

FLIPPING HOUSES 101 eBook SERIES

# The *Fix* in Fix-and-Flip

Practical guidance and seasoned advice on successfully navigating the rehabilitation process in your fix and flip projects.



PART  
3



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# Introduction

House flipping, or fix and flip investing, typically refers to buyers who purchase distressed properties, fix them up, and then resell them for a profit. If you're just starting in fix and flip, you probably realize there's much to learn, and the process may seem overwhelming. If you're a seasoned investor, you know that in this business, you can never stop learning tips, tricks and strategies that can lead to maximized success.

## Fix and Flip

Since the height of the housing crisis in 2009, the house-flipping market has experienced steady growth. In 2022, 114,706 single-family properties in the US were flipped in the first quarter alone—representing 9.6% of all home sales, or 1 in 10 transactions<sup>1</sup>.

House flipping has also been popularized – and somewhat sensationalized – by reality television shows such as *Flip or Flop*, *Flip This House*, *Property Brothers*, and others, attracting tens of thousands of new investors to the space. But, unlike what you might see on TV, buying and flipping properties isn't as easy or straightforward as it appears.

## About this eBook

Flipping Houses 101 is a series of eBooks that cover the “6 Fs”—**F**ind, **F**inance, **F**ix, **F**ill, **F**lip, and **F**un—of flipping houses. In this eBook, we examine part three—**fix**—and take a deep dive into tips and tricks for a successful rehab.

<sup>1</sup>ATTOM Staff, “Home Flipping Spikes across U.S. in First Quarter of 2022 but Profits Drop to 13-Year Low,” ATTOM, June 23, 2022, <https://www.attomdata.com/news/market-trends/flipping/attom-q1-2022-u-s-home-flipping-report/>.

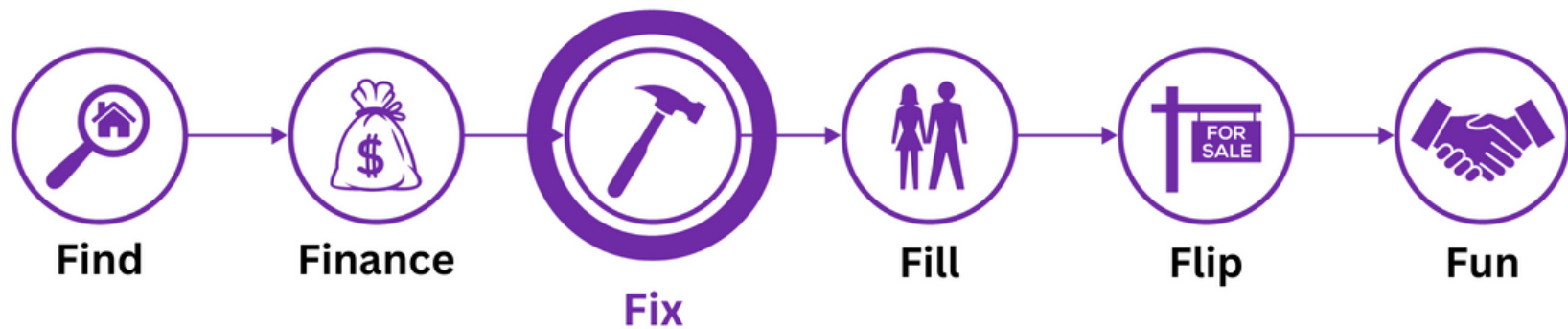
# Part 3: Fix

## How to Fix Up a House

Time to cover the third “F” of Flipping: how to “fix” properties!

You’ve found the property, bought it, and now it’s time to get to work. In this piece, we’ll cover:

- **How to build a real estate team**
- **How to estimate project cost**
- **How much work you should do**
- **Other best practices**



# Building Your Investment Team

After you've figured out the what, it's time to figure out the who. Who will manage and execute the work you've set out for the project? No successful real estate investor can do everything alone. There are many moving parts in any home renovation project, each requiring a specific set of skills and expertise.

Building a successful real estate investment business is a team effort. The best real estate teams win the most—and the best leaders surround themselves with team members who are dedicated, trustworthy, talented and driven.

Putting together a great team can seem overwhelming, but it's imperative through each project stage—especially early on. Your team will evolve as your business does—so you want to start on the right foot with the right people.

## Putting Your Core Team Together

Thorough due diligence is imperative when building a real estate team. You should interview potential team members, gather references, and talk to their previous employers and clients. Ask for recommendations from friends and fellow investors, but don't always take their word for it. You don't want to get stuck with someone incompetent—costing you time and money.

However many professionals you pull into your network, there are a few different job types you'll want to include. Even if you choose to do the projects yourself, these professions will have specific skill sets and knowledge that you can tap into and learn from, if not invest in their services for your projects.

### Core Real Estate Team

- 1 Deal Finder
- 2 Contractors and Subcontractors
- 3 Lending partner
- 4 Property manager

## Deal Finder

Before you can fix a property, you must first secure a property for your project. Every real estate investor needs a solid deal finder. Your deal finder is usually a real estate agent. However, finding an investor-friendly real estate agent is essential, and those can be hard to come by.

The most straightforward way to find an investor-friendly real estate agent is to talk to real estate agents themselves. If your network already includes agents or brokers, they may be able to point you toward the right people for your local market.

It can't be stated enough that having a great real estate agent on your team is worth its weight in gold. They can source deals for you on the MLS, off-market, by cold calling, or any other number of methods, and you don't even lift a finger.

Wholesalers who specialize in your market are also a great resource for finding deals. Real estate wholesaling is a strategy in which a wholesaler obtains a contract on a property with its seller, and in turn sells the contract to an investor. They start by looking for a discounted property to put under contract and will often look for distressed properties priced below market value.

Your deal finder will bring you potential investment properties, and you will decide which ones make sense for your business. Without their expertise, you'd most likely have nothing to invest in.



## Contractors and Subcontractors

Unless you are a general contractor yourself, hiring someone well-versed in construction is crucial to successful rehabs. With time and research, you can find a contractor who can get the job done correctly every time.

Having a good working relationship with a reliable contractor who understands your vision can save you thousands in rehab and reduce costs. Never settle for a contractor who doesn't fit your needs.

Remember to take great care of your contractors—pay them promptly and be clear with the scope of work and your expectations with both money and project timeline.

When filling this essential role on your team, it's best to be proactive and have a list of people on hand who you can call for various problems and continue to add people to your list as you go.

How do you build your super list of top-notch contractors? Let's take a look:

### How to Build Your List of Top-Notch Contractors



Ask for Referrals



Check  
References



Do Some  
Online Sleuthing



Ask Questions  
and Verify





## Ask for Referrals

One of the best ways to find great contractors is by asking for referrals from people you trust. When people know a good contractor and can attest to their quality of work in the past, you will likely see the same great results on future projects.



## Check References

Always check references, and ask a potential contractor for examples of the work you plan on getting done. It would be best if you asked for multiple references from the most recent jobs they've completed. Call each reference and ask if the contractor showed up on time, completed all of the work, if pricing and costs were transparent, and if the reference would use them again on other projects.

You should also ask other professionals you like who have previously worked on your home. Good contractors and subcontractors tend to work with others. Your plumber has likely worked with a great electrician, and your carpenter may know some fantastic plumbers—you get the idea.



## Do Some Online Sleuthing

Being nearby also means you can show the home once it's listed for sale, rather than hiring a third party. Keep in mind that every additional service you use chips away at your profit margins. The more you can handle yourself, the better.



## Ask the Right Questions and Verify

When interviewing potential contractors, make sure to ask questions that are specific to your needs. This will help you narrow your potential contractors and find what you're looking for. Here are some questions that may be helpful to ask:

- **How many years of experience do you have?**
- **What skills are you best at?**
- **What jobs do you love or hate to do?**
- **What markets do you usually work in?**
- **How busy are you?**



## Lending Partner

Before you can rehab your property, you must first have your financing in place. Having a good working relationship with a lender, whether traditional, hard money, private, or any other source, is critical to the success of your business. If they understand how you operate, your goals, and your financial picture, they will often be much easier to work with, and the qualification process will run smoother.

It's essential to have a trusted lending partner in your circle that can help:

- **Free up your capital**
- **Get prequalified and approved quickly**
- **Provide leverage to fund both the purchase and the rehab**
- **Get to the closing table quickly**

### Did You Know?

1st Truitt Financial's digital platform puts the power directly into real estate investors' hands. Easily get prequalified, apply for hard money loans, gain visibility into the process, and receive funding more quickly.



## Property Manager

If you're scaling your business through a buy-and-hold strategy, a property manager can be a crucial part of your core team. They bring much more to the table beyond day-to-day property management tasks.

A property manager can help you build your real estate investment portfolio over time with their extensive knowledge of their local markets and rental properties. Their understanding of the rental market makes them the perfect team member to make recommendations on what to include in your rehab. This is especially true if you're investing outside your home market—after all, you can't be in two (or more) places at once!

Here are five reasons why having a great property manager strengthens your core real estate team:

- 1 They have extensive knowledge of the local rental market
- 2 They know what renters really want
- 3 They can make informed recommendations on the right renovations
- 4 They often come with their own network of quality contractors
- 5 They have a wealth of industry experience



## Other Helpful Additions To Your Core Team

If you're scaling your business through a buy-and-hold strategy, a property manager can be a crucial part of your core team. They bring much more to the table beyond day-to-day property management tasks.



### Certified Public Accountant (CPA)

A CPA can keep your business on track financially. Here are just a few ways your team can win with a CPA:

- **Help keep business on track financially**
- **Help register your business (partnership, sole proprietorship, LLC, etc.) and determine how to handle it financially**
- **Help to navigate tax laws and any local taxes or fee requirements**



### Bookkeeper

Having a bookkeeper on staff can be beneficial in many ways including:

- **Keeping your business's finances in order**
- **Tracking your project's expenses**
- **Paying contractors and other project invoices on time**
- **Organize and report on all of the business financials**



### Lawyer

Having a lawyer in your network is key to setting up a business correctly. While you can do a lot to establish a business plan on your own, it's always helpful to have an attorney you can reach out to for advice. Also, having a lawyer on hand who specializes in property use and contracts can help you with the following:

- **Contracts and billing**
- **Zoning and land use**
- **Any liability, pricing, permit, and title problems that may arise**

# Estimating Project Cost

When you're sizing up a home rehabilitation or renovation, quickly estimating the timeline and cost of fixing a house is a critical skill in house flipping. Here are a few tips:

Start by splitting the house into interior and exterior. When taking inventory of all the mini-projects in your rehab, divide the house into interior and exterior. Then, take inventory of the specific parts of each that you'll likely need to focus on. Here's an example of a typical property:



## Home Interior

Entire house: paint (two-tone), windows, electrical, plumbing, HVAC. Divide into rooms:

- **Bedrooms: Flooring, casing (floor+doors), doors, fixtures**
- **Bathrooms: flooring, casing, doors, fixtures, shower enclosure, cabinets (new vs. paint), countertop, sink**
- **Kitchen: Flooring, casing, doors, fixtures, cabinets (new vs. paint), countertop, sink, appliances**
- **Garage: paint, cabinets, epoxy, floor, garage door**

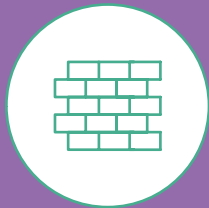


## Home Exterior

A substantial addition or change to the interior configuration or the exterior

- **Paint (2-3 tone)**
- **Landscape (front/back)**
- **Pool**
- **Roof**
- **Concrete**
- **Patio**

Calculate rough cost by doing the following:



Square  
Footage



Price Per Square  
Foot of Material\*  
(\*varies by quality)



Renovation  
Rough Cost



When pricing out the cost of a specific renovation, an easy rule of thumb is the equation above. There will likely be a low, medium, and high price per square foot, depending on the quality of the material. Let's take carpet, for example.

Say you have **3 bedrooms**, each at about **100 sq. ft**, and a living room of about **300 sq ft**. If you pick a **medium-grade** quality carpet, you can expect to spend **(3 x 100) + (1 x 300) = 600 sq ft**. Then **600 sq ft x 3.75 \$/ft** comes out to an estimated total of **\$2,250** for carpeting.

Substitute that with **high-quality** carpeting, taking your total to **600 x \$6 = \$3,600**.

At scale, it's common to have two color palettes and predetermined high, medium, and low materials for every aspect. So, it becomes as easy as telling your project manager or contractor, "let's do the medium-grade beige for this one." You'll gain an idea of these prices with experience.

## Major Systems Aren't Visible, Which is Potentially a Major Surprise

The least visible systems represent some of the highest potential project costs. We're talking about HVAC, electrical, plumbing, etc.—significant issues here can lead to big surprises, and not of the happy variety. Make sure you do your due diligence here, whether going into the attic, going to the circuit breaker, checking out the ventilation ducts, or inspecting the air conditioning system. If you don't know what to look out for, find someone who does.

## Timeline: \$1000 = 1 Day

A speedy estimate that you can do to help figure out how long it will take to fix up a property is to assume you can do about \$1,000 of work per day. In other words, if you have a \$50,000 project, you can estimate that it will take 50 working days to complete. Note that we are talking about working days here—contractors and subcontractors don't work every day!





# How Much Work You Should Do

A fundamental question to ask yourself is, “how much work should I do on a given house?” Or how heavily should I rehab the property? Calculating an accurate budget for rehab can be difficult, especially if you are unfamiliar with the differences in rehabbing for a flip versus a rental property.

To help determine your rehab budget as accurately as possible, we will cover the significant differences between rehabbing for a rental versus a flip property.

## Buy and Hold Strategy Rehab

When rehabbing a property for a buy-and-hold strategy, you want to make minimal repairs to save on cost, but you still need to attract renters. More renters mean you can command higher rents and increase your returns. This is done by making strategic repairs that balance your renter’s livability and your profitability.

## Typical Cost

A buy-and-hold property rehab typically costs as low as a thousand dollars, up to a few thousand dollars depending on several factors, like property location, vendor’s pricing, and the property’s current condition.

Because a vacant rental property will supply zero cash flow, you will want to ensure that the home’s amenities compete with other rentals in the area. For example, if renters expect high-quality kitchen appliances, you should budget those and deliver them to help avoid vacancies.

To keep the cost down on your rehab, do your due diligence on the market, neighborhood, and property and keep an extra budget for unplanned emergencies.



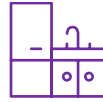


## Common Repairs for a Rental Property



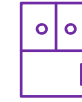
### Paint

New or touch-up paint on all exterior and interior walls (depending on current condition and color).



### Appliances

New standard appliances that match in color for refrigerator, range, and hood range.



### Cabinets

Replace any broken cabinets, knobs, and handles.



### Flooring

Depending on the current condition, you may need to update the carpet and vinyl plank for high-traffic areas.



### Landscaping

Clean up of front and backyard. Do some light landscaping, if needed to increase curb appeal.



### Windows

Replace any broken or outdated blinds and door coverings.



### Security

Make all updates that require your property to pass safety regulations.



### Water Heaters

Depending on the age of the water heater, it may need replacement.

## Fix and Flip Strategy Rehab

As a fix and flip investor, you're hoping to attract buyers and recoup the cost of rehab by selling the home. That's why a fix and flip rehab is more extensive and lavish than a buy and hold rehab —your strategy is to make updates that will increase the home's value and command a higher price.

This is done by evaluating the property on a case-by-case basis, comparing it to others in the area, and strategically calculating what needs to be done to increase its value.

## Typical Cost

The typical rehab cost for a fix-and-flip can range anywhere from a couple of thousand dollars to hundreds of thousands of dollars. You want to entice buyers to pay a higher home price than what you originally paid, plus the rehab cost, so more significant renovations may be needed.

These renovations can come with a heavy price tag from contractors and typically are more expensive. When deciding how to budget your fix and flip rehab to increase your return on investment (ROI), ask yourself:

- **Is this property one step above comparable properties in the area?**
- **What upgrades will best increase the after-repair value (ARV)?**
- **Is the property up to date and appealing to potential buyers?**

## Common Repairs for a Fix and Flip



### Painting

A great paint job makes a home look brighter, cleaner, and newer.



### Bathrooms

Prospective buyers base a lot of their feelings on a home's modernity and overall aesthetic by looking at the bathrooms and kitchen. New cabinetry, tile/stone, and a modern shower are common updates.



### Landscaping

This first impression is crucial. Most buyers decide if they like a home within a few seconds of laying eyes on it. Landscaping can greatly impact a home's curb appeal, especially if it's a distressed property.



### Kitchen

Similar to the bathroom, rehabbing the kitchen can pay big dividends. Cosmetic changes and updates—new, classy appliances, updated light fixtures, new cabinetry, and new countertops (granite or equivalent)—are typical for a fix and flip rehab.



### Home Office

Since the pandemic began in March 2020, demand for home offices has exploded, making this a top-tier home feature.



### Deck or Patio

Adding features like a patio or deck expands the amount of usable space that comes with the home and can boost the home's value.

## Common Repairs for a Fix and Flip (Continued)



### Refinished Hardwood Floors

Freshly refinished hardwood floors can make a home look newer and classier and can dramatically increase a home's value.



### Open Floor Plan

Most buyers today prefer an open floor plan, especially when it comes to central shared spaces like the kitchen, dining room, living room, and family room. Knocking down walls between rooms is common for a fix and flip rehab and should be handled by a qualified, licensed contractor.



### New Windows

Brand-new windows are aesthetically pleasing. Insulated, energy-efficient windows show that a home is up-to-date and will save the new owner on utilities.

## Research Comparables (Comps)

A secret of successful property investors is finding the right purchase price to maximize potential profit—it's a number's game: a careful balance of market analysis, intuition and cautious planning.

Researching real estate comps goes hand-in-hand with understanding necessary renovation costs, allowing you to realize a property's true value as quickly as possible. Perfecting the strategy of using real estate comps to reach that ideal market price comes with extensive research and experience.

Do your research. Use your comps, Zillow, Redfin, and any other resources to figure out how much an extra bedroom, bathroom, or pool will add to the value of your home. With the right team and the right neighborhood, some of these additions can be big wins and really help your margins. Remember, your goal when flipping a house is to get the biggest return on investment possible.

**Use our Finding Comps Checklist for a good handle on what to consider when searching for real estate comps.**



# Finding Comps Checklist

Use this checklist of 5 key features to look for when you compare the home value of similar properties.

## □ Home square footage

When comparing square footage, properties considered acceptable comps should come within 25% of the square footage of your property. So if your property is 1,500 square feet, look for comps in the 1,125-1,875 square feet range. Anything bigger or smaller will skew your averages.

## □ Bedrooms and bathrooms

Be sure to only search for homes with an equal number of bedrooms and bathrooms as your property. For real estate investors, the number of bedrooms and bathrooms is of utmost importance, especially when combined with the square footage.

## □ Amenities

Amenities are any home features that add or subtract property value. Big backyards, property space to add an expansion, recently updated bathrooms or kitchens, a swimming pool, higher-end finishes or materials and walk-in closets all add to the house's value.

## □ Neighborhood

Real estate comps should have the same neighborhood features, such as distance to stores, waterfronts, and views. Also, keep in mind the local schools and access to public transportation.

## □ Recent sale prices

When you find a handful of comps with similar square footage, bedrooms, bathrooms, and amenities, it's time to find out what they were priced at and how long they stayed on the market before they were sold. You should only research properties sold within the last six months.



# Other Best Practices



## Get the Little Things Right

Have you ever walked through a house and several very minor details (floorboard is nicked, faucet is leaky, doorstop is missing) just leave you with a bad taste in your mouth? Those details only account for about 10% of the work of a project, but that first impression is so important for the buyer. Nail down the details to ensure max value for your home.



## Make Friends with Neighbors

This will save you several trips to the property. If something is going on, having a set of eyes close by and someone who can, say, go lock the door or turn off a light, will be a huge help. Also, neighbors can help you find potential buyers!



## Protect Your Project Site

If your project is taking place in a less-than-ideal neighborhood, fence it off. Don't leave materials, appliances, etc. lying around, just to be stolen overnight. Also, fence off the HVAC system. Protect your assets and your money.



# Conclusion

Whether you're just beginning your real estate investing journey or already expanding a thriving real estate business, we hope Part 3 of your journey through the "6 Fs"—Find, Finance, Fix, Fill, Flip, and Fun—has provided valuable insights and practical advice. Navigating the world of fix and flip investments can be challenging, but with the right approach, research, and dedication, it can be a rewarding and profitable venture.

Remember that each stage of the process is crucial, from identifying your target market and property type to securing financing and assembling a reliable team for renovations. By thoroughly understanding each aspect and being prepared for the challenges that may arise, you'll be well on your way to achieving success in the real estate investment world.

As you continue to grow and expand your portfolio, it's essential to remember that learning is a continuous process. Stay informed about market trends, best practices, and new opportunities to ensure you're always ready to seize the next profitable investment.

At 1st Truitt Financial, we're here to support you in achieving your real estate investing goals with customized financing solutions tailored to fit your unique needs. Our goal is to empower you to make well-informed decisions and continue to thrive in your real estate endeavors.

Now that you have a solid foundation in the "Find" aspect of the "6 Fs," you're ready to move forward with confidence and determination as you build your fix and flip empire.

Happy investing!





Since 2013, we've believed that real estate investors could benefit from the power of modern technology and tailored industry expertise. In just a few years, we've built an industry-leading team and a powerful technology platform that delivers flexibility, speed, and simplicity that our customers rely on.

Together, we've funded more than **\$16+ billion** in loans, unlocked **\$4.1+ billion** of value for real estate investors to help them scale their business, and completed over **65,000 projects**.

As we look to our future, we're committed to helping real estate investors revitalize the approximately \$25 trillion worth of aged U.S. housing stock to provide move-in ready homes and rental housing for millions of Americans across the country.

## Ready to Get Started?

1st Truitt Financial's advanced tech platform removes many traditional barriers, automates time-consuming manual steps, and provides quick approvals and true transparency throughout the entire process. We provide robust backing with expert guidance for both new investors as well as seasoned professionals.



### Fix and Flip / Bridge Loans

Short-term financing for purchasing and rehabbing investment properties with high leverage, competitive terms, and fast closings.

[Learn More](#)



### DSCR Rental Loans

Flexible term lengths, low rates, and easy processes to maximize monthly rental income allow you to enjoy the benefits of property appreciation.

[Learn More](#)



### Rental Portfolio Loans

Consolidate 5+ properties under one low monthly payment and customizable loan to make managing your growing portfolio easy.

[Learn More](#)

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