

Fix & Flip 101

for Real Estate Investors

**A Guide To Help
Investors Navigate
the Fix & Flip Process**

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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 a fix and flip property is**
- **Why it's a good investment**
- **The benefits of fixing and flipping**
- **How to get started on your fix and flip project**
- **Best practices to fixing and flipping**

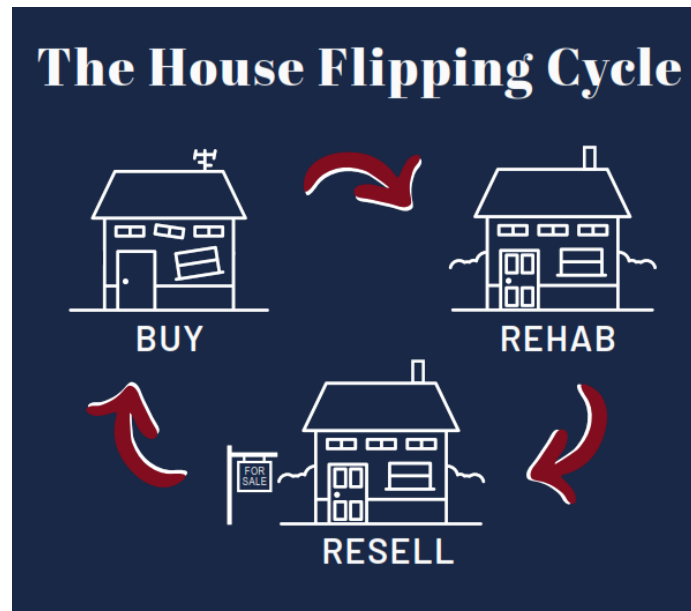
Whether you're a seasoned fixer and flipper looking to expand your knowledge, or you're new to this real estate investment model, this guide will provide you with insight, strategies, and basic principles on how to become an effective fix and flip investor to ensure you're on the path to success.



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. 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.

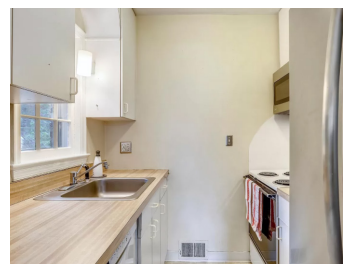
In many cases, an investor can simply utilize the housing market's upswing by simply doing enough work to bring the property to standards comparable to those of neighboring homes, and then reselling just before market prices rise.



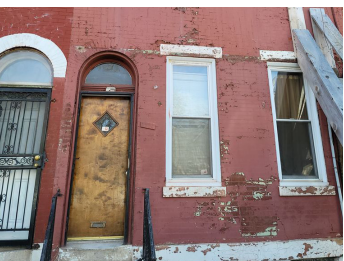
Fix & Flip Projects Funded by Temple View



Before & After - Ft. Lauderdale, FL



Before & After - Bethesda, MD



Before & After - Philadelphia, PA



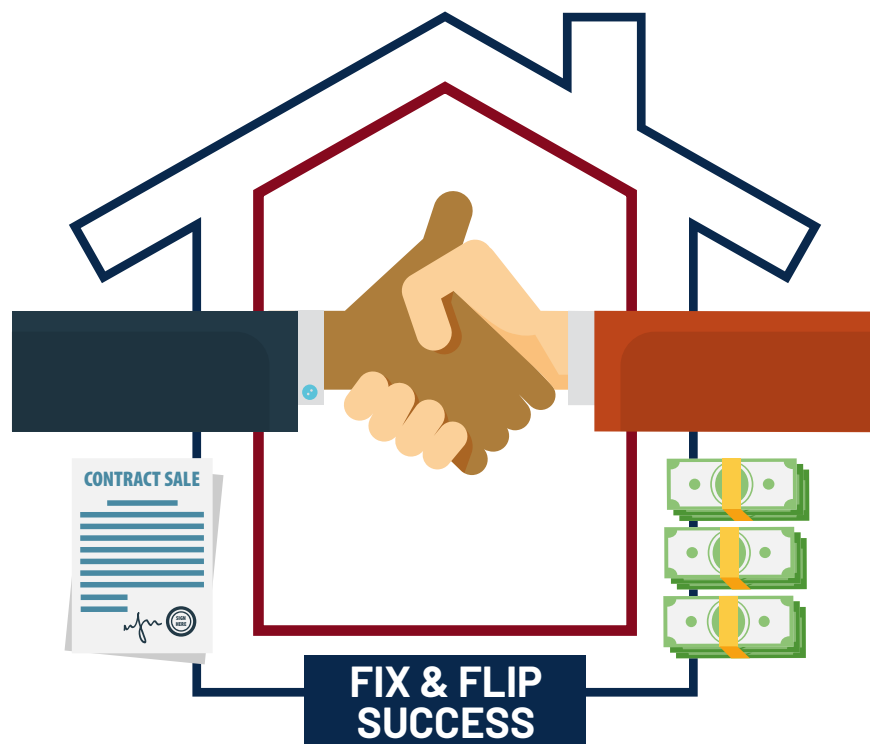
Before & After - Chicago, IL

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. 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:



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- ✓ 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).



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