



Flipping Strategy

THIS BUY & SELL STRATEGY IS THE FASTEST WAY TO CREATE WEALTH THROUGH PROPERTY INVESTMENT.

SHORT-TERM INVESTMENT STRATEGY INFO PACK



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NB: This is provided as general information only and does not represent personal advice pertaining to your own unique circumstances.



The “Buy & Sell” strategy.

There are several different strategies that you can implement to prosper in property investment. No single method is the best for everyone, but one is probably best for you.

The buy & sell strategy (AKA ‘flipping’) is the fastest way to create wealth through property investment. While it carries higher risk and requires more time commitment, for the right person it can be incredibly lucrative.

A property flipper will analyse several property options before purchasing anything. Eventually they’ll choose something which they perceive to have potential for improvement/renovation which will increase the property’s value beyond the cost of renovations, holding costs, legal fees and sales commissions.

Suitability:

While flipping can be considered risky, it is a popular choice among younger investors who want to use it as a springboard to safer more passive investment strategies and also have enough time to rebuild their equity if things don’t work out as planned.

It’s also a great option for people with good equity and cash positions, as it comes with more stringent borrowing criteria and expenses requiring large cash payments.

This strategy is the most time consuming, hands-on approach to investing, requiring significant time invested into finding, renovating and selling properties regularly. It is in stark contrast to long term ‘buy & hold’ strategies, which can be quite literally, set and forget.

Benefits of this strategy	Negatives to consider
Potential for large gains	High risk
Quick	Requires time investment
	Requires cash



Risk.



With risk can come great rewards, but also the potential for loss. No matter what you choose to invest in, there is risk and reward to consider. It's a balancing act.

Property is a low-risk, high reward investment category, but is not immune from failure. The following risk matrix shows how Property (as a whole) performs against other asset classes, but property has a risk matrix of its own, with several variables which this document will guide you through, showing how different strategies have different risks and profitability profiles.

We all have a different capacity for risk, so consider what your capacity is, then choose the property strategy that will provide the best returns for you, while still feeling comfortable you haven't over exposed yourself to risk.



Risk Matrix: Asset Classes.



If flipping property seems too risky for you, there are other property investment strategies that could be more suitable, but usually require a more long term view i.e. buy and hold.

STRATEGY	RISK PROFILE	EQUITY REQUIRED	CASH REQUIRED	WEEKLY CASH FLOW	PROFITABILITY
Growth	Moderate	Yes	No	Negative	High
Yield	Very Low	Yes	No	Positive	Low
Balanced	Low	Yes	No	Nil - Negative	Moderate
Flipping	High	Yes	Yes	Negative	High



Renovating.

Don't over capitalise! Before you renovate, you should consider the maximum value the property can reach, based on the location. In expensive suburbs, the sky's the limit. Put in a spa bath if you want to. Get the expensive tap ware, granite bench tops, or marble flooring. But in less expensive locations your potential sale price has a ceiling, so you run the risk of spending too much on a house which can never provide the return.

BEDROOMS

Adding bedrooms will almost always pay off. Adding a wall, door and a bit of paint for an extra bedroom will increase rent dramatically and usually add a decent amount of value too - certainly more than the works cost. This is only possible some of the time, of course. The majority of the time it isn't practical, or even possible to squeeze an extra room into an existing floor plan.

PAINT

Paint is a property investors best friend. There is no better bang for buck when it comes to renovating, than brightening up the interior of a house with the latest on-trend colour palette.

KITCHENS & BATHROOMS

Good kitchens and bathrooms make a big difference to your sale price. You can replace an old kitchen with something modern, usually for between \$8k and \$12k, depending on the

size of it. Appliances often need replacing at that stage too. Budget \$2k - \$3k for this. A full bathroom replacement usually comes in under \$10k.

FLOOR COVERINGS

Often you will replace floor coverings. After new paint, kitchen and bathrooms, a fresh new carpet can be the final \$10k that makes the house look brand new.

LANDSCAPING

There's no one size fits all solution for landscaping, and there are varying opinions from investors as to how important it is. We probably all agree that having a tidy section is important, but whether making substantial improvements pays off is up for debate. The safe bet is to merely make it tidy. Clear weeds, trim back trees, put some bark down in the gardens. Sometimes you will build a deck, stain fences, and add some plants too.



Selling.

Should you sell? If you're planning to sell your property, first ask yourself whether it's necessary. If you can avoid it, you probably shouldn't sell.

In a cool market, possibly when prices have dipped, inexperienced investors can sometimes panic, and offload their properties to cut their losses. It's completely understandable, given these times are usually dominated by headlines 'market crashes' and 'bubbles bursting' according to mainstream media.

In reality though, the only investors who lose money in real estate are those who sell at the wrong time. It doesn't matter when you buy, whether it's the peak of the market before the GFC or the Coronavirus pandemic, as long as you keep the property to see it out the other side, when the market comes back to life.

Staging.

Always stage your property and get professional photos. It makes the world of difference.

It'll cost less than two grand to stage an average family home, but you'll sell it for a lot more. Your buyer will find it much easier to fall in love with your property if they can see it with furniture in it, and it's also great for hiding blemishes.

Professional photography, to use in your advertising can be as little as \$150, so it's a no brainer.



Real Estate Fees.

Real estate fees are expensive so every investor considers from time to time if they're worth paying the price. Certainly they make life easier when it comes to selling your property, but it's often up for debate whether they can really get you that much more on the sale day.

They do get higher sale prices. A halfway decent agent will sell a house for at least some amount more than the average private seller, but will they get 3 - 4% more - the amount they charge? There's a good chance. Certainly in a slump. Perhaps less so during a boom.

One key advantage an agent has over most is the art of negotiation, and negotiating is much easier when you are one step removed from the purchaser. If you sell your own house, you'll be confronted by negotiation directly with your purchaser. Conversations happen faster, cracks appear and your 'tells' begin to show. With an agent, it's like playing Texas Holdem, but the other players can't get a read on you. They can't see what you're thinking.

Then there's the sales process. You don't just open the doors for an open home, show some people around then wait for the offers to land in your lap. Even the most motivated of purchasers need a nudge. It's human nature, we're just not in a hurry to do things.

Your agent will know that all interested parties need to be encouraged, even urged to make an offer. "This property has a lot of interest. We're expecting a couple of offers to come in today. If you're interested, you'd better make a move".

They'll call everyone who's enquired, provide the data they ask for, chase them up again, and write up the contracts. After that, you'll send them back for a wee bit more.

If you don't have the time, skill and desire to call everyone who enquires about your property, convince them to hurry up, play them off against each other, and negotiate the price upwards, you will get great value from an agent, but if making sales is something you're good at, the fees are better in your own pocket.

When it comes time to sell, consider how hot the market is, and what your own capabilities are in the sales field.



Selling Method.

Once you've chosen who will sell your property, you will want to determine the method. There are lots of options!

ASKING PRICE

The most simple of methods. Vendor names their price. Purchaser can choose to accept it. You won't often see this at the beginning of the campaign, for fear of under pricing it and missing out on more money, or over pricing and missing a sale entirely.

AUCTION

All bids at auction need to be unconditional, so a purchaser will need to complete their due diligence in advance. While the high pressure environment of an auction room is designed to push bids higher, do be aware that by choosing to sell at auction, you will be turning away potential buyers who either refuse to bid at auction, or didn't have the time or money to complete due diligence in advance. Auctions will deliver the best results for you if you have a particularly special property. Something unique, that people will fight over. Otherwise, steer clear.

DEADLINE SALE

When you don't have an asking price and set a deadline for interested parties to present their best offer. It's a bit like a silent auction, but offers don't need to be unconditional. This can be very effective because you encourage purchasers to put their best foot forward, while also giving them an opportunity to delay the cost of necessary due diligence until the purchase price is agreed.

PRICE BY NEGOTIATION

Pretty self explanatory. There's no asking price given. It's just down to the vendor and purchaser to negotiate a price they can both accept. Sometimes the purchaser might give a starting point, like "offers over X amount".

If you haven't already, read the renovation chapter of this book, which should complete the selling picture for you.



Other Strategies to Consider.

For the right person or stage of life, flipping property is hard to beat. It can provide returns that sometimes seem criminal, but even the most seasoned professional flippers eventually look for something more safe and/or passive, so if that sounds like you, you might want to consider our other strategy guides, for a longer term approach:



YIELD FOCUSED

The least risky form of property investment - Earn profit from day one by acquiring and holding property with the best rental returns. Benefit from positively geared investments week after week.



GROWTH FOCUSED

Purchase the 'best' properties in the 'best' areas for maximum long term capital gains. Expect negative week to week cash flow, but ultimately enjoy the best returns in the next property boom.



BALANCED INVESTMENT STRATEGY

Choose the right property to suit your minimum yield requirement, therefore providing the best growth potential within your own preferred budget. This could mean negative weekly cash flow, or positive, but understanding the true prize is in long term growth.



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