

## Iflipyouflip S1E4

Alright everyone, welcome back to iflipuflip real estate podcast and today's title is 35 tips or tricks to save \$35,000 on your next rehab. Again, 35 tips or tricks to save you \$35,000 on your next rehab or next flip. I'm not going to be able to get through all 35 today, I'm probably going to do a 3 part series here, so I'm probably going to try and do 12, 12, and 11 of these different tips and make this a 3 part series. I have to keep the podcasts around 20 minutes or so I want to cover different ways you can save money on your next rehab.

You know, my company we buy, fix and sell properties and throughout the time of doing literally hundreds of these rehabs, I sat down awhile back with my project manager and a couple of my contractors that we use a lot and I said guys, I want to come up with some of the best ways that a company or individual can save money on these rehabs and of course, you as a real estate investor it's all about making money or all about watching that bottom line on these rehabs and an easy way investors blow through their profit is on the rehab or construction of it and a lot of times that just because they don't understand construction and I don't sit here and claim that I'm a licensed GC, and I don't fully understand everything that happens inside of construction but I have a very good idea of it and that's just because I've been around it for so long, I've been around it my whole life so I have a good idea of what things cost and how much they cost and if their overcharging me or ripping me off.

And so I sat down one day and thought how could we help some of the listeners out there and we came up with these 35 different ways, some are maybe obvious to some but others may have not heard of these different things before so I'm going to cover a wide variety of ways here that you can save money on your upcoming flips, I'll try and cover 12 in this upcoming podcast and try and explain what they are and how we use them, how we do these different tips and tricks here.

The first one is the property analyzer or how to properly analyze property. I start with this one because truthfully if you're starting in real estate this one can absolutely crush your budget, what we refer to as your 7 budget breakers, we put inside the property analysis, if you don't have our property analysis form be sure to reach out to us I'll try and put it in the show notes today, maybe put a link on it so you can get a copy of our property analysis form, but the biggest thing you can do in your rehab budget that we can all agreed on, is you need to make sure you buy the property right when you are going into it.

So many times these newbie or first time rehab investors come in and jump on a property, not having a clue that bought a property they thought well, if I budgeted \$25,000 for rehab and \$25,000 is a lot of money I should be ok with this rehab, little do they know that out of their 7

budget breakers they have to do 4 of them and they just upped their budget \$18,000 just on these budget breakers, not even including the rest of the property. So the first thing is making sure you properly analyze this property, again we have an entire format we go through, it's three different pages, every single property we go to we use this form on again, the very first thing it does is it identifies 7 budget breakers and then it identifies what we have to do with those budget breakers.

The reason we call them budget breakers is because these are going to be your high dollar items, this is not going to be paying the property right, that's not a budget breaker. We know we have to paint the property however, we do not know if we have to replace the HVAC, replace all the windows of the property, the roof. There are 7 categories, seven things inside of each property that can absolutely destroy your budget and every single rehab doesn't have to have the seven things done to them so we have to identify them quickly, that's the first one and that is easily, if I try and quantify it for you, that one is easily 10,000 dollars or more savings and if you have to do one of these, I'm thinking through my head here, I believe the cheapest on the 7 budget breakers, the cheapest item if you had to replace all of it, it would be well over 3,000 dollars would be the cheapest item and it will only go up from there. So again, this could easily be 10,000 dollars in savings, you just make sure you are using the right analysis form on your property there.

Here's another savings for you, next would be the water heater. Now this is one of these things that we don't always replace. A lot of times we buy these houses and they have water heaters inside of them and I see so many investors jump in there and say well, it's several years old and I'm just going to replace the water heater. That's probably a \$600 or \$700 cost there to replace the water heater and most of the time, truth be told, most of the time I can get my plumber or HVAC guy and they can repair so many of these water heaters for maybe a 100 bucks or so and the water heater is up and going again.

The reason this is important, and this will be on a later podcast here, but remember in real estate you're always going to have two different negotiations when you are going to sell this property. You're going to have a negotiation when you, when the first buyer buys your property, then you're going to have a second negotiation when that same buyer comes back with his home owner's inspection report of the property and they're going to want to negotiate again. Truth be told, this is one of those reasons why I don't always replace the water heater and I tell you, how many times I had a 15 year old, 12 year old, 10 year old water heater, spent a \$100 on it, got it up and going again, buyer came in and bought the property and when they first put the house under contract with you they are not going to negotiate, oh I want a new water heater for this property, they're not going to negotiate it there.

What happens is the home inspector comes in and no doubt about it, check your water heater. Now on this form that he gives them he may say hey, you need to, or I recommend you replace the water heater. Normally what he'll say is this, the water heater is in good condition and working but it's very old so I recommend you replace the water heater. Now we negotiate again, and now they'll come back to me and say I want a new water heater on the property. Well, they also want 15 other items so this might be one of those things where I say hey, I'll replace the water heater but not 10 of these other items, or I'll replace these 8 items but not the water heater.

So many times I see investors throw in a new water heater, spend \$700 but guess what, you're still going to get a home owners inspection guess what, he's still going to have 15, 12, 20 different items on it, now you don't have anything to negotiate with so it's very important to not always replace the water heater, I can't tell you how many times I didn't replace the water heater, didn't spend 700 dollars, spent 150 dollars repairing it and made myself an extra \$550 on by not replacing the water heater. We have that narrowed down to about a \$400 savings there when it comes down to it.

Here's another thing that we do a lot for our plumbing, it's a little bit different per state here, but with our plumbing, we always have our plumber use PEX instead of copper. A lot of times this has to do with code but in more and more cities and towns go to PEX as a form of plumbing or water lines inside of a property. PEX is extremely cheaper than copper and way easier to install as well so anytime we can we always, always install PEX instead of copper, again this is only per code, a lot of times you'll find your older plumbers have used copper for so many years that they don't want to switch over to PEX and so they use copper.

My guys will go in and run PEX through the whole property because it's extremely fast, whereas copper would be 2 or 3 days depending on how many elbows or joints or fittings they have versus the PEX again, we always use PEX just to give you a ballpark if you were to buy 100 feet of copper plumbing for your property or you were to buy 100 feet of PEX for your property that's a \$410 savings right now in today's market, PEX versus copper. So that's 410 dollars of savings every 100 feet and that doesn't include labor with PEX versus copper because it doesn't take as much time either when it comes to your savings. Again, there's another one we use, PEX versus copper.

Again, if you're just tuning in we're talking about 35 different ways you can save money on your upcoming rehabs and I'm going to go through 10 or 12 of these today, we've been through 3 so far. Another one we use a lot that we enjoy using because it helps standardize our price and anytime you can standardize your price of a rehab it's always is going to save you money in the long term. This might not be used by everybody, this may be used by the flipper doing 6, 7, 8, 9, 10 properties a year or so, again we sometimes have 30 properties going at a time and we

standardize our, not all but some of our bidding on each job, one of the scenarios I'll give you is our demolition.

These properties that we're flipping a lot of, normally we'll have to demo a good portion of the property, or the inside of the property, there'll be drywall, kitchen cabinets, the bathrooms have to come completely out, the carpets, the flooring, the tiling all that stuff has to come out from the property, doors, light fixtures, electrical outlets on the property have to come off, all of these things have to come off the property.

So what we've done, we went and found what we sort of call our demo crew and all they do is demo property for us, and we don't have to go to every property every single time, they'll come in and it's actually a father and his three sons, and they'll come in and demo the property for us and while we're doing other projects or other rehabs, our contractors offer this property over here where they are finishing the property, they'll come over here and start demoing the property, we sort of have this down to a system where the crew will come in every single time and 95 percent of what we want done, they know exactly how to do this property and charge us \$500 per house, that doesn't include dumpster or hauling away the trash, this includes demoing and getting it to the dumpster, they charge us \$500 a house to come in there and demo the house and get everything to the dumpster for us.

This is a great way to save money, by trying to systematize some of your easier jobs to manage if you're managing these jobs yourself, we manage pretty much all of our jobs, the next one I'll give you because it kind of goes along with that one and it's hiring a landscaper to kind of do the same thing. On these properties that we're selling for \$120,000 or \$150,000 a house we don't have to do all new sod on the house, plant 4 trees and 9 bushes and 15 different flowers, we don't have to do that so basically our landscaping is more or less clean everything, you want to cut the grass, clean everything make sure everything is nice and tight, make sure the concrete is tight where the grass isn't overgrowing into the concrete, we want to make sure the tree branches are trimmed that's a big one for us, we want to make sure we trim or umbrella all the tree branches.

The crew that I use, they use a basic pull chainsaw and so we standardized all of our landscaping, our demolition and yes, sometimes one of these would vary a little bit but normally what would happen is when you're doing 8, 9, 10 jobs a year you'll find that one job may be more demo and the next job may be less demo so we don't really negotiate a lot with these, there are certain times where they'll come in, it might be a little more landscaping if there's a tree and we want the whole tree down ok, they might charge us a little bit extra, but these people go in there and cut it, weed it, edge it, get everything off the grass, umbrella our bushes they throw in our trees, they trim all the bushes, they throw all the mulch down, some basic flowers in our flower beds, nothing spectacular, some mums, usually there's a lot of

mums this time of season, so we have about a \$750 savings there because we're not sitting there negotiating 4, 5, 6 different times with a full blown landscaping company, we're just using a basic landscaping company to come in and do the same thing for us every single time which is a great savings for us, not just in money as in transferring of money, but also in time, you know how much time it's taking me to call 4 or 5 landscapers, go through all the bidding, go through all the process, what color mulch do you want, what trees do you want umbrellaed, we really have this down to a little bit better system here.

Here is one that we use a lot of, man, I can't tell you how many people, ok maybe not that many but a fair amount of people, argue with me on this point, you watch your new construction builders and you watch what's going on in the market, the one of the things we do is paint our ceilings and walls the same color, now I want you to think about that, we paint our ceilings and walls the same color ok, this is an incredible way for you to save money and time in your property.

If you think about painting your house, one of the most time consuming things of painting into your painting is the cut in or the trim work that has to be done inside of your property and thinking about where the two walls meet, the ceiling and the wall meet, all that has to be trimmed in, normally going both ways, so they'll have to put a coat of ceiling paint on, have to use the brushes there on the edges all the way around the property which is a little bit faster, but then they have to go with the wall paint, where the wall meets the ceiling paint, and they have to go really slow and then they have to get a brush and get on a ladder and they literally have to cut in your living room with a brush going about 4 feet at a time they're cutting this living room in 4 or 5 feet at a time on the ceiling, while they do that all through your living room, all through your dining room, your hallways, your kitchens, your bathrooms.

They literally sit a guy, that's sitting on a ladder, moving 4 or 5 feet at a time, plant, moving it over. What we did is, we decided awhile back, it really just came from watching design shows, that we were going to cut that out of the process. We decided that if we use neutral of colors, or not dark colors is a better way to describe it, I don't do this if I'm using dark colors which I very rarely paint a house dark but I paint the walls and ceiling the same color which allows my guys not to use a ladder and cut in time and time again. They can literally roll all the ceiling roll all the walls and simply put one cut in at a very high rate of speed and not worry about not having this paint touch this paint.

And a lot of times they'll just spray it, they'll just spray the entire thing and not have to get on a ladder at all. We use this time and time again now, I know that many of you are sometimes thinking well, why would you paint your walls and ceilings the same color, listen to me. I am telling you right now that in the last year I have probably sold 100 of these fixer upper properties, you can go on my website and see tons of these different houses that I've done, and

let's just take the last 100 flips that I've done. The last 100 flips that I've done, do you know how many times a buyer has walked into a negotiation and said, ok Andrew, I'm going to buy your house and I'm going to pay full price for your property but I swear to god I want you to paint the ceilings back to flat white which is what I use to have? I can honestly tell you that's happened zero never, it's never happened. Out of the last 100 buy, fix and sell's that I've done, which have all been the same ceilings and walls being the same color scheme, not the same color but we might have had 20 different colors throughout those houses, but every wall and ceiling were the same color and zero times has a buyer come back to me and said I'll buy your house but I want the ceilings painted back to white.

This is a huge, huge money saver and time saver for you I highly recommend it and I could talk more and more about why this is effective not only in money and savings but in design features, this is a great way that design helps your property as well, as a matter of fact I'm going to do this because I'm running out of time in this episode, I'm probably going to do only 2 more of these tips, I'll have to do a couple of more serious here but, I want to talk a little bit more about this point because I think it's important.

I want you to think about when you walk into a property or walk into a bedroom, let's take a bedroom, a secondary bedroom or kid's bedroom inside a property, you walk inside of a bedroom, you walk in that bedroom and you actually walked inside a box. You literally have walked inside a box. It has a floor, four walls and a ceiling on it. What happens is, we all have different type of flooring right, whether it's hardwood, tile or carpet, depending where you live in America. Let's just say you have a carpet there, so now you have your flooring or your base, you have a wall color that goes around all four walls, you have a wall color ok, then you have a ceiling color. Now a ceiling color you basically put on top of those four walls so if we think about it, we just put a top or a roof on top of your head, which you just literally shrunk how big the room feels by putting that wall of a different color on top of those four walls.

Think about this, you probably haven't thought about this, when you walk into a room with 8 foot ceilings, let's say you have blue paint on the walls and white ceiling paint on the ceiling, your eyes will naturally go where those two hard lines are and by hard lines I mean where those two different colors connect at, that is where your eyes naturally go. Now, subconsciously they're going to go there because your eyes are drawn to where the lines in the room are, which your eyes and your mind are identifying as you having walked into a box that's 8 feet tall.

If you take that ceiling or take that top of this box off and paint it the same color as you paint the walls, your eyes do not go where the lines meet because the lines don't meet, it's all the same color and so when you walk in the room your eyes just naturally look at the walls and never acknowledge there is a roof 8 feet tall on top of your head right now. It's a great way to make your rooms feel bigger than what they are if you paint the walls and the ceilings the same

color. The last thing on this point I'm going to tell you is number one it's a money saver because of the time you don't have to cut in, number two it makes your rooms feel bigger because you don't have a roof or top right on top of your head, number three, if you think about our business and what we are doing which is flipping properties, which means we are buying and older property, we are then rehabbing that property and then selling it right, which means this older property, what happens when a property's been built 30, 40, 50 years ago right, it settles in the ground.

It doesn't matter what it's built on, whether it's concrete slab or cinder blocks around it, it doesn't matter what the foundation is it begins to settle after 30, 40, 50 years and just a little bit, you probably won't even notice it. However, your walls and your ceilings begin to have, where they meet at, they begin to get a little bit wavy there ok, the lines are not perfect 90 degree angles and those lines begin to wave just a little up and down throughout the property. If you take your paint brush when you're painting them two different colors and you paint according to where that line is, when your buyer walks in your buyer sees the waves in the, where the ceiling and the walls meet, they sort of see that wave or imperfection.

You can try and convince your painter to try and paint a perfectly straight line for you but on four walls where your paint meets might be all different heights so you can't just paint straight lines to paint straight lines inside the property just because they won't look right. By doing this, another thing you're getting rid of is your imperfections inside of your property. When you paint the walls and the ceilings the same color, again your eyes are not drawn to the imperfections, your eyes are not drawn to where the two colors meet, you're not putting a roof on top of your head and making your room look bigger and more importantly, you just saved yourself \$600 in painting costs because you're not stopping everything and painting a different color and have your painters cut in again so that's another money saving tip, I'm going to move past this point but again, trust me on this, 100 houses, zero times have any of my buyers come back and said paint my ceilings white, I highly encourage you to do this when painting your property.

Let's see here, let me give you another one here, how much time do we have oh, we're coming up on our limit here so let me try and go through a quick one here, ok this is an easy one. When it comes to ordering special windows, ok this is a great one actually, when it comes to ordering special order windows, and here's what I mean by this because you can only use it at certain times, let's say, I gave you an example a while back of a property we were doing off of Cleveland Street, and it has this enormous window I mean it was absolutely, a custom ordered window that was huge and it was old and needed to be replaced.

If I was going to order a custom, exactly the same size as the one that was there, I was probably looking at a \$3000 to \$4000 window in a \$130,000 house just to replace this one window, which was a main feature of this property so I had to do it.

Instead of doing that, I work with Home Depot a lot, what I did was I called my local representative at Home Depot, I don't mean the cash register, they have a pro desk there, and they also have what is called a PAR, which is a pro account representative that you can work with if you're a rehabber, and I called my local PAR rep and said I need you to search the stores that are in your area, and my PAR covered an area with 22 different stores and out of those 22 stores, I asked him to search all those 22 stores and find me the biggest window you have that someone ordered, returned and now Home Depot has it.

He found me the largest window he had, he charged me like \$120 for this huge window that someone had special ordered and I put that window and put it inside of my house and instead of spending \$4000 I spent \$120 on the window and we framed around this window, added some drywall to it, some siding and replaced this all for probably \$600 instead of the \$4000 it was going to cost me to order this special order window. So again, anytime I'm ordering first, windows and then a unique size that is monstrous like this, or a sliding glass door, or French doors I always call my pro rep, whatever stores he's in charge of 15, 17, 20, 25 stores, I'm looking for any special order material that would fit this, or that I could work around it and literally save myself thousands of dollars.

Recently, this job on Cleveland, we probably saved ourselves a minimum of \$3000 by ordering our windows through our pro rep at Home Depot versus just going and ordering a special order window just to make it work. Again, these are some tips here, I'm going to stop now I'm actually over my 20 minute limit I like to go, I like doing 20 minute podcasts and I'm over that right now. Today we covered 6 only of these 35 different money saving tips for your next rehab. I assure you, we'll come back and do more of these, this may turn into a 5 part series instead of a 3 part series but if you'll stay tuned to us, we'll get some more of these money saving tips up for you. I hope you enjoyed listening to iflipuflip real estate podcast and we look forward to seeing you next time on our show here.