THE FOUR RULES OF FLIPPING

The enTREpreneur™ COMMUNITY

Flipping real estate can be a lucrative investment strategy, but it's important to know what you're doing. Many people make the mistake of jumping into the flipping game without a plan, which can lead to costly mistakes and missed opportunities.

Whether you're a seasoned investor or just starting out, these four rules will help you navigate the complex world of flipping real estate and maximize your profits. So if you're ready to take your flipping game to the next level, read on to learn the secrets of successful real estate investors.

RULE #1: ONLY BUY GREAT DEALS

The success of your house flipping endeavors hinges on the quality of the deals you purchase. Many people make the mistake of buying bad deals, which often results in unfavorable outcomes because the numbers don't add up. To minimize risk and maximize profit, it's essential to only purchase great deals. Even if things don't go according to plan, such as contractors causing issues, high interest rates from lenders, or a need to lower the sale price, buying great deals can still yield a profit.

When searching for properties to flip, it's important to resist the urge to rush into a purchase out of excitement. Take the time to find the right deal and make a wise investment. My real estate investing partner, Matt, taught me the importance of only buying home runs, which has been the foundation of our successful career in real estate investing, including buy and holds, flips, and wholesaling.

We pass on many deals that don't meet our criteria, and we've seen other investors make mistakes by buying deals that don't make sense financially. In a market with stagnant or unpredictable prices, taking a gamble on a deal without strong margins is unwise. Only purchasing great deals at discounted prices is the surest way to protect your investment and guarantee success.

Avoid the pitfalls of buying bad deals that could leave you underwater or result in a loss. Discipline yourself to only buy great deals, and you'll set yourself apart from other investors and ensure longevity in this business. ***Remember, the first rule of flipping is to only buy great deals.***

RULE #2: SECURE GREAT FINANCING

When it comes to flipping, securing favorable financing is crucial to the success of your project. Good financing terms can provide you with the necessary capital and time needed to complete the flip. There are several factors that contribute to great financing, such as the required down payment, interest rate, points on the deal, financing for any necessary rehab, and the length of the loan term.

It is important to find the right balance among these factors in order to secure great financing. Choosing a loan with a high monthly interest payment may eat away at your profit, especially if the project takes longer than anticipated. Similarly, a down payment that is too high can deplete your available cash and prevent you from covering unexpected expenses that may arise during the project.

Additionally, the loan term is a critical factor to consider. If the loan has a short timeframe, you may find yourself in a difficult situation if unexpected problems arise with the flip and you are unable to sell it within your initial timeframe.

Overall, it is ***essential to secure great financing for your flip.*** If you cannot find favorable terms for a potential deal, it may be best to avoid taking it on altogether.

RULE #3: USE GREAT CONTRACTORS

The third rule of flipping is to always use great contractors. Settling for bad contractors is a mistake that can lead to regret and frustration. Starting a project with the wrong contractor can cause delays, sloppy work, lack of attention to detail, and an unfinished project. When working with bad contractors, the risk of having to call them back to fix their mistakes or hiring another contractor to do so is high. This can affect the final selling price of the flip, as potential buyers will notice the bad work and may request repairs or a discounted price, or simply walk away from the deal.

To avoid these issues, it's important to only work with great contractors. Even if you have a tight budget or need the work done quickly, resist the urge to hire a bad contractor. The consequences are simply not worth it. Remember, good contractors will deliver quality work, stick to a schedule, pay attention to detail, and see the project through to the end. When it comes to flipping, investing in a great contractor is always a wise choice.

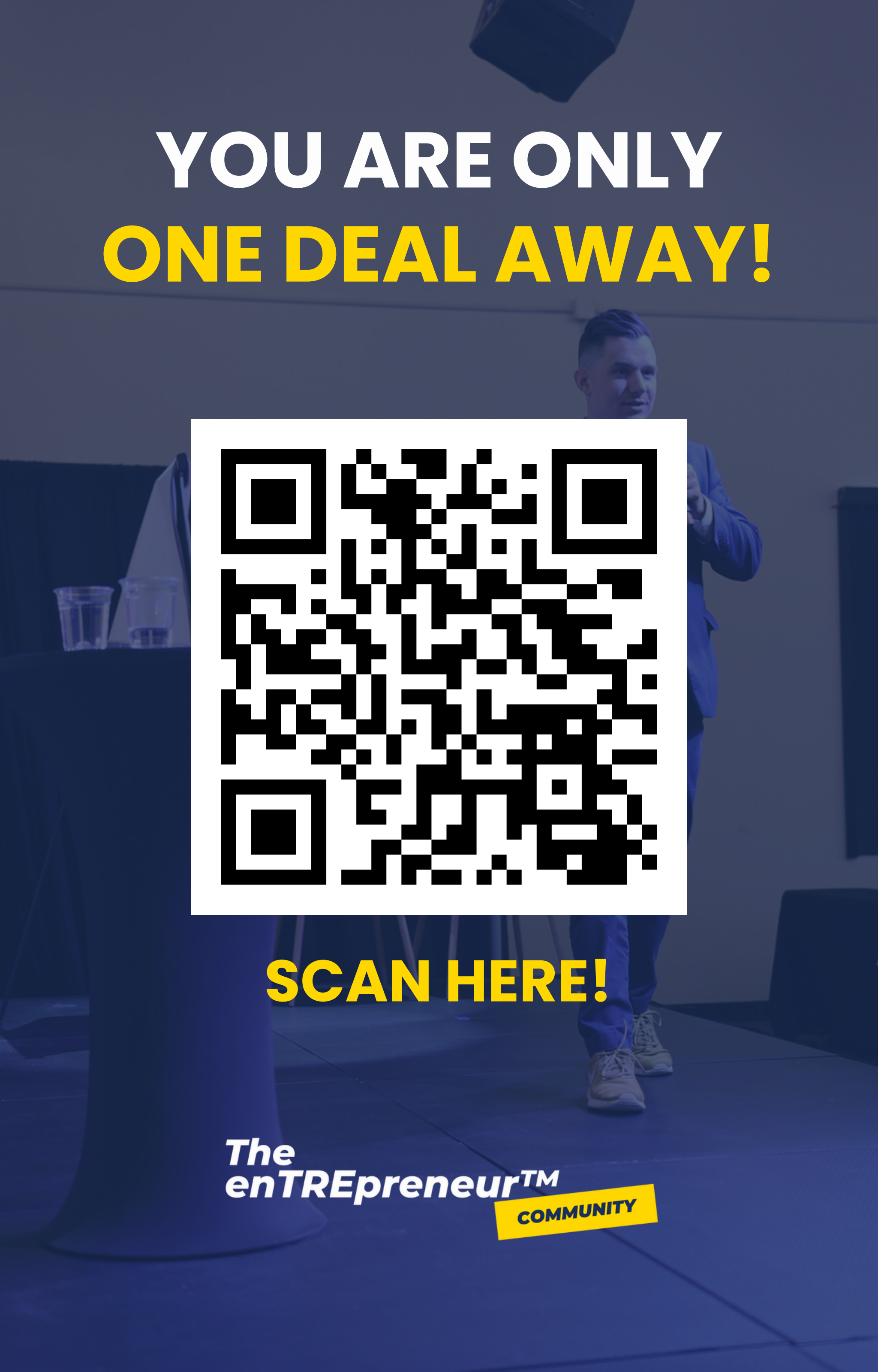
RULE #4: LIST WITH A GREAT AGENT

Hire a professional listing agent and pay them what they are worth. Your profit depends on it.

Using a professional listing agent is crucial to ensuring that you make the most profit possible when flipping a property. Attempting to sell your flip for sale by owner or using a discounted real estate agent could result in a loss of profit. A great listing agent has the expertise to effectively market your property, host open houses, share it with their industry connections, price it correctly, and negotiate on your behalf.

It's important to remember that listing agents specialize in this part of the process and have a proven track record of selling properties for the highest value possible. Inexperienced or rookie listing agents can be easily identified by industry professionals, potentially leading to lower offers and a loss of profit.

When working with a professional listing agent, always pay them what they charge for their services. Negotiating a lower rate could lead to a lack of motivation on their part, resulting in a lower sale price for your flip. Hiring the right listing agent who is motivated to sell your property at the best price and terms will pay off in the long run and ultimately determine your profit.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