



# CHICAGOLAND2to4FLATS.info

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## TO REHAB OR NOT, that is the question...

**As you look at a listing sheet, watch for clues as to how much work is needed: GUT REHAB, 'SOME' WORK, or NO WORK NEEDED.**

What's the difference between 'new', 'newer', and 'updated'? 'Newer' and 'updated' are NOT new! A newer kitchen may be 7-10 years old. Put a new countertop and the kitchen's updated. Sometimes the terms 'rehabbed' or 'Gut rehab' are misused, but theoretically *everything is new*.

'Mechanicals' (roof, windows, heating, electric, plumbing) are the critical 'bones' of the building. Unless a listing says it was **rehabbed** or specifies what is new/newer, you should assume the mechanicals are OLD (it won't say "old roof," but if it says nothing, very old is probably the truth).

Some listing sheets are heavy with **FACTS** (like "hardwood floors," "cabinet kitchen," "tall ceilings"). "Lots of light" might make a listing sheet sound great and mask the fact that NO updating has been done. A cabinet kitchen might be 30 years old or more; hardwood floors 100!

Be sure to watch for illegal units (e.g., 3 units described on a 2-flat listing sheet); you may still want to buy the property but we will never recommend renting an illegal unit out.

*The ideal SOME WORK project is often a building with good 'bones' (the mechanicals) but which needs updating—and which could have greatly improved rent potential and value.*

What about the basement? What would happen if you duplexed down?	Is there an unfinished attic? How easily could you duplex up?	Are there 3-bdr/ 1-bth units? Can you create 3-bdrm/2-bth units instead?
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## Buy an apple, sell an orange...

These last three examples show what we call a '*buy an apple, sell an orange*' strategy (and in this analogy, oranges are always worth more than apples). There are many properties out there that match this profile: **With some work the rent could go way up.**

In prime Chicago neighborhoods let's say this is current rental range:

- 1,000 - 1,650 for 3 bdrm / 1 bath units
- 1,650 - 2,200 for 3 bdrm / 2 bath units with a nice large master bdrm/bath,
- 2,200 - 2,600 for 4 bdrm+ duplex if lower level has low ceiling or upstairs is small (1+ bdrm/1 bath)
- 2,600 up for a duplex down with 8' ceiling downstairs or upstairs has full attic (3+ bdrm/2bath)

Now picture finding a beautiful vintage brick 3-flat with 3 bdrm/1 bath units in Lakeview? Right now each unit collects 1450.00. What if you created two 3 bdrm/2 bath units up and a larger duplex going down from the first floor? Presume level 3 will end up the owner's unit with higher-end finishes and a roof-top deck. Now you might estimate 2,200 for the 1<sup>st</sup> floor duplex with one garage parking spot, 1,750 for unit 2 (3bdrm/2bath) with no parking, and 2,200 for unit 3 (3 bdrm/2bath with higher-end finishes, a roof-top deck, and 1 garage spot). Not only does rent go from 4,350.00/month to 6,150.00 (which will more than pay for the construction loan), the building value will shoot up a lot as well.

What if in a poorer neighborhood, all the mechanicals were good—and with 75K to update kitchens and baths and redecorate all the units you could turn low commercial rent (650-850) into much higher Section 8 rent (850-1450)?