


Deal Homework 4

I use the same house found from homework3:

1. Find a house and estimate rehab cost

This is an REO. This house has 4 bedrooms and 1 bathroom. 2307 square feet and 1158 basement partially finished. Open bid is \$100,000



Property Details

Bedrooms	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 ☐ No Interior Access: ☒ Yes ☐ No


Buyer's Premium: ☐ \$5% or \$2,500 ☐ Broker Co-op: ☒ Available

Occupancy	Story Height	Attic	Bsmt Crawl
1 <input checked="" type="checkbox"/> Single Family	2.00	0 <input checked="" type="checkbox"/> None	0 <input checked="" type="checkbox"/> None
2 <input type="checkbox"/> Duplex		1 <input type="checkbox"/> Unfin	1 <input type="checkbox"/> 1/4
3 <input type="checkbox"/> Triplex		2 <input type="checkbox"/> 1/2 Fin	2 <input type="checkbox"/> 1/2
4 <input type="checkbox"/> 4-6 Family		3 <input type="checkbox"/> 3/4 Fin	3 <input type="checkbox"/> 3/4
5 <input type="checkbox"/> M home		4 <input type="checkbox"/> Full	4 <input type="checkbox"/> Full
6 <input type="checkbox"/> Row Type			

Construction	Base Area	Floor	Fin. Liv. Area	Value
1 Frame or Alum.	7	1,497	1,000	1,497
2 Shoso	91	810	2,000	810
3 Tile				
4 Concrete Block				
5 Metal				
6 Concrete				
7 Brick				
8 Stone		1,158	Basement	26,300
9 Frame w/Masonry				

Roofing	Floors	Interior Finish	Accommodations	Heating / Air Conditioning	Plumbing
Asphalt Shingles <input checked="" type="checkbox"/>	1 <input type="checkbox"/> 2 <input type="checkbox"/>	Plaster/Dry Wall <input type="checkbox"/>	Total # Rooms <input checked="" type="checkbox"/> 8	Central Warm Air <input checked="" type="checkbox"/>	Full Baths <input type="checkbox"/> 1
State or Tile <input type="checkbox"/>		Paneling <input type="checkbox"/>	Bedrooms <input checked="" type="checkbox"/> 4	Hot Water or Steam <input type="checkbox"/>	Half Baths <input checked="" type="checkbox"/> 0
Metal <input type="checkbox"/>		Fiberboard <input type="checkbox"/>	Family Room <input checked="" type="checkbox"/> 0	No Heat <input type="checkbox"/>	Kitchen Sink <input type="checkbox"/> 1
		Unfinished <input type="checkbox"/>	Formal Dining Room <input type="checkbox"/> 1	Gravity/Wall/Space <input type="checkbox"/>	Water Heater <input type="checkbox"/> 1
			Rec Room <input type="checkbox"/> 1	Central Air Cond <input type="checkbox"/>	Extra fixtures <input type="checkbox"/> 3
			Fireplace <input type="checkbox"/> 1		No Plumb/Wtr Only <input type="checkbox"/>
			Plumbing Area <input type="checkbox"/>		
			Specialty Plumbing <input type="checkbox"/> (+)		
			Sub-Total One Unit <input type="checkbox"/> 173,900		
			Sub-Total 1 Unit(s) <input type="checkbox"/> 173,900		
			Attached Garage <input type="checkbox"/> (+)		
			Basement <input type="checkbox"/> (-)		
			Sub-Total <input type="checkbox"/> 174,700		
			Grade and Design <input type="checkbox"/> B-		
			Location Multiplier <input type="checkbox"/> 1.00		
			Replacement Cost <input type="checkbox"/> 200,910		
			REMODELING & MODERNIZATION		
			Amount <input type="checkbox"/>		
			Date <input type="checkbox"/>		
			Total <input type="checkbox"/>		
			Report Created on 11/17/2020 9:35:54 AM		

Sketch



Use	Ht.	Const Type	Grd	Year Const	Effv Year	End	Base Rate	Feet	Adj Rate	Size or Area	LCM
Dwelling		Brick	B-	1949	1955	A	300.00	0	6.00	5x10	1.00
Patio-Concrete	0	NA	C	1949	1949	A					

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. 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, \$1.5/sqft interior paint and \$1.5/sqft exterior paint, plus \$2000 reserve). Hardwood flooring needs to be refreshed (\$1000). New carpets needed for second floor(\$2000, \$2/sqft). It may be accomplished with only \$18,000, but I will reserve \$20,000.

2. Calculate profit from flipping

2.1. Calculate ARV

2.1.1. 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.



2.1.2. 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

2.2. Holding cost

Assume we can get the house at \$150,000 and sell at \$254,000

The work can be done in 1 month, we plan 2 months before closing on the house

- Utility will cost \$400 (water and sewage, electricity, gas)
- Assume I borrow some money \$100,000 with 8% interest. Total interest to pay is $100,000 * 0.08 / 6 = \$1333$
- Closing cost at buy (5% as listed on the website): $\$150,000 * 0.05 = \7500
- Closing cost at sell (9% including agents' commission): $\$254,000 * 0.09 = \$22,860$
- Property tax (2% annually of assessed value, assume \$200,000): $200,000 * 0.02 / 6 = \$667$
- Insurance \$240

Total holding cost = \$33,000

2.3. Profit

$254,000 \text{ (sell)} - 150,000 \text{ (buy)} - 20,000 \text{ (rehab)} - 33,000 \text{ (holding cost)} = \$51,000$

3. Refi cash out and Cash flow after refi

3.1. Refinance and monthly cost

Refinance based on ARV of \$254,000. We also reserve \$300/per month for repair and vacancy. The total cost is \$1700/month

Payment Calculator

\$1,399 per month ⓘ

Find a Lender

Principal and Interest	\$855	Property Taxes	\$423
Homeowners' Insurance	\$120		

Home Price	Down Payment	Loan Type	Interest Rate	...
\$254,000	25% (\$63,500)	30 Year Fixed	3.5 %	

Advanced Options



Property Taxes ⓘ

\$5,080 / year 2%

HOA Dues ⓘ

\$0 / month

Homeowners' Insurance ⓘ

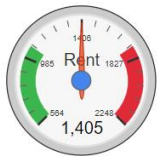
\$120 / month 0.57%

3.2. Estimate rent

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.

5726 Crittenden Avenue QuickView

Indianapolis, Indiana 46220



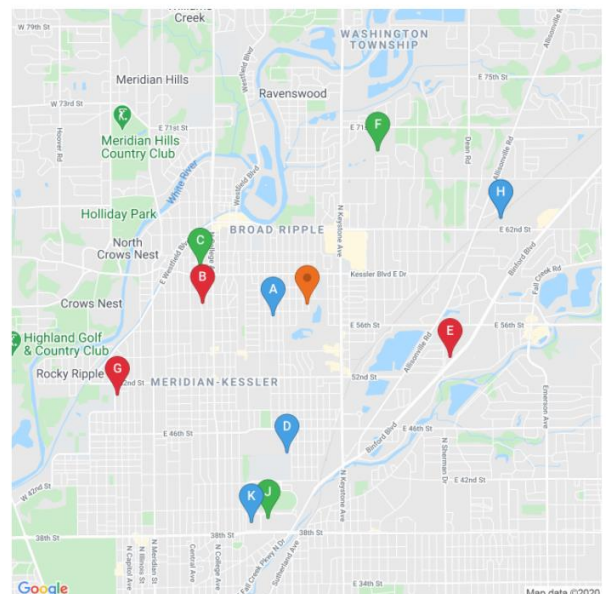
AVERAGE	MEDIAN
\$1,405	\$1,250
25TH PERCENTILE	75TH PERCENTILE
\$1,060	\$1,751

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

Register for a Free Trial and get
5 PRO Reports
(no credit card required)

Start a Free Trial

Facebook Twitter Email YouTube



3.3. Cash flow

Cash flow is negative. \$1300 rent vs \$1700 PITI.