

Is it worthwhile buying a fixer-upper?

By  Adrian Goslett

13 Jan 2017

Purchasing a fixer-upper can be an extremely beneficial financial endeavour. However, only if the buyer has taken the time to do their research and followed the right procedures to ensure they are making a sound investment decision.



© victor zastolskiy – [123RF.com](https://www.123RF.com)

Irrespective of the kind of property the purchaser is interested in buying, it is imperative that certain principles are adhered to, to ensure they are protecting themselves against purchasing a potential money trap. Doing the groundwork is even more important when the purchaser is considering a home that would be regarded as a fixer-upper because there will be far more expense than just the purchase price. A lot of additional money will be spent on fixing up and renovating the home, so a fixer-upper investor needs to be savvy and know when the purchase is worthwhile and when they should walk away. Discerning between a home with potential and what to steer clear of is a key element to investing in fixer-upper property.

While most buyers prefer to purchase property that is well-maintained, there are numerous reasons that draw investors to fixer-upper homes. A big draw-card is that fixer-upper homes often sell for far less than other homes in the same neighbourhood, which means that if they have the capital to spend on renovating the property, they could secure a higher profit margin when they sell. Obviously, this is dependent on how savvy the investor is with their money when renovating the home.

Another reason that certain investors opt for these kinds of homes is the fact that there is less competition in the market for fixer-uppers. Lower demand for these homes is one of the reasons that they will sell at lower prices than other homes in the same area.

It is said that an investor makes their money on a property purchase when they buy and not when they sell because the success of the investment is based on the decisions made at the beginning of a transaction. If the right decisions are made, it is more likely that the investor will see a healthy return. The ideal home could be covered under a veil of various essential repairs that would normally chase away potential buyers. However, fixer-upper investors will need to see past the property's outward appearance and envision the home's true potential.

He provides some tips for those looking for the perfect fixer-upper:

Location is a key factor

The location of a property will have a greater impact on its investment potential than any other factor. Where a home is situated will firstly determine its current value, as well as its potential for future growth, which is why it should be the primary focus when deciding whether a home is a good investment.

There are several factors that determine whether a location is considered to be preferable, such as its proximity to a range of amenities. These would include shopping centres, entertainment areas and good schools to name a few.

The home's layout

It is far easier and less expensive to renovate a home as it stands than change the layout of the home completely. Ideally, the shell of the home should be well designed and laid out correctly. If the investor intends to add more rooms, then it is important that the current layout of the property allows for that to ensure that there is not a disconnect in the flow of the design. In certain instances, it is better for a buyer to walk away than try and correct a poorly thought out floorplan.

Serious defects

It is important for the investor to assess the structural integrity of the home before they purchase it. Although most defects are repairable, structural damage will be very expensive to fix. If the investor is fully aware of all defects the property has, they will be able to make a call as to whether it is worth the time and money to repair. A good fixer-upper is a home that is at least in a liveable condition. Upgrading or repairing cosmetic issues is one thing, but major repairs to the structure or foundation of the home will severely eat into any potential returns on the investment. If investors are not sure of anything, they should seek the advice of a professional contractor who can inspect the home and provide them with a full list of defects. It's better to go into an investment with both eyes open, than blindly hoping for the best.

Much like any other important financial decision, it is advisable to gather as much information as possible to make an informed decision that will pay off in the long run.

ABOUT ADRIAN GOSLETT

Adrian Goslett is CEO and regional director of RE/MAX Southern Africa. He joined RE/MAX Southern Africa in 2005 as a franchise development consultant, supporting various regions and offices. Throughout his career at RE/MAX he has held various positions. In 2010, after successfully leading 160 offices and over 1500 agents in six countries through the worst years real estate has ever seen in South Africa in 30 years, Goslett was appointed as CEO of RE/MAX Southern Africa.

- Predictions for the 2023 housing market - 7 Dec 2022
- When will housing market activity return to normal? - 16 Sep 2021
- Interest rate holds steady in face of economic instability - 23 Jul 2021
- What to do when a tenant asks for pets - 28 Jun 2021
- Should bond equity be used for debt? - 3 Jun 2021

[View my profile and articles...](#)