Renovation vs Innovation

By John K. Mackenzie

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Renovation vs Innovation: Confuse These At Your Peril!

First, some basic definitions:

1) in−no−va−tion n. the introduction of new things or methods.

2) ren−o−va−tion v.t. to bring back to an earlier condition by extensive repair.

Creating a meeting outline for client review? Great. But watch out for words such as: new, novel, unique, different, original, distinct, and innovative. It's okay to use them. In fact, it's mandatory to use them. But don't confuse proposal rhetoric with presentation reality.

Your first job is to get the job. Your second job is to help the client forget about all those exotic new ideas you promised to get the job in the first place. Experienced meeting pros understand this. Those just starting out often get burned. And the reason is quite simple:

Sales meetings reflect the same rules that sustain most aspects of American commerce. In actual practice new, novel, unique, different, and original usually mean one thing: creative revision of the status quo, i.e. the brand extension. New and improved!

This is not as cynical as it seems. Renovation has a proud and profitable history. Just ask George Lucas, Bill Gates, or Procter & Gamble.

Renovation is:
− comfortable
− friendly
− convenient

Renovation:

− expedites approval
− facilitates acceptance
− usually costs less.

And, most important, renovation saves time! It cuts the comprehension curve that new concepts (of any kind) require.

Example: Star Trek parodies have been used at sales meetings for 30 years. Audience get−up−to−speed time is reduced to zero! Everybody gets it, immediately! Company problems and products can then be dealt with at warp speed.

Coming up next: Marvelous Meeting Machines (And other Heimlich meeting maneuvers.) A nostalgic

review of third−party meeting devices often used to energize weak presentations. So old, they're new!

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Determining Your Maximum Offer For Homes For Sale

By J Harris

Though the housing market is shifting towards the buyer, the shifts are moving slowly and many investors continue to make good profits by flipping real estate. Flipping is a relative new term for buying homes that are "fixer−uppers", renovating them, and then selling them at a profit. With flipping still bringing in decent profits, though not as high as they once were, beginners are still entering this investment arena.

The one question that is most often asked of realtors concerning such property is: "How much should I pay for it?" The answer is not an exact science and is different for all homes for sale.

The most common formula used is the Maximum Allowable Offer (MAO), which gives you what the homes for sale are worth after renovation. It is calculated as follows:

MAO = ARV - Renovation Costs - BSH - profit margin

The ARV

The after−repair value (ARV) is the value or worth of the homes for sale after renovation. It is the "possible price" you may receive on the sale of the property.

To determine this value, you must determine what prices comparable homes for sale have sold for within the last 6−to−12 months (your realtor may be able to assist you). The other homes for sale should be located within one mile of the property in which you are interested.

The previous homes for sale are comparable only if they have similar characteristics to the property you wish to purchase. They should have the same or closely similar square footage, similar features in the number and types of rooms offered, the age of the buildings, the style of architecture, and similar neighborhoods. View the recently sold homes for sale as a homeowner. For instance, no matter how beautiful the home and surrounding environment, if the neighborhood has a high crime rate, the property will not sell for as much as another home in a lower crime area −− even if it is located less than a mile away.

At this point, ignore the difference in the conditions of the homes for sale. After all, you will be renovating the property you purchase to bring it up to similar conditions as those already sold.

Renovation Costs

These are the costs to renovate the property in order to turn a profit. Carefully look at the property as you view it with your realtor and take notes. What needs to be done to make this property comparable in condition to the other homes for sale?

Before you even begin looking at homes for sale, you should have researched the going cost ranges for the most common renovations (big and small) in your area, as well as the most common but unexpected renovation costs. You do not have time, in many cases, to get bids on all renovations before making an offer. Having most of these costs beforehand means you only need call for costs on

a few renovation needs.

Apply the highest and/or most probable cost range to each renovation requirement, total the costs, and you have your renovation costs.

BSH Costs

The buy, sell and hold (BSH) costs are many. After you have flipped a few homes for sale, you will be able to use a percentage of the ARV to determine these expenses.

For buying and/or selling, you will incur fees for appraisers, attorneys, title search and insurance, realtor commissions, loan origination fees, closing costs, debt collection (if you sell on contract and a buyer defaults), and so on. Holding costs include utilities, insurance, taxes, lawn care and such that you incur between the time you purchase the homes for sale and the time you close on the properties.

Profit Margin

This is the least amount of profit you are willing to accept on your investment. Remember, the MAO is the maximum amount that you will offer on homes for sale. That does not mean you will make that offer; it only means that you will not make a higher offer than the MAO −− no matter what.

Your goal is to offer the lowest amount that the seller will take. This should be far below the MAO, ensuring you a higher profit margin. The MAO is the deal breaker. If you must offer more to purchase the property, then walk away from it and look for other homes for sale for your investment.

John Harris is an expert researcher and writer on real estate topics such as economics, credit improvement tips, home selling advice and home buying preparations. For more on San Diego Homes for Sale visit

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