

# Deal Homework 3

Tong Zhang 11/17/2020

## 1. Find an REO property around my home and check the specs

This house is listed as 5 bedrooms and 1.5 bathrooms and 2307 square feet, this is inconsistent with redfin.



### Property Details

Beds	5	Baths	1.5
Square Footage	2,307	Lot Size (Acres)	0.22
Property Type	Single Family	Year Built	1949
Property ID	2940821	Event ID	O1318-2940821

**Vacant:** Although the property is vacant, do not enter unless interior access is available.

**Title and Liens:** Most liens are removed after a foreclosure property sale, but certain liens may remain. [What type of liens remain?](#)

Contact Agent Info **Yes** ▾

Interior Access **Yes** ▾

\$ Buyer's Premium **5% or \$2,500** ▾

Broker Co-op **Available** ▾

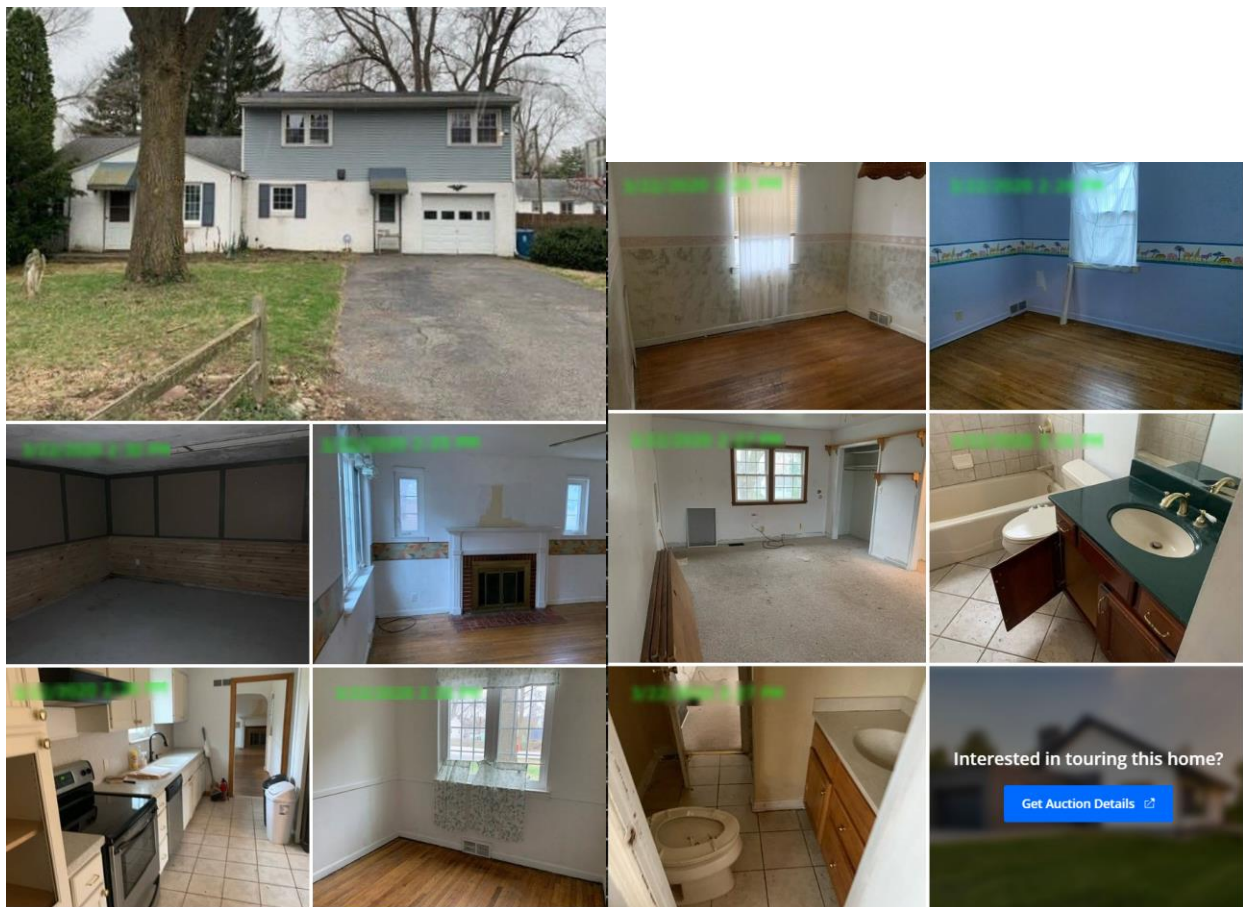
Checking county website to verify the actual data. It is actual 4 bedrooms and 1 bathroom. 2307 square feet and 1158 basement partially finished.

[illegible]

## 2. Estimate the rehab cost

From the pictures, some places need cosmetic works, not too shabby. With that being said, without going into the house, it is hard to know for sure. There are two routes I can go, flip vs rent out. I prefer holding and renting out, but section 3.3 shows renting will result in negative cashflow. The rental estimate provided by aucion.com is a little higher than my estimate (it's jacked up by the trendy area to the north of this neighborhood)

I want to get some light rehab on this unit. Kitchen cabinets are not in bad shape and just need new paint (\$1000, but may need \$3000 for some new appliances if needed), bathrooms need some light remodel (\$3000). The whole house need some fresh paint insideout (\$9000). Hardwood flooring needs to be refreshed (\$1000). New carpets needed (\$2000). It may be accomplished with only \$18,000, but I will reserve \$20,000.



### 3. Calculate ARV

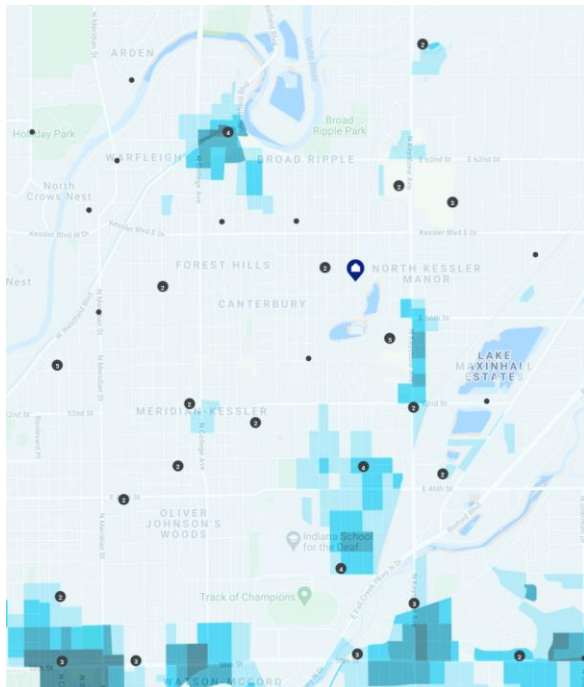
#### 3.1. Check the surrounding houses and understand the neighborhood prices

Zillow Lot Lines shows about \$220k to \$260k, some of them are converted to duplex or triplex.



#### 3.2. Crime rate

Crime rate is low (trulia)



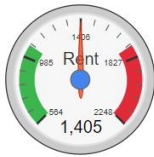


### 3.3. Rent estimate

Like mentioned above, this neighborhood is next to a trending are, so the default rent search will have some discrepancies between median and average. I will take \$1300 to be on the conservative side. It turns out that long-term renting won't make sense in this neighborhood, there will be a \$5 per month. Even if I go with \$1400 per month, the cashflow is still not good.


#### 5726 Crittenden Avenue [QuickView](#)

Indianapolis, Indiana 46220







AVERAGE	\$1,405	MEDIAN	\$1,250
25TH PERCENTILE	\$1,060	75TH PERCENTILE	\$1,751

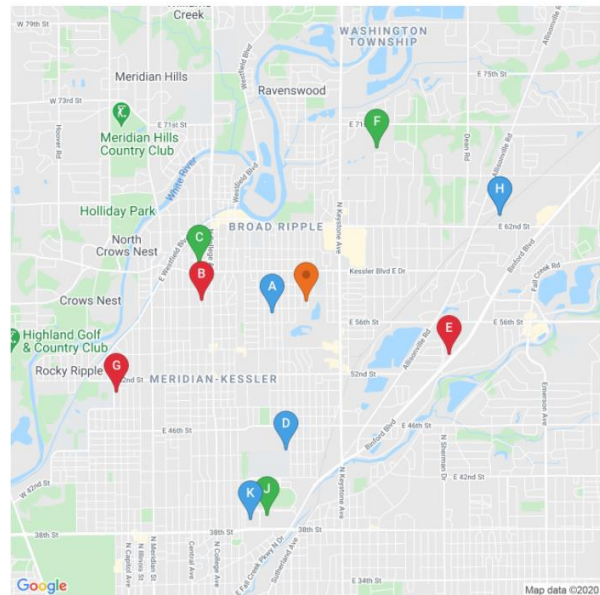
Results based on 11, 4-bedroom rentals seen within 12 months in a 3.00 mile radius.



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### 3.4. Calculate ARV

Tune up filter in the area, looking for similar square footage and bedrooms sold in the past 3 months. I can't find many good 4 bedrooms comparables even by extending the timeframe to the past 6 months. The area to the north of this neighborhood is very sought after, so expanding the searching area will include some high price premises. So I decide to include 3-bedroom houses.

Average \$/sqft is 122, but I checked the pictures of the comparable houses, they are all flips and have fancy kitchen and bathrooms. Since I am only rehabbing it an OK level, I take a conservative of \$110/sqft.

	Address	Location	Price	Beds	Baths	Sq.Ft.	\$/Sq.Ft.
	2603 E 58th St	Washington	\$275,000	4	2	2,236	\$123
	2602 E 57th St	Washington	\$263,000	3	2	2,160	\$122
	5827 Kingsley ...	Washington	\$285,000	3	2	2,184	\$130
	5812 Indianola ...	Washington	\$286,000	3	1	2,335	\$122
	6020 Rosslyn ...	Washington	\$315,000	3	1.5	2,106	\$150
	5739 Kingsley ...	Washington	\$224,900	3	1	2,034	\$111
	5931 Haverfor...	Washington	\$301,000	3	2	2,186	\$138
	5388 N Primro...	Washington	\$246,000	3	2	2,250	\$109
	2532 Dell Zell Dr	Washington	\$215,000	3	2	2,160	\$100
	2606 E 56th St	Washington	\$180,000	3	2	2,304	\$78
	5861 Hillside A...	Washington	\$237,000	3	1	2,390	\$99
Average for 46220:			\$263,000	3	2	2186	<u>\$122</u>

The ARV is \$254k

### 3.5. Asking price

ARV is \$254k, rehab cost is \$16k. Asking price is  $254 * 0.7 - 20 = \$158k$

Open bid is on and reserve is not met yet.

Online Auction - Now Bidding!

[Register for Auction](#)

Bidding Ends In **1d 4h**

Duration **Nov 16, 8:00am - Nov 18 EST**  
[Add to calendar](#)

Opening Bid **\$100,000**

Bid Increment **\$25,000**

**Reserve Not Met** 