

THE **PROPERTY INVESTING** **FORMULA**



Millionaire Property
Strategies for the Everyday Investor



Jennie Brown & Nhan Nguyen

PROPERTY EXPERTS

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Disclaimer

All the information, techniques, skills and concepts contained within this publication are of the nature of general comment only and are not in any way recommended as individual advice. The intent is to offer a variety of information to provide a wider range of choices now and in the future, recognising that we all have widely diverse circumstances and viewpoints.

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CHAPTER 16

Flips

A flip is a strategy that allows you to make quick and easy money – if you know what you are doing and plan carefully.

So, what then is a flip and how can it be used effectively to generate money quickly?

The essence of a flip is when you sign a contract to buy a property, and then on-sell your interest in it to someone else before the property settles. You are flipping the property to someone else before you have to pay for the property and become its new owner.

Why would you want to do this? Well, there could be all sorts of reasons. For starters, perhaps you just want to make some quick money. It could also be that when you entered into a contract to purchase the property, you had all good intentions of doing so, but since doing that (and before the settlement date) your circumstances suddenly changed, making you no longer able, even though you were legally obliged, to proceed with the purchase. These things do happen.

A flip will allow you to successfully extricate yourself from a situation over which you had no control, and make some money along the way for your efforts.

Will flips work for you all the time? No, of course not. Like with everything else, what you put in determines what you get out. By this we mean your effort, your research and your determination. You see, the real beauty of this strategy is when you come across one of those so-called bargains; you know, the ones that are selling for way under what you believe you could get for it if you were selling it yourself. Now as a serious real estate investor, you will come across these from time to time, simply because you will have developed a good 'feel' for a particular area through focus and research.

For a flip to really work, you need to find a property that is, in your opinion, selling for less than it is worth. It could be that the seller just needs a quick sale and is sacrificing a good or fair price for a quick sale - this does happen. It could be as a result of a marriage breakdown or that the owner simply doesn't know the true worth of the property.

Once you have found a suitable property and put a contract on it, you then need to find someone to flip it to. You may have found that one in a million property to flip, but unless you can find a suitable buyer, this strategy will still flop. If you are serious about using this strategy, then begin developing your contact among investors who may not have the time to research and look for properties in your chosen area.

Advantages

Flips are a great way to generate an income from real estate really quickly and without having to go through the entire, longer-term process of buying and adding value. Just one or two flips every few months can replace an average full-time salary.

Flipping a property can save you if your circumstances change or you realise you made a mistake buying the place in the first place.

Disadvantages

One of the main disadvantages of this strategy is that if you cannot find someone to flip it to before settlement date, you will have to buy it. The other is that there are some costs involved and you do need to take these into account, otherwise the profit you end up making may not be nearly as large as you had planned. These costs could include stamp duty, fees to a real estate, and capital gains tax. These costs will add up to quite a few thousand dollars and, unless factored in, can turn all your hard work and good fortune into dust.