

Fix vs. Don't Fix

Article Download from www.StraitPathRealEstate.com

One of the greatest unnecessary expenses in all of real estate is the amount of money people put into a home under a false pretense of what the property condition SHOULD look like. You see a lot of people who re-do the landscaping, repair the fences and buy new appliances to "increase the property value." Truth is, it doesn't. It *might* help to sell your house/lease-option faster, but that's about it. Too often, this need to fix up the house is a mirror of how we'd like our own home to look which of course is a completely different standard than what other people are searching for. We want clean carpets, perfectly functioning but to a potential compassionate financing tenant, this is an opportunity--an opportunity to repaint the walls, rip out the carpet, and personalize the house.

So here's the deal: Far too many investors pay way more than they should to fix things that often do not need fixing. In the SP program, homes need to be functional and livable. If you don't like the color of the paint, I don't care! There are other people that don't either. If the carpet isn't your style, chances are it is someone else's. If the appliances aren't stainless steel...you get the point. Too often, the mark of a novice investor vs. a professional is one that is considering a home through their eyes in regards to what they want for their family, for their situation, as opposed to a family in the community that has been renting for ten years and is willing to get into a home at some small costs like "I don't like the carpet and I don't like the paint." Ultimately understanding that your perception is very different than many people in your market is the key to spending less, saving more and capitalizing on the greatest profits.

When considering the following guidelines also be aware that they are guidelines. They may not apply to every situation, especially in relation to the market. In a buyer's market, people care much less about the perceived condition of the home than in a seller's market. As the pendulum swings from left to right, you may need to consider a little bit more fix-up when there is massive inventory of homes on the market and people can afford to be pickier, and the opposite is true in a buyer's market.

Below are some guidelines to look at when considering possible fix-up projects:

DON'T get heated over the **Furnace**

Just make sure that it works and the filters are clean. Check for air leakage around the duct work. If there is slight air leakage, use an aluminum tape to seal up the holes. Advise your tenants to clean the coils annually.

DON'T jazz up the **Water Heater** unless...

Make sure there are no damages to the water heater. It can be a little old and maybe even a little rusty but it should be functioning. Effective water drainage is important! If the water heater is electric, advise your tenants to look for future leakage, especially with electric water heaters and multiple floored homes. If there is a big leak, you could get electrocuted! If you have any other questions regarding maintenance and repair, most water heaters have instructions labeled on them or a resource online.



DON'T go crazy over the **Sprinkler System**

If it works, it works. If it doesn't, you shouldn't worry too much about it! As long as there aren't significant pipe damages that will cause problems to the house, you don't need to spend money repairing it. For your future tenants, remind them to turn it off and drain the water out in the winter time.

DO check the cracks in the **Drive way** but **DON'T** spend money unless...

Cement will crack, always. It is almost impossible to have cement that won't crack. Roots, pressure, and natural settlement over time cause these cracks. If yours is cracked, it's not anything big. However, if the cement has shifted (meaning, huge gaps or significant differences) you may want to warn your tenants about them. The biggest issue with cement is the liability if someone was to trip or get hurt, but this should be covered in home owners insurance. So you shouldn't have to spend money repairing cement.

DO check the cracks in the **FOUNDATION** but **DON'T** spend money unless...

The same cement principles apply. If there is shifting in the cement foundations, where there is more than a quarter inch separation in height or width, then there are possible sink-hole issues and could be more than a stress crack or shift. If that is the case, you may want to get a geotechnical engineer to assess the foundation and give you a recommendation.

DO check the cracks in the **BRICKS** but **DON'T** spend money unless...

If there is a crack in the bricks, it shouldn't be an issue and you shouldn't spend your money repairing it. However, as previously mentioned, if there are significant shifts or gaps, especially above a window or door it could be more than simple settlement cracking and needs to be assessed by a geotechnical engineer. But remember, it is typical brick behavior to start cracking.

DON'T mind the smells and spots of the **FLOORING**

Worn down carpet, spotted carpet or strange smells in the carpet are not necessarily significant problems. This is a cosmetic issue and you can replace it if you want, but remember that because this is compassionate financing, maybe your tenant wants to make the changes. We recommend a good carpet cleaning where there are a lot of spots and discoloration. If there have been cat urination or other spills where the smells can't be removed you may need to consider carpet change in those areas.

Laminate and tile are both maintainable. Both are relatively inexpensive to install or repair but again, your new tenant may be more than willing to take on that project on their own. **DON'T** touch the **PAINT!**

Paint cracks, chips and peels are all cosmetic issues and should never raise an alarm enough to spend money fixing them unless it is really extensive.. Just because you don't like it, doesn't mean that someone else won't jump on the opportunity to fix it. If you do need to fix a really bad room or two, paint is cheap.

DON'T worry about the **FIXTURES**

Fixtures such as lights or fans, if they are in the house, fantastic. If they are not, it's not a big deal. Don't feel like you have to replace or install everything. Compassionate financing tenants are looking for functionality.

DON'T replace or fix the **CABINETS**

Again, this is a matter of aesthetics. Don't confuse bad taste with the need to repair or replace something. If your new tenant doesn't like them, they can change them. It is a relatively simple, but it adds up.

DO RELOCK the doors

Security and peace of mind is important! When someone else has owned the home, chances are they might have a copy of the key floating around somewhere. Relocking should be no more than a \$50 expense, if that.

DON'T buy a **GARAGE REMOTE** but **DO** if...

There is a garage and an installed garage door opener. You probably want to have a functioning remote or a suggestion for where you tenants can purchase one. There are typically universal remotes at hardware stores, but for the sake of saving your new tenants time and a few dollars, a nice gesture like providing a garage remote wouldn't hurt.

DON'T worry too much about the **HOLE IN THE WALL**

If there is a small hole in the wall, don't worry too much about it. Dry wall repairs are cosmetic issues and are typically simple and inexpensive for your future tenant. So you don't have to spend money fixing it. However, they do stand out to many potential tenants so to increase the sell ability of your home, you might consider getting some larger holes repaired.

DO look closely at the **SOFT SUB FLOOR AROUND THE TOILET**

This could be an expensive issue if it's not taken care of. Water damage can get in around toilet areas and cause dry rot to occur which is a weakening of the wood and could eventually break through and cause huge water damage and unsanitary issues. Often times, you can replace the flooring with tile and seal up the area around the toilet at a small expense.

DON'T flush your money for an **OLD TOILET** but **DO** make sure that it is functional

If you have an older toilet, and it's still functional—it flushes, doesn't fall apart when someone sits down, etc, you don't need to replace it. However, if it causes major plumbing issues or looks potentially dangerous for users. You might want to stop by the Lowe's or Home Depot and get an inexpensive replacement.

DO clean out the **MILDEW IN THE SHOWER**, but **DON'T** replace the whole shower

Mold in the shower, also known as mildew, is typically harmless. It looks a little unsanitary and is slightly embarrassing to show to potential buyers so take some 401 or Comet and do a little cleaning to bleach it out. Max expense, \$5 to \$7 on cleaning supplies.

DO watch out for the **MOLD** monster!

Mold has raised a lot of issues in the past few years. It can cause respiratory problems if not dealt with appropriately. Mold will grow if it has a water source and a humid environment with stagnate air. Wherever water goes, mold can find its way there. Unless the mold is out of control, it can be stopped by removing a piece of wall (re-dry walling and painting) and stopping the water source. If the mold is extensive and potentially hazardous for the health of your tenant (and/or can bring legal claims), contact a mold remediation company to take care of it.

DO replace the **BROKEN WINDOWS**, but **DON'T** worry if there's a small crack or two on the pane

If you have single pane windows, they can be a little more expensive for the tenant because of energy leakage, but are typically never a deterrent from buying a home—just a higher electricity and gas bill. If you have a slightly cracked window pane and want to replace it, it's a simple cost. You don't need to replace the whole window and you can still sell your lease option with it.

DON'T worry about the **MISSING...**

Drawers, closet doors and door knobs. These are all cosmetic issues and don't need to be in the house when the tenant moves in. They can replace and buy new ones. If you are worried that these missing items will strongly affect the selling time of your lease option, you can fix it up, but keep it at a very minimal expense.

DON'T fawn over the **LAWN.**

This is another...cosmetic issue! Having decent curb appeal could shorten the sales time of your lease option, but again, spend as little money as possible to refine it. When it comes to a landscaping makeover, don't do it! It's too expensive. Especially if your tenant buyer's is the fixer upper type, this can be their new Saturday activity.

DON'T blow your top over the **ROOF**

If your roof is not leaking, you don't need to fix it. If there are minor damages here and there and can cause potential leaking, you can often patch the roof without replacing the whole thing.

DON'T recompense the not-too-ugly **FENCE**

If your fencing is really, really ugly, just tear it out. It's cheaper to just tear it out and leave it that way, then to re-fence your entire yard. Or, if you have a do-it-yourselfer tenant moving in, leave the fence the way it is, and let them fix it! Same goes for the siding, if it's so ugly, you think it will affect the sell time of your home, you can tear it out (which, again, is cheaper than replacing it).

DON'T form a money alliance with the **APPLIANCE**

If there are appliances in the house, awesome; if there aren't, well that's ok too! Basic appliances need to be in the house like a stove and a water heater. But a fridge, a washer and dryer set, or a dishwasher can be left to the tenant. . If a home doesn't have those things and you want your buyer to have them, check online for used appliance sources and buy them cheap. You shouldn't ever have to buy appliances full price.

DO clean out the **AC/SWAMP COOLER** but **DON'T** spend money unless it's damaged

Like a furnace, the AC/Swamp cooler needs to be maintained yearly and cleaned. An AC unit will often have a filter that needs to be changed out. In the winter time, a swamp cooler needs to be covered up and the water drained and turned off to avoid damage. If this is broken in the house, It should be repaired.

It's **Electric!**...But **DON'T** worry if every single outlet doesn't work.

The electrical outlets, switches, and fixtures should be working in the home. Typically, most of the outlets should work, use your discretion—the house needs to be 80% functional. Which means, that if there is an outlet here or there that doesn't work, that is ok. Every outlet in the home doesn't have to work, every light doesn't have to have its bulbs in it, only fix the things that are truly necessary.

Remember, most of these problems can be handled by the tenant, which is why you are doing a lease-option in the first place, to avoid the maintenance responsibilities. If your tenant has maintenance skills, all of these things can be negotiated in the lease to completely mitigate and take away the time you spend on these problems because YOUR time is YOUR money. For all of these things, you can fix them, but you pick and choose. Every home has problems, but that is a part of buying a home and the experience of home ownership. A home doesn't have to be perfect, it has to be *functional*.