

How to profit from real estate by rehabbing and retailing

Rehabbing and retailing houses is very profitable, but it's also the hardest way to make money in real estate and is layered with costly entanglements. A lot of satisfaction comes from rehabbing. Following is a list of tips for rehabbing and retailing:

Buying houses low and selling them high is called retailing. This is the most easily understood method of investing in real estate. It's the art of buying at a low price, often doing some repairs, and then selling at retail price and usually cashing out. A lot of money is made through this method. Some people do it part-time, turning 2 or 3 houses a year, and make more money at it than they make on their regular jobs. Others do it full-time and turn 40 to 80 houses a year with an average profit from \$20,000 to \$35,000 per deal.

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1. Buy in areas where qualified buyers want to live.
2. Never close your purchase without confirming your assumptions, that is, after repaired value and repair estimates. Do your due diligence and get the purchase appraised as completed; buy title insurance; have a termite inspection; get repair estimates from qualified contractors; and get estimates to fix any other traps you can avoid.
3. Always borrow more than you need to buy and repair. The job will always cost more, take longer, and yield less profit than you expect. You better have a cash reserve.
4. Keep a tight leash on contractors. They'll play you like a yo-yo, which can - and probably will - be one of your biggest learning experiences in The School of Hard Knocks. But hey, don't worry; I graduated from that same school top of my class, and I survived.
5. Don't tie up your cash. Tying it up is a good way to become a motivated seller. The greater your need to sell, the longer it will take.
6. Do a nice renovation job. It'll pay handsome dividends in saved holding costs and in satisfied customers who'll send you more buyers.
7. Find a good loan processor or mortgage broker to get your buyers financed. It's the difference between success and failure. This person has your paycheck in his or her control, so make sure the person you find knows his or her business and follows up.
8. Master the art of selling houses as fast as humanly possible. Slow selling is the biggest weakness for most yet one of the easiest to fix. If you sell houses the way most untrained investors do, it'll be a while before you get paid.

9. Never do your own repairs. If you do, you're working as a laborer, not an investor. You make money by locating and buying good deals, not swinging a paint brush. If you adhere to tip 3, it won't be a problem; you'll have the money. Some people tell me fixing houses is their therapy. I say if you lay hands on a house, you need therapy.

10. Get trained at this craft of quick turning real estate before you have to pay an ugly price for your education. Education is a lot cheaper than ignorance.