

Complete Home Rehab in 10 Days

By Dan Auito

This report is about taking a house and restoring it to an aesthetically pleasing dwelling that has reclaimed it's functional utility. In effect, it is the anti-aging medication for bricks and mortar.

This report assumes that you have already or will soon acquire the proper house. The one that is in essence, ripe for rehab. Be selective and sure of the house's potential to allow for a profit after all the hard work is done. I will help you find your house or houses.

In the proverbial nutshell, it helps if you choose a house from the start that has a sound plumbing, heating and electrical system.

- Plumbing
- Heating
- Electrical

These are things that are expensive to correct in relation to the value they return to you upon resale. Most often, people cannot see the inner workings of these systems and they take them for granted.

Very few buyers are going to give you an extra \$15,000-\$20,000 in your asking price because you have replaced things that they can't see and already take for granted as just a basic component that is buried in the structure. Also, they assume these components to be warranted against defects by you.

After all, it is mandatory in most, if not all states that you fill out a disclosure form that tells the buyer of every defect that exists or ever has to your knowledge. So inspect the systems of your investment alternatives carefully, as they can be expensive to repair and replace, with minimum dollar return value being realized at the sale.

Along these same lines, you should also pay close attention to the following cash vacuums:

- Roof
- Foundation
- Structural Integrity

Here are a few ways to quickly gage a home from its appearance:

Stand across the street from it. Now look at the bones of the structure. Does it look like a sway-backed horse, with the roof sagging in the middle? Does it have flat areas in its design that don't allow water to be drained away quickly?

Water, dampness and rot are the equivalent of cancer to the human body when it concerns a structure. Shingles can be replaced. That won't necessarily stop me from buying. Usually I will use that old roof as a bargaining chip in negotiating the seller down to a lower price. However, if I crawl into the attic and see that the plywood has become rotted and truss members are also affected, it's time to move on to my next potential deal. Life is too short and I will never rehab it in 10 days if I have to rip the roof off and rebuild it too.

Some other conditions, such as sagging eaves, wavy roof surface, rotten fascia and trim pieces, and insect infestations can be deal killers too, if severe.

Solution: Get into the structural members with a long, sharp, sturdy, standard flat-tip screwdriver and attempt to penetrate structural components that are made of wood. You won't hurt anything if there are no underlying deficiencies. However, if someone has freshly painted over or patched it, that screwdriver is one heck of a lie detector! Use it.

Now, I'm not saying people would do that. It may just be the termites have eaten everything but the exterior coating of the wood to conceal their activity whatever the case probe.

There are also tile roofs, metal roofs, cedar shake roofs, hot-rolled roofing, tar and gravel roofs and always a few new high-tech roof coatings. I feel my main concern is whether the decking or the roof support structure has been undermined by water, insects, rodents, poor materials, poor design or craftsmanship, a lack of fasteners, strapping, etc.

Shingles and coatings can be replaced. Just know what is underneath. That's my criteria. Negotiate lower for needed replacement of roof coverings if you can. I dwell on roofs because it protects everything else!

Next on the list of deal killers is the foundation. The same thing applies to the foundation. I will start by standing back from it and looking at it from a distance. Does this place look like the Leaning Tower of Pisa? Or are the seams coming apart? Do the windows and doors look square? Are porches, stairs and additions on firm ground as well?

Block homes can tell you very quickly if they are stressed out just by the appearance of the mortar joints. Those giant unsettling cracks can and do tell a

story. This does happen and mortar cracks maybe 10-years old. You need to investigate further.

Once again, water is a sign of trouble with foundations because it leads to erosion, rot, mold and mildew. It washes out foundation materials and slabs will crack. It rots sill plates and your walls are no longer firmly attached to a base.

If you have a crawl space, it's time to get your coveralls on and get in there. Now, let's use our heads here and I mean this! Before you enter a dark, supposedly uninhabited, infrequently entered, dark and restrictive to movement area, assess the situation. Ask someone who has knowledge of the dwelling if there has been any animal activity that they know of. You may also encounter bees, wasps, ants, spiders, snakes, slugs, mosquitoes, rats, mice and a host of other inhabitants. Beware and be prepared. It's truly another world in some cases.

If you don't want to do it, hire a professional and I do mean a pro, not some Joe who says he is one. For goodness sake, use a licensed professional home inspector to protect yourself in all areas if you're just not sure!

OK, you're a trooper and you're going in. Good for you, Rambo! You'll make it in this business because it takes faith, guts and determination. By getting into this type of situation, you'll learn a lot more about every part of the homes you inspect.

You should have a strong flashlight, your trusty screwdriver, maybe some insect repellent and a safety observer standing at the access entry to give you piece of mind. Now you can go to the perimeter walls and inspect where the walls meet the foundation. Look for rot, misalignment, cracks, separations, water damage or any other condition that doesn't appear normal.

While you're down there, look at the other foundational supports, you will see pier blocks and posts, other concrete support pillars and walls, beams, joists and cross bracing, and the underside of sub-flooring. Check this stuff's condition. Does it look original? Is it structurally sound? Or are there some discrepancies that need further investigation? Take a good look and smell!

Don't leave yet. You also will want to look at all that plumbing and electrical that is there as well. Scan the perimeter. Do you see any sunlight coming in from where it shouldn't be? That might be a hole that needs repair. This is common sense land, not computer a chip lab. You can inspect for general condition. Simply follow everything to its logical end, looking mainly at the condition of the different components.

OK, you've made mental and physical notes. Now dust yourself off and go inside the house if everything has checked out so far.

So the roof and foundation have passed your keen eye. Let's look at the rest of the house with respect to its structural integrity. More than half of your structural integrity check at this point is already complete as the roof and foundation are two of the most important components and those have been done. Now you are left with the interior spaces of the structure.

Here's what I do once inside. I stand at the front door with a checklist in hand (www.inspectamerica.com) and I begin to scan the walls, ceiling and floors. I'm looking for water stains on all three surfaces, as well as patches that were used to repair or conceal damage. I go through every room and look for signs of damage or concealment.

Any flat floor is a good candidate for my scientific marble test. I'll drop my marble; if it rolls to a corner, that floor ain't level, Buckwheat. That's a simple test but I do want to know that the under-layer or sub-flooring is sound and firmly attached to all those joists, and beams and trimmers and blah, blah, blah.

Soft spongy floors are of concern, creaky floors are annoying and rotten floors are another story. So once again, I'm looking at the structural support of the floors. I don't care that the cheap, yellowed vinyl is coming up at the seams. I don't care that the carpet is matted down or thread bare, and I don't mind if the finish is worn off of hardwood floors or tiles are loose.

Floor coverings fall under the label of cosmetics. That's such a pretty word and that's what you want to concentrate on: cosmetics...more on that in a moment.

So the floors pass my test for sub-flooring and structural integrity is great. Now I can check that the walls are square because they are attached to that floor, and then I can check that the doors all operate properly and are square too.

How much more can there be than that, Dan? Well, let me tell you a few things that can bite you here. Let's say the structure overall is good. By that, I mean you have a solid roof, a solid foundation and sturdy floors and walls.

What is behind those walls? The things that bite you aren't usually seen until you get bit. One particular painful bite is finding out your wiring is not grounded or that the circuits are not properly protected. You're looking for three-pronged outlets and modern plastic-encased wiring made of copper, **not** aluminum. You want circuit breakers, not fuses. What you really need here is a licensed electrician to do this more in-depth and professionally licensed review of the system.

I have seen more than one Joe Homeowner rehab go up in flames because of a lack of respect for electricity. Licensed electricians bring you up to code and

protect your investment. Find a good one and make it a point to shower him or her with praise, attention and money well spent.

They will give you free estimates, so use them as a preliminary inspector with you. If you decide to buy it, use them to do the work that needs to be done.

Plumbers are a breed apart. You would think they use gold for soldering your pipes with the prices they charge. My grandfather was a plumber and I was on the truck with him at nine years old. A plumber may or may not give you a free estimate. With a little digging, it can be done. Just give them the work if indeed you do buy the house.

With plumbers, the only time you're going to need one is if you are doing major system work or the once every ten year hot water heater job. Also the occasional clogged main sewer line to the street.

In today's P.V.C. plastic plumbing kits world, you can hire just about any good all-around handyman to get the job done. If you have to tear through a wall to get at plumbing, building code inspector-man will say, "Get a licensed plumber."

Heating and cooling: the air conditioning system, if the house you're inspecting doesn't have adequate heating and cooling, that can become expensive. Let's say you have a flat roof home in a hot climate with window unit air-conditioners, and you intend on bringing this house up to what a modern day home dweller expects.

You may have a problem. Where would you put new ductwork if you don't have attic space to house and route central heat and air? Once again, call in a pro if you need some advice. They do give free estimates!

Here's a point for you to follow up on: the plumbing, heating and air-conditioning guys all drive service trucks. Be on the lookout for those trucks if they are your neighbors; go say "Hello" and introduce yourself.

Regardless, I have always done this and what I am saying is this: these guys most always work on the side and that means half price. You may have to pull a permit as a homeowner but the savings is substantial. Develop a network of these blue-collar geniuses. They are the guys who will transform your investment fast!

So now you have a solid house. By that I mean, plumbing, electrical, heating and air-conditioning, roof, foundation and overall good structural integrity.

So what's left to do? Call in your army of carpenter ants, from painters to carpenters and flooring installers, yard maintenance and tree trimmers, and handymen of all sorts.

This is the whirlwind tour. Let the demolition guy in first. Order a dumpster for the next ten days. Order demolition man to throw out everything including the kitchen sink. What I am out to do at this point is to clear the decks.

A blank canvass is created for the painters to perform the transformation. They come in at this point and patch and paint. Let them blast the place with their airless paint-spraying arsenal inside and out. Give them 3 days and you have just added a huge improvement to your investment. This is the biggest dollar-for-dollar return you can make.

One cautionary note here: Make absolutely sure that **quality paint** is used. **When it comes to painting, it's the labor that kills you, not the material.** I insist on Sherwin Williams Super Paint. It is a miracle formula that I am convinced could cover up bullet holes without any patching compound and it lasts forever. It's worth every penny; insist on it!

So my idea of finding the ideal fixer upper is to find those where the structure and systems are fine but it still needs demolition man and the paint brigade. Everything up to this point has been inspection and appraisal of the situation. Once I'm satisfied that it is a cosmetic rehab and not the expensive money pit, I send in my cosmetologists.

I wouldn't call these guys that to their face but these are normally men adding residential make-up to the bricks and mortar. Once the painters leave, the flooring guys are right behind them, laying tile and carpet. These guys are out in 2-3 days and my cabinet and handyman plumber are attacking.

Light fixtures, vanities, toilets, sinks, doors, switch plates and outlet covers...wham, ten days are up and this house is either held out for rent, lease-optional or sold for a whole heck of a lot more than the ten grand I put into it, if that much.

You must be somewhat of an appraiser and deal finder. It takes time to recruit your cosmetologists, but you will run across them in your travels. Friends and family usually can provide you with some serious leads. Start networking and talking to tradesmen. Get their numbers and schedule them to descend upon your ugly duckling at certain times and watch the transformation begin.

It took me years to learn these tricks. I did it all myself for years and it always took three months when I did it myself. The sad part is that I thought I was saving money that way.

Can you see how much I actually lost? Here is a quick example. I bought a house for \$55,000. Its deficiencies were purely cosmetic. I used other people to do all the work and I pitched in to keep them organized. Ten days later, it was

done. I spent a total of \$5,000 on materials and labor and it appraised at \$90,000 in 10 days!

That's \$30,000 in 10 days, not 3 months. Now marketing time would take 45 days but I know how to do that too, and I will also show you how you can do it too.

There is no doubt about it. This can be done and you can do it. In all honesty, it may take you 30 days to achieve a completed house. That's may be 3 times what it took me but I am experienced.

Here's a pretty neat way I figured out how to find good cosmetologists (tradesmen). If I know relatively no one in the area, I will ask a local appraiser to suggest who he would use if he were me.

This is an intelligent way to ask that question. I ask it in this form: "If you were me, who would you use?" Now that triggers a self-preservation mechanism in their brain and they give me excellent people, who are very good at what they do! Try it; it works.

I went to appraisal school and learned a lot. Believe me, appraisers are underrated and treated poorly. They truly are experts at discerning quality and value. They know whom does quality work. Make friends with a competent appraiser and the lenders that accept their appraisals. Hint: You'll get very fair evaluations and their lender approves them.

Marketing, hunting, finding and capturing the "ripe for rehab houses" is another book entirely. However, don't lose faith because I have written that book for you as well. Here is an excerpt from my other book. It is called Magic Bullets In Real Estate.

There are 4 phases, or lifecycles, to real estate and here is how it often goes.

Phase 1 You will see new construction, bright shiny homes popping up, landscaping contests, baby strollers and tricycles in the neighborhood. This is probably going on in the suburbs of the city, as new growth tends to radiate out at a pace of one mile per year from growing and prosperous cities.

Phase 2 The same neighborhood now 10-15 years later has aged a bit and now you see basketball hoops and 2-wheel bikes, as the kids are older and want more mobility.

Phase 3 The kids are grown and gone with families of their own and now the parents are riding their own 3-wheel bicycles, trikes to the hip grannies. Here in Phase 3, you're looking at 25-35 year old homes, where some people are passing away. Others are just hanging in and some are moving in with the kids or going to an A.L.F. (Assisted Living Facility). No doubt, you have outdated homes, deferred maintenance and some repairs to be made. Here is the beauty of this whole thing. These are my cosmetology candidates. Here's why! The formally elder owners lived there and they needed everything to work. They didn't update it. They just fixed things that needed repair in order to maintain a level of comfort. They had pest control and the Sears man come annually and piddled around. So things were kind of looked after in that manner. Buy here!

Phase 4 Revitalization – That's what happens as a result of you buying your ripe-for-rehab fixer-upper in Phase 3 neighborhoods. Odds are, you will rent it out, lease-option it or sell it to a young family when it does sell, and guess what? Yep, out come the tricycles and baby strollers and it starts all over again.

Tricycles

Bicycles

3-wheel bikes (buy here!)

Revitalization

Determine what cycle different neighborhoods are in! Follow cycle #3.

Isn't that a beautiful story; isn't that the truth? Think about your own parents and your own childhood. Now I also want you to think about that brand new young family that is counting on you to treat them fairly and give them a trouble-free home when they buy or rent from you.

The harder and smarter you work, the better quality and value you can provide to others. Don't rip them off. Don't take advantage, don't scrimp and for Pete's sake, do your best to do your level best. You need education and help from others to achieve these heights of excellence.

Dan Auito is a dual-licensed real estate agent and appraisal assistant. In addition to being a 20-year veteran of the United States Coast Guard, Dan has also founded a non-profit drug prevention corporation, a real estate consulting group and is the author of "Magic Bullets in Real Estate." This 300-page power-packed book (due out in early July 2004) comes with a website (on line in July 2004) that further supports its readers. Please visit with the family at www.magicbullets.com we look forward to seeing you!