

Sound Off: What do you need to know before buying a fixer upper?

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A: Armed with the expertise of your realtor and an architect s/he brings in to advise you, you will want to consider:

- Will the location support the investment in improvements you want to make?
- Is the “envelope” of the house sufficient for your needs/goals?
- Is there square footage within that envelope that can be repurposed into conditioned living space? Going outside the envelope is a very lengthy and expensive process.
- What opportunities and limitations are there vis a vis the city’s rules and their current moving-target attitudes?
- Is the property in a current or potential historic district? This will limit what you can do with the front facade.
- What does the permit history show?
- Does it need a new foundation, electrical and plumbing? The architect and a good contractor can provide broad-based estimates.
- Does your budget line up with the scope of the project; will your lender support that?

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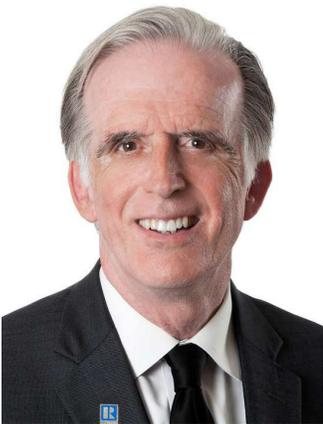
A: To know if a fixer is great, potential investors should calculate the project's annualized percentage return, which is reached by dividing your net projected profit by the number of years the project takes from start to resale and the total cost.

To quantify a project's cost and time, you should consult experts like architect/permit consultants, Realtors, contractors, structural engineers and construction lenders. Make sure that you budget for cost and time overruns plus holding costs if your fixed-up home does not sell quickly.

You can estimate your fixer's future resale value by scrutinizing all of the sales of renovated properties in the neighborhood surrounding it.

Also, make sure you know your buyers. Look at the title records to see who has purchased properties in the location and the price range in which you are hoping to sell, and have your Realtor talk to at least a few dozen of these buyers to figure out how you can build something that your target buyers will love.

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A: When buying a fixer upper you want to avoid any costly surprises. Are there any structural defects with the home, like foundation, drainage, electrical, or problems with the roof? How much will it cost to correct these problems?

What are the local building and zoning requirements? It is important to have any home checked out thoroughly before buying it. In many areas it is customary for the seller to provide up front, a property and pest control inspection as well as disclosure statements regarding any "material defects" in the property. You want to review these reports and disclosures carefully.

Being buried in construction dust, unforeseen construction delays and eating out for months on end could be good reasons to only want to do it once. Make sure you love the house enough to want to go through the remodeling process and be prepared to run over budget and take longer than expected.

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