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Hosted by: Doug & Andrea Van Soest

Episode 29 – Are You Winning the Tie Breaker for Your Rehab?

Doug: Welcome back to Spouses Flipping Houses Episode 29. We are back and ready to rock and roll today.

Andrea: Yes we are, and we are talking about tiebreakers today.

Doug: Tiebreakers, so you mean like Steph Curry hitting a half court shot to win a game tiebreaker?

Andrea: No nothing like that. Okay, maybe a little like that. But we're talking about tiebreakers and how that relates to your rehabs. So with every rehab that you do, there is a tiebreaker that you can win, and we're going to talk about that.

Doug: Oh, good, good, good. Well we've got several rehabs going, and it's actually been quite a while since we've had anything maliciously stolen or broken into.

Andrea: Yeah for a while last year, I think we had a string of appliance thefts where it was almost like somebody knew our combo to our rehabs and was breaking in to steal appliances. Maybe that wasn't the case, but it kind of felt that way.

Doug: It seems like certain houses will get hit over, and over, and over.

Andrea: Yeah, and it could just be the neighborhood or people knowing that it's vacant, but we've had people breaking in to seek refuge or sleep, but nothing super malicious until yesterday.

Doug: Wah-wah-wah. So what happened?

Andrea: Well we have this house that we bought in Riverside, and it smells like it used to be a cat sanctuary.

Doug: Which is not that uncommon by the way.

Andrea: No it's really not unfortunately.

Doug: But this one was real bad.

Andrea: So bad that the house has been stripped down to the studs, new drywall put in, new fresh paint. We had to halt them at that because it still smelled so bad with the old wood floors that had been left, even though we're

going to cover them, it smelled so bad we didn't want to put anything else in there because it's going to absorb that smell.

Doug: Yeah, it just smelled like a litter pan, still when you walk in the house. We have got to take care of that smell.

Andrea: So anyways, our solution for hopefully taking care of that smell was to put an ozone machine in the house. And we've done this before; it's worked quite well, where you put one of those ozone machines in the house. You seal it up for a couple days. You come back, and it smells a lot better.

Well, contractor puts the machine in the house, closes it up, and somebody breaks in and steals the ozone machine.

Doug: Comes back, no ozone machine.

Andrea: I guess they had a stinky house too.

Doug: So, my question: did the ozone machine work before they stole it or do you know? Does it still smell? Have you been there yet?

Andrea: It did not work. Bummer. So I don't know if it didn't have the appropriate amount of time to take effect. I think it did actually; I think it sat there all weekend, and it still stinks. So our only other option now at this point is to chemically treat the wood floor.

Doug: I was going to say, what about air fresheners?

Andrea: No!

Doug: You could overload the house with air fresheners, just every plug-in, candles.

Andrea: It will smell like florally cat pee.

Doug: And candles might be dangerous.

Andrea: Yeah, so we're going to chemically treat the wood floors that have already been scrubbed, and scraped, and every other thing you can think of, so this is basically our last option. So if anybody listening knows how to get rank stink...

Doug: Cat urine smell.

Andrea: Cat urine smell out of a property, please let us know andrea@spousesflippinghouses.com.

Doug: That would be beneficial to know because we've actually had several properties that have had some stank smell before, but we always put some of that "Kills" product on there. And if you replace the drywall, usually that takes care of it. But this one *whistles*.

Andrea: It's a special kind of nasty.

Doug: It's another level of nasty, but the house looks good.

Andrea: It does, and it's going to smell good. We'll find a solution. We're not going to sell it like this. We're not even going to put in anything else that could potentially absorb

the smell until we've got it taken care of, so kind of a bummer that the ozone machine didn't work. Or maybe it would have worked.

Doug: But hopefully one of the neighbor's houses is smelling better now. So stay tuned until the end of the episode. We have a special announcement. What's our announcement about?

Andrea: It's about an event that we're going to be speaking at.

Doug: We are.

Andrea: Or maybe you're going to be speaking at.

Doug: We are, I think.

Andrea: I don't know. One or both of us will be speaking at an event coming up.

Doug: Spouse Flipping Houses, may be speaking at an event coming soon, so we'll be talking about that at the end of the episode. So stay tuned for that but now let's get to the meat and potatoes of this podcast. And I say that, and I'm getting hungry when I talk about meat and potatoes.

Andrea: We just ate pizza.

Doug: Yeah but I mean a little pot roast you know, with those potatoes and carrots in there, mm. Sunday afternoon just came rushing back to me. Anyway, one of our mentors

Bruce Norris, when talking about rehabs, he would often say, “You need to win the tiebreakers when you’re rehabbing your property to sell.”

And as he dug into it and as we’re going to talk about today, it’s a really important topic. So Andrea, what exactly was Bruce referring to in regards to a “tiebreaker” when rehabbing a property?

Andrea: So this means that all things being equal, what is that one special or unique feature that can make your house the clear choice for a buyer, thus breaking the tiebreaker and making your house the winner. So in every rehab project that you do, you need at least one thing that will make you win the tiebreaker so that you’ll be the next listing that goes pending the soonest.

Doug: Okay, so it helps you stand out.

Andrea: Exactly.

Doug: Okay, and this typically is a little more important in a buyer’s market when the available houses are plentiful. When there are tons of listings available, and buyers have their choice. So what is it that is going to set yours apart?

Andrea: Right, exactly. But as somebody who loves design and feels like every house should be done right, I think it’s important in every market because the longer that your house sits, the more carrying costs that you have; it helps it to sell more quickly. And so you really do want to win that tiebreaker— I think always.

Doug: Good point, so cat pee would probably be losing the tiebreaker.

Andrea: That would be an “L.”

Doug: Doesn't help you win that tiebreaker. Say you have a house, what are some ways to determine what that tiebreaker could be for that particular house that you could win?

Andrea: Well the first thing I would say is that your tiebreaker doesn't have to be something that is expensive. So you want to study all of the comparable sales and listings in the area of your subject property, and you want to look for the common features and upgrades that are present in those comparable properties.

I think that the biggest mistake that first-time flippers and even some experienced flippers make is one of two things. They either rehab a property as if they were going to live in it, and they way over-improve it and spend too much money, which cuts into their profit.

Or they actually under-improve it, which you kind of heard of on those TV shows as “lipstick on a pig,” and they don't fix all of the issues that are important to the buyer. And so both of these are a problem. With one of them, obviously you spend too much; you cut into your profit. And with the other one, your property is going to sit longer, and your comps are going to sell faster than yours because yours is not the standout winner.

Doug: So then what's the proper way to rehab a property and not over-rehab it, but make sure you're going to win the tiebreaker still?

Andrea: So it goes back to the first thing that I had mentioned: you have to look at the comps. You only need to be as good as your competition, but you really want to be just slightly better. So that's the one tiebreaker issue that's going to make your house sell faster.

So what actually inspired this podcast episode was the house that we talked about a couple of weeks ago that we bought here in our own hometown of Marietta, and Doug and I were going back and forth about whether or not to scrape the ceilings. And we ultimately decided that this could be the tiebreaker issue for this house, and we decided to go ahead and scrape the ceilings.

And the reason we decided to do that was this is basically a track neighborhood that was built in the 80s. All of the houses in this neighborhood have just a slightly funky architecture different than the way homes are built now. They all have these weird 45° angles in different places and things that, from a cost standpoint, don't make any sense to go in and change or upgrade that.

But all of the comps have it too, so there's nothing we can do about that. It's normal. All of the comps in that neighborhood have pretty average landscape, and so does ours. Most of our comps back to a busy street, and so does ours. Most of the comps have been recently upgraded in terms of the kitchens and the bathrooms, within the last

five years or so, and that's what we're going to be doing to ours.

So there's really nothing else that makes ours stand out. We noticed that a lot of these comps still actually have the popcorn ceiling, so we felt like that is the one thing, that's the tiebreaker that we can win. Yes we back to the busy street; yes we're built in the 80s and have the weird angles, just like yours. But hey, our ceilings are awesome.

Doug: Definitely

Andrea: And it doesn't cost that much to do it. It ended up being I think about a dollar a square foot for the house. We'll spend about \$1,600 extra, but I really do think that it's going to be a big benefit.

Doug: Yeah, and I think you're going to be right on that. I mean people when they go into a house these days, even if everything else looks new, and upgraded, and fresh, and clean, and then you look up to the ceiling and are like, "Eh. Nobody does popcorn ceilings these days."

Andrea: It's just a big fat time stamp, date stamp.

Doug: Exactly, exactly. So then what would be some common examples or common ways in which a rehabber could take their house and do something to make it win these tiebreakers? What are some common tiebreakers?

Andrea: Well it's hard to say exactly because every house is going to be unique to its own comparable properties, and I know I keep saying this, but it is so true.

Doug: It is true.

Andrea: So you really just have to look at the comps and figure out what these properties have and what can be your extra little sizzle feature. So the three places that you'll get the most bang for your buck are what you hear everybody always say: the kitchen, the bathrooms, and the curb appeal.

So for example, if the other kitchens that are the comparable properties to yours have the tile counters, then maybe you want to spend a little bit extra, and you're the one who has the granite counters in the neighborhood.

Doug: Okay, good. What about another example in the kitchen, like maybe appliances?

Andrea: Yeah, you know I read an article recently that said houses with stainless steel appliances sell I want to say it was like 30 percent faster. Don't quote me on that; you can Google it. But they sell faster. It's been proven.

Doug: Yeah they're a little more expensive than your white or black appliances but for the most part, I mean in general, that's what a buyer would desire, a stainless steel stove and dishwasher. So yeah, spend a little bit extra for that. What about maybe landscaping in the backyard?

Like I know in our area, there's a lot of desert areas around here, and people just don't landscape maybe any of their yard, but at least the backyard they'll just leave dead or as a natural landscape.

Andrea: Right. Landscaping is one of those places where you can pour a lot of unnecessary money into the property, so I would say to look at your comps. If that happens to be the one and only place you feel like you can win a tiebreaker, then go ahead and put a little bit extra into the back landscaping, but I think the front is a little bit more important.

Maybe you have an upgraded, little bit nicer front door, maybe you put a little bit of extra money into that front curb appeal. I would do that before I would put money into the back.

Doug: Okay, good. So that's a good point— you brought up front door. I think that's also, depending on the house and area, that's huge as well. Just have a new, cool, fresh front door, maybe a bright color or something like that to really just show that somebody has poured effort into improving this house.

Andrea: So there really is no magic formula for winning this kind of a tiebreaker. You just have got to look at all of your comps. What is your competition? Pay attention to every feature that they have, and make sure yours is just as good. And then find that one little extra thing that doesn't break the bank that is going to put your house at the top of a potential buyer's list.

Doug: Absolutely. Make it stand out and make it the obvious choice because of *this*.

Andrea: Right.

Doug: So that's it for winning tiebreakers. I think there's a theme with that in recapping, and the main theme that I heard you say there was to pay attention to your competition. See what's listed; see what they have. You have to really know what you're up against.

Andrea: Yeah it's really essential because your sales price and the length of time your property sits on the market depends on it.

Doug: Yep. So tiebreakers are very important. Take them seriously okay, so on to our announcement from the beginning of the episode. Andrea and I, or one of us, will be speaking at the Flip Hacking Live in San Diego, coming up this October 6th through 8th.

Andrea: It's going to be three days packed full of great content. It's being put on by Justin Williams, and Andy McFarland is going to speaking to. He is awesome. Also, a panel of other very talented investors, so if you want to find out more about Flip Hacking Live— that's kind of hard to say— Flip Hacking Live, you can head over to SpousesFlippingHouses.com/FlipHack.

Doug: Yes, we're really excited about this so go there and get some more information. And oh also, please continue to send in your questions for our upcoming question and answer show.

Andrea: Yes that will be next week. So if you have questions, go ahead and send them to me quickly if you would like that to possibly be included in this next

episode, and we'll answer your questions regardless. So you can send those to Andrea,
<mailto:andrea@spousesflippinghouses.com>

Doug: Sounds good, so on that note, we will talk to you next week.

Andrea: Talk to you later.