THE ULTIMATE REHAB ESTIMATOR CHEAT SHEET

TheWholesalersToolbox.com

Introduction

Accurately estimating repair costs is key to making competitive offers. This guide provides a simple framework to categorize repairs by rehab level, offers a quick formula for pricing based on square footage, and includes line-item costs for major repairs.

Step 1: Identify the Rehab Level Needed

Use these categories to classify the rehab work:

- Light Rehab:
  - Minor cosmetic improvements (paint, carpet).
  - Examples: Interior painting, carpet replacement, minor fixture repairs.

- Average (Cosmetic) Rehab:
  - Includes kitchen and bathroom updates but no structural changes.
  - Examples: New countertops, refaced cabinets, appliance upgrades.

- Heavy Rehab (Full Gut Job):
  - Structural and system upgrades, including major repairs.
  - Examples: Roof replacement, new HVAC, plumbing/electrical overhaul.

Step 2: Estimate Rehab Costs by Square Footage

Square Footage	Light Rehab	Average Rehab	Heavy Rehab
Under 1,500 sq ft	$20,000	$45,000	$80,000
1,500 – 2,500 sq ft	$27,500	$55,000	$110,000
2,500 – 3,500 sq ft	$41,000	$62,500	$125,000
3,500 – 5,000 sq ft	$50,000	$68,750	$174,000

Step 3: Line-Item Add-Ons for Major Repairs

If a specific system or element needs replacing on light or average rehabs, add the estimated costs to your budget:

Repair Item	Estimated Cost Range
Roof Replacement	$5,000 – $12,000
HVAC System	$4,000 – $8,000
Water Heater	$1,000 – $2,500
Plumbing Overhaul	$5,000 – $15,000
Electrical Rewiring	$3,000 – $8,000
Kitchen Remodel	$10,000 – $25,000
Bathroom Remodel	$5,000 – $15,000
Flooring Replacement	$3 – $10 per sq ft
Foundation Repairs	$5,000 – $20,000
Concrete Driveway/Patio	$3,500 – $7,500
Siding Replacement	$10,000 – $25,000
Windows (Whole House)	$7,500 – $15,000

Step 4: Add a Contingency Budget

Unforeseen repairs are common, so always set aside 10-15% of the total rehab cost as a contingency budget.

Step 5: Calculating Your Maximum Allowable Offer (MAO)

The MAO is the highest price you can offer while covering repairs, expenses, and ensuring both your profit and a desirable assignment fee.

The MAO Formula with Assignment Fee:

$MAO = (ARV \times 0.70) - \text{Repair Costs} - \text{Assignment Fee}$

- ARV (After Repair Value): Expected sale price after repairs.
- 70% Rule: Leaves room for profit and expenses.
- Repair Costs: Total estimated amount needed for repairs.
- Assignment Fee: Your desired fee for assigning the contract to a buyer (e.g., $5,000-$10,000).

Simple Example:

- ARV (After Repair Value): $200,000 (This is what the house will sell for after repairs.)
- Repair Costs: $50,000 (This is how much it will cost to fix up the house.)
- Your Assignment Fee: $10,000 (This is what you want to earn for assigning the deal.)

Now, let's plug these numbers into the formula:

Simple Example Continued:

$$MAO = (200,000 \times 0.70) - 50,000 - 10,000$$

After Repair Value: 200,000
70%: 140,000
Repair Costs: 50,000
Assignment Fee: 10,000
Maximum Offer: 80,000

$$(MAO = 140,000 - 50,000 - 10,000 = 80,000)$$

In this example, $80,000 is the highest amount you should offer the seller. This gives your buyer enough room to make a profit, covers repair costs, and ensures you earn your $10,000 assignment fee.

Adjust for Market Conditions:

Hot Markets: Use 75-80% ARV to stay competitive.
Slow Markets: Stick to 65-70% ARV for safer offers.

Pro Tip:

Always leave room for negotiation. If repairs cost more than expected, or if your buyer pushes back on your assignment fee, having a cushion in your MAO will help protect your profit.

Final Thoughts

I hope this guide has provided you with the tools and clarity needed to confidently estimate repair costs and calculate your Maximum Allowable Offer (MAO).

As you continue practicing, your speed and accuracy will improve, helping you secure profitable deals with ease.

If you want an even more precise and efficient way to estimate rehab costs, I highly recommend checking out Rehab Estimator Pro.

This tool simplifies the process, helping you make quick, informed decisions and stay ahead in competitive markets.

Click here to try Rehab Estimator Pro using my affiliate link and unlock its full potential!

Thank you for reading, and I wish you success in your real estate journey. Here's to closing more deals and reaching your goals faster!

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