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10 Tips for Buying a Fixer-Upper

Buying a basically sound house and updating the cosmetics is a profitable thing to do in almost any market. But be careful what you buy or it may end up costing you later on.

Here are 10 things to consider when selecting a fixer-upper:

1. Purchase homes that are at least 30 percent below the market value of comparable nearby homes.
2. Choose a location with a low crime rate, good schools, and quiet streets. There isn't anything you can do to cure a poor location.
3. Choose a house with three or four bedrooms. Smaller homes are unlikely to have enough buyer appeal.
4. Avoid homes that need major unprofitable repairs, include wiring, major plumbing, foundation repairs, major kitchen and bathroom renovation, room additions, and/or a new room. Spending money on these basics doesn't add value. Buyers expect them.
5. Find a home that needs profitable cosmetic improvements like fresh paint inside and out, new light fixtures, new carpets and flooring, and fresh landscaping.
6. Look for affordable, low down-payment financing, such as taking over an existing mortgage, lease with option to buy, seller carry-back financing, or a combination.
7. Avoid obtaining new bank financing until the fix-up work is completed and the home's market value has increased.
8. Don't buy a fixer-upper that is more than 60 minutes from your current residence because it is important to visit everyday while the renovation work is being done.
9. Make sure that the seller or tenants will vacate immediately upon transfer of title.
10. Look for sellers who are motivated to sell and who want to make the sale happen.

Source: Inman News, Robert J. Bruss (09/01/07)