



Making Everything Easier!

Flipping Houses For Canadians FOR DUMMIES[®]

Learn to:

- Secure financing
- Identify ideal properties to flip
- Work with contractors, agents, and other real estate professionals
- Steer clear of legal grey areas and tax traps

**Ralph R. Roberts
Joe Kraynak
Camilla Cornell**



***Flipping
Houses
For Canadians***
FOR
DUMMIES®

***Flipping
Houses
For Canadians***
FOR
DUMMIES®

**by Ralph R. Roberts with
Joe Kraynak and
Camilla Cornell**

 **WILEY**

John Wiley & Sons Canada, Ltd.

Flipping Houses For Canadians For Dummies®

Published by

John Wiley & Sons Canada, Ltd.

6045 Freemont Blvd.

Mississauga, ON L5R 4J3

www.wiley.com

Copyright © 2009 by John Wiley & Sons Canada, Ltd. All rights reserved. No part of this book, including interior design, and icons, may be reproduced or transmitted in any form, by any means (electronic, photocopying, recording, or otherwise) without the prior written permission of the publisher.

Trademarks: Wiley, the Wiley Publishing logo, For Dummies, the Dummies Man logo, A Reference for the Rest of Us!, The Dummies Way, Dummies Daily, The Fun and Easy Way, Dummies.com, and related trade dress are trademarks or registered trademarks of John Wiley & Sons, Inc. and/or its affiliates in the United States and other countries, and may not be used without written permission. All other trademarks are the property of their respective owners. Wiley Publishing, Inc., is not associated with any product or vendor mentioned in this book.

For authorization to photocopy items for corporate, personal, or educational use, please contact in writing The Canadian Copyright Licensing Agency (Access Copyright). For an Access Copyright license, visit www.accesscopyright.ca or call toll free 1-800-893-5777.

LIMIT OF LIABILITY/DISCLAIMER OF WARRANTY: THE PUBLISHER AND THE AUTHOR MAKE NO REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE CONTENTS OF THIS WORK AND SPECIFICALLY DISCLAIM ALL WARRANTIES, INCLUDING WITHOUT LIMITATION WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE. NO WARRANTY MAY BE CREATED OR EXTENDED BY SALES OR PROMOTIONAL MATERIALS. THE ADVICE AND STRATEGIES CONTAINED HEREIN MAY NOT BE SUITABLE FOR EVERY SITUATION. THIS WORK IS SOLD WITH THE UNDERSTANDING THAT THE PUBLISHER IS NOT ENGAGED IN RENDERING LEGAL, ACCOUNTING, OR OTHER PROFESSIONAL SERVICES. IF PROFESSIONAL ASSISTANCE IS REQUIRED, THE SERVICES OF A COMPETENT PROFESSIONAL PERSON SHOULD BE SOUGHT. NEITHER THE PUBLISHER NOR THE AUTHOR SHALL BE LIABLE FOR DAMAGES ARISING HEREFROM. THE FACT THAT AN ORGANIZATION OR WEBSITE IS REFERRED TO IN THIS WORK AS A CITATION AND/OR A POTENTIAL SOURCE OF FURTHER INFORMATION DOES NOT MEAN THAT THE AUTHOR OR THE PUBLISHER ENDORSES THE INFORMATION THE ORGANIZATION OR WEBSITE MAY PROVIDE OR RECOMMENDATIONS IT MAY MAKE. FURTHER, READERS SHOULD BE AWARE THAT INTERNET WEBSITES LISTED IN THIS WORK MAY HAVE CHANGED OR DISAPPEARED BETWEEN WHEN THIS WORK WAS WRITTEN AND WHEN IT IS READ.

For general information on John Wiley & Sons Canada, Ltd., including all books published by Wiley Publishing Inc., please call our warehouse, Tel. 1-800-567-4797. For reseller information, including discounts and premium sales, please call our sales department, Tel. 416-646-7992. For press review copies, author interviews, or other publicity information, please contact our publicity department, Tel. 416-646-4582, Fax 416-236-4448.

Library and Archives Canada Cataloguing in Publication

Cornell, Camilla

Flipping houses for Canadians for dummies / Camilla Cornell, Ralph R. Roberts.

ISBN 978-0-470-15733-6

1. Real estate investment—Canada. 2. House buying—Canada. 3. House selling—Canada. 4. Dwellings—Remodeling—Canada. I. Roberts, Ralph R., 1958- II. Title. HD1379.C675 2008 333.33'83 C2008-905770-8

Printed in United States of America

1 2 3 4 5 RRD 13 12 11 10 09



About the Authors

Ralph R. Roberts's success in real estate sales is legendary. He has been profiled by the Associated Press, CNN, and *Time* magazine and has done hundreds of radio interviews. Ralph is a seasoned professional in all areas of house flipping, including buying homes, rehabbing, and reselling them quickly and at a handsome profit. He has penned several successful titles, including *Sell It Yourself: Sell Your Home Faster and for More Money Without Using a Broker* (Adams Media Corporation), *Walk Like a Giant, Sell Like a Madman: America's #1 Salesman Shows You How To Sell Anything* (Collins), *52 Weeks of Sales Success: America's #1 Salesman Shows You How To Close Every Deal!* (Collins), and *REAL WEALTH by investing in REAL ESTATE* (Prentice Hall). In *Flipping Houses For Dummies*, Ralph reveals the tips and tricks he has hammered out and nailed in his over-30-year career.

Joe Kraynak is a freelance author who has written and coauthored dozens of books on topics ranging from slam poetry to computer basics. Joe teamed up with Dr. Candida Fink to write his first book in the *For Dummies* series, *Bipolar Disorder For Dummies*, where he showcased his talent for translating the complexities of a topic into plain-spoken, practical advice. In *Flipping Houses For Dummies*, Joe teams up with legendary real estate pro Ralph Roberts to produce the ultimate guide to profitable real estate flipping — flipping the right way.

Camilla Cornell is a Toronto-based freelance writer and three-time National Magazine Award recipient. Along with two partners, she and her husband have slow-flipped two properties (okay, what that means is that they opted for Plan B — rent, then sell!). Camilla is the author of *How to Pay Less for Just About Anything* (Reader's Digest) and spokesperson for Uniroyal Canada's More Mileage for Your Money campaign offering money-saving tips for Canadian families. This is her first book in the *For Dummies* series.

Dedication

From Ralph: To my father, Ralph E. Roberts (a.k.a. The Boss), who taught me the skills and stick-to-it-iveness to pursue my dreams, and to my daughter Kolleen Roberts (a.k.a. KoRo) — the ultimate dream I was blessed with while I pursued those other dreams.

From Joe: To my brother John, who kept asking me when this book would come out, and whose eagerness and enthusiasm inspired me to do my best.

From Camilla: To my husband, Paul, who encouraged me to overcome my natural tendency toward risk-avoidance to launch a successful career as a writer. To my kids, Carly and Ben, for putting up with their sometimes preoccupied mom.

Acknowledgments

Although we wrote the book, dozens of other talented individuals contributed to its conception, development, and perfection. For the first edition, special thanks go to acquisitions editor Lindsay Lefevere, project editor Georgette Beatty and copy editor Sarah Faulkner. For the Canadian edition, many thanks to Robert Hickey for his patience and insights, and Liz McCurdy for ensuring consistency of style and tone. We also tip our hats to the production crew for doing such an outstanding job of transforming a loose collection of text and illustrations into such an attractive bound book.

Among them: realtor Collette Skelly of Remax Realty in Toronto, who offered up her vast store of knowledge about the ins and outs of the real estate process; Anita Levin, whose legal background informed some of the details about real estate law; and Don Campbell, of the Calgary-based Real Estate Investment Network, who generously shared advice on pinning down hot markets. Thanks also to Darsen Sowers at CanadaTaxSales.com for his insights into the tax sale process and to Nova Scotia Mortgage consultant Jeff Morris for guiding us through the ins and outs of mortgages. Finally, our appreciation goes to those who kindly shared their stories from the trenches, including Paul Fotia, of Toronto, Kimberly Graham of Winnipeg, Joanne Bennett of Calgary, Diane Williamson of Montreal and Lori Steeves, of Vancouver.

Publisher's Acknowledgements

We're proud of this book; please send us your comments through our Dummies online registration form located at www.dummies.com/register/.

Some of the people who helped bring this book to market include the following:

Acquisitions, Editorial, and Media Development

Editor: Robert Hickey
(*Previous Edition: Lindsay Lefevere*)

Project Manager: Elizabeth McCurdy

Project Editor: Pauline Ricablanca

Copy Editor: Lisa Berland

Cover photo: © Royalty-Free/Corbis

Cartoons: Rich Tennant, (www.the5thwave.com)

Composition Services

Vice-President Publishing Services:
Karen Bryan

Project Coordinator: Lynsey Stanford

Layout and Graphics: Sarah Philippart

Proofreaders: Laura L. Bowman,
John Greenough

Indexer: Cheryl Duksta

Special Thanks: Habidex Renovations
(www.habidex.com), TLC Professional
Landscaping (www.tlc.ca)

John Wiley & Sons Canada, Ltd.

Bill Zerter, Chief Operating Officer

Jennifer Smith, Vice-President and Publisher, Professional and Trade Division

Publishing and Editorial for Consumer Dummies

Diane Graves Steele, Vice-President and Publisher, Consumer Dummies

Joyce Pepple, Acquisitions Director, Consumer Dummies

Kristin A. Cocks, Product Development Director, Consumer Dummies

Michael Spring, Vice-President and Publisher, Travel

Kelly Regan, Editorial Director, Travel

Publishing for Technology Dummies

Andy Cummings, Vice-President and Publisher, Dummies Technology/General User

Composition Services

Gerry Fahey, Vice-President of Production Services

Debbie Stailey, Director of Composition Services

Contents at a Glance

<i>Introduction</i>	1
<i>Part I: Laying the Foundation for Successful Flipping</i>	7
Chapter 1: Wrapping Your Brain Around the Idea of House Flipping.....	9
Chapter 2: Do You Have the Right Stuff for Flipping?	23
Chapter 3: Devising an Effective Flipping Strategy.....	39
Chapter 4: Building Your Dream Team	51
<i>Part II: Fiddling with the Financials of Property Flipping</i>	67
Chapter 5: Guesstimating Your Potential Profit	69
Chapter 6: Securing the Funds to Fuel Your Flip	81
Chapter 7: Trudging Through Some Taxing Issues	103
<i>Part III: House Hunting with an Eye for Flipping</i>	111
Chapter 8: Scoping Out a Fertile Neighbourhood.....	113
Chapter 9: Hunting for Houses in Your Target Area	127
Chapter 10: Inspecting the Property with an Eye for Rehab.....	143
Chapter 11: The Art of Hagglng: Negotiating a Price and Terms	161
Chapter 12: Closing In on Foreclosure and Tax Sale Properties.....	179
<i>Part IV: Fixing Up Your Fixer-Upper</i>	195
Chapter 13: Prioritizing and Planning Your Renovations	197
Chapter 14: Giving Your Property a Quick Makeover	213
Chapter 15: Perking Up the Curb Appeal.....	229
Chapter 16: Dazzling the Crowds with Updated Kitchens and Baths.....	245
Chapter 17: Sweating Through Some Moderate Makeovers	261
Chapter 18: Reconfiguring Spaces and Other Structural Overhauls	273
<i>Part V: Sold! Selling Your Rehabbed Home</i>	287
Chapter 19: Marketing Your Home	289
Chapter 20: Staging a Successful Showing.....	301
Chapter 21: Negotiating the Sale to Maximize Your Profit	313

<i>Part VI: The Part of Tens</i>	325
Chapter 22: Ten Signs of a Great House-Flipping Opportunity	327
Chapter 23: Ten Renovation Cost-Cutting Strategies	333
Chapter 24: Ten Common House-Flipping Blunders	339
Chapter 25: Ten Strategies for Surviving a Slow Market.....	343
<i>Index</i>	347

Table of Contents

.....

<i>Introduction</i>	1
About This Book	1
Conventions Used in This Book	2
What You're Not to Read	2
Foolish Assumptions	3
How This Book Is Organized	4
Part I: Laying the Foundation for Successful Flipping	4
Part II: Fiddling with the Financials of Property Flipping	4
Part III: House Hunting with an Eye for Flipping	4
Part IV: Fixing Up Your Fixer-Upper	5
Part V: Sold! Selling Your Rehabbed Home	5
Part VI: The Part of Tens	5
Icons Used in This Book	5
Where to Go from Here	6

Part 1: Laying the Foundation for Successful Flipping **7**

Chapter 1: Wrapping Your Brain Around the Idea of House Flipping	9
Grasping the Concept of Flipping and Its Challenges	10
Spotting distressed property . . . and property owners	10
Making a few minor (or major) alterations	11
Reselling your rehabbed property for big bucks	11
Flipping Ethically: The Good, the Bad, and the Illegal	12
Flipping illegally: Real estate fraud and other scams	12
Flipping legally: Buy, fix, and sell	13
Determining Whether You're Ready for Flipping	13
Devising Your Own Surefire Flipping Strategy	14
Assembling a Team of Advisors and Experts	15
Managing the Moolah	15
Estimating your profit	16
Getting your hands on some ready cash	16
Keeping more of your hard-earned cash by handling taxes wisely	17
Finding and Buying a Property Ripe for Flipping	18
Rehabbing Your Fixer-Upper to Maximize Your Profit	18
Putting your renovations in order	19
Applying a little makeup	19
Tidying up the exterior	20

Focusing on kitchens and bathrooms	20
Making moderate changes	20
Overhauling the structure	20
Selling Your Renovated Pad	21
Setting the right price.....	21
Marketing your property	21
Sprucing up your house for a showing	22
Making the big sale.....	22

Chapter 2: Do You Have the Right Stuff for Flipping? 23

Tabulating Your Time Budget.....	23
For the time-strapped: Part-time flipping	24
All the time in the world: Full-time flipping	26
Delegating time-consuming tasks	26
Shaking Your Piggy Bank.....	28
Figuring out how much you need to get started.....	28
Finding cash to fuel your flip.....	28
Taking stock of your financial health	29
Honestly evaluating your debt tolerance	30
Taking Your Personality Pulse.....	31
Would you categorize yourself as a couch potato?.....	31
How do you perform in a crisis?	31
Do you have organizational expertise?	33
Are you good with people?	33
Can you ask for (and get) what you want?	34
Do you like juggling numbers?	34
Can you handle rejection, failure, and success?.....	35
Ensuring That Your Family Is on Board.....	36
Getting the okay from your spouse	36
Keeping your kids and pets in the loop	37
Gathering the Essential Tools of the Trade	37

Chapter 3: Devising an Effective Flipping Strategy 39

Surveying Different Strategies.....	40
Buy into a hot market.....	40
Buy low, do nothing, and sell quick.....	42
Buy low, apply makeup, and sell quick.....	43
Buy low, renovate, and sell high.....	43
Buy low, move in, renovate, and sell high.....	44
Buy, hold, and rent	45
Invest in new construction	45
Focus on a niche market	46
Cook up your own strategy	47
Drawing Up a Detailed Plan Well in Advance.....	48
Devising a Plan B: Surviving a Flip that Flops	49

Chapter 4: Building Your Dream Team 51

Hooking Up with a House Hunter — A Quality Real Estate Agent.....	52
Recognizing the value of agents.....	52
Picking an agent with the right stuff.....	53
Recruiting Moneymen (And Women)	55
Finding financiers.....	55
Considering a mortgage broker	56
Hiring an accountant	56
Obtaining sound investment advice.....	57
Adding a Real Estate Lawyer to the Roster	58
The title search: How your lawyer covers your back	58
The lawyer search: How to find the best lawyer for you.....	59
Locating a Valuable Appraiser	59
Lining Up a House Inspector	60
Contacting Contractors and Subcontractors.....	62
Acting as the head honcho	62
Tracking down top-notch contractors and subcontractors.....	63
Contracting with contractors and subcontractors	64
Finding a handyman and other helpers	65

***Part II: Fiddling with the Financials of
Property Flipping 67*****Chapter 5: Guesstimating Your Potential Profit 69**

Making Money in Any Market	70
Ballparking a Realistic Resale Value	71
Subtracting the Purchase Price and Closing Costs	72
Subtracting the Cost of Repairs and Renovations.....	74
Subtracting Your Holding Costs	76
Subtracting the Cost of Selling the House	77
Ka-Ching! Projecting Your Potential Gross Profit.....	78
Subtracting the CRA's Cut (In Some Cases) to Get Your Net Profit	80

Chapter 6: Securing the Funds to Fuel Your Flip 81

Grasping the Power of Working with Borrowed Money	82
Unleashing the Equity in Your Current Home	83
Recognizing the risks	83
Refinancing your mortgage.....	84
Taking out a second mortgage with home equity loans and lines of credit	85
Making Yourself Look Good to Prospective Lenders	86
Determining what you're worth in dollars and cents	87
Checking and correcting your credit report	89

Avoiding mistakes that can sabotage your loan approval	92
Bargain Hunting for Low-Interest Loans	92
Winding your way through the mortgage maze.....	93
Playing the numbers game when you compare loans.....	96
Finding eager lenders online and off	97
Exploring Other Creative Financing Options	98
Making use of the Home Buyer's Plan.....	99
Passing the hat among friends and family.....	99
Borrowing from a private investor	100
Establishing effective partnerships for the long haul	101

Chapter 7: Trudging Through Some Taxing Issues 103

Estimating the Tax Man's Take from Your Flipping Profits	104
Maximizing Tax Savings from the Sale of Your Principal Residence	104
Qualifying your "principal residence"	105
Taking the ownership test	107
Slashing Your Capital Gains Through Careful Deductions.....	107
Deducting expenses.....	107
Having your mortgage and writing it off, too	108
Paying Income Tax: When Flipping Houses Becomes Your Occupation	109

Part III: House Hunting with an Eye for Flipping 111

Chapter 8: Scoping Out a Fertile Neighbourhood 113

Pinpointing House-Flipping Hot Spots	114
Flagging neighbourhoods with the right basic traits	114
Finding your focus	115
Identifying areas in your price range	117
Taking the Pulse of the Real Estate Market in a Neighbourhood.....	117
What's the annual appreciation percentage of the average home?.....	118
How many homes are currently for sale?	118
How long is the average home on the market?	119
Evaluating the Good and Bad in a Neighbourhood.....	120
Spotting the signs of a good neighbourhood	120
Seeing the warning signs of a declining neighbourhood	120
Taking Other Neighbourhood Factors into Consideration	121
Grading local schools	122
Digging up crime statistics	123
Exploring the business climate.....	124
Getting the lowdown on planned neighbourhood improvements.....	125

Chapter 9: Hunting for Houses in Your Target Area 127

Time It Right 128

Focusing Your Search on Affordability and a Particular
Property Type 128

 How much house can you afford? 129

 What style and features do you want in a house? 130

Digging Through Property Listings, Ads, and Publications 131

 Searching MLS listings with the help of your
 real estate agent 132

 Scanning the classifieds for key words 135

 Poring over real estate magazines 136

Panning for Gold in Special Markets 136

 Homing in on homes “For Sale by Owner” 137

 Getting the scoop on foreclosures and tax sales 138

 Seeking out real estate auctions 139

 Scouting for government-owned properties 139

 Tracking down government-seized properties 140

Generating Additional Leads 140

Chapter 10: Inspecting the Property with an Eye for Rehab 143

Packing for Your Inspection Mission 144

Finding the Perfect Candidate for a Quick Makeover 144

 Poor but promising curb appeal 146

 Cosmetically challenged, inside and out 146

 A second-rate showing 147

Assessing Potential Curb Appeal 147

Taking a Big Whiff, Inside and Out 149

Inspecting the House for Big-Ticket Items 149

 Focusing on the foundation 150

 Examining the siding 150

 Giving the roof and gutters the once-over 151

 Glancing at the windows, inside and out 151

 Evaluating the plumbing 151

 Exploring the electrical system 152

 Checking out the furnace and air conditioner 153

 Adjusting your eyes to the lighting 153

Discovering Some Promising Features 154

 Rooms with character and class 154

 Hardwood floors hidden beneath the carpet 154

Getting a Feel for the Kitchen 155

 Gauging the hangout factor 155

 Noting what the kitchen already has 156

Paying Attention to Bathrooms 156

 Understanding that size matters 157

 Recognizing a diamond in the rough 157

 Spotting water damage in floors and walls 157

Roaming through the Rest of the House.....	158
Touring the bedrooms	158
Spreading out in living rooms, dens, and other wide-open spaces	159
Looking at laundry rooms.....	159
Stepping into closets, attics, and basements.....	159
Are These Walls Optional? Envisioning a New Floor Plan.....	160

Chapter 11: The Art of Hagging: Negotiating a Price and Terms . . . 161

Planting the Seeds for Successful Negotiation.....	162
Digging Up Pertinent Information about the Seller	163
Making an Offer They Can Refuse (But Will Consider).....	164
Calculating a price	165
Proving you're earnest: Money talks.....	166
Dangling additional enticements	167
Convincing the seller to sweeten the deal.....	168
Protecting your posterior with weasel clauses	169
Pitching your offer	170
Handling counteroffers	171
Ducking common negotiating pitfalls.....	172
Tending to the Details: Inspections, Appraisals, and Walk-Throughs ...	173
Inspecting the house from the ground up.....	173
Ordering an appraisal.....	176
Taking one final walk-through.....	177
Crossing Your Eyes and Dotting Your Tees: Closing the Deal.....	177

Chapter 12: Closing In on Foreclosure and Tax Sale Properties . . . 179

Getting Up to Speed on the Foreclosure Process.....	180
Boning Up on Local Rules and Regulations.....	181
Picking Your Point of Entry into the Foreclosure Process.....	182
Going in pre-foreclosure	182
Getting involved at foreclosure.....	185
Buying Foreclosure Properties in the U.S.	185
Proceed with caution	186
Renting out property in the U.S.	186
Selling property in the U.S.	187
Dealing with death and (U.S.) taxes.....	187
Taking Advantage of Tax Sales	187
Finding out about tax sales.....	189
Taking part in a tax sale	189
Purchasing Tax Sale Properties Step by Step	190
Step 1: Follow the paper trail	190
Step 2: Inspecting the property.....	192
Step 3: Bidding on a property.....	192
Step 4: Surviving the redemption period.....	194
Step 5: Post-tax sale offers	194

***Part IV: Fixing Up Your Fixer-Upper*..... 195**
Chapter 13: Prioritizing and Planning Your Renovations197

Spotting Trends in Home Renovations	198
Visiting open houses with an open eye	198
Doing a little home show surveillance	199
Developing an eye for attractive landscaping.....	200
Gleaning advice from a renovation mentor.....	201
Prioritizing Your Projects.....	201
Tackling essential repairs	202
Gauging renovations to get the most bang for your buck	203
Adding inexpensive, last-minute touches.....	204
Delegating Duties	204
Identifying do-it-yourself projects	205
Getting a little help from your friends.....	205
Flagging jobs that require professional expertise	206
Drawing Up a Tentative Budget	207
Coming Up with a Game Plan.....	209
Switching on utilities and ordering materials	209
Tackling underlying problems first	210
Working from the top down	211
Working from the outside in, or vice versa.....	211
Allotting sufficient time for your projects	212

Chapter 14: Giving Your Property a Quick Makeover213

Sprucing Up the Yard.....	214
Freshening the Façade.....	217
Touching Up the Interior.....	220
Renovating from room to room	220
Updating the kitchen	225
Spending quality time in the bathrooms	225
Modernizing the bedrooms	226
Making the basement look livable	227
Attending to the furnace and hot water heater	227

Chapter 15: Perking Up the Curb Appeal229

Landscaping 101	229
Doing the bare minimum	230
Revitalizing a tired lawn.....	230
Designing an adequate landscape	231
Creating the proper setting for your plants	232
Strategically positioning and planting your greenery.....	233
Adding the final touch: Fresh mulch	234

Maintaining the landscape.....	235
Tidying Up the Driveway and Walkways	235
Asphalt driveways	236
Concrete driveways and walkways	236
Stone or brick walkways	237
Making Entryways More Inviting	238
Refinishing the front door.....	238
Refurbishing the front porch.....	238
Adding some finishing touches	239
Refreshing the Outside Shell of the House.....	239
Laying a new roof.....	240
Repairing or replacing gutters	241
Retooling the siding.....	241
Glamming Up the Garage.....	243

Chapter 16: Dazzling the Crowds with Updated Kitchens and Baths 245

Giving Kitchen Cabinets, Countertops, and Sinks a Facelift	246
Refinishing or replacing cabinets	247
Updating hardware for a quick cosmetic job.....	248
Resurfacing or replacing countertops	248
Installing a new sink and faucet	249
Modernizing Kitchen Appliances.....	250
Deciding whether to install appliances.....	250
Adding or replacing the dishwasher	251
Roaming the range, oven, and cooktop	252
Installing a space-saving microwave	253
Choosing to keep or replace the refrigerator.....	253
Bringing Bathrooms into the 21st Century	254
Checking and repairing bathroom walls and floors	255
Refinishing or replacing tubs and showers	256
Dealing with la toilette	258
Updating the sink and medicine cabinet	259
Adding or improving ventilation.....	260

Chapter 17: Sweating Through Some Moderate Makeovers 261

Giving Your Home Some New Glasses with Updated Windows	261
Knowing your window options	263
Trimming the cost of new windows	264
Replacing Drab, Weathered Doors	265
Doing the quick fix with a new storm door	265
Replacing an entry door.....	266
Repairing or replacing sliding glass doors	267
Installing new interior doors	269
Putting on Your Own Floor Show	269

Laying down affordable vinyl or linoleum flooring 270
 Refinishing hardwood floors 270
 Laying new hardwood or laminate flooring..... 270
 Adding ceramic tile flooring for a touch of class 272

Chapter 18: Reconfiguring Spaces and Other Structural Overhauls 273

Taking Care of Essential Structure and Infrastructure Repairs 274
 Knowing When to Leave a Floor Plan Alone (And When to Change It)... 274
 Identifying Load-Bearing Walls 275
 What is a load-bearing wall? 275
 What difference do conventional and truss
 roof frames make? 276
 Is this wall load-bearing?..... 277
 Maximizing the Use of Existing Space..... 277
 Making space by knocking out walls 278
 Raising the roof 279
 Designing a whole new kitchen 280
 Adding a bathroom..... 280
 Spreading out to an attached garage 281
 Transforming a porch into a room 281
 Creating a room in the attic..... 281
 Deciding whether to convert a basement into living space 282
 Building New Rooms from Scratch..... 282
 Adding or Renovating a Back Deck or Patio 283

Part V: Sold! Selling Your Rehabbed Home..... 287

Chapter 19: Marketing Your Home289

Harnessing the Power of a Real Estate Agent to Market
 and Sell Your House 289
 Knowing why you should hire a seller's agent..... 290
 Cutting costs with a discount broker 291
 Taking advantage of your agent's access to the MLS 292
 Setting an Attractive Asking Price 292
 Don't be greedy 293
 Understand the current market 293
 Know the price you need to make the profit you want..... 294
 Offering to Help Secure Attractive Financing 294
 Becoming a Real Estate Marketing Maven 295
 Choosing a method of contact 296
 Planting a For Sale sign on your lawn 296
 Listing your home online 297
 Designing, printing, and distributing flashy flyers..... 298
 Advertising your home in the classifieds 300
 Hosting an open house to build word-of-mouth buzz..... 300

Chapter 20: Staging a Successful Showing 301

Jazzing Up the Front Entrance	301
Primping the landscaping and walkways.....	302
Buying new welcome mats	302
Adding a planter.....	302
Attending to the minor details.....	304
Less Is More: Hiding All but the Bare Necessities	305
Maximizing the minimal.....	305
Decluttering the house.....	306
Furnishing a Vacant Property	309
Appealing to the Senses.....	310
Lighting up the house.....	311
Keeping your house smelling fresh and looking pretty	311
Playing soothing music	311
Stepping Out When Lookers Step In	312

Chapter 21: Negotiating the Sale to Maximize Your Profit. 313

Comparing Seemingly Similar Offers.....	314
Does the bidder have financing?.....	314
How earnest is the bidder?.....	315
What else is the bidder asking for?	316
How soon does the bidder want to close?.....	318
Mastering the Art of Counteroffers	319
Submitting a counteroffer	319
Leveraging the power of multiple offers	321
Shuffling Papers and Other Legal Stuff at Closing	321
Having the right folks represent you.....	322
Prepping for closing	322
Sealing the deal with paperwork.....	322

***Part VI: The Part of Tens*** 325**Chapter 22: Ten Signs of a Great House-Flipping Opportunity 327**

The Location Is an Obvious Hot Spot	327
Nobody's Home	328
The "For Sale by Owner" Ad Is Shrinking	328
The Seller Is Highly Motivated to Be Freed from the Burden of Ownership.....	328
The House Is Ugly Outside	329
The House Is Ugly Inside	329
The Décor Is Outdated.....	330
The House Exhibits Some Unique Character	330
The House Has Undeveloped Living Space	330
The Property Backs Up on Green Space.....	331

Chapter 23: Ten Renovation Cost-Cutting Strategies 333

- Getting Free Advice and Planning Tools..... 333
- Hiring Moonlighters 334
- Hiring Students over the Summer 334
- Buying Overstocked or Discontinued Building Materials 335
- Buying Builder’s-Grade Materials 336
- Trimming Costs with Remnants 336
- Buying Time-Saving Power Tools 337
- Charging Purchases on a Rewards-Back Credit Card 337
- Scheduling Work Off-Season 338
- Pooling Your Projects 338

Chapter 24: Ten Common House-Flipping Blunders 339

- Falling for a Scam..... 339
- Speculating on the Housing Market 340
- Waffling on an Obviously Good Deal..... 340
- Backing Yourself into a Contractual Corner 340
- Failing to Inspect the Property Before Closing on It 340
- Assuming the Title Is Clear..... 341
- Underestimating the Cost of Repairs and Renovations..... 341
- Doing Shoddy Work to Save Money 342
- Over-Improving a Property 342
- Forgetting to Pay the Taxes 342

Chapter 25: Ten Strategies for Surviving a Slow Market 343

- Buying Properties for Less 343
- Focusing on Foreclosures..... 344
- Taking Advantage of Tax Sales 344
- Bedding Down in the House 344
- Adding Improvements Strategically 345
- Pricing Your Property Right..... 345
- Offering Attractive Financing..... 345
- Motivating Buyers’ Agents 346
- Leasing Your Renovated Property 346
- Riding Out the Market with Your Agent 346

***Index*..... 347**

Introduction

Maybe you know somebody who knows somebody who buys and sells houses and makes as much money on a single transaction as you make in a year. Or perhaps you caught an episode of one of those house-flipping TV shows that demonstrates just how easy it is to buy a house for \$250,000, fix it up for another \$75,000, and sell it for half a million bucks in a matter of days. Now, you want in on the action. You want your slice of the doughnut.

But where do you start? You can't imagine where you'd be able to get your mitts on the cash you'd need to finance a flip. You have no idea where to start looking for undervalued property, and even if you could find a suitable house to flip, the only experience you have fixing houses is plunging the toilet. Surely you're not qualified to invest in the complicated world of real estate.

Well, it's time to stop all the negative self-talk and start reading *Flipping Houses For Canadians For Dummies*. Flipping houses isn't rocket science. But you do need three key ingredients to succeed: a bit of cash to invest, a willingness to take a chance and learn from your mistakes, and some good, old-fashioned stick-to-it-iveness. *Stick-to-it-iveness* is a word we use to describe the determination and dogged perseverance required to build wealth in real estate. You may not be laughing all the way to the bank on every project — in fact, you can probably expect to be scrounging change at the coffee shop on occasion. But if you can carefully think through a plan, and then follow it through to execution, you too can find success in the real estate market. It's not easy, but it *is* possible.

About This Book

This book isn't a manifesto promoting the practice of flipping houses. In fact, if you don't have the determination and the work ethic necessary to become a weekend warrior, we strongly encourage you to reconsider. Keep your day job, buy an affordable house, and spend quality time with your family. Flipping houses is hard, agonizing, and often aggravating work.

Unlike what other books, TV shows, and late-night-TV gurus may tell you, this book takes an honest look at the practice of flipping houses. We lead you through a process of self-evaluation so you can determine whether you have the right mindset and resources to buy, renovate, and sell houses. We show

you how to project your profit before you even make an offer on a property. And we reveal how much cash you can expect to keep after paying taxes on your profit.

In this book, we share secrets learned over many years of flipping houses and working with buyers, sellers, and other real estate professionals. We show you how to do everything from securing the cash you need to finance your venture to finding undervalued homes and negotiating the price and terms that improve your chances of selling at a profit. We guide you through making renovation decisions that promise to deliver the most bang for your buck, and we show you how to spruce up a home to draw in more buyers.

We don't want to see you get in over your head or blow your entire life savings on a failed business venture, so throughout this book, we provide plenty of time- and money-saving tips, cautions to help you avoid a catastrophe, and sanity checks to keep your projects within budget and on schedule. We steer you clear of any risky, unethical, and illegal ventures and encourage you to wade out slowly and remain well within your comfort zone. After you successfully flip a few easy properties, you quickly become aware of when you're ready to take on bigger projects, and by that time, you will no longer need our advice.

Our goal is to help you decide whether house flipping is for you, and if it is, we provide you with the tools you need to succeed. Flipping houses is one of the most rewarding and profitable ways to invest your time and money. This book shows you how to do it right.

Conventions Used in This Book

We don't like to think of this book as *conventional*, but we do have some standard ways of presenting material. For example:

- ✓ *Italics* highlight new, somewhat technical terms, such as *capital gains*, and emphasize words when we're driving home a point.
- ✓ **Boldface** text indicates key words in bulleted and numbered lists.
- ✓ `Monofont` highlights Web addresses.

What You're Not to Read

This book encourages you to skip around and dip in at any point to find the information you need most right now, but we don't encourage you to *skip over* any of our advice. Flipping houses successfully requires you to build a strong investment team and know as much about the process as possible.

One false move, and your flip can easily flop. However, you can get away with skipping Chapter 12 on buying and selling foreclosure properties, if you're not interested in that sort of thing.

You also can safely skip anything you see in a grey shaded box. The boxed stuff fleshes out some of the themes and material we discuss in the main body of the text. Sometimes you'll find a personal story, other times, a series of facts. Although the information isn't crucial, you just may find it interesting and even mildly informative (or vice versa). Don't need it or want it? Toss it. That's why it's in a box!

Foolish Assumptions

In some books that cover advanced topics, authors must assume that their readers already understand some basic topics or have acquired beginning-level skills. For example, if this were a book about molecular biology, you'd have to know what a molecule was.

In this book, the main foolish assumption we make is that you're a novice when it comes to flipping houses. Perhaps you're a homeowner. Perhaps you don't yet own a house of your own. We think we're safe in assuming, though, that you want to learn how to buy, rehab, and sell a house for a profit. And we're giving you the benefit of the doubt: We think you can follow through on your plan.

Other foolish assumptions we've made include, but aren't limited to, the following:

- ✔ **You're of sound mind and body.** You can be a little quirky and out of shape, but if you can't make rational decisions or talk coherently on the phone, house flipping may not be for you.
- ✔ **You're interested in residential, not commercial, property.** Assuming you're new to this house-flipping thing, focus on the type of property you would buy as a homeowner. Later, when you're more experienced, you can venture into the world of commercial real estate.
- ✔ **You're prepared to learn from your mistakes (and ours).** We can't guarantee that you'll profit on your first flip, but we can guarantee that you'll make mistakes. Consider them an essential part of your education. This book was made possible by all the mistakes we've made. Without those mistakes, we'd have little wisdom to impart. The more you take away from the mistakes we made, the fewer mistakes you have to make yourself.
- ✔ **You want to flip properties legitimately.** Con artists often flip properties to scam buyers and lenders. We're not con artists, and we denounce this type of flipping. By flipping legitimately, you stand to earn much more than a low-life con artist, and you get to keep your reputation and integrity intact.

How This Book Is Organized

We took the chapters that make up the book and divvied them up into six parts. Here, we provide a quick overview of what we cover in each part.

Part I: Laying the Foundation for Successful Flipping

Just as a house rests on its foundation, your house-flipping venture requires a strong foundation to support it. The chapters in this part introduce you to the concept of flipping houses, lead you through a self-evaluation to determine whether you have the right stuff, guide you through the process of devising a flipping strategy that works for you, and assist you in building a solid team of real estate professionals and others who can help ensure your success.

Part II: Fiddling with the Financials of Property Flipping

When you flip houses, you become a real estate investor, and you need to deal with the money side of flipping in order to finance your flips, profit from them, and pay your taxes. The chapters in this part show you how to project your profit so you know how much to offer for a house in order to make a profitable transaction. We show you how to secure the cash you need to finance your venture. And we provide several tips to show you how to trim your tax bill so you can keep a larger portion of your hard-earned profit.

Part III: House Hunting with an Eye for Flipping

After you find someone willing to loan you some dough to finance your flip, the next big challenge is to find and buy a house that's packed with profit potential. When you're shopping for a home to live in, you look for the prettiest house that you can afford. When you're shopping for a home to flip, you're often hunting for the ugliest house on the street. This part shows you how to home in on a promising neighbourhood, track down undervalued properties, and negotiate to get the house for the price and terms you want.

Part IV: Fixing Up Your Fixer-Upper

Homeowners don't typically like to sell showcase homes for 30 to 40 percent less than their market value, so when you're flipping houses, you usually have to do some repairs and renovations before placing it back on the market. The chapters in this part guide you through the renovations that offer the highest return on investment and increase buyer interest the most. Here you discover information on everything from doing a quick cosmetic job to performing major structural overhauls. We can't always explain specifically how to do the repairs and renovations, because that would require a couple more books, but we do show you how to team up with contractors to get the work done.

Part V: Sold! Selling Your Rehabbed Home

You make money at various stages of the flipping process. By buying a house below market value, you make money going in. By doing some of the renovation work yourself, you save the cost of labour, and when you sell the house, you make money going out. The chapters in this part show you how to market your house to generate as much buyer interest as possible, stage the house to make a great impression when buyers come to see it, and negotiate the sales price and terms to close the deal as quickly as possible, so you can start on your next project.

Part VI: The Part of Tens

No *For Dummies* book is complete without a Part of Tens. Turn to this part for a list of the top ten signs of a great house-flipping opportunity, ten renovation cost-cutting strategies, ten common house-flipping blunders, and ten strategies for keeping afloat in a slow housing market.

Icons Used in This Book

Throughout this book, we sprinkle icons in the margins to cue you in on different types of information that call out for your attention. Here are the icons you'll see and a brief description of each.



We want you to remember everything you read in this book . . . okay, okay, we realize that's unrealistic. If you can't quite do that, then at least remember the important points we highlight with this icon.



When you're buying and fixing up a house, it's easy to get a little overexcited and blow your entire budget on garden gnomes. Before you get too carried away, read the text marked with this icon to rein yourself in.



Tips provide insider insight from behind the scenes. When you're looking for a better, faster way to do something, check out these tips.



"Whoa!" This icon appears when you need to be extra vigilant or seek professional help before moving forward.

Where to Go from Here

Think of this book as an all-you-can-eat buffet. You can grab a plate, start at the beginning, and read one chapter right after another, or you can dip into any chapter and pile your plate high with the information it contains.

If you're looking for a quick overview of house flipping, check out Chapter 1. Before you even start house hunting, check out Chapter 4 to discover how to build a strong support network and Chapter 6 to find out how to finance your flip — you need cash (and plenty of it) to flip a house. Chapter 5 can help you determine how much to offer for the house, so you can profit from the flip. And the chapters in Part III are indispensable in helping you track down potentially profitable properties and negotiating the purchase.

Of course, after reading the book, you're welcome to snack on it at any time, either to pick up something you missed or to take a brief refresher course.

A handy hint: In a few chapters we include fill-in-the-blank forms and worksheets you can scribble on. Although you can fill out these forms and worksheets in the book, you may want to make copies to write on, especially if you borrowed the book from your library or plan on reselling it on eBay when you're done with it. These forms and worksheets are incredibly valuable at helping you project your profits and plan your renovations, so keep a small stack of them tucked away at the back of your legal pad.

One last thing: Selling a house at top dollar requires a successful marketing campaign. You have to increase the visibility of your house to generate interest and perhaps even spur a bidding war among interested buyers. Selling books requires some savvy marketing, as well. So, we're going to ask you to do a favour for us. If you like the book, buy stacks of them for holiday and birthday presents and make sure all your friends and relatives have a copy. While you're at the bookstore, pick up several copies of the book and move them to other sections of the store . . . facing out, of course. This is great practice to hone your own marketing skills. Enjoy!