



## Fix and Flip – In the Real World

The following article is a step-by-step to “Fix and Flips.” There are eight essential components of a Fix and Flip that one must pay careful attention to in order to stack the odds in your favor:

### **1. Assemble your team “ahead of time”**

The success of a “Fix and Flip” relies on having in place a prepared and efficient team. It is important – if you want to enjoy peace of mind – that you assemble your people before you put in your offer. Members will consist of an Inspector, Appraiser, Real Estate Agent, a reliable general contractor that can deliver quality work, and sub-contractors such as, Roofer, Electrician, Plumber, Landscaper, Pool Guy, Carpet, Tile, Granite, Kitchen Cabinets, Painter etc...

### **2. Choose the right area**

Choose in-demand and easily accessible areas where people want to live, close to main towns and freeways. Be aware of market conditions in your area. As gasoline prices keep rising, people want easy access to everything.

### **3. Pay the right price**

To maximize your selling opportunity, find the price range that has the biggest buyer pool. Go to areas that are in-demand and pick the range where the largest percentage of buyers is buying. Once you have determined the area and price range, and you have your eye on a specific property, it's time to settle on the right price to pay. As it is commonly said in real estate, “you make your money going in.”

Research the neighborhood to find out what you are competing with. Look at “active” comparables and their days on market to see what is not selling. Look at “pending” comps to see what is selling, and look at closed comps to establish value. This will give you an idea what the subject property can sell for after repairs. Take that number and subtract what you want to make – be generous :), then subtract the costs of repairs and then subtract the cost of sale. What is left will give you a target purchase price.

### **4. Due-Diligence**

The all important free look; Once your offer is accepted – congratulations, a due-diligence or inspection period will follow, usually 7 to 10 calendar days – understand that an inspection period will only be there if you asked for it and if the seller agreed to it.

Within that period, you must find out as much as humanly possible about the subject property. Send your inspector, hire an appraiser, get all contractor and sub-contractor bids – ideally get two or 3 bids – You can never know enough but if you do your homework right, you'll wing it!

### **5. Keep to schedule**

You did it!!! All your homework turned out positively and you've moved forward. Your heart is throbbing, your knees are shaking. We are having fun now...

For some reason there is not a contractor in the world that has the capacity to finish a job when he says he will. Don't ask why, I don't know, I have just come to accept it.

Keeping the job on schedule is a challenge. Every day costs money, and things always take longer than you projected. A good team will help keep things on track, but it is smart to allow for a grace period. Having said that; start pushing from day one and stick to your timeline.

#### **6. Know what to fix, and do good work**

Find out what adds value to a property. A large percentage of investors submit low quality work. Turning out a bad product does not help the community or your bottom line. Make sure you deliver a quality product, at the end it may cost more, but that cost will easily be recouped in the final sale price. You will sell the property quickly and command a higher price for your investment. The faster it sells, the quicker you can move on to your next "Fix and Flip."

#### **7. Position your property apart from the rest - Three tasks to attract buyer attention:**

1. Display curb appeal: when buyers drive up and see the property for the first time, their reaction should be, "Wow, this looks great."
2. When they open the door, another "Wow," because of the quality work you just put in.
3. Price the property under market. After it's all said and done, never forget, price is the single most important factor if you want a fast sale.

#### **8. Multiple exit strategies**

Understanding overall market trends is vital to choosing your exit strategies. The market will determine much of what your strategies will be. I think it is prudent to have two back-up plans. If you don't make money now, you'll make more money later.

Here is an example:

1. Main exit plan - Sell it straight out for top dollar.
2. Plan B – Sell for a discount and still make some money.
3. Plan C – Sell by way of a short term lease option (6 months).
4. Plan D – Lease it long term until the market allows you to sell for big bucks.

Before securing a deal, be certain you are able to sustain at least two if not three exit strategy options.

It is my experience that in a good market, the "Fix and Flip," when done right and on schedule can be completed in approximately four months, so theoretically you can flip three times a year. Your ideal time frame looks something like this: 2-3 weeks to close on the purchase, 2-3 weeks to fix, 6 weeks to get an offer – this is where doing a good job and positioning your property right pays off, and 4 weeks to close on the sale. Think about it, once you've mastered the art of analyzing the deal, producing quality work and staying on schedule, your bank balance will start to grow, and so will you!

Good luck!

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*As an investor himself, as well as a licensed Realtor®, Dimitri has over a decade of real estate experience. Dimitri's specialties include primary residences, second homes, investment properties, commercial properties and land. He has been recognized for being a Multi-million Dollar Producer, and is an accomplished Realtor® committed to superior results for his clients.*

*"Strive not to be a success but rather to be of value" Albert Einstein*