



SEVEN SIMPLE STEPS

TO OUTSOURCING IMPROVEMENTS

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WHAT'S AHEAD

Many real estate investors don't move forward with their career because they are intimidated by the idea of buying a house that needs repairs and knowing what it needs, what it should cost and finding contractors to do it.

That's why we created this simple 7 step process to follow to make sure you know exactly what needs to be done and what it costs so you can keep your budget on track.

STEP 1 – PRE-PLANNING

Step 1 is Pre-Planning and it's crucial to your rehab. **It is imperative to begin construction planning the day you get the property under contract.** We would recommend going through the property at least twice with your contractor. You must also agree on a timeline for work completed and payment to them.

From there, you can develop a specific scope of work with material spelled out down to the SKU number. Make sure you know your permitting process for your city so you aren't caught off-guard and can stick to the timeline you created.

STEP 2 – PRE-DEMO

This step takes about 1-2 weeks (or less) depending on what needs to be done.

Securing the House

- Get a lockbox for easy access
- Change all locks on day 1

Securing the Utilities

- Switch over all utilities including gas, electric and water

Insurance (\$1200-\$4,000 per year)

- Bind your policy with replacement cost and not just acquisition cost
- Foremost (owned by Farmers)
- Affinity Group out of Kansas City
- American Modern

STEP 3 – DEMO

Order a Dumpster

One Trailer Load

- 20 yd. for \$300-\$500
- 30 yd. for \$400 on a \$20-30K Budget
- 40 yd. for \$450 on a \$30-40K Budget
 - Includes drop off and pick up

- Typically for 2 weeks
- Some companies charge \$5 per day after 7 days
- These fill up **fast**. Best to order the biggest dumpster
- Put the dumpster in the garage to avoid nosy neighbors if you feel necessary
- Simple clean outs can be done with a landscape trailer

Demo the Kitchen

Remove all:

- Cabinets (can be sold on Craigslist)
- Countertops
- Flooring (hardwood floors can be salvaged)
- Appliances (can also be sold if in decent shape)
- Walls (know the difference between load bearing and not, or at least make sure your contractor knows and has inspected)

Demo the Bathroom

Save the tub and surround, if possible. If you are able to re-glaze, this will save about \$200-300 on labor and will come with a warranty. Tubs are about \$500 if you are going to fully replace.

When demoing the tile in a bathroom, use green board or Duralock. Salvage the original tile if it adds character or paint.

Baseboards inside house:

- Keep trim, sometimes adds character in older homes
- Buy Pro-Packs (120 feet of baseboard for \$70)

Remove all doors:

- Habitat for Humanity will take old doors

Garage doors:

- This can be 50/50 – save and reuse or replace

Windows

- Contractor measures for replacement windows
- Keep old ones in until new ones arrive
 - We almost always end up replacing the windows

Roof

- Replace if necessary (if older than 17-25 years, you should probably replace)

Siding

- We almost always keep the siding just repaint if it's in good shape

Hardwood Floors

- Most of the time, you can refinish the floors
- Oak can be refinished up to three times

Demo – What to Keep

Windows:

- Wood Windows
 - Save if they have character
 - Save the sashes and put in new rope and weights
- Vinyl Windows
 - Keep if less than 15 years old
 - New windows are about \$1 per inch for **basic**
 - 2-4 weeks to manufacture and ship
 - You can rush for \$10 per window to get them in 10 days
- Lang Exteriors
 - They will ship to anywhere, we just send them our measurements
 - (773) 737-4500
 - www.langexterior.com

Siding:

- Keep the siding
 - Aluminum siding from the 70's – scrape and paint
 - \$10,000 for new vinyl siding
 - Cheapest siding = \$50 sq. ft.
 - Middle of the road priced siding = \$80 sq. ft.
 - 80% of a house is siding
 - Measure the exterior and subtract 20%

Roof:

- Pressure wash the dark spots
- Costs per square foot:
 - 10x10' "A Square" = 3 bundles
 - \$25 per bundle at a supply house
 - \$75 for a square at a supply house
 - [Menard's Special](#)
 - \$21 per bundle
 - \$63 per square for shingles
 - \$25 per square for felt

Gutters:

- Pressure wash and paint
- Make sure there are no dents or holes
- Basic white are not expensive if you need to replace
 - 1500 sq. ft. ranch = \$600 - \$1500
 - 2500 sq. ft. colonial = \$1500 - \$2000
 - Gutter Guys are typically \$3.00-5.00 a linear foot for basic colors for custom sizes

Salvageable Materials:

- Sinks
 - A new sink costs between \$100-\$500

- Cabinets
 - Save and re-paint if possible
- Wood doors
 - Sand and repaint
- Vents
 - Wipe down and spray paint
 - New vents are only about \$9/each
- Landscape
 - Basic landscaping – save some shrubs, but add more later on to boost curb appeal

CASE STUDIES

3954 HOMESTEAD

- We saved the roof
- 15-20 years old
- No known leaks
- Easier to replace individual shingles than the whole roof



38 EDGEWOOD

- Ranch
- 30' deep x 70' wide = 2100 total square feet
- Divide by 100 = 21 squares
- \$100 a square in materials



STEP 4 – MECHANICALS

Water Lines

Plumbing:

- Get water turned on (be prepared for leaks)
- Run the lines
- Check the Drains
- Plumbing materials are usually inexpensive
- Labor will be your biggest expense

Copper:

- It has to be perfect and soldered with gas and flames

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- Very solid
- Will add value to the home and is worth the cost in higher end homes

PVC:

- Has some bend in it
- Plastic, so less expensive than copper
- Anyone can learn to install

PEX:

- Bendable PVC
- Comes in loops of piping and requires a crimper tool

Plumbers:

- You will most likely need to hire a plumber. It's usually about \$50-\$100 depending on your location
- Check Angie's List, HomeAdvisor or Thumbtack

Hot Water Heater

These will typically need to be replaced, especially with REO's:

- 40 gallon (\$250-\$500)
- 50 gallon (\$600-\$800)
- Plumber charges \$150-\$250

Electrical

Buy a tester and test each outlet:

- Check all breakers
- Are they tripped or not working?
- Label each breaker in the panel
- Check all outlets once breakers are on
 - Not working? Is the outlet bad?

Electrical Panel

- These typically cost around \$100, comes with a few breakers
- Breakers – fill the box
 - \$4 for cheap breakers
 - \$8 for high amp breakers
 - \$100 for an additional 15 breakers
 - We install new panels on ¾ of our houses
- Bad brands
 - Federal Pacific (replace immediately)

Labor:

- Install panel and breakers = \$700-\$1500
- Rewire a house - \$2000 - \$5000
- Hire an Electrician
 - \$30/hr. on the low end
 - \$50/hr. is the going rate
 - \$60-\$75/hr. on the high end

Forced Air System:

- New Furnace/AC condenser
 - Labor and material, 80% efficiency: \$3,500-\$4,500
 - 90% can be \$4,500-\$7,000

Boiler

- Around a \$3,500 install

STEP 5 – DRYWALL

Patch, Skim, Mud, Tape

It usually takes about 2-6 weeks to patch and fix the walls, repair and replace drywall and patch any nail holes.

Drywall is the ideal choice, if possible.

- \$9.00/sheet for the lightweight
- \$30-\$40 per sheet to hang, mud and tape
- Re-texturing can be an option based on area

Replace old plaster walls with drywall.

- straighter walls
- easier to work with

Patching:

- This step is mostly time and labor because materials are cheap
- Fill in nail holes and pops

Chapter 7 – Paint

Doors, Kitchens and Bathrooms

This step usually takes about 1-2 weeks. You don't want paint to get on floors and cabinets. It is hard to work around guys who are painting – some don't mind working in one room while you are working on another, HOWEVER... most painters prefer the run of the house and paint alone. No distractions or people to work around.

Doors

- Doors are re-installed and painted
- Contractors can paint the doors and all the trim
- Paint trim prior to installing in the garage

Paint Labor

- \$1.50 and up per foot just for labor
- 1500 sq. ft. = \$3000-\$3500

Materials

- 1500sq. ft.= \$900-\$1500 depending on paint-Sherwin Williams account

STEP 6 – INSTALLATION

Kitchen and bath install

Cabinets:

- \$130 and up for a basic oak or maple cabinet
- RTA cabinets (J&K, Smart Cabinetry, Wood Harbor)
 - Standard 30"
 - Ready to assemble
 - Plywood based
- For more expensive houses, use 42" cabinets all the way to the ceiling
- Upgraded countertops
- Solid wood, dovetail joints, easy close

Hardware:

- Range from \$1.50-\$8.00 (can buy in a Pro-Pack)

Backsplash:

- 4" tiles by sq. ft.
- \$4 - \$8 medium price
- Glass tiles run about \$10-15 a sq. ft.

Flooring:

- Ceramic tile
- \$.80+ sq. ft. for 12 x 12" at Lowe's
- \$2.00+ sq. ft. for 12 x 24" at Lowe's
- \$2.00-\$3.50 sq. ft. for higher end houses
- Sticky vinyl tile runs \$.99 - \$2.50 sq. ft.
 - Not as nice but can be used in lower end

Appliances:

- Install last when the home is ready to stage
- Stainless steel appliance sets sell for about \$2,500
- You can try to look for discounts with Scratch and Dent
- Use Craigslist for lower end houses

Baths:

- Week 2 – Install new tub and plumbing
- Drywall after the tub is installed - \$300
- Tub and tile resurfaced
- Surround installed
 - \$100- \$300
- Flooring in first so you can set vanity and toilet
 - 12" vinyl tile = \$1 each
 - Ceramic tile = \$1.50 a - \$3.50 each

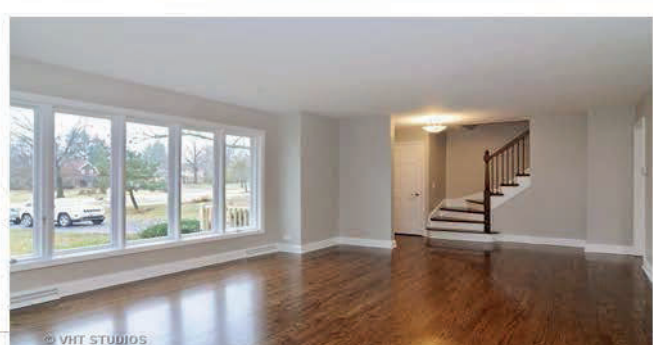
SEVEN SIMPLE STEPS TO OUTSOURING IMPROVEMENTS

- Vanity and toilet installed
 - Vanity = \$100 - \$250 lower to \$300-\$650 for higher end
- Toilet = \$90 - \$250
- Mirror = \$30 - \$100

CASE STUDY

Stratford Lane, Inverness, IL

- Purchased for \$295,000
- Renovated for \$76,000 in 90 days
- Received first offer 8 hours on the market and 2 more offers in 2 days for \$465,000
- **TOTAL PROFIT of \$44,000!**



STEP 7 – FINISHING TOUCHES

Flooring

Do this last because you're walking on it!!

Carpet:

- Lower end \$3.00-\$4.00 including pad and install at Home Depot or Lowes
- You can clean carpet and bring it back to life and save \$1000's

Casing and Trim:

- Can buy in a Pro-Pack for \$.75 a linear foot
- More detailed can be \$2.00 and up a foot
- Labor will be \$1.50-\$2.00 a foot to install

Landscaping

Basic Landscaping and Hardscapes:

- \$200 mulch
- \$500 plants
- Takes about 2-3 days to complete
- For an average sized house expect \$1500 in landscaping
- 300 ft. paver patio-\$3,000
- Similar size wooden deck \$3,500 on up

Labor:

- \$10 - \$15 hr./ Cheap workers
- 40 hrs. / 5 days
 - \$12.50 an hour is about \$1,000

MOLD

Mold and water damage houses

Mold and Water Houses are the best houses for real estate investors!

Mold is Gold!

- Look for properties with sump pump issues, foundation problems or gutter repairs needed.
- Mold tests sold at Home Depot.
- They are easier and less expensive than you may think!
- Get air tests done after remediation to confirm for buyer that mold is gone.

SUMMARY

You're almost there!

For a \$30,000 rehab project, it should be about a 60/40 split between materials and labor generally

- \$14,000 Labor
- \$16,000 Materials