



# **Investment Analysis: The Effectiveness of Flipping Real Estate**



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## **Executive Summary**

As an appraisal firm, Alpha Valuations focuses on providing quality service and expertise to customers. The company's objective is to provide service to those interested in knowing the amount for which a property will transact on a particular date (Pagourtzi, 2003). The aim of this business project was to focus on investment properties. I focused on researching whether flipping real estate was effective. For this project, I looked into three condos in Illinois. The first condo was in Bolingbrook, the second was in Wheaton, and the third was in Lombard. Many have described the act of property flipping as buying a smaller and cheaper property, restoring its interior and exterior, and then quickly reselling it (LaCour-Little, 2021). During this project, I learned that flipping homes involved more than considering product and labor costs. In fact, insurance, taxes, and mortgage are all essential details to consider. I am very thankful for this opportunity to explore a field that I wasn't as familiar with and am now more informed about. I wish Alpha Valuations the best in the future in continuing condo investment properties and exploring single-family homes as investment properties.

## **Business Context**

Alpha Valuations is an appraisal firm in the real estate industry. The real estate industry involves many facets of commercial and residential property management, such as sales, developments, renovations, appraisals, etc. Real estate is controlled by economic factors like interest rates, population growth, and economic strength (Franchisee Resource Center, 2020). With this in mind, Alpha Valuations is a company that focuses on specifically bringing service and expertise to customers who are looking for an accurate assessment of the value of their property. Covering commercial and residential real estate, they offer appraisals and consultations for commercial properties throughout Illinois and services for residential properties in Cook, DuPage, Kane, Kendall, Lake, Will, and McHenry counties. As an intern, I worked beside Alpha Valuations on various projects such as completing a business plan, analyzing investment properties, researching mortgages and taxes, and more.

## **Business Project Description**

I was onboarded onto Alpha Valuations as an intern, and I worked weekly from June to August alongside Mr. Will and Mrs. Lori Hall. Throughout this experience, some key insights and tasks I focused on were organizing and completing a business plan, creating home valuation tools, researching real estate trends for townhouses, condos, and single family homes, analyzing investment properties, researching renovations for flipping homes, and learning about mortgage and taxes.

One major project I worked on was organizing and completing the business plan. The business plan is split into seven main sections, including the executive summary, company description, market research, service line, marketing and sales, and expectations. My advisor, Ms. Lori Hall, allowed me to work at my own pace and fill in all the sections on a separate copy of the Alpha Valuations Business Plan. Throughout this project, I learned an immense amount about how much background and small and large details needed to be taken into account when launching and expanding a business.

The executive summary, company description, and expectations were three sections that stuck out to me the most. The executive summary focused on determining the product, target market, objective, future, and personal goals. As I was completing this portion, I realized the importance of considering how your personal goals can align with your plans for your business, and why it is important to consider both. It also gave me the opportunity to write and understand the objectives of the business and what the company is trying to achieve.

### **Executive Summary**

#### **Product**

Appraisal Residential services to: single family homes, townhome / townhouse, condominium / condo, multi-family investment property (up to 4 units), and vacant land

Appraisal Commerical services to: Apartment buildings, commercial buildings, condominium conversions, farm land, industrial, medical office, mixed-use, multi-family, office, restaurant, retail strip centers, senior living facilities, vacant land, warehouses, and more

Realtor services to: Single family homes, townhome / townhouse, and condominium / condo

Investment properties to: condominium / condo, multi-family investment property (up to 4 units)

#### **Customers/Target Market**

Appraisal: Cook, DuPage, Kane, Kendall, Lake, Will, McHenry (other counties by special request),

Realtor: Individuals and businesses throughout the State of IL.

Investment: Property Owners & Individuals

**Image 1: This image is a portion of the executive summary that shows the product and customers/target market sections.**

The company description consisted of producing tag lines, slogans, mission statements, company members, and legal structure. While I have heard of tag lines, slogans, and mission statements thrown around in my everyday life, this section allowed me to dig deeper and research examples of each and how they differ from each other. After developing a couple of ideas for tag lines, slogans, and mission statements, I researched legal structure. The debate for the company was whether to be a sole proprietorship or a limited liability company. Coming into this internship, I didn't know either of these terms, but I now understand that a sole proprietorship is when a business started doing business without declaring themselves as a separate legal entity, while limited liability companies are those who went through the process of becoming a separate legal entity.

The last section was the expectations portion, consisting of the forecast, yearly financial highlights, financing needed, and time required per week. This section was new to me and required me to research how to calculate monthly forecast, revenue and expenses, and net profit/losses by year. I learned that this information is best displayed in a chart labeled with projected profits/losses, revenue, direct costs, operating expenses and income, and net profit percentage.

Another major project I focused on was creating home valuation tools. For appraisal purposes, many components of a home need to be considered in order to obtain an accurate estimate of the property's value. These components can include asking how many rooms and the exact rooms the home has, the square footage of the lot and property, the exterior and interior design, the model type, the exterior commodities, etc. These home valuation tools came in a short, long, and future form. The short form consisted of basic questions about the property. The long-form asked more in-depth questions about the interior and exterior components of the property. The future form is all the questions from the short and long forms combined. I created this valuation tool by plugging the questions from the short, long, and future forms into the Google Forms software. This allows Alpha Valuations to provide customers with Google Forms if they want their property appraised.

| Timestamp          | Email Address | Single Family, Condo, or | Full address, City, State | Design Style (2 story, ran Subdivision and Model | Township | Assessor sq ft | Assessor lot size       |
|--------------------|---------------|--------------------------|---------------------------|--|----------|----------------|-------------------------|
| 6/30/2021 18:22:52 |               | Single Family            | 1113 N 13th St, Dekalb, I | 1 Story  | N/A      | Dekalb         | 864 Less than 0.25 acre |
| 7/2/2021 10:04:25  |               | Single Family            | 1278 Knolls Ave South, E  | 2 Story  | N/A      | Dekalb         | 2250 0.25-0.49 Acre     |
| 7/2/2021 10:23:01  |               | Single Family            | 742 W Hillcrest Dr, Dekal | 1 Story  | N/A      | Dekalb         | 1250 0.25-0.49 Acre     |

**Image 2: This image shows a portion of the long home valuation tool form. Specifically, It shows where the data from completed forms end up.**

The image shows a web form titled "Home Valuation Tool - Long Form". The form is divided into several sections. The first section is for email, with a field labeled "Email \*" and a placeholder "Valid email". Below this is a note: "This form is collecting emails. [Change settings](#)". The second section is for property type, titled "Single Family, Condo, or Townhome \*", with three radio button options: "Single Family", "Condo", and "Townhome". The third section is for address, titled "Full address, City, State \*", with a "Short answer text" input field. The fourth section is for design style, titled "Design Style (2 story, ranch, split level, etc) \*", with a "Short answer text" input field. The fifth section is for subdivision and model, titled "Subdivision and Model \*", with a "Short answer text" input field. On the right side of the form, there is a vertical toolbar with icons for zooming in (+), zooming out (-), printing, and a menu icon.

**Image 3: This image shows the first few questions and is a portion of the long home valuation tool form.**

Along with these two major projects, I also completed several shorter tasks. One task was researching real estate trends for townhouses, condos, and single-family homes. With this research, I focused on recent styles in trends involved in flipping properties. For condos, my results concluded that popular interior color schemes seem to be white/beige/burgundy, while popular exterior color schemes involve creamy whites/wood accents. As for interior flooring, homeowners seem interested in investing in condos that provide multifunctional spaces with engineered hardwood floors and laminate/granite/ceramic tile countertops. This research allowed me to delve into the online real estate industry and learn more about the importance of the physical appeal of a property. I also realized how quickly trends move around in real estate depending on prospective buyers.

In addition to the previous tasks, I was also given the opportunity to explore mortgages and taxes and learn about their history. I researched many terms such as PMI Insurance, Interest Only Mortgages, No Document Loans, Balloon Payments, and Early Prepayment Penalties for mortgages. From this, I learned that PMI Insurance is an insurance policy for those who make less than a 20% down payment on a property, while Interest Only Mortgages and No Document Loans are exactly what they sound like. I also learned that Balloon Payments and Early Prepayment Penalties are

complicated and are usually advised to avoid. A history lesson was also included in this research. I read about the aftermath of the 2005-2008 No Document Loans and Interest Only Mortgages. Specifically, I was able to read about the history of the Lehman Brothers and Merrill Lynch.

### Lehman Brothers

#### KEY TAKEAWAYS

- Lehman Brothers had humble beginnings as a dry-goods store, but eventually branched off into commodities trading and brokerage services.
  - The firm survived many challenges but was eventually brought down by the collapse of the subprime mortgage market.
  - Lehman first got into mortgage-backed securities in the early 2000s before acquiring five mortgage lenders.
  - The firm posted multiple, consecutive losses and its share price dropped.
  - Lehman filed for bankruptcy on September 15, 2008, with \$639 billion in assets and \$619 billion in debt.<sup>[1] [2]</sup>
- 
- The company, along with many other financial firms, branched into mortgage-backed securities and collateral debt obligations.
  - In 2003 and 2004, Lehman acquired five mortgage lenders which specialized in Alt-A loans. These loans were made to borrowers without full documentation.
  - Plan was pretty successful throughout 2007,
    - Lehman reported record profits every year from 2005 to 2007. In 2007, it announced \$4.2 billion in net income on \$19.3 billion in revenue
  - During the first quarter of 2007, cracks in the U.S. housing market were already becoming apparent. Defaults on subprime mortgages began to rise to a seven-year high.
  - Towards the end of 2007, their stocks fell sharply
    - Lehman's stock fell sharply as the credit crisis erupted in August 2007 with the failure of two Bear Stearns hedge funds. During that month, the company eliminated 1,200 mortgage-related jobs and shut down its BNC unit.
    - The stock resumed its decline as hedge fund managers began to question the valuation of Lehman's mortgage portfolio.
    - Lehman's management made unsuccessful overtures to a number of potential partners. The stock plunged 77% in the first week of September 2008
    - A 45% drop in Lehman's stock, along with the firm's debt suffering a 66% increase in credit-default swaps, Hedge fund clients began abandoning the company, with short-term creditors following suit.
    - On Monday, September 15, Lehman declared bankruptcy, resulting in the stock plunging 93% from its previous close on September 12.
  - <https://www.investopedia.com/articles/economics/09/lehman-brothers-collapse.asp>

**Image 4: This image shows the research and notes I took about how no document loans and interest only mortgages affected the Lehman Brothers.**

## **Merrill Lynch**

- In 2006, the firm's revenue and earnings had soared, and its shares were up 40 percent for the year.
- At first, their investment in mortgage industry paid off very well
  - On Dec. 30 that year, it essentially doubled down by paying \$1.3 billion for First Franklin, a lender specializing in risky mortgages.
- Mr. Semerci, oversaw Merrill's mortgage operation. He often silenced critics who warned about the risks the firm was taking.
- Mr. Fakahany, who oversaw risk management at Merrill, kept the machinery humming along by loosening internal controls
- Regulators and investors found that exotic products known as derivatives like those that Merrill used transformed a financial brush fire into a conflagration.
- In 2008, Merrill was left with \$71 billion of eroding mortgage exotica on its books and billions in losses.
- <https://www.nytimes.com/2008/11/09/business/09magic.html>

**Image 5: This image shows the research and notes I took about the company, Merrill Lynch.**

## **Business Project Research**

### **Questions**

Throughout this internship, business research was essential for success. My main research question is as followed:

1. How does the return price compare to the labor/product costs for investment flips and property renovations?

### **Methods**

To further understand the economic values involved in investment properties, I created theoretical renovations to condos in order to compare renovation/labor costs to the value of the property in the end.

I renovated three condos during this process, one from Bolingbrook, IL, the second from Wheaton, IL, and the third from Lombard, IL. However, for this business project, the final return price of the Bolingbrook house was given to me, so I will describe the labor/product cost for the Bolingbrook property instead of the Wheaton or Lombard condos.

To start the theoretical renovations, I found products for the Bolingbrook condo on sites such as Menards, Home Depot, ABT Electronics, and IKEA. The products I collected for each property included new flooring, paint, ranges, dishwashers, refrigerators, kitchen and bathroom cabinets, toilets, bathtubs, bathroom tiles, lights, and washers and dryers. From here, I read through the MLS (Multiple Listing Service) sheets to find out how many square feet of flooring, walls, and tiles must be replaced. I then multiplied the number of square feet by the price of each product per square foot to get the final product cost of each item. As for the ranges, dishwashers, refrigerators, cabinets, toilets, bathtubs, lights, and washers and dryers, I multiplied the price by the quantity needed for the condo, based on the number of rooms. After calculating the product costs, I moved onto calculating the labor costs, which I did by using the home intelligence tool. Once the total costs for product and labor were calculated, I added a 10% increase for contingency onto each cost. Then, I added the previous product cost to the contingency amount to get the final product cost of \$9,324.24 and added the previous labor cost to the contingency amount to get the final labor cost of \$11,770.00.

|    | A                     | B  | C                   | D            | E   | F  | G | H |
|----|-----------------------|--|---------------------|--------------|---|--|---|---|
| 1  | <b>purchase price</b> | 328 ottawa Dr, Bolingbrook   |                     | \$150,000.00 |   |  |   |   |
| 2  |                       |  |                     |              |   |  |   |   |
| 3  | <b>quantity</b>       |  | <b>Product Cost</b> |              | <b>Labor (if blank it is combined with the price above)</b> |  |   |   |
| 4  |                       |  |                     |              |   |  |   |   |
| 5  |                       | Home Depot: Dusk Cherry 8.7 in. W x 47.6 in. L Luxury Vinyl Plank Flooring (20.06 sq. ft. / case) Menards: United Weavers Saratoga Blonde Oak 7.09" x 48.03" Floating Vinyl Plank Flooring (18.93 sq ft/ctn) | \$3,168.00          |              | \$1,900.00  | Home Depot: <a href="https://www.homedepot.com/p/LifeProof-Dusk-Cherry-8-7-in-x-47-6-in-L-Luxury-Vinyl-Plank-Flooring-20-06-sq-ft-case/308219307">https://www.homedepot.com/p/LifeProof-Dusk-Cherry-8-7-in-x-47-6-in-L-Luxury-Vinyl-Plank-Flooring-20-06-sq-ft-case/308219307</a> Menards: <a href="https://www.menards.com/main/flooring-rugs/vinyl-flooring/vinyl-plank-flooring/United-Weavers-Saratoga-Blonde-Oak-7-09-x-48-03-Floating-Vinyl-Plank-Flooring-18-93-sq-ft-ctn/1451005308219307">https://www.menards.com/main/flooring-rugs/vinyl-flooring/vinyl-plank-flooring/United-Weavers-Saratoga-Blonde-Oak-7-09-x-48-03-Floating-Vinyl-Plank-Flooring-18-93-sq-ft-ctn/1451005308219307</a> |   |   |
| 6  | 5 gallons             | 5 Gallons Silver Sky Matte Interior Paint & Primer   | \$174.00            |              | \$2,900.00  | <a href="https://www.homedepot.com/p/BEHR-MARQUEE-5-gal-W-F-510-Silver-Sky-Matte-Interior-Paint-Primer-145005308219307">https://www.homedepot.com/p/BEHR-MARQUEE-5-gal-W-F-510-Silver-Sky-Matte-Interior-Paint-Primer-145005308219307</a>  |   |   |
| 7  | 1                     | Amana 4.8 cu. ft. Electric Range in Stainless Steel  | \$649.00            |              | \$0.00  | <a href="https://www.homedepot.com/p/Amana-4-8-cu-ft-Electric-Range-in-Stainless-Steel-AER6303MFS/300128445">https://www.homedepot.com/p/Amana-4-8-cu-ft-Electric-Range-in-Stainless-Steel-AER6303MFS/300128445</a>  |   |   |
| 8  | 1                     | Haier 18 in. Stainless Steel Top Control Dishwasher 120-Volt with Stainless Steel Tub and 47 dBA   | \$648.00            |              | \$0.00  | <a href="https://www.homedepot.com/p/Haier-18-in-Stainless-Steel-Top-Control-Dishwasher-120-Volt-with-Stainless-Steel-Tub-and-47-dBA-QDT125SSLS/308219307">https://www.homedepot.com/p/Haier-18-in-Stainless-Steel-Top-Control-Dishwasher-120-Volt-with-Stainless-Steel-Tub-and-47-dBA-QDT125SSLS/308219307</a>  |   |   |
| 9  | 1                     | LG 30 in. W 20.2 cu. ft. Top Freezer Refrigerator in Stainless Steel with Multi-Air Flow and Reversible Door   | \$698.00            |              | \$0.00  | <a href="https://www.homedepot.com/p/LG-Electronics-30-in-W-20-2-cu-ft-Top-Freezer-Refrigerator-in-Stainless-Steel-with-Multi-Air-Flow-and-Reversible-Door-LGFR20220/308219307">https://www.homedepot.com/p/LG-Electronics-30-in-W-20-2-cu-ft-Top-Freezer-Refrigerator-in-Stainless-Steel-with-Multi-Air-Flow-and-Reversible-Door-LGFR20220/308219307</a>  |   |   |
| 10 | 3                     | IKEA: KNOXHULT \$124 per cabinet with counter Base cabinet with doors and drawer, gray48x24x36   | \$435.00            |              | \$1,700.00  | IKEA: <a href="https://www.ikea.com/us/en/p/knoxhult-base-cabinet-with-doors-and-drawer-gray-80372261/">https://www.ikea.com/us/en/p/knoxhult-base-cabinet-with-doors-and-drawer-gray-80372261/</a>  |   |   |
| 11 | 1                     | 20 Gauge Stainless Steel 15 in. 2-Hole Drop-in Bar Sink  | \$109.00            |              |   | <a href="https://www.homedepot.com/p/Elkay-20-Gauge-Stainless-Steel-15-in-2-Hole-Drop-in-Bar-Sink-HD320874LFR/202503789">https://www.homedepot.com/p/Elkay-20-Gauge-Stainless-Steel-15-in-2-Hole-Drop-in-Bar-Sink-HD320874LFR/202503789</a>  |   |   |
| 12 | 1                     | IKEA: GODMORGON / ODENSVIK Sink cabinet with 4 drawers, high gloss white/Dalskar faucet48 3/8x19 1/4x25 1/4"   | \$649.00            |              |   | IKEA: <a href="https://www.ikea.com/us/en/p/godmorgon-odensvik-sink-cabin">https://www.ikea.com/us/en/p/godmorgon-odensvik-sink-cabin</a> Home Depot: <a href="https://www.homedepot.com/p/Home-Decorators-C-Menards-Performa-60-W-x-29-D-x-15-H-White-Bathtub-with-Left-Drain-1461692">https://www.homedepot.com/p/Home-Decorators-C-Menards-Performa-60-W-x-29-D-x-15-H-White-Bathtub-with-Left-Drain-1461692</a>  |   |   |
| 13 | 1                     | Sterling™ Performa™ 60"W x 29"D x 15"H White Bathtub with Left Drain   | \$150.40            |              | \$1,000.00  | <a href="https://www.menards.com/main/bath/bathtubs-whirlpool-tubs/bathtubs/sterling-trade-performa-trade-60w-x-29d-x-15h-bathtub/71041910-0/p-1461692">https://www.menards.com/main/bath/bathtubs-whirlpool-tubs/bathtubs/sterling-trade-performa-trade-60w-x-29d-x-15h-bathtub/71041910-0/p-1461692</a>  |   |   |
| 14 | 3                     | Deca 2-Piece White Standard Height Round Toilet  | \$179.97            |              |   | <a href="https://www.menards.com/main/bath/toilets-two-piece-toilets/deca-2-piece-white-standard-height-round-toilet/6955800/p-7919224477118558-c-5974-h">https://www.menards.com/main/bath/toilets-two-piece-toilets/deca-2-piece-white-standard-height-round-toilet/6955800/p-7919224477118558-c-5974-h</a>  |   |   |
| 15 | 11                    | Selwyn Bianco Calacatta 12 in. x 12 in. Glazed Porcelain Floor and Wall Tile (14.55 sq. ft. / Case)  | \$16.39             |              | \$2,400.00  | <a href="https://www.homedepot.com/p/Daltile-Selwyn-Bianco-Calacatta-12-in-x-12-in-Glazed-Porcelain-Floor-and-Wall-Tile-14-55-sq-ft-Case-SL601212HD1P">https://www.homedepot.com/p/Daltile-Selwyn-Bianco-Calacatta-12-in-x-12-in-Glazed-Porcelain-Floor-and-Wall-Tile-14-55-sq-ft-Case-SL601212HD1P</a>  |   |   |
| 16 | 8                     | VIRRMO LED ceiling lamp, nickel plated14 " 800 Lumen   | \$239.92            |              | \$800.00  | <a href="https://www.ikea.com/us/en/p/virrmo-led-ceiling-lamp-nickel-plated-30455664/">https://www.ikea.com/us/en/p/virrmo-led-ceiling-lamp-nickel-plated-30455664/</a>  |   |   |
| 17 | 1                     | Whirlpool 4.3 Cu. Ft. White High-Efficiency Top Loading Washer - WTW5000DW/ Whirlpool 7.0 Cu. Ft. White High Efficiency Electric Dryer - WED5000DW   | \$1,359.90          |              |   | <a href="https://www.abt.com/packages/100331/Whirlpool-High-Efficiency-Top-Loading-Washer-with-Electric-Dryer.html">https://www.abt.com/packages/100331/Whirlpool-High-Efficiency-Top-Loading-Washer-with-Electric-Dryer.html</a>  |   |   |
| 18 | 0                     | n/a windows, doors, roof, furnace, air, electrical   |                     |              |   |  |   |   |
| 19 |                       |  |                     |              |   |  |   |   |
| 20 |                       | COSTS  | \$8,476.58          |              | \$10,700.00   |  |   |   |
| 21 |                       | Contingency 10%  | \$847.66            |              | \$1,070.00  |  |   |   |
| 22 |                       | <b>Total</b>   | <b>\$9,324.24</b>   |              | <b>\$11,770.00</b>  |  |   |   |

Image 6: This image shows the product and labor costs involved in the Bolingbrook Condo.

Once the product and labor costs were complete, I analyzed the MLS (Multiple Listing Service). The next step was to collect information about the purchase price, federal and state taxes, the mortgage, the homeowner's insurance, the property taxes, and the HOA cost of the Bolingbrook Condo. The purchase price, which is \$150,000,



can be found on the MLS, while additional work with a CPA is needed to determine exact taxes. The mortgage was trickier to find because the current mortgage rate can't be assumed with confidence since it is for an investment property rather than a primary residence. For now, I calculated using mortgage calculators such as Bank Rate. On this site, I inserted the value of \$150,000, and it gave me a rate of \$719. Since we would only have the condo for four months because of renovations, the mortgage ended up being \$2,876. The homeowner's insurance, property taxes, and HOA rate were found from online databases. As displayed in image 7, after adding all the columns together, the final renovation cost was \$176,650.24.

|                                     | Part 1                           |
|-------------------------------------|----------------------------------|
| Now                                 | \$50 per month in closing column |
| Purchase price cost                 | \$150,000.00                     |
| minus Product cost                  | \$9,324.24                       |
| minus Labor cost                    | \$11,770.00                      |
| minus mortgage for 4 months         | \$2,876.00                       |
| minus homeowners insurance 4 months | \$328.00                         |
| minus property taxes                | \$1,400.00                       |
| minus HOA for 4 months              | \$552.00                         |
| minus utilites                      | \$400.00                         |
| minus closing cost per month        | \$0.00                           |
| 1031 exchange ?                     |                                  |
|                                     |                                  |
|                                     |                                  |
|                                     | \$176,650.24                     |

**Image 7: This image displays the costs for section such as, mortgage, homeowners insurance, property taxes, HOA, and more. Most importantly, this image shows the final renovation cost for the Bolingbrook Condo.**

## Insights

After I finished calculating the renovation costs, Mr. Will Hall, and Ms. Lori Hall, worked together to determine the final sales price and commissions for the Bolingbrook condo. Image 8 shows the final sales price of \$200,000, and the commission on the buy side was found by multiplying the purchase price of \$150,000 by 2.5% and then subtracting it by \$350 to get \$3,400. The commission on the sale side was found by multiplying the sales price of \$200,000 by 2.5% and then subtracting it by \$350 to get \$4,650. After adding together the commissions, 10% is given to another party while the rest is added onto the sales price to get a total of \$207,245. However, the final return

price is determined by subtracting the final sales price from the renovation cost. This happens to be \$207,245 minus \$176,650.24, which gives us \$30,594.76.

|  |                    |
|--|--------------------|
| Sales price (final per MLS)                          | \$200,000.00       |
| plus his commission on the buy side                  | \$3,400.00         |
| plus his commission on the sale side                 | \$4,650.00         |
| 10% to Toni  | -\$805.00          |
| Total income for Will and the 10% to Toni netted out | \$207,245.00       |
| <b>Total Income before taxes</b>                     | <b>\$30,594.76</b> |

**Image 8: This image shows the final sales price, commission prices, and total income from the condo.**

To conclude, \$30,594.76 is the investment property's return before taxes, and the after taxes return is still to be determined. There are still many factors to consult with a CPA, such as renting out the property for a year to avoid short-term capital gains, selling and itemizing costs, and 1031 exchange. For now, \$30,594.76 as the amount before taxes and additional factors shows that flipping real estate, especially condos in this situation, seems to be effective.

## **Limitations**

My major limitation while completing this project was the difficulty finding the correct databases when searching through secondary sources. While I used primary and secondary sources throughout this project, information such as homeowners insurance, property taxes, and HOA rates was found through secondary sources. This process took me a while, and I found that it took several tries before I could find the correct databases with the information I was looking for.

# **Key Project Learnings and Recommendations**

## **Learnings**

This internship provided me with exposure and a more in-depth understanding of the real estate industry and the business world. I gained experience calculating product, labor, commission, and tax costs for a business. Along with this, I explored investment properties and learned that flipping homes involve a lot more than the simple product and labor costs needed to flip the home physically and that insurance, taxes, and mortgage are essential details as well. I also had the opportunity to explore and complete every component of a business plan, which will be helpful for me to look back on in the future. The lessons and research I have done for this project will benefit me in the future if I decide to continue exploring real estate, and when it comes time for me to purchase property. I am very grateful for this opportunity to get hands-on experience researching and working in a professional real estate setting.

## **Recommendations**

My experience working with Alpha Valuations has been super rewarding, and I'm glad to hear that they are moving forward with investing in condos. I hope they continue looking into the profitability of condos and also continue researching investing in single-family homes and apartments. For the business as a whole, I hope to see continued efficiency and success.

## **Reference List**

Franchisee Resource Center. "Real Estate Industry ANALYSIS 2020 - Cost & Trends." *Franchisee Resource Center*, 2020, [www.franchisehelp.com/industry-reports/real-estate-industry-analysis-2020-cost-trends/](http://www.franchisehelp.com/industry-reports/real-estate-industry-analysis-2020-cost-trends/). This website went more in-depth, describing the real estate market and industry and the risks involved. While the article on this website was published in 2020, it commented on real estate brokerage, leasing agents, management companies, industry risks, and

industry opportunities. In the end, it described hot real estate markets as cities such as St. Louis, Boston, Atlanta, Providence, and San Diego.

LaCour-Little, M., Yang, J. Seeking Alpha in the Housing Market. *J Real Estate Finan Econ* (2021). <https://doi.org/10.1007/s11146-021-09853-1>. This article focused on examining and researching the effects of flipping houses on the housing market from 2000-2013. It mentions that house flipping was popular during that period and continues to gain interest and popularity because of reality television shows. The article found evidence of returns and index growth in the housing market because of house flipping.

Pagourtzi, E., Assimakopoulos, V., Hatzichristos, T. and French, N. (2003), "Real estate appraisal: a review of valuation methods", *Journal of Property Investment & Finance*, Vol. 21 No. 4, pp. 383-401. <https://doi.org/10.1108/14635780310483656>. This article focused on explaining the different methods that are and can be used for valuation. It goes on to explain how valuation methods can be tagged traditional or advanced. The traditional methods listed include regression models, income, profit, contractor's method, and more. Advanced methods include ANNS, hedonic pricing methods, fuzzy logic, and more.

## Appendix

| Date Worked | Hours Worked |
|-------------|--------------|
| 6/7/21      | 1            |
| 6/8/21      | 1            |
| 6/9/21      | 1            |
| 6/12/21     | 1            |
| 6/16/21     | 6            |
| 6/17/21     | 4            |
| 6/18/21     | 6            |
| 6/21/21     | 6            |
| 6/23/21     | 4            |
| 6/24/21     | 4            |
| 6/25/21     | 8            |
| 6/28/21     | 6            |
| 6/30/21     | 4            |
| 7/2/21      | 6            |
| 7/6/21      | 5            |
| 7/7/21      | 6            |
| 7/8/21      | 6            |
| 7/9/21      | 4            |
| 7/12/21     | 6            |

| Date Worked | Hours Worked |
|-------------|--------------|
| 7/14/21     | 4            |
| 7/15/21     | 4            |
| 7/16/21     | 6            |
| 7/21/21     | 4            |
| 7/22/21     | 4            |
| 7/23/21     | 8            |
| 7/24/21     | 3            |
| 7/28/21     | 4            |
| 7/29/21     | 4            |
| 7/30/21     | 6            |
| 8/4/21      | 4            |
| 8/5/21      | 4            |
| 8/6/21      | 6            |
| 8/10/21     | 4            |
| 8/11/21     | 6            |
| 8/12/21     | 5            |