



Investor Loan Source
Your Private Money Leader



PROPERTY REHAB GUIDE FOR INVESTORS

Introduction

Welcome to the exciting world of rehabbing! Whether you're a seasoned pro or a first-time renovator, embarking on a journey to transform a house into a home is an adventure filled with challenges and rewards.

This is a high level guide designed to take you through the steps to prepare for a rehabilitation project. We'll explore essential considerations and best practices to help you breathe new life into a tired or outdated property!

So, whether you're looking increase the resale value of a property, or embark on a lucrative real estate venture, fasten your tool belt and get ready to explore the wonderful world of rehabbing. With careful planning and a dash of creativity, you'll soon be on your way to turning fixer-uppers into dream homes. Let's get started!

*This is a general guideline and does not encompass requirements for all properties and jurisdictions. It is also not intended to be an all inclusive guide of steps to follow nor does it guarantee profitability. Each property is different and each jurisdiction has different rules and guidelines. You must do your own due diligence to be successful.



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Evaluate the Investment **Property Condition**

This is one of the most crucial steps to complete before investing in ANY property. Take a thorough walk through the entire property with a qualified home inspector or a licensed contractor. As they check the property's condition, pay special attention to costly-to-fix items like the foundation, roof, flooring, insulation, walls, HVAC, and plumbing/electrical. For big ticket items like these have the specific specialist come out and provide bids.



How to Calculate What to Offer

Most investors base their offer price off 70% of the after repair value or ARV, minus rehab. The other 30% allows for additional costs over and above the purchase price and rehab price. This will cover things like closing costs on the buy, realtor costs on the sale, and most importantly your holding costs. This covers the cost of your capital, your interest, the cost of your utilities, the taxes and insurance while you own it, etc.

Most new investors think they can get away with less gross margin than 30%. But after calculating you can see that less than 30% would be a risky endeavor. Also worth noting is that if the value is lower you might need more than 30% to achieve a profit.


Look at the 70/30 rule as a rule of thumb and not an absolute formula.



Create a Checklist

After you understand the repairs the property will need, create an itemized checklist of what needs to be worked on. Use this as a roadmap to show where to start and where to go from there. Then separate tasks from exterior and interior renovations. A rule of thumb for exterior work is to work from the bottom up, working from the foundation up to the roof. For the interior work from the top down, working from the ceilings to the walls, and then the floor.



A close-up photograph of a person's hands in an orange blazer using a silver calculator. The hands are positioned over a desk with papers and a pen. The right hand is holding the calculator, and the left hand is gesturing above it.

Calculate a Budget

Once you understand the scope of work to rehab the property you're looking at, it's time to set a budget for how much you're willing to spend on renovating it. Keep your Return on Investment in mind while you consider this. If you don't think the renovation cost will be worth the return on investment, it's time to look at other properties you could be rehabbing. Make sure your finished product will look similar to or better than the homes you are using to compare value.

Tip: *Never buy an investment property without a detailed scope of work and repair budget.*

Find the Right Inspector and Contractor

Not all of them are equal, so you'll need to research the best one for you. A few things to consider and ask while looking are:

- * *Do they specialize in this type of project?*
- * *How long have they been in business?*
- * *Do they have the necessary licenses, and insurance?*
- * *Do they have recent references and images of before and after work?*
- * *What is the cost estimate and timeline for this project?*
- * *What does a typical inspection look like & how long does it take?*
- * *Do you utilize any unique technology?*
- * *Have you pulled permits for past jobs & will this/my property require any?*





Find the Right Contractor Cont.

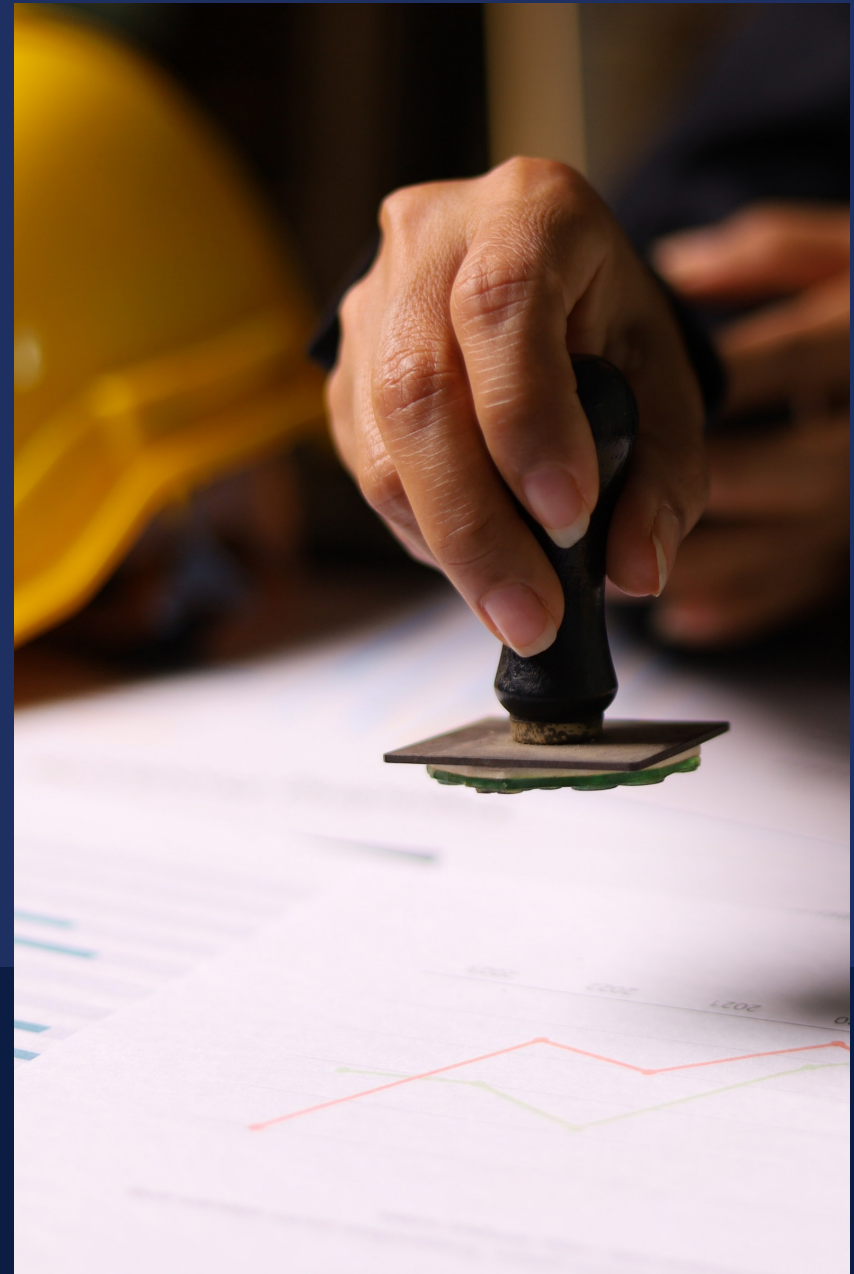
Don't be afraid to ask for quotes and timelines for the renovation from multiple contractors! This will make choosing one easier and give you a realistic idea about the cost and timeline of renovating the property!

As an investor, you shouldn't just go for the cheapest contractor. A contractor that rushes jobs, uses cheap materials, or is inexperienced will likely cost you more money in the long run to repair mistakes and pass inspections. It is best to leave the work up to your contractor. renovation and construction work is not as simple as looking up a couple of videos! Much like with a bad contractor, doing poor or inexperienced work yourself will cost you more time and money.

Obtain Permits

Permits may necessary for rehabbing a property. You should investigate the type of permits you'll need and speak with your contractor before buying the property. A good contractor will know what kind of permits (if any) you'll need based on what the municipality requires.

Tip: *Never start rehabbing a property until all necessary permitting is in place.*



A close-up photograph of a grey dustpan filled with white and yellowish debris, likely old wallpaper or plaster, on a wooden floor. A broom head is visible behind the dustpan.

Begin the Clean-Up Phase

After you've done all the mental work to determine if the property you're looking at is right for you, it's finally time to start the physical labor! That starts with cleaning up the place. This involves removing trash and damaged items inside and outside the property.

You'll want to do this to clean up the property and prepare it for rehab. This should also include demolition to remove items you intend to have replaced, such as doors, windows, appliances, and kitchen and bathroom fixtures. While this won't add any value to the property, it is a necessary first step to prepare the property for the rehab process.

Start the Exterior Renovation

You'll want to do all of the foundational and exterior work first. This will ensure the house is sound before you begin your interior work. Be sure to consider curb appeal when working on renovating the exterior, too. As you and your contractor get to work, it will catch the attention of the neighbors, prospective homebuyers, and tenants driving by.

Tip: Consider investing in signage to advertise the upcoming rehabbed home as construction is underway.



Work on Interior Renovation

When moving to the interior rehab phase this will include making sure the electricity, plumbing, and HVAC are up to code. After that your contractor will move onto sheet rock, then paint, the cabinets and fixtures, and last but not least the floor covering. Depending on your budget, focus on the repairs that will bring you the highest return for your dollar first before focusing on the little details.

Tip: You don't want your contractors walking all over your floor covering for 2 to 3 months. It's the last step for a reason!

Finalize the Project

Don't get too excited when construction is complete! Make sure to do a thorough walk-through, to ensure everything is just how you envisioned and entirely up to code. When you're satisfied with the work, you're good to go! You could list your newly rehabbed property for sale or rent!

Tip: Consider listing the property for sale or rent when the project is far enough along that prospective buyers or renters can envision it finished.





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