

Nine Strategies For Growing Your Home Renovating Business

by Robyn Thompson

I have become financially independent renovating houses, and you can do the same; however, if you aren't prepared, the process can become completely overwhelming. To help you avoid the pitfalls that are out there, I have developed nine key strategies to assist you in growing your house renovation business. If you are willing to learn from my experience, you will enjoy greater success much sooner.

While I was able to renovate 17 homes during my first year in the business, by employing the following strategies, I have grown my business to the point that I can, in today's environment, renovate 40-50 houses per year. Keep in mind that I do an average of \$26,000 to \$50,000 worth of repairs to each of my houses, so these are not quick carpet and paint jobs.

Here are the nine key strategies to help you take your house renovation business to the next level.

Key Strategy #1: Develop The Ability To Take Action Quickly.

One of the most important elements of my success is my ability to take action quickly. In my area, the competition is tough, and if I procrastinate I will lose deal after deal. If you want to "steal" a house, you're going to have to be able and willing to act quickly when a good deal presents itself. If I go and look at a house that I feel is a good deal, I write an offer immediately; get to the point where you are able to do the same.

Key Strategy #2: Learn How To Find And Handle Contractors.

Learning this skill will save you money, time, and heartache. I used to allow contractors to move very slowly, and I would accept their excuses. No more! I currently have up to twenty workers on my job sites, and the renovation process on my investment properties is very smooth because I have learned to handle contractors well.

The first important element is finding quality contractors. Some of the best ways to get good referrals are to ask friends and relatives for recommendations, call your local building inspector, or attend the local REIA meetings and network with the big players in your community.

Do not give contractors much money up front. Until you are able to do a large volume, you may have to give them some money, but always give them as little as possible until some of the work has been completed. Knowing they have money coming gives them sufficient motivation to show up at your job site and do a quality job.

The last thing to remember in dealing with contractors is this: don't be afraid to fire a bad one. Simply let the contractor know that you are not satisfied, settle up on the spot, and call one of your back-up contractors to start as soon as possible.

Key Strategy #3: Develop A Sound Educational Plan.

I started out in this business knowing nothing about renovating houses, so consequently I enrolled in Hard Knocks University. Now, with all the materials and home study courses out there, there is no reason for anyone to start this business blindly. I still go to seminars and buy books and tapes. I try to read one good book by a millionaire every month, and I listen to audio tapes daily to attempt to improve myself.

An investment in education is the greatest investment you will ever make, so you need to develop a sound educational plan to help you achieve your goals. Plan to spend one hour each day increasing your real estate knowledge base or improving yourself. In two to three years, you will see a huge difference in who you are and what you have accomplished. Always strive to better yourself!

Key Strategy #4: Obtain Access to Private Capital.

Growing my business to the point where I am able to renovate over 40 houses per year did not happen by accident. Using a hard money lender is what took me to the next level, and private capital can do the same for you.

Anyone who has completed one or two rehabs can tell you that they become very capital intensive. If you do not have a private source of money, these funds must come directly from you. You need to find a source other than your bank account for the funds to purchase and renovate your houses. Whether this money comes from a hard money lender, a line of credit, or a private lender, the sooner you find a good source of funds, the sooner you can accelerate your business.

Key Strategy #5: Develop An Efficient Office System.

If you want to increase the number of houses you are able to renovate, you must develop an efficient office system. I can't be involved with every aspect of buying and selling 30 to 40 houses per year, so it is important for me to have an efficient system in place that allows me to maintain my business at that level.

My focus is on buying houses and cash flow; everything else is delegated to members of my staff. I realized that I was worth too much per hour to be handling menial tasks. I am much more of an asset to my business when I am out locating deals and managing my cash flow. I delegate everything else to good people in my office: answering phones, accounting and bookkeeping, maintaining office supplies, dealing with contractors, and placing standard orders.

You will not be able to develop a system like mine all at once, but it is important to start piece by piece. Add one person at a time as you can afford the payroll, and watch your business grow.

Key Strategy #6: Learn How To Estimate Your Own Repairs.

When I am interested in a property, I go out and estimate repairs personally, and I recommend that you do the same. If you don't know how, learn. By relying on someone else to estimate repairs, you are putting your profit in their hands. They will not lose one minute of sleep if they miss a bad furnace that eats up \$3,000 of your profit.

Just as I do, I recommend that you bring a repair sheet with you to each property you inspect. Write down each repair and the estimated repair cost. After you add up all the repairs, add an additional 10% contingency to allow for anything you may have missed or underestimated. You should also allow an additional \$2,000-3,000 for additional niceties and upgrades that will help sell your house. Ensure your houses will be gorgeous when they're done by planning for these items in the budget ahead of time.

Beginning investors will often underestimate the repairs and will borrow \$4,000-5,000 less than what will be needed to do a quality job. If you underestimate, you will be forced to cut back on important areas of the renovation process such as the kitchen and bath. It is much better to overestimate and lose a deal than to underestimate and have a low-quality rehab that you are unable to sell.

7. Do Quality Work.

This may sound like a simple concept, but I have seen some students' homes turn out looking as bad as when they started.

Today's buyers are smart, and if they see that you have skimped on the carpet, vanities, and kitchen cabinets, they may get worried about the quality of the more expensive items: furnaces, roofs, and the foundation. On the other hand, if your house is gorgeous, it alleviates the buyer's fears about these bigger items.

Most buyers don't have much money left over after purchasing a new home. They want to know that they won't have to replace a furnace or fix a structural problem two months down the road.

It is better to spend a little extra money on renovations to assure your house is top quality and will sell quickly. In the end it is actually cheaper since buyers will move quickly if your house is pristine, and you won't have to carry your house for 6-12 months.

8. Get Your Real Estate License.

My real estate license is one of the most critical tools I have. It allows me access to a world of properties that I would otherwise be unable to find. I search the Multiple Listing Service (MLS) two or three times every day looking for brand new properties. If there is a good deal, I don't have to wait for a Realtor to call or fax me; I can be in my car looking at the property immediately.

Not only can I find my own properties, but I can also do my own comps rather than relying on a Realtor's opinion. When you are figuring how much you can offer, it is important that you know what a house will sell for when completed. You should not rely on a Realtor who is trying to convince you that the house is a good deal. A house is only a good deal if your numbers tell you it is. By getting your license, you won't have to rely on someone else to do comps for you.

9. Develop A System To Sell Your Houses Quickly.

The last strategy is selling properties at lightening speed. Buying a house at the right price and renovating it properly are two important steps, but to realize a profit you must be able to get buyers qualified and get to closing quickly. The faster you pull your money out of a property, the faster you can reinvest it in additional properties.

Finding a good mortgage broker is one of the most important aspects of selling your houses quickly. The mortgage broker I use is the most critical team member I have. She has thirteen years experience and closes over 100 mortgages per year.

It is very important to find a top quality loan officer who deals heavily in first-time home buyers. When you are looking for a mortgage broker, ask them the following questions: how long have you been a mortgage broker, how many deals do you close each month, and what kind of mortgages do you focus on? By asking these questions you will screen out the people you don't want on your team and identify those you do.

There is nothing worse than taking your house off the market for two months and then finding out the buyers could never have bought it. By pre-screening buyers and using a quality loan officer, you will totally eliminate this problem. When I take a house off the market, I know it will close. Spend a little more money on marketing to attract "A" credit buyers to help accelerate your house-selling machine.

In conclusion by implementing these nine basic strategies, you will develop a more profitable and efficient real estate business. I wish you and your business much success in the coming years.