



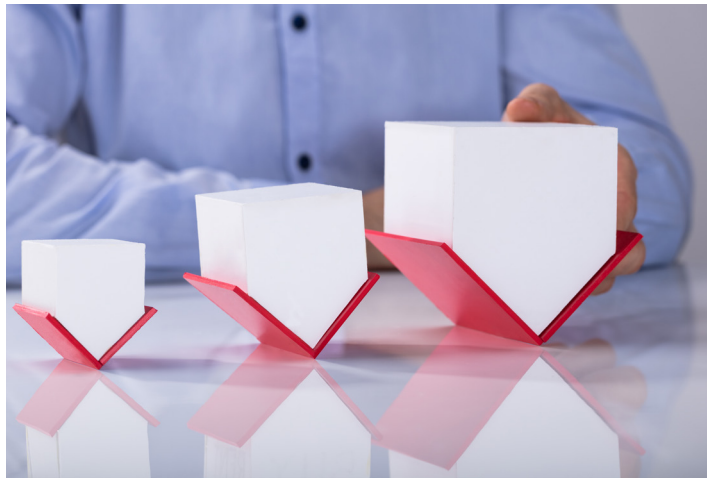
F C T D
FIRST CAPITAL TRUST DEEDS

CAN YOU FLIP IT?

How to Determine If a Property Is a Good Candidate for a Fix & Flip Investment

Despite the potential of fix and flip projects to generate money fast, there are significant risks involved and definitive issues that need to be addressed. Before buying a property to fix and flip, you need to ask the right questions so you can accurately determine profit potential.

Fixing and flipping property is a popular way to generate capital from the real estate market. This investment strategy involves buying property with the sole intention of fixing it up and selling it on for a profit. Fix and flip projects are a popular alternative to buy and hold investments, with capital gained quickly by adding value to the property itself rather than relying on market fluctuations and growth trends. Despite the potential of fix and flip projects to generate money fast, there are significant risks involved and definitive issues that need to be



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ASKING THE RIGHT QUESTIONS

The real estate market offers significant advantages over other forms of investment, with the physical nature of property assets leading to safe and predictable returns and the creation of usable equity. Despite the relative safety and incredible growth potential of the real estate market, finding the right investment

opportunities can be difficult. This is especially true for fix and flip projects, which require a different skill set than conventional buy and hold investments. From the location of the house or apartment through to property attributes, market comparisons, and renovation costs, there are lots of questions to ask if you want to reduce your risks and increase your chances of success.



Location, location, location. The success of a fix and flip investment can depend on a carefully chosen location in a growing real estate market.

1. LOCATION AND GROWTH POTENTIAL

The location of a property helps to determine its future value. While the condition of the asset is also important, it's easier to sell a bad property in a good area than a good property in a bad area. While this is an oversimplified statement, it's based on the fundamental economic principle of supply and demand. From the perspective of a property

investor, a good location is nothing more or less than somewhere that's likely to be in high demand at the time of sale. Along with market movements, it's important to analyze fundamental factors such as neighborhood infrastructure, transportation, and nearby economic activity.

You need to choose a location based on market trends and how they relate to your intended timeline. A fast-moving market is good for flipping projects, so think about momentum and get ahead of the curve. Timing is critical, so take a detailed look at where the market is moving along with where it currently sits. While you can never forecast future demand with 100 percent accuracy, current market data does provide a lot of clues. Look at growth rates along with prices. Analyze time on market figures and auction clearance rates. Review construction numbers in order to determine future supply and competition.

Along with the ability to analyze market data, choosing a good location for a fix and flip project is about common sense. If you're looking at renovating a modern apartment, take a look at nearby entertainment venues and transportation hubs. If you have the budget for a large family home, do some research into local schools and places of employment. Analyzing market data is the science of property flipping. Getting a feel for the lifestyle factors that attract people to certain areas is the art. While you can purchase property almost anywhere if you do enough homework, performing a fix

and flip project in a neighborhood you're already familiar with can be a significant advantage.

2. PROPERTY ATTRIBUTES

The attributes of the property in question need to be carefully considered before you make a purchase. Whether it's three large bedrooms, an open-plan living space, or a lock-up garage, the perfect property is the one that appeals to the most buyers in your location of choice. In fact, it's impossible to separate location from property attributes, with different demographics in different areas looking for different features. Starting with a target market in mind and working backwards from there can be a good idea, such as a middle-income family, a young professional, or a retired couple. How well does the property represent the needs and expectations of local residents?

Along with matching property attributes with demographics, it's also important to choose a property that matches your skill set and experience. Fix and flip projects are just as much about the 'fixing' as they are about the 'flipping', with repair and renovation costs needing to be considered from the outset. Not all house flippers are full-time contractors, so it's important to choose a property that matches your building knowledge, your experience, and your timeline. While fixing up a completely dilapidated property may provide a fantastic opportunity for some people, it could be a waste of time and resources for others.



Comparison is not the thief of joy when it comes to making decisions about your fix and flip investment. Comparing your potential property to similar houses is the best way to estimate repair costs and after-repair value.

3. COMPARABLE PROPERTIES

Before signing a contract for a new property, it's important to create a detailed shortlist and compare properties based on specific criteria. Known in the business as comparables or comps, this provides a way of appraising numerous properties with similar characteristics. When determining comps, it's important to look at location, property attributes, the conditions of sale, the financing conditions, and wider market conditions such as growth rates and supply and demand curves. Everything is relative in the real estate market, so you never know whether you've got a good deal or not before you compare the property in question with its competition.

Along with standard comparison criteria, fix and flip projects also need to compare estimated repair and renovation costs and how they're likely to impact potential profits. This can have a huge impact on the success of your project, with lower

repair costs often more desirable even when they're associated with reduced profits. Unlike traditional buy and hold investments, fix and flip investments typically work better when they're fast, efficient, and scalable. When you're comparing properties, it's important to have a basic understanding of the tangible and intangible opportunity costs involved just to make sure you're not fooling yourself.

4. RENOVATIONS AND AFTER REPAIR VALUE (ARV)

The ARV of a property is the estimated value of the real estate asset after it's been repaired and is ready for resale. Unlike the location, property features, and comps, this factor is unique to fix and flip projects. When it comes to flippers, even the best house in the most ideal location will fail to make money if the ARV doesn't add up. The ARV formula is very simple, with the future value of the property being the sum of the price you paid plus the estimated value of all renovations. While the current value of the property is a given, the estimated value of repairs can be hard to quantify. If you're not a full-time contractor, it's normally a good idea to employ a builder or building inspector to give you a detailed estimate of all likely repair costs.

Already renovated comps come in handy here, giving you a rough idea of how much you can expect to sell the property for and how much breathing room you should leave for renovations. Even after you've received expert advice, it's crucial

to create a contingency fund for emergencies and unexpected events. The ARV is important because it helps you to analyze the relationship between the current market value of the property, the forecast renovation expenses, and the projected sales price. Using an ARV will help you to set bid limits, create realistic renovation budgets, and determine future profits.

At the end of the day, the success of a fix and flip project is about asking the right questions, recognizing potential, and using the skills you have to transform that potential into something of real value.