flip a property without successfully buying one first.

## 8. Manage the rehab process

The same way you used a formula to buy your property, controlling those rehabbing costs is just as important to better maximize the ROI you will receive from selling it. If you can afford them, using general contractors can help manage the rehab so costs don't get unwieldy.

## 9. Sell your property

For any first-time investor, this is the fun part. Now that all the rehab work is done, sell your property and reap the rewards.





## Things to avoid when searching for properties to flip

It is important to make sure that the properties you are considering buying are not only structurally sound but offer only cosmetic issues that need to be addressed. Remember that for a fix and flip to be a smart financial investment, you don't want to sink money into a property that continues to surprise you with expensive problems.

### Here are a few things to avoid when buying a property:

- Structural issues
- Outdated electrical systems
- Widespread mold
- Faulty plumbing
- Tiny kitchen
- Inadequate number of bathrooms



Overall, find properties that need cosmetic work and offer the potential to be bought up quickly. For value-adds worth addressing, focus on key rooms (i.e. the living room, bathrooms, and the kitchen) and work to upgrade those spaces in a cost effective way. Rather than doing a complete makeover of the kitchen, for example, focus on sanding and painting the cabinets or replacing countertops.

### Additional tips and best practices for fix and flip projects

Now that you know the basics of fix and flips, here are a few additional tips to keep in mind while navigating through the process:



- 
- ✓ Start small with your property.
  - ✓ Find properties that show future worth. Research up-and-coming neighborhoods and invest in them to stay ahead of the curve.
  - ✓ Develop an exit strategy.
  - ✓ Make your money count. Invest in the right properties after developing a strong strategy.
  - ✓ Know your budget and stick to the 70% rule (the 70% rule is a guide for investors to ensure they make maximum profit off their fix and flip investment. As a rule of thumb, you should pay 70% of the after repaired value (or ARV) minus any repairs made when buying a rehab property).

## Home improvements that add value to your fix & flip

As you plan your next renovation project, it's more critical than ever to know what upgrades increase home value. The world looks a lot different now than it did years ago, and our homes have been at the center of massive change and re-evaluation. Here are some home improvements that will add value to your rental property.



### Convert or Build a Home Office

**Since 2009, the number of people who work from home has risen by 159%, according to stats from Global Workplace Analytics.** In a Fall 2021 survey by HomeLight, 60% of top real estate agents cited a home office as a top priority for buyers in their market, representing a higher percentage of respondents than any other home feature or quality on the list.



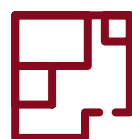
### Kitchen Remodel

You probably already know that a kitchen remodel is one of the best uses of your investment dollars. **A minor kitchen remodel recoups 80.5% of its cost, according to Remodeling Magazine's Cost vs. Value 2019 report, which ranked it the third highest percentage among renovation projects in the study.**



### New Fixtures in Kitchen & Bathroom

New faucets, drawer knobs, and pulls in a matching style give a room a modern, cohesive look — an inexpensive upgrade that can have a big impact on buyers because everything feels new.



### Open Floor Plan

Open layouts are in! Knocking out the right wall can create a spacious layout on many buyers' wish lists. **NAHB's survey shows that 85% of buyers want an open layout between the kitchen and dining room; 79% favor an open arrangement between the family room and the kitchen, and 70% like an open layout between the family room and the dining room.**



### Improve Curb Appeal

Curb appeal entices buyers before they even enter your home. For starters, attractive landscaping implies that you maintain your home. **In fact, a 2021 survey of HomeLight's top agents found that on average, buyers will pay 7% more for a house with great curb appeal compared to one with a neglected exterior.**

## How to pick affordable building materials for a fix & flip investment

It's no secret that renovations require a lot of time and work. Whether you're just an investor just starting out or an expert, you should know that the materials you choose make a huge difference concerning appearance and cost.

### Go Eco-Friendly

A sustainable project is one that can bring you the biggest bang for your buck over time. Go for recycled or eco-friendly features when possible. Sustainable wood, low-maintenance landscaping, and efficient lighting are often easy wins that create long-term value for potential buyers.

### Search for Alternatives to Expensive Finishes

Think of numerous ways to accomplish a particular design style. Maybe you want to install marble countertops. Instead, try laminate or quartz for a budget-friendly choice. If you want an affordable alternative to classic hardwood, research luxury vinyl — it's incredibly durable and versatile, but cheaper upfront.

### Shop in Various Places

It's easy to pick a few big-box department stores and stick with them. But if you want to choose the right materials, you need to shop smartly. Check out discount warehouses in your area. You may also find that Craigslist and Facebook Market are helpful. You can find materials for low prices every day and some will even be free.





## How to sell your fix & flip property fast

The fix and flip strategy can be a great way to earn income fast. However, if you want a higher return on investment, there's more to selling investment properties than placing a "For Sale" sign in the front yard. Here are a few tips to make your fix and flip sell fast.

**Do the Right Renovations:** If you want your fix and flip property to sell quickly, be careful about the renovations you perform. Start with small repairs and cosmetic renovations that will be appealing to potential buyers and increase the value in their eyes. Your fix & flip work should appeal to a wide audience, not just one specific target.

**Price It Competitively:** Overpricing is arguably the number one reason why fix and flip homes won't sell fast. If you want your fix and flip to sell quickly, you should do so before you even purchase the property. Make sure to estimate the after-repair value and ensure you will be able to make a good return when priced at market value. **You shouldn't buy a property at a price of more than 70% of the ARV minus the expected repair costs.**

**Stage It Properly:** After you have finished rehabbing your house, you should stage it before it is viewed. Well-staged fix and flip homes look more inviting to potential buyers and allow potential buyers to visualize themselves living in the house. **Staged homes have been proven to sell anywhere between 1-17% more than an unstaged home.**

**Improve Curb Appeal:** The exterior of your fix and flip property is important since it creates the first impression. To enhance curb appeal and make the house sell faster, consider painting the front door, planting flowers, upgrading your mailbox, etc.



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