THE SEVEN DEADLY SINS OF HOUSE FLIPPING:

MISTAKES THAT KILL PROFIT AND PROJECTS

the operative group

DEADLY SINS

Flipping homes can be one of the most exciting and lucrative ways to invest in real estate—but it's also one of the riskiest. Every successful investor learns (often the hard way) that there are certain pitfalls you **must avoid** if you want to survive, let alone thrive, in this business.

These are the **seven deadly sins of house flipping**—the mistakes that most commonly tank deals, crush margins, and leave investors licking their wounds.

UNDERESTIMATING THE REHAB BUDGET

1

“We can do this for $40,000, tops.”

Famous last words. One of the most common reasons flippers fail is underestimating the true cost of repairs. Hidden damage, poor initial inspections, and rising material or labor costs can quickly send your budget spiraling. Always add a contingency (10–20%) and get multiple bids from **licensed** contractors—not your cousin who “used to do construction.”

Investor Trick: Build a spreadsheet that tracks every estimate and invoice you get from every contractor, vendor, supplier, or subcontractor and itemize it by trade. Next, take this categorization to the next level by breaking down the price per square foot, price per linear foot, price per square, price per unit, price per delivery, and hourly wage so that you can build a historical index of every trade and the prices you’ve paid or been quoted.

OVERESTIMATING THE ARV (AFTER REPAIR VALUE)

2

Hope is not a pricing strategy.

Getting emotionally attached to your projected resale price is dangerous. The market sets the value, not your spreadsheet. Use **comparable sales,** not active listings, and have your real estate agent or appraiser give a conservative, boots-on-the-ground valuation. One misstep here can turn a great deal into a money pit.

Investor Trick: Create a spreadsheet tracking sold properties over the last 7, 30, 60, and 90 days that match your exact project. On this spreadsheet you need to have more finite information that most real estate agents will not provide unless you ask. This includes the list-to-sale price ratio, days on market, private remarks, price per square foot of lot or acreage, active inventory available and median sales price in that zipcode. Now create a list of every active property that will compete with your listing to see how you want to build a projected sales price that matches what is coming to market. The key here is to track these active listings while your flip project is underway so that you can measure the inventory absorbed and the pricing it closes at. This zipcode velocity is key to making any timeline pivotal decisions in your project and the seasonality of such delays/timelines.

IGNORING PERMITS AND CODE COMPLIANCE

3

Cutting corners comes with a cost.

Skipping permits or using unlicensed contractors might save you time now, but it can ruin the sale. Buyers—and their inspectors—will spot sloppy work. Worse, cities can issue stop-work orders or fines, or require full tear-outs. Play it straight and do it right the first time.

Investor Trick: Buyers with great buyer agents will ALWAYS ask for permits or search the county/city database so don't try to hide ANYTHING. Create a punchlist of every item that will require a permit and get in front of this work with your contractor BEFORE you close on the property. Next, make sure to have inspections on well, septic, attics, roofs, and crawlspaces BEFORE you purchase the rehab property as these are the areas where we see the biggest blindside repair negotiations that lose profit fast. Keep great record keeping of your plumbers, electricians, and contractors invoices as you will need this for early issue title insurance if your project is scheduled to close before 90 days after completion (this is essential for FHA/VA loans).

POOR PROJECT MANAGEMENT

4

Construction delays = holding cost nightmares.

Contractors ghosting, materials not showing up, missed inspections—it all adds up. A successful flip depends on tight timelines. Without a **clear schedule,** daily oversight, and good vendor relationships, projects quickly lose momentum. Every week you hold the property costs you in interest, taxes, insurance, and utilities.

Investor Trick: Visualization of the project is essential so create a Gantt Chart with every line item work trade to be completed on your projects with corresponding estimated timelines. Highlight the trades or items that predictability takes longer to schedule or coordinate the work so that you can call these contractors or subcontractors prior to needing their skillsets. Next, keep a running list of all expenses and invoices on a weekly basis for the total project budget vs. actual spend to create a profit assessment at any stage of the project. Financial analysis is the most common oversight of project management that we see investors fail. By having a tight leash on these items you can decide to pivot quickly if there are delays or change orders that come up.

DESIGNING FOR YOURSELF, NOT THE MARKET

5

Your dream kitchen may not be your buyer's.

Luxury upgrades in a modest neighborhood? That's a quick way to blow your budget. Design your finishes and layout for **your target buyer,** not your personal taste. Consult with agents who know what's selling in your price point, and avoid over-customization.

Investor Trick: The first step is to find finish swatches for your entire project including paint colors, hardware, flooring choices, cabinets and countertops, and light fixtures. Sometimes internet research will do but one big hack to this process is hiring an interior designer to help you quickly find your swatch and product breakdown. The upfront cost can be minimal to the long term savings of having trendy and desirable finishes in your projects that sell quickly. Build a "flip template" in Google Drive based upon your research. This includes folders with examples, pictures, and actual products that can be ordered quickly. Next, create a spreadsheet of every vendor you plan on buying these items from and the link to their product if it will be purchased online. Many times flippers think everything needs to be purchased from Home Depot or Lowes, but big cost savings come from standardizing your flip and "value engineering" your template with volume discounts or special promotions.

NO EXIT STRATEGY

6

What's Plan B?

Flipping isn't always a straight line. What if the market shifts? What if it doesn't sell? Savvy investors always have a fallback: can you rent it long-term? Would it cash flow as a short- or mid-term rental? Can you refinance? Always know your alternatives **before** you buy.

Investor Trick: When analyzing the property before you buy, always run rental comps on the property using Rentometer Pro Reports as well as connect with a property manager in the local market to get their assessment on what it would rent for. Next, run a report on AirDNA and do daily rate comps on the property if you need to temporarily hold it as a short term rental. After projecting the long term and short rental net operating income, connect with your lender to see what a refinance would look like with a standard 75/25 conventional investment loan vs. a DSCR loan product. From there you can run projections on worst case scenarios with cash flow after debt service calculations. A trusted spreadsheet for this analysis is an APOD (Annual Property Operating Data).

FLYING SOLO (NO TEAM, NO MENTORSHIP)

7

This business will eat you alive without a tribe.

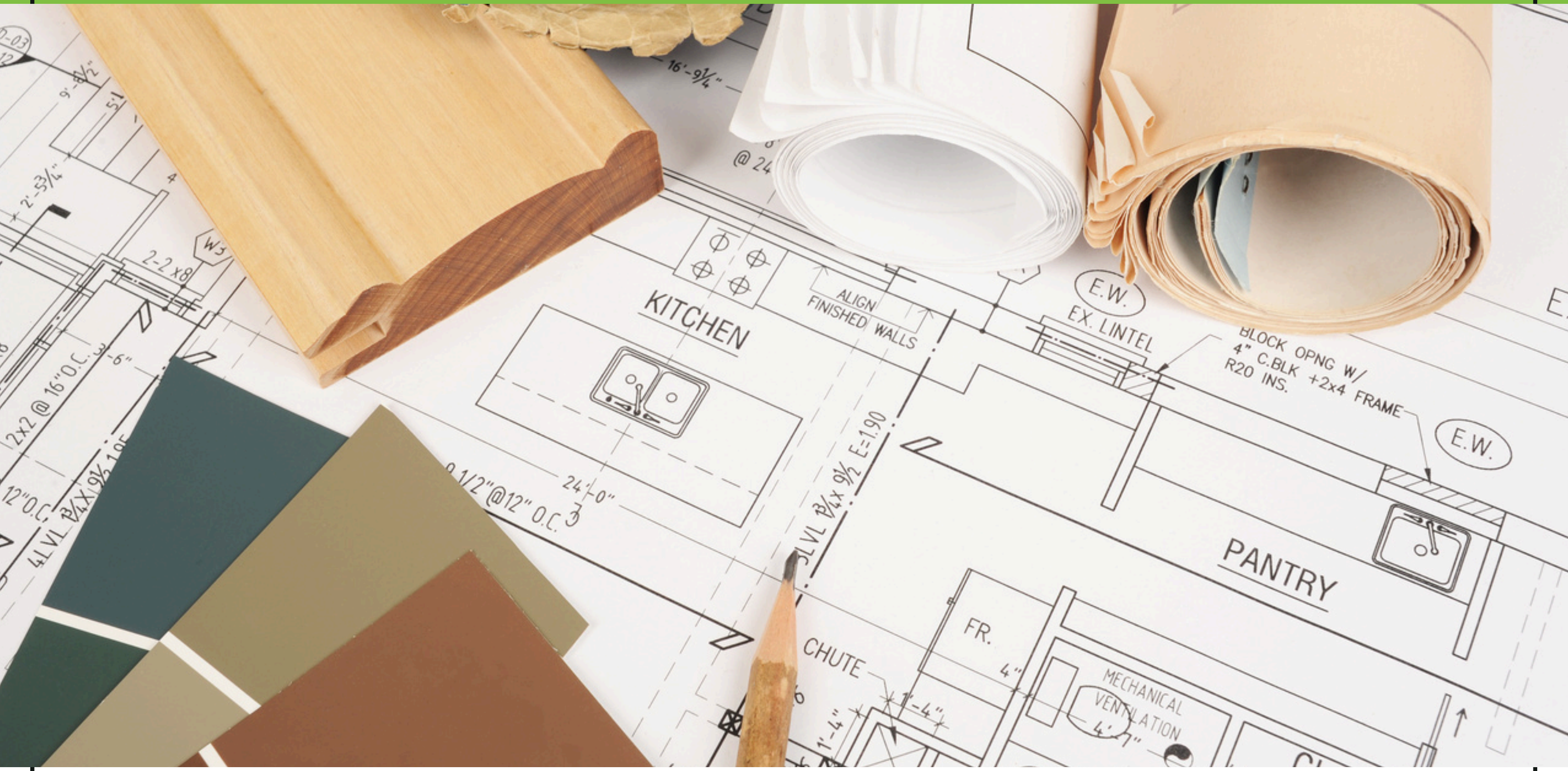
Trying to do everything yourself—finding the deal, managing the rehab, handling the design, marketing, and resale—is a recipe for burnout and costly errors. You need a **trusted team:** agent, contractor, lender, inspector, title officer, and ideally a mentor who's been through it.

Investor Trick: Having the best real estate agent possible is the key to this house flipping endeavor above all contractors, lenders, or anyone else mentioned above. The reason? Because this agent has the connections, pricing expertise, and marketing to get your property sold quickly and professionally. This prevents unforeseen profit loss and long days on market which increases holding costs. ONE AGENT is the key point here - that you can build trust, loyalty, and a long standing relationship with those who have hands-on experience investing themselves, and a thorough understanding of underwriting, financing, zoning, contractor costs, permitting, and comp analysis. We highly recommend not working with multiple agents as you will burn bridges and the best deals will go to someone else. Instead, build a relationship with an investor-focused agent, who will keep you supplied with properties in need of a rehab.

WHY FLIP WITH THE OPERATIVE GROUP?

House flipping looks easy on TV—but behind every "quick flip" are dozens of variables that can derail your ROI. The pros know how to mitigate risk, build a solid team, and stick to the numbers.
If you're thinking about flipping—or already mid-project and hitting bumps—let's talk. I've helped investors structure deals, manage rehabs, and scale portfolios that actually cash flow and grow equity.
Our team has closed over 200+ Deals & $75 Million in Transactions Since 2020! We have a proven process, expert lender partners, and a due diligence process that is unmatched in the industry.

Give me a call or text to set up a free consultation - (458) 209-0163



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