

# Prof JOEY C's Rehab \$avings

THE RE-BOOK



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Save Thousands on every real estate investment rehab project with these  
Field Tested Tips and Tricks

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# HERE WE GO..... in ANOTHER E-Book from #ASKPROFJOEYCCCCCCCCCCCC

Saving Money is Making Money - Construction Tips to MAKE Thousands of additional profit on every Flip or Rehab!

I have completed over 400 rehab projects since I started in 2003 which account for tens of thousand of hours of hands-on investment experience. I have spent thousands of hours reading and educating myself on real estate investing, however most of this education missed the mark when it comes to the actual process of rehabbing and constructing your investment properties. I have heard the gurus say “just sub it out,” or “it’s not worth my time because I’m a deal maker,” but...



every successful investor I have ever met (real life investors actually making millions in this game) who are rehabbing any type of property, whether it is residential or commercial, has at least a base knowledge of construction and rehabbing.

*“Do they actually get their hands dirty?”*

Well no, or at least not anymore, but they understand that this side of the investment game is worth spending time and maybe even a little sweat to learn.



## THE WHY

**Construction is one of the the top three reasons why investors/ rehabbers fail.**

The others are overpaying on the purchase/poor front end analysis and not having the finances to pull off the deal/not understanding basics of real estate finance.

## HOW DID YOU LEARN THE CONSTRUCTION GAME?

The majority of my construction and rehabbing education has been from being in the trenches planing, designing, and constructing with my own two hands. Early on I was the demolition team, the plumber, the roofer, the purchaser, and everything and anything on my properties. It was hard work and, frankly, most of it sucked, but being the money man and the contractor in one gave me a unique perspective on how to maximize every dollar that goes into the construction/rehab of your investment property in order to boost your ROI!

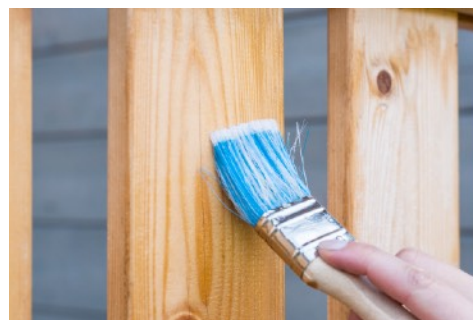


In this E-Book I wanted to share 10 executable tips and tricks that you can use to immediately save you money on your projects.

None of this is rocket science, but I cannot believe how many “flippers,” “rehabbers,” and “investors” are letting thousands of dollars fly out the door by not doing these tips and tricks. Actually, some of the tips are really a bunch of tips under a larger tip so the 10 Tips are more like a gaggle of tips.

This is by no means a “How To” for rehabs and construction, but it is a quick read for anyone one who who is rehabbing or thinking about rehabbing and looking for tweaks to help them get the edge. Actually, Jonny Home Owner could save a bundle by using the info in this guide on his weekend warrior projects.

So let’s get started and don’t forget to follow us on Facebook and YouTube for new Videos every week! Interact and ask questions after you read the book or share your tips on our Facebook Page and help the team of REInvestors out there take their game to the next level.



Tips for the experienced pro



Or for the Newbie Investor or someone with a budding interest



There’s good info here for EVERYONE

# Outsmarting the

# Big BOX



## 1: Material Purchasing

Big Boxes are the largest volume distributors in the construction material business. Therefore, they get their goods cheap when they buy at such volume from the manufacturers and, most of the time, they pass these savings on to you. It is not because they're nice people - this is their business model.

When we are doing rentals or flips we buy the majority of our goods from the 2 largest home improvement stores - Lowe's and Home Depot. We do use some specialty suppliers for roofing, some electrical, and plumbing materials, but if the big box stocks it a lot of the time it is already cheaper right off the shelf and more convenient to get as well. However, just because it is cheaper to buy off the shelf instead of a specialty supplier does not mean there are not other ways to dig deeper and save more with the big boxes.

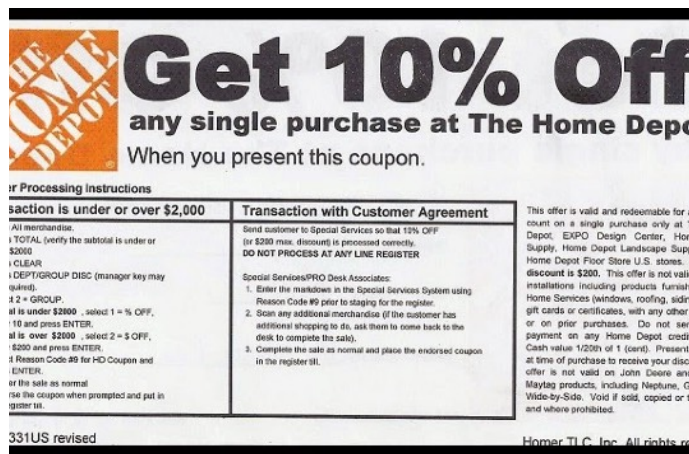
With a little bit of planning and not buying on impulse you can beat the big box at their own game.

**USE THE CONTRACTORS DESK!** Whether you own hundreds of houses or are thinking about owning one, you are a contractor. It's as simple as opening an account and using the Pro Desk or Contractor Services for your materials. They will not ask you for a degree or references...they do not care, they just want you to buy stuff through them. So do not be intimidated by the desk of coffee drinking guys in dirty boots and DeWALT and DEPOT shirts. They're drinking coffee while you're rehabbing houses, therefore you just passed them in the level of qualification as a card carrying contractor. There is no real qualification Home Depot requires so set it up and save.

Contractor services will put your order in through a "bid room" AKA corporate office and give you a discount because you're a "pro." It can range from 0 to 20% on some special order items. The average saving is 3-5%. It only makes sense on large orders and depending on your volume they may only allow you to do it if the order is over \$500-1,000.

So, take a crack at it, ask questions, and save. These stores' only goal is to get you to buy from them so there is no reason NOT to take advantage of this program.

**USE A COUPON!** That's right, just like you do for your Lucky Charms and Doritos, the only difference is this coupon will save you more than .15 cents on 2 bags of skittles. 10% off of a \$1,000 order is \$100 bucks. Multiply that over an entire rehab and that can save you some serious change.



You can buy these coupons off eBay, some are scams and don't work, so use caution. We have found the best coupons to buy off eBay are the actual hard coupons they have to mail to you not the ones they say you can print once they send you the file.

## **USE GIFT CARDS FOR YOUR PURCHASES!**

Grocery Stores, other retailers, and local non-profits like churches sell gift cards to local retailers that offer incentives. The incentive can be money off of every gallon of gas, additional gift cards, cash back, or even tuition to your kids' school.

At our local grocery store, Giant Eagle, they call it "Fuel Perks." You get .10 cents off per gallon of gas for every \$100 you spend. If you buy thousands of dollars of gift cards to purchase your rehab materials that you're going to buy anyways. this adds up to a 3% value/saving if you fill up a 30 gallon tank (which is the max they'll let you fill). They also offer double fuel perks on occasion for certain retailers including Home Depot and Lowe's which doubles your savings to 6%.

I also get money off of my daughter's school tuition by buying Lowe's gift cards from the school under their gift card program. It's another step but can save you enough to make sense of the extra stop before you buy a big load at the big box store.

**SCRATCH AND DENT!** If you see a deal on a scratch and dent appliance that fits your space in a big box store, you can save a bundle on something that has light damage. The damage often is not noticeable to your end user. When big box gets an appliance returned for any reason it goes to the scratch and dent department. They will repair them or, in some cases, just knock down the price because it's no longer new, and put them up for sale. They are usually located in the back of the store in the appliance department or in some cases, behind closed doors in the back, so ask if you don't see them.

Scratch and Dents take up valuable floor space in these big box retailers and they want them out of their hair, so do not be afraid to negotiate. We've found the best we can do is 50% of the sticker price for something with light damage, but on average it's between 20-30%.





Note: I have never used a cappuccino machine in one of my renovations however have one sitting in my warehouse from 3 years ago when I thought “a deal was too good to pass up.”

DO NOT buy things with heavy damage. If a horse kicked in the side of the refrigerator, it has a good chance of not working. It's not worth the headache of transporting and installing the appliance to find out if it works. Also stay away from good deals that do not fit you current projects. Hauling them around and storing them costs money and speculating that you will need a high end cappuccino machine is a bad bet.

**BUY IN BULK...MAYBE?** This is usually not an option for smaller investors so do not try to over buy if you are not set up for it. If you're doing multiple houses a year and using the same finishes you can save by buying “lots” or pallets of a material. For instance, when we buy a pallet of Allure plank flooring from Home Depot we save about 20% off the sticker price which can save hundreds of dollars, sometimes thousands, per house.





## 2:TIME IS MONEY

A common mistake investors make is shopping around for the best price to the point of exhaustion. If you get tile at \$1.99 a foot or \$1.79 a foot, it should not make or break your budget. I am a big proponent of saving money but as I mature in this real estate game, I realize the most valuable asset is time. Driving from place to place or researching for hours online takes a lot of time. Then the outcome is you MIGHT save a few more percent, but you could be delaying your project because your contractor is waiting for the tile.

Get the job done. This does not mean throw money out the window, but make your decisions quickly and get your contractors moving. If the price is right then execute, don't hold out waiting for a hundred dollar discount. This does not mean take the first offer or don't be value conscious but it does mean do not succumb to analysis paralysis and lose weeks of time or possibly a good contractor over a couple hundred dollars.

### 3:LEAVE IT ALONE

Investors always want to gut things and rip everything out, and in some cases this is a must. But a lot of the time you are adding a ton of time and money to a project for something an end user may not care about.



Example from my past: I used to rip out textured ceiling because I liked clean, crisp, flat ceilings. Guess what! That's my opinion - most buyers or renters in the price point I am renting or selling either don't notice or just don't care. So I am ripping something out and throwing money away just to pay to have it reinstalled. Make sure you're doing the renovation based on the market and what buyers/renters want, not what looks cool when the Property Brothers do it.

### 4:THROW IT AWAY

Hold on, you just said leave it alone! I did say that! If it can still get you to your end goal and save you money while looking and feeling good to your end user, definitely keep it. But if it is not right for your plan then you have to AXE it.

Example: Kitchen and Baths are important. In my investing past I have made some bad layout decisions trying to salvage existing kitchen cabinets or not wanting to move plumbing. I do all this work to the entire house and my kitchen and/or bath is awkward because I want to save \$1000 by salvaging a 20 year old kitchen or not pay \$700 to move a toilet location a few feet which opened up the entire bathroom.

When there is an OK product making the layout or your property sub par, then rip it out and redo it and do not let it be a sore thumb on your rehab.





## 5:STOP BEING A DESIGNER

Stop being a designer and get the job done! When investors start playing HGTV Designer and want the perfect luxury shower faucet they saw in a mansion on Houzz for their \$130,000, 2 bedroom flip in a middle class neighborhood, they lose BIG. KNOCK IT OFF, the buyer does not care! So stop spending all your time and money trying to find the thing you think is perfect and get what the buyer will think is perfect. Usually this is something, clean, new, and tasteful; not flashy, rare, and expensive.

Changing the design or the fixtures costs a lot of money to buy, and if you do it late in the project the design change can cost a boat load in construction change orders. If the contractor has to change the plumbing to fit a custom vanity, then that could add a thousand or two to the project. Pick your finishes and stick with them. Don't fall in love with your project - finish it, cash out, and move on.



## 6: ONE LINERS THAT SAVE THOUSANDS

Here are a few basic sales tricks that can save you big bucks when negotiating with a contractor, a supplier, or basically anyone trying to sell you something.



### ***“Is that the best you can do?”***

Say this any time someone gives you a price whether or not you think the price is good or bad. It’s amazing how many times someone will immediately go down on the price without even asking why.

### ***“That would be a good price if you could also do \_\_\_\_\_?”***

Have something else in mind you think the contractor could take care of for you, and after you get them to the lowest possible price throw another task on top. Most people don’t like to lose on the money negotiation, but will not place as much value on an additional task despite that task taking their time (AKA money) to do. Example: “We are close and that would be a good price for a new roof if you could ALSO replace the chimney caps for me while you are up there (or paint the gutter or haul away that pile of debris for me etc...). This always gets a few hundred more of value out of the job for us and the contractor still feels like they won the battle.

### ***“ SHHHHHHHHHHHHHHHHHHHH ”***

Silence is golden. In any negotiation, don’t be afraid to close your mouth and let the other party talk themselves out of money. Ask the questions and let them answer. You’ll be surprised how often they give in under the pressure of THE SILENCE.

## 7) SUB CONTRACTOR SAVING STRATEGIES

- Sub out the skilled trades- I allow a good GC(general contractor) to bid the entire job, but I also have him break out his cost for the trades like plumbing, electrical, roofing, painting etc. A lot of contractors do not have good subs for these trades and I can usually find better prices on portions of the jobs by shopping these items around.
- Structure your payments in accordance with items being complete not weekly payment schedules. You have to set a deadline but this is different from when the contractor gets paid. I set all my payments by specific items being 100% complete throughout the project.(put in sample construction payment timeline.)
- Make them bid the entire job at once. When a contractor says, “I will bid the demo, then the framing, then the...” the contractor is trying to minimize his risk and increase each portion of the job incrementally as they go. This is bad for you. You subbed it out in order take the risk of hands-on construction off your shoulders, so make the contractor take the risk and bid the entire project.



## 8: How To Back Out of a Bad relationship with a Contractor

- a) Watch them like a hawk.
- b) When they start showing signs of failing, get as much as you can out of them before they walk.
- c) KNOW WHEN TO CUT THEM- When they are not producing, CUT them. Don't waste time with conversations if they are not working and just making excuses or renegotiating. At that point, you need to move on.
  - (1) Secure all tools and materials on the site. This may mean locking them up on site or taking them off-site. DO NOT let them know before you do this. You have to salvage what you have at this point.
  - (2) Post the Property with multiple notices saying "Contractor X is not allowed in or on the property. Police will be called and you will be charged with breaking and entering. The Police department has been notified and alarms have been set."
- d) Never be afraid of BS threats. "My brother's a lawyer," "I'm going to lien your house," "I am calling the building inspector on you." Blah Blah Blah... I have found 99% of the time this is hot air and the other 1% they are wrong anyways, so they lose after spending money on lawyers.
- e) You usually lose when a contractor fails, even if you structured your payments correctly, so losing is a part of this game but controlling your losses and getting the project back in line is the key.

## 9: Don't Get Punched Out by Punch-out

The final touches are the downfall of most contractors, but the final touches are usually what the end user sees so it is imperative to make sure you complete your construction 100%.

- a) If you're using a contractor then do not pay any of the final draw until it is 100% done. This means clean, functional, and all tools and garbage removed. Even if they say, "Just hold 100 bucks and I will clean up the garbage later," Say "NO" and hold the entire payment until they are complete in accordance with your contract.
- b) Look at the project from a renter/buyers standpoint. If they see saw dust and tools laying around they think the project is not done or rushed. Even if you are just excited to get the property on the market, your first impression is key so don't rush it when you are so close to perfection!



## 10: Scaling your Construction

How did we grow our volume to do over 100 rehabbed units every year? Time and hard work is the short answer, but here are a few quick tips on how to scale construction the right way.

- a) Take your time: Don't rush to go from 5 rehabs a year to 50. It will eat you alive and suck your time, energy, and all your cash. Scale responsibly based on your resources and ability, not based on an over-zealous goal.
- b) Build your base of quality subcontractors. We have been using the same HVAC company on 50% of our deals for the last 5 years. This allows us to have stable pricing, quality, and an extremely loyal and attentive HVAC professional on call when the heat goes out on those cold winter days!
- c) Focus: When I took RE360 to the next level we decided to concentrate for the next year on income properties in a specific geographical area that needed low to medium amounts of construction and rehab. This focused effort allowed us to set up processes. In turn, it allowed our contractors and our employees to become better at executing on that process instead of chasing every kind of deal(flips, wholesales...) and each deal being a new learning process. The year we started this focused effort, we did 82 properties/115units which doubled our volume from the previous year. This was a tough year but the focus made it much easier to handle the volume.



# INVESTOR PROFESSOR

Joe Calloway

This is just a small sampling of the kind of information I LOVE giving away. For more, please “Like” us on Facebook (RE Investor Professor), subscribe on YouTube ([www.youtube.com/reinvestorprofessor](http://www.youtube.com/reinvestorprofessor)) and check out our website - [www.REInvestorProfessor.com](http://www.REInvestorProfessor.com)

And stay tuned for our first FULL LENGTH course on how we invest in real estate with absolutely NONE of our own money.