Includes ten signs of a great house flipping opportunity!

Lay the foundation for successful flipping.

The trick to making a profit is no secret – know the cost of the item and how much you can sell it for before you buy it. This minibook gives you what you need to answer the big question you face every time you're about to make an offer on a property: How much money will I make flipping this house?

Ralph R. Roberts 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 serves as Official Spokesman for Guthy-Renker Home. **Joe Kraynak** is a professional writer who has authored or co-authored dozens of books.

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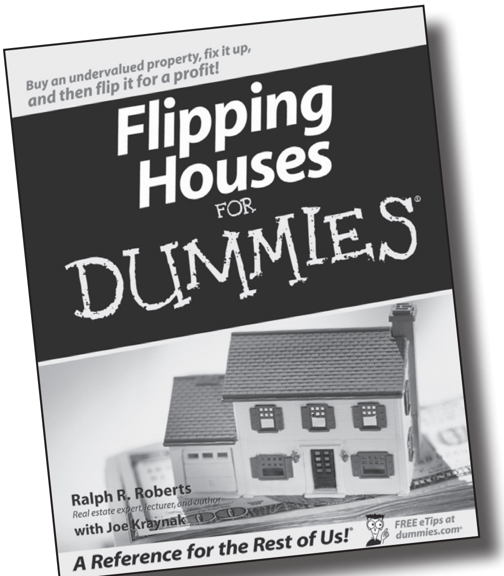

Flipping Houses For Dummies
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—Ralph R. Roberts, author of *Flipping Houses For Dummies*
Official Spokesperson for Guthy-Renker Home

Excerpt from Flipping Houses FOR DUMMIES®

by Ralph R. Roberts
with Joe Kraynak

Authors of *Flipping Houses For Dummies*®

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Chapter 5

Guesstimating Your Potential Profit

In This Chapter

- Making money no matter how the housing market performs
- Setting your sights on a target resale value
- Estimating the purchase price, holding costs, and other expenses
- Ballparking your potential gross profit
- Holding out enough money to cover your tax bill

Whether you're dealing in antiques, collectibles, or houses, the trick to making a profit is no secret — know the cost of the item and how much you can sell it for *before* you buy it.

When you're flipping houses, the formula becomes a little more complex. You should have a pretty good estimate of how much you can get for the house after improvements, and then subtract the purchase price of the house and all expenses related to buying, owning, rehabbing, marketing, and selling the property. The chunk of change that remains is your gross profit — in IRS parlance, your *capital gains* or in some cases your *ordinary income.* Subtract any taxes due, and the rest is yours to keep . . . or invest in your next house flipping venture.

This chapter gives you what you need to answer the big question you face every time you're about to make an offer on a property: How much money will I make flipping this house?

Knowledge is power. Only by knowing how much you can get for the house, how much it costs, and how much fixing it up and selling it costs can you determine whether the purchase is worth your investment of money, time, and aggravation. *Flipping Houses For Dummies* has more information to help you gauge whether flipping is right for you.

Making Money in Any Market

The housing market, like the stock market, fluctuates. Home values can steam ahead, stay put, or spiral down out of control. You make your money when you buy a house at less than market value. By adjusting your purchase price based on market conditions, thus lowering your total investment in a property, you can make money in any market. The following list offers some general guidelines for gauging your total investment in the three main types of housing markets:

- **Increasing:** When home values are rising, your total investment in the property, including the purchase price, closing costs, renovation costs, holding costs, and selling costs, shouldn't exceed 80 percent of its estimated resale value (I cover resale values later in this chapter).
- **Flat:** When home values are steady, limit your total investment in the property to 70 to 75 percent of the estimated resale value.
- **Decreasing:** When homes in the area are decreasing in value, invest no more than 60 to 65 percent of the property's estimated resale value.

For example, to flip a house you expect to sell for \$200,000 in a flat market, you may buy the house for \$120,000, spend \$20,000 fixing it up, and use \$10,000 for other expenses (such as mortgage payments, insurance, utilities, selling costs, and unexpected bills). Your total investment is \$150,000, which is 75 percent of the estimated resale value. In an increasing market, you can invest a maximum of \$160,000 (80 percent of \$200,000) in the property. In a decreasing market, you can invest a maximum of only \$130,000 (65 percent of \$200,000) in the property. After you decide how much you can afford to invest overall, adjust the purchase price accordingly. Don't expect to make up the difference in your other expenses (including renovation and holding costs).

On their surface, these numbers suggest that you stand to make more in a declining market. You invest a maximum of \$130,000 in the hopes of selling the house for \$200,000, but in a declining market, you can't count on selling the house for $200,000. You may have to drop the price to $180,000 or less to price it competitively. By adjusting the total investment down in a down market, you simply reduce your exposure to risk.

REMEMBER

In any market, you want to earn at least a 20 percent profit for your time and effort.

TIP

Don't let a slow market slow you down. If you see a gaggle of homes for sale with recently reduced asking prices, the market in that particular neighborhood may be starting to soften. This softening may signal a great buying opportunity, but you need to re-evaluate your resale estimate as well. Head to the full version of *Flipping Houses For Dummies* for more details on determining the type of real estate market that any given neighborhood is in.

Ballparking a Realistic Resale Value

You start house hunting by looking at neighborhoods and houses in your price range (see the full version of *Flipping Houses For Dummies* for the scoop on house hunting). When you're guesstimating profits, though, you start your journey at the end by determining a realistic ballpark figure for the home's resale value after improvements. The key term here is *realistic.* Overestimating the resale value of the house can be as devastating as discovering termites in the floorboards; it can cause you to overpay for a house and almost guarantee a financial fiasco.

To estimate a realistic resale value for a house, imagine the house all fixed up and then research the actual sales prices of comparable homes that have recently sold in the same neighborhood. Assuming that you're comparing apples to apples — this house to comparable homes in the same area with the same amenities — you should come away with an accurate estimate. What if the market takes a nose dive? By following the guidelines in the previous section, you're already taking into account potential market fluctuations.

Your goal as a house flipper is to purchase the worst house on the street for the lowest price possible and convert it into the best-looking house on the street at the highest price the market can bear. Anything you can do to add WOW to the home, especially in terms of curbside appeal, can boost your bottom line.

Estimating the resale value of a house can be tricky, because you may not know what you're getting into until you take possession. Houses have histories, and dramatic events, such as murders, suicides, and drug busts can give a house a bad rep, making it a tough sell. The only way to battle back is to shake off any of your own superstitions right away and put a positive spin on the property. Superstitions, as demonstrated in the nearby sidebar, can get into your head, muddle your thinking, and slash your bottom line.

Devilish devaluations

When you purchase a property, you get much more than a lot with a house on it — you get neighbors. I once purchased a home at a sheriff's sale and waited patiently through the redemption period, only to discover during the possession process that the house was haunted, and the local gossipmonger was determined to keep all passersby well informed.

The next-door neighbor wasn't about to relinquish her reporting job after I took possession. In fact, she stepped up her efforts to broadcast the news to anyone and everyone who looked at the house. Her intrusions completely undermined my marketing and sales efforts.

If this sort of intrusion happens to you, nip it in the bud. Better yet, become proactive in establishing positive relationships with your neighbors. Let them know that your intention is to rehab the property and improve the neighborhood, which ultimately increases the value of their homes. Invite your neighbors over for an open house, make light of any nasty rumors, and use the opportunity to highlight the main features of the house. In addition to helping you sell the home, positive neighbor relationships often generate future leads.

Subtracting the Purchase Price and Closing Costs

Your biggest financial outlay in any house flip is the cost of acquiring the property — the purchase price and closing costs. Fortunately, these are the two items over which you have the most control. You're always free to walk away from a deal if the price exceeds your budget, and you can often negotiate to have the seller pay a portion of the closing costs.

Your maximum purchase price depends on several factors, including the estimated sales price, cost of renovations, and holding costs. When you complete the Profit Projector in the later section “Ka-Ching! Projecting Your Potential Gross Profit,” you can tell immediately whether the purchase price is too high for your budget, and you can adjust your offer accordingly. For now, you can determine a ballpark maximum purchase price by completing the following formula:

Estimated Sales Price:	$______________
Closing Costs:	- $______________
Renovation Costs:	- $______________
Holding Costs:	- $______________
Costs to Sell:	- $______________
Maximum Purchase Price:	= $______________

TIP

Set a minimum offer and maximum purchase price. Use the maximum purchase price in your calculations to give yourself additional wiggle room.

Next, subtract the estimated closing costs. Your real estate agent, lending institution, or title company can provide a detailed estimate of closing costs, which, if you’re taking out a loan to finance the purchase, typically include the following items:

- **Loan origination fee:** If you finance the purchase through a bank or other lending institution, it may charge a fee for establishing the loan. (See the full version of *Flipping Houses For Dummies* for more details about financing your purchase.)

- **Discount points:** Some lending institutions charge discount points — a percentage of the total amount borrowed — to provide you with a lower interest rate or wring another few hundred (or thousand) bucks out of you.

Avoid loans with discount points. You usually have to hold a property for several years to justify the monthly savings, and when you're flipping houses, holding a property for several years isn't your goal.

- **Appraisal fee:** The lending institution charges you this fee to have an appraiser ensure that the property is worth at least the amount you're borrowing to purchase it.
- **Title insurance:** Even if you researched the title or hired a title company to do it for you (see the parent version of *Flipping Houses For Dummies*), the bank may require that you pay for title insurance or a mortgage policy (sometimes called a mortgagee policy).
- **Insurance and taxes:** If you take out a loan that requires you to pay taxes and insurance out of an escrow account, you may need to pay a prorated share of insurance and taxes upfront.
- **Deed recording fee:** Whenever a property changes hands, the name on the deed changes and must be recorded. Yes, you're charged for this, too.

- **Credit report charge:** The lending institution does a financial background check on you called a *credit report* and then charges you for the privilege.
- **Closing fee:** The title company typically charges a closing fee.

TIP

Most closing costs originate with the bank or other lending institution. By financing the purchase through the seller or with money from private investors, partners, friends, or family members, you can trim closing costs considerably.

Subtracting the Cost of Repairs and Renovations

Eager house flippers often underestimate the cost of repairs and renovations. They're so enthusiastic about purchasing the house, selling it, and counting their money that they forget how much a carpenter or plumber charges per hour and the cost of materials at the local hardware store. Repairs and renovations are costly, and if you wait until you take possession of the house before obtaining estimates, you're already too late.

REMEMBER

If you're still interested in a house after you take a quick tour of it, do a second, more thorough inspection of the premises to determine the repairs and renovations you want to make. (See the full version of *Flipping Houses For Dummies* for details on the process of inspecting a potential flip.) List all the repairs and improvements needed to bring the property in line with your projected resale price (which we cover earlier in this chapter). Estimate the cost of repairs by doing the following:

- Flag any repairs you can do yourself. These are zero-labor repairs, but you may need to visit your local hardware store to check out prices for materials.
- Ask a member of your team who has more experience with construction projects to walk through the house with you and offer estimates and advice. (See *Flipping Houses For Dummies* for details on building your flipping team.) To prevent the negativity of naysayers from undermining your vision, keep in mind that you're taking the risk and making the final decisions.
- Call one or two local contractors to obtain ballpark estimates for any repairs or improvements you can't do yourself. You may be able to hire a general contractor to walk through the house with you and provide a professional opinion.

WARNING! If you can't look at the wiring in a house and come up with a pretty good guess at what it would cost to bring it up to code, you'd better consult somebody who can.

- Research estimated costs online. Contractors.com at `www.contractors.com` features a tool for estimating the costs of bathroom and kitchen renovations, room additions, decks, roofs, and other improvements. LetsRenovate.com at `www.`

`letsrenovate.com` offers a toolbox packed with calculators for estimating the costs of repairs and renovations and the return you can expect on your investment.

Tally the estimated costs of repairs and renovations and multiply the total by 1.2 to add 20 percent for unexpected expenses.

You can trim the costs of repairs and renovations in several ways:

- Trade your services for free labor. Bartering (or trading services) may have tax consequences, so check with your accountant.
- Do some of the labor-intensive work yourself.
- Negotiate with the property owner to share the costs.

The full version of *Flipping Houses For Dummies* has more details on planning and prioritizing your renovations, including tips on tagging do-it-yourself projects and knowing when to hire professionals for certain tasks. The book also is full of great tips on cutting your renovation costs.

Subtracting Your Holding Costs

As a homeowner, you're well aware of the monthly costs of owning a home, but when you first begin flipping properties, you tend to overlook the monthly expenses of holding onto the property, such as your house payment, homeowner's insurance, and property taxes.

Reality hits after you've owned the property for four or five months and begin running out of cash. By then, your 20/20 hindsight leads only to panic and despair.

To keep the property, you need money to pay the mortgage, property taxes, and insurance. And if you plan on using any power tools on the premises, you'd better pay your electric bill, too (in addition to other utilities).

TIP If you're using the home you're flipping as your primary residence, you can safely skip this section. For you, holding costs are actually *living expenses* — the normal amounts you pay to have a roof over your head.

TIP A great way to project holding costs is to assume, on average, an amount of $100 a day. This amount works for most houses and provides for any surprises along the way. If it takes you a total of six months to flip a property (including rehab and resale time), total closing costs would break down as follows:

- $100 per day
- 6 months × 30 days per month = 180 days
- 180 days × $100 per day = $18,000 (in other words, $3,000 per month)

Of course, holding costs vary depending on several factors. To establish a more accurate estimate of your monthly holding costs, add your total estimated monthly bills for each of the following items:

- **Loan payments:** Mortgage payments and payments on any home equity loans you used to finance renovations comprise a significant chunk of your monthly holding costs.

- **Homeowner's insurance:** Ask your insurance agent for a quote and explain your plans, including whether or not you plan on living in the house, to properly insure the property. (A typical homeowner's policy allows for a home to be vacant only a certain number of days.)
- **Property taxes:** Set aside enough money per month to pay the property taxes when they're due. If you pay property taxes out of an escrow account, this amount may already be part of your mortgage payment.
- **Utilities:** Gas, electric, water, sewer, and trash bills are all part of your monthly holding costs. The seller should be able to provide averages for last year's bills.
- **Neighborhood association fees:** You may prepay these fees at closing and chalk them up as part of your closing fees, but if that's not the case, be sure to include them (if applicable) as part of your monthly fees.
- **Maintenance:** If you pay somebody for mowing the lawn, watching the house, and letting real estate agents inside to show the home, include this amount as part of your holding costs.

REMEMBER

Err on the safe side. Budget sufficient funds to hold the house for three to six months beyond the date on which you expect to place the house back on the market. Few experiences are more demoralizing than renovating a house and then losing it in foreclosure because you underestimated your holding costs and can't make the monthly payments.

Holding costs can be a great motivator in completing the project on schedule. The faster you flip, the less you pay in holding costs.

Subtracting the Cost of Selling the House

When you place your rehabbed house back on the market, you incur additional expenses for marketing the house before you sell it and selling the house when you close the deal. These costs vary depending on whether you sell the home yourself or through a real estate agent:

- **Agent fees:** Attempting to sell your home without the help of a real estate agent can backfire, drastically restricting your number of potential buyers. Even if you choose not to use an agent, the agents hired by prospective buyers may not show your home unless they can get their 3 percent cut at the time of sale. Count on paying 3 to 7 percent of the sales price in agent fees. If you don't use an agent, add $250 to $1,000 for attorney fees.
- **Marketing fees:** If you choose to sell the home yourself, you can count on investing 1 to 2 percent of your list price in marketing fees. Whether you list your home in the classifieds or on a For Sale By Owner (FSBO) Web site, you pay for advertising. You also need a few bucks for a For Sale sign and for finger foods for your open house.

- **Home warranty:** Supplying a warranty for the house can make it an attractive deal while protecting you against any lawsuits in the event that some undiscovered defect in the property rears its ugly head after the sale. If you decide to offer a warranty, budget enough to cover its cost. A typical home warranty costs between $300 and $500.
- **Closing fees:** A title company typically manages the closing and charges $150 or more for the service. Ask your title company for a more specific estimate.
- **Title insurance:** Insuring the title ensures that you're not liable for any hidden liens against the property. Title insurance can cost hundreds of dollars, so shop around for the best price and service. You can trim this cost by asking the seller to pay for the owner's policy of title insurance.
- **Deed preparation:** The cost of preparing the deed usually goes to the seller and is typically about 50 bucks.
- **Transfer tax:** Your state, city, or town may levy a transfer tax on the exchange of property. The amount varies depending on your location, so consult your accountant.
- **Delinquent water bills or tax bills:** At closing, you must pay any water bills or tax bills that are in *arrears* (overdue or unpaid).

TIP

Don't list your house while you're rehabbing it, but feel free to talk to people during this time and pass out your business cards. If a buyer falls into your lap through your neighborhood contacts, contact a real estate agent or attorney to complete the transaction. Check out *Flipping Houses For Dummies* for more details about negotiating the sale of your rehabbed house.

Ka-Ching! Projecting Your Potential Gross Profit

As you gather estimates for each item related to purchasing, rehabbing, holding, and selling the house, complete the Profit Projector form shown in Figure 5-1.

To complete the Profit Projector, jot down the property's address, its estimated resale price, the maximum price you can afford to pay for the property (and still turn a profit), estimated closing costs, the cost of repairs, monthly and total holding costs, and the estimated expenses for marketing and selling the house (including agent commissions). These calculations determine your gross profit from which you can subtract your estimated taxes to determine your net profit (see the following section).

If your gross profit is less than 20 percent (or 25 percent in a flat market or 35 percent in a declining market) of your total investment in the property, you may need to lower your purchase price or simply pass on the property. Don't raise your estimated sales price just to make the numbers work — this approach has led to the ruin of many a poor house flipper by leading them into the trap of paying too much for a property.

Profit Projector

Property Address: ______________________________

Estimated Resale Price			$______
Maximum Purchase Price			$______
Estimated Closing Costs	______________	Cost	$______
	______________	Cost	$______
	______________	Cost	$______
	______________	Cost	$______
	______________	Cost	$______
		Total Closing Costs	**$**______
Estimated Repairs	______________	Cost	$______
	______________	Cost	$______
	______________	Cost	$______
	______________	Cost	$______
	______________	Cost	$______
	______________	Cost	$______
		Subtotal Repairs	**$**______
Subtotal Repairs x 1.2 (for 20 percent unexpected costs)		**Total Repairs**	**$**______
Monthly Holding Costs	______________	Cost	$______
	______________	Cost	$______
	______________	Cost	$______
	______________	Cost	$______
	______________	Cost	$______
		Total Monthly Holding Costs	**$**______
Months to Hold		**Months**	______
Monthly Holding Costs x Number of Months		**Total Holding Costs**	**$**______
Cost of Marketing and Selling Property		**Sales Cost**	**$**______
Estimated Gross Profit (Resale Price - Purchase Price - Total Closing Costs - Total Repairs - Total Holding Costs - Sales Cost)		**Gross Profit**	**$**______
Taxes on Profit		**Taxes**	**$**______
Net Profit (Gross Profit - Taxes)		**Net Profit**	**$**______

Figure 5-1: This Profit Projector is a handy tool to figure out your potential profit on a flip.

TIP

After doing the math, estimate the number of hours you intend to work on the project and divide that into the projected profit to determine your hourly pay rate. If you can make more by taking on a second job at a fast-food restaurant, this house probably isn't worth the time and effort you would put into it. Keep looking. Repeat the exercise after completing the project to determine your actual hourly rate. You may discover that flipping burgers is more lucrative and less aggravating for you than flipping houses. . . at least nobody ever lost money flipping burgers.

Subtracting Uncle Sam's Cut (In Some Cases) to Get Your Net Profit

REMEMBER

The taxes you owe on the profit you make from flipping houses are ambiguous at best. Of course, you pay taxes only on the money that remains after expenses, but the percentage you owe on your profit varies depending on several factors:

- If you flip your primary residence in which you lived two of the past five years and you earn $250,000 or less ($500,000 or less for a couple), you walk away with your entire profit scot-free, at least according to the tax laws that were in effect when I was writing this book.

- Owning the investment property for at least one year and one day qualifies your profit as a *long-term capital gain,* taxable at a rate of 15 percent. *Long-term* is longer than one year plus one day. *Capital gain* is whatever you make on the sale of an asset that has increased in value.
- Owning the investment property for less than one year and one day qualifies your profit as a *short-term capital gain,* taxable at the rate you normally pay in income tax.
- If you flip houses for a living, the IRS considers flipping to be your career and considers profits to be your income, subject to income tax. You may find yourself paying 35 percent or more in taxes!
- If you lease the property, any income you receive from the rental, minus the cost of owning and maintaining the property is considered ordinary income taxed at the rate you normally pay in income tax.

WARNING! The tax figures provided here are accurate during the writing of this book, but tax rules can change at any time. Consult your accountant for accurate estimates on the amount of taxes you can expect to owe on your profits.

House flippers often boast about how much they make flipping properties, but the real measure of success is not your gross profit but your net profit — how much you get to keep *after taxes.* To determine your net profit, simply subtract your taxes from your gross profit. *Flipping Houses For Dummies* discusses tax issues in greater depth and offers techniques for trimming your taxes to keep more of your earnings and boost your net profit.

Chapter 22

Ten Signs of a Great House Flipping Opportunity

In This Chapter

- Spotting real estate hot spots
- Working with homeowners who are eager to sell
- Discovering properties that look much worse than they are

Successful house flipping demands that you execute a series of successful steps, but the most important step is the first one — locating a property at a price low enough for you to fix it up and sell it at a profit. If you trip when taking that first step, you're doomed. In this chapter, I point out ten signs of a great house flipping opportunity to help you over that first hurdle. For more tips on finding excellent flipping candidates and on making the most of the opportunities presented, check out the full version of *Flipping Houses For Dummies*.

The Location Is an Obvious Hot Spot

In any neighborhood where housing demand exceeds supply, you have a much wider margin of error. When housing values are rising at an annual rate of 10 to 15 percent, you make money simply by buying and holding onto a property. You make even more money if you can acquire a property at a discount — a distressed property.

Observe the housing market in your area and identify the trendy areas — where people would live if they could afford to. Head to the full version of *Flipping Houses For Dummies* for more information about targeting different neighborhoods.

Nobody's Home

TIP

In your target area, you know the sales prices of homes in various price brackets. After you identify the high-rent district, drive or walk around the neighborhood and look for the following signs of a vacant property:

- Overstuffed mailbox
- Newspapers piled on the front porch
- Weedy or overgrown lawn
- No window dressings
- No furniture inside the house

The "For Sale By Owner" Ad Is Shrinking

Sell-it-yourself homeowners often begin advertising with $50 or $100 ads. The longer the property is on the market, the less money the homeowner has available for advertising, so the ads keep getting smaller and smaller. A tiny ad is a great sign that the homeowner is getting a little desperate and is beginning to realize that the property may not be worth the original asking price. If a homeowner places a 4-inch ad, he isn't ready to bargain yet.

Keep tabs on the classified For Sale By Owner (FSBO) ads on a weekly basis and take note of any ads that seem to be shrinking. Shrinking ads are the most attractive.

The Seller Is Highly Motivated to Be Freed from the Burden of Ownership

REMEMBER

Part of your success as a flipper hinges on your willingness to be an ambulance chaser — to capitalize on the misfortune of others. You find your best deals when homeowners are facing foreclosure, when they're getting divorced, or when a family member dies and the property ends up in probate or goes to relatives who already have a place to live. Here are some helpful tips on finding and handling these types of deals:

- Act professionally and with integrity. A homeowner's misfortune may lead to a great deal, but what they're experiencing is real pain.
- When a property is passed down to relatives, two or more relatives may own the property together and be unable to agree on what to do with the property. In these situations, you may have more luck by negotiating separately with each owner.
- Whenever you're dealing with a divorce or probate attorney, send a letter of introduction and follow up with a face-to-face meeting explaining who you are and what you do. The relationship can cultivate future leads.
- Stay on top of the foreclosure notices in your target area. Remain vigilant for any signs of divorce: comments from the seller or seller's agent, only men's or only women's clothes in the closet, or any news flowing through the neighborhood grapevine.

The House Is Ugly Outside

To a flipper, the ugliest home on the block is the bombshell on the boardwalk. The homeowner wants to sell the property, but the exterior looks so bad that it's driving away paying customers. As an investor, ugly homes should have the opposite effect on you — they should grab your attention and pull you inside.

The House Is Ugly Inside

The landscaping and outer shell of the house may be attractive enough to draw visitors, but if the interior is ugly, it can push prospective buyers right back out the door.

Some houses just don't show well for any of several reasons. Sometimes the owners appear to be color-blind, picking color schemes that make normal people gag. In other cases, the homeowners simply put no effort into staging the house. Whatever the reason, if the structure is sound and the floor plan works, the filth, clutter, and foul smells may be to your advantage. You can acquire the property at a discount, do some heavy-duty cleaning, properly stage the home, and make a good profit with a very small investment.

The Décor Is Outdated

A house can be clean and properly maintained, but if the décor has fallen out of style with time, it can repel buyers as quickly as a herd of roaches. Of course, if you're dealing in historical homes, vintage décor can be a big plus, but if the décor is old without the accompanying elegance, you can quickly redecorate and place the property right back on the market. Such houses are a perfect opportunity for a quick flip.

The House Exhibits Some Unique Character

REMEMBER

Some homes have panache. Something about them just has a universal appeal. Maybe the floor plan makes the human soul feel expansive.

Perhaps the landscaping creates a sense that you've returned to the Garden of Eden. Or perhaps the décor pulls everything together and creates a healthy balance. Whatever it is, you know it when you see it. Don't dismiss the value of character when looking at houses. Character sells.

The House Has Undeveloped Living Space

Look for properties with unused or underutilized attic space or an enclosed porch, and modify that space to make it livable. An extra bedroom or bath typically raises the value of the home the most, but home offices are also growing in popularity. If the house has an attic that's too small to use for living space and the house needs a new roof anyway, calculate the costs and benefits of adding a dormer.

The Property Backs Up to Nothing

Few homeowners like to have neighbors in their backyards. They prefer having their yards back up to a wooded area, a park, or even a cemetery. If you find a property that has all the essential qualities of a good flip, *and* the property backs up to nothing, you've struck gold. Just make sure that all the numbers work and that the zoning board doesn't have plans in the works to rezone the property for commercial or industrial use before you make your offer.

About the Authors

Ralph R. Roberts' 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 *REAL WEALTH by Investing in REAL ESTATE* (Prentice Hall), and *Foreclosure Investing For Dummies* (John Wiley & Sons, June 2007).

Ralph serves as official spokesman for Guthy-Renker Home, a company dedicated to equipping home buyers, sellers, and real-estate professionals with the tools, information, and community setting they need to achieve mutual success. To find out more about Ralph Roberts, visit `www.AboutRalph.com` and don't miss the latest addition to Ralph's family of Web sites and blogs, `www.GetFlipping.com`, where Ralph offers additional information and tips on the art of flipping houses. You can contact Ralph by emailing him at `RalphRoberts@RalphRoberts.com` or calling (586) 751-0000.

Joe Kraynak is a freelancer who has written and co-authored 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. He then teamed up with Ralph to write the ultimate guide to flipping houses — *Flipping Houses For Dummies*. In *Foreclosure Investing For Dummies,* Joe and Ralph join forces once again to deliver the definitive guide to profitably investing in foreclosures . . . without selling your soul.

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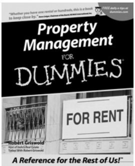

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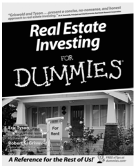

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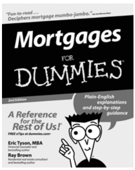

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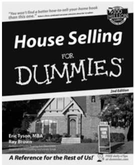

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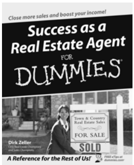

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