

Elite Real Estate Flipping Advice: 7 Tips to Finding the Best Contractors for Rehabs

Out of all of the tasks associated with the business of real estate flipping, few are as essential to the success of your business as finding the right contractors for rehab projects. It can be the difference between having a mildly successful business and one that takes you to an elite level that honestly not too many people in the industry are able to achieve.

As you first get started in real estate flipping, it makes sense that you have to go with the contractors who are just “good enough.” They aren’t excellent. They don’t go above and beyond, but they get the job done. Let’s call them B-level contractors. Sometimes, you might even get by with a C-level. But the whole idea of building your business is to continually move up levels, so as you achieve a higher level of success, your business will require a higher level contractor. You will need to go from hiring B- and C-level contractors to seeking out the A+ contractors.

If you want to compete at an elite level, you need to have the elite team players. B and C-level players can typically be described as “yes-men.” They need your instruction to do each step, which requires you to be very involved in the process from Day 1 to completion.

I personally no longer associate with B- and C-level contractors. Yes, I may have used them as I was getting started in my business, but today I have moved to an elite level and my business requires elite contractors whom I can trust to take instructions and run with them. These guys know how to take action, get the job done right, and make my life much easier.

Whether you are in the developmental stages of your real estate flipping business and just trying to find the best contractor you can afford, or are moving to an elite level and want to find the top contractors for your rehab projects, this report is a guide that provides insider tips for how to find the top contractors to meet your business needs.

Keep reading to get the answers to some of these common questions:

- How do I know whether a contractor is better for remodeling or rehab?
- Where can I go to find out whether a contractor has good or bad reviews?
- How do I know if a contractor’s estimate is fair?
- What can I do to get a good contractor at the best price possible?
- What’s the smartest payment structure to work out with the contractor?

Tip #1 Choose a Professional Contractor with a Website and a Golf Shirt

Golf shirt? Yes, golf shirt. You have two general types of contractors you will encounter. One shows up to meet with you wearing work clothes or just whatever clothing they happened to be wearing that day, while the other shows up wearing one of those golf shirts with the business logo on it. 9 times out of 10 the contractor wearing the golf shirt will also have a business card on hand and be able to direct you to his/her website for more information. In most cases, the other guy won't have a business card or a website.

These are two different types of contractors. Which one gives you more confidence in their work? Which one seems to take pride in his business and gives you the feeling that he will handle your rehab projects with professionalism? Which makes you feel comfortable that he's going to be around for a while? It's the guy in the golf shirt with the website of course!

Another good way to check-up on the professionalism of a particular contractor is to simply call his office. If he calls you back right away or the same day, good news. If he waits three days to respond, it's best to just let that one go. In my experience, it's been proven time and time again that the guy who returns your call quickly will have his stuff together and will be on top of your projects, and the one who doesn't, won't. An even better sign is if he has someone answering and returning calls for him!

If you are going for the best of the best, know that elite contractors should have a representative who does nothing but bid jobs. The person has the golf shirt with the logo, the truck with the graphic design, a business card, and a professional business e-mail account.

Tip #2: Choose a Contractor Who Enjoys Rehab Work

When you first chat with a contractor candidate, you can start with a few important questions to get a feel for whether this person right for your rehab projects:

- How many rehabs have you done?
- Do you like rehabbing?
- Which do you prefer: remodeling or rehabbing?

If a guy prefers remodeling, that's not your guy. Rather, if the contractor is someone who loves the process of rehabbing and prefers it to remodeling, this is a person you should consider for the job.

There's a big difference between remodeling an area of a house the homeowner lives in and rehabbing a house with no current residents. For a rehab project, you will typically be looking at long 12-14 hour days of non-stop work until the project is finished. Whereas, with a remodeling job, you are in and out, working around the homeowner's schedule and preferences.

Furthermore, rehabbing a house means you most likely have a part of the house that requires serious attention, such as need of new flooring, complete drywall replacement, or mold removal.

Tip #3: Choose a Contractor Who Shows Up in the Search Engine Results

This tip is related to #1 in that you want to choose a rehab contractor who shows up in the search engine results. If the company is among the top listings in Google, Yahoo, or another search engine, chances are the company has a website.

Try this little exercise for an example:

- Go to Google.com
- Type in "Cleveland, home rehabbing companies"
- Check out the listings that appear at the top. Those are the companies who have put effort into marketing their businesses. Some have even purchased ads to get to the top of the list. If they can invest that kind of money into online marketing, it's safe to say that they are professionals and value their reputation, so it is likely they will do good work for you to protect that reputation.

Other places to look for any contractor candidates you are considering:

- **Angie's List:** An online provider of reviews; Angie's List has more than 2 million paid households nationwide who check the site to find the best services before making hiring or purchasing decisions. It collects reviews from real consumers, not just anonymous users. You can use Angie's List to search for positive reviews or complaints.
- **Better Business Bureau:** All reputable rehabbing contractor companies should be listed with the Better Business Bureau. If they aren't listed, ask why they aren't. You can also see any complaints listed on the BBB website.
- **NARI.org (National Association of the Remodeling Industry):** This website has a NARI membership list and a professional remodeler search engine.
- **Your Local City's Building Department:** They should have a list of all of the contractors who are certified and approved by the city.

Tip #4: Know What You Need in a Contractor

You know you want to seek out the contractors who we described in Tips 1-3. You want the contractor with the golf shirt and the website, who enjoys rehab work, and whose business shows up in the search engine results. But it is also important to know what you expect and need from the contractor once he or she is on the job.

When you are looking at buying property to fix and sell, it takes a team of 5:

1. You
2. The person who provides private money/funding
3. Realtor who can help you find properties (acquisitions manager)
4. A great contractor
5. A realtor who can sell for you (can be the same realtor above)

So your contractor will need to fit into this team. You will want to align yourself with someone who is doing the work of the contractor, but can also do other things and understands the real estate piece, is a good manager, and has a great personality.

As I touched on before, find contractors who like rehab work. Those are the people who are fine with working long hours to get it done. It's important to find those contractors who enjoy the work and also appreciate your company.

In my experience, contractors love working for my company. We have the money in place and we have repeat work. We pay them on time, and they don't have to worry about getting ripped off. I have an expectation of having a unified team that is built on mutual respect and trust and the desire to get things done.

Tip #5: Work Out the Payment Details in Advance with the Contractor

No one likes dealing with surprises when it comes to contractor payments, so this is an important piece to work out in advance. Come together with the contractor candidate to discuss the payment structure and schedule once you've covered Tips 1-4. This way, you know the contractor is qualified before talking money.

Professional contractors have a pricing list. They will likely have certain requests and expectations for how the payment will be delivered. This is a good thing. As you go over the contractor's pricing list and payment requests, make it absolutely clear that you need to know exactly what they will have accomplished at Day 30, 60, and 90. If they

expect prompt payment, you expect the contractor and team to stay on task and keep you up to date on where they are.

Every contractor will expect money upfront. 50% or 1/3 down is common. It is wise only to agree to this arrangement once you have seen a detailed schedule from the contractor. Ask them: What will be done by the end of the first week, the second, the third? Agree on a payment plan that works to meet both of your needs.

For example, if you have a contractor who provides you with a schedule for getting a rehab done in 90 days, here's what you might suggest:

- Give 25% down
- 25% at the end of 30 days
- 25% at the end of 60 days
- The final 25% when the project is complete

Of course, it makes perfect sense that a contractor will not start a contract without getting some money upfront. They are equally as afraid of us not paying as we are of them not working. When guys come in and ask for 50% down and then don't have a schedule, that doesn't work for me either. I need to know exactly what I'm paying for. Both parties fear that risk of not receiving what they need and expect. Splitting it up into four milestones keeps the project moving and both parties protected.

When you have the project schedule in your hands, don't just tuck it away in your desk drawer. Follow up and show up on the project site to inspect and ensure they are doing what they said they would do in the schedule.

Moving to the topic of price, in order to avoid getting overcharged, you will want to get multiple quotes from multiple contractors. Don't just go with the first guy you find. Get 3-5 quotes. I love for guys to fight over my business. You may find that some contractors will whittle their prices down just to keep their team members active and working on a project. Going for a few different quotes means you will have options and can see how badly contractors want to work with you.

Tip #6 Understand a Good Contractor's Value

When you find the right contractor, your life should feel much easier. Yes, it costs more to have an excellent or elite contractor, but the value they bring to your real estate flipping projects is immeasurable.

It's not so much about the cost. It's about leverage. What I mean is that when I have an elite contractor on the site, I don't have to go to the site every day. I can work on

projects that make me thousands of dollars an hour, marketing campaigns or raising money. When you take on that perspective, the hourly rate for a top level contractor is well worth it.

Of course, in the beginning, you will be the project manager to keep everyone in line, and because you may not be able to afford to the elite contractors. But as you become more successful, you can begin to hire that project manager out. Some real estate agents can act as a project manager too if they know construction and are licensed.

Consider this, if you have the best contractor in place and you have a project that takes 90 days to renovate, this contractor will have a schedule in place to ensure everything will be done when it needs to be done to keep the project on schedule. You can trust his timing so much, that you can know exactly when the property will be MLS-ready and you will even be able to schedule the property launch.

The more professional contractors are, the more they want efficiencies in their own business. For example, they want the materials there on time and they don't want to have to make a bunch of trips to get supplies. Having a professional contractor who has structure in place to be efficient absolutely saves you time, money and numerous headaches.

Tip #7: Know How to Use HammerPoint to Get Estimates for Rehab

HammerPoint.com is great for getting started with an estimate. If you are walking through a property with a contractor, it's simple to do it with your smart phone or tablet, It's a free service, so you would just log-in and put in the address for your location and it will give you an estimate on what costs will be in that area.

This will give you an idea of what estimates should be and you can compare and contrast with the estimates your contractor is providing. If your contractor is way off base on the estimates in comparison to what you are getting through HammerPoint, you may need to discuss and talk him down... or move on to the next candidate.

Another helpful site for getting estimates on repairs for certain areas is Homewyze.com.

Whether you are just testing the waters in the real estate flipping industry, or have been doing it for years, these tips should help you to fine tune your process for finding the best contractors for your rehab projects. You have a lot riding on these projects, so it is perfectly fine to be selective and take the time you need to find the person right for the

job whose skill set and processes line up with your budget, project goals and expectations.

Beyond these tips, a personal rule of thumb for me is that I have to like the contractor. I want to find those contractors who become my business partners. I want to have a long-term relationship with them, so we can make big things happen and make lots of money together. This is someone I want to be able to invite to my kids' birthday parties or meet on the golf course on Saturday afternoon. And, of course, the golf shirt...we can't leave out the golf shirt!