THE INS AND OUTS OF FLIPPING A HOME

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While the Montreal real estate market wakes up from its COVID-19 imposed slumber, listings are expected to increase in the coming weeks and investors are expected to be on the hunt for potential deals. This is particularly true for people looking to purchase a home with the intention of flipping it for profit.

In terms of how COVID-19 has impacted the market for flipping homes, the challenge facing investors during the lockdown was a lack of housing supply to shop new deals, and on the renovations side many suppliers were closed for weeks, making it difficult to continue with ongoing projects. On the financing side, however, mortgages were still being funded — with one pretty major change.

"The biggest impact on the financing side of the transaction is that we can now complete the entire transaction virtually," said Mathieu-Alexandre Poupart, mortgage broker with Orbis Mortgage Group. "I now meet with my clients via video conference rather than in person, and lenders and notaries have also quickly adapted to allowing electronic signatures.

"The fact that you can now complete the entire mortgage application, and notarize a sale virtually makes the process more efficient, faster and overall better for the client."

While mortgage financing may be operating as usual, albeit virtually, it's still critical for buyers to do their homework when undertaking a flip project, especially if they're not experienced with the process.

"Your mortgage broker will ensure the mortgage product and term suits your objectives," Poupart said.

"If your timeline for the project is one year from purchase to renovating and selling, for example, you shouldn't get a mortgage with a two- or three-year term; the goal is to avoid and minimize any unnecessary expenses such as paying a prepayment penalty on your mortgage."

As for actually qualifying for the mortgage, the process for financing approval on a property a buyer doesn't actually plan on occupying is very similar to the mortgage process on a primary residence.

Once a buyer has gone through the mortgage process and obtained the property, it's then time to determine which renovations and upgrades to prioritize.

"When deciding on what to renovate in a flip home in order to make a profit, I suggest focusing on the kitchen and bathrooms since these spaces sell homes," said award-winning interior designer Carmen Roy. "The key is, however, not to over-invest in materials as they could be costly and cut your profits."

When choosing kitchen materials, opt for cabinets with a melamine or polyester finish; they are less expensive than solid wood and are stylish, she said.

"When it comes to countertops, laminate is indeed the budget choice but I personally feel quartz is worth the investment to attract buyers," Roy said. "Floor tiles and backsplash tiles are often on sale and won't break the bank, and white cabinetry is still the top seller."

In terms of look and design, it's always best to keep it neutral when doing a flip so as to appeal to the widest range of buyers.

"I always suggest choosing a soft neutral palette because it's so appealing, but it also gives the illusion the space is larger than it actually is," Roy said.

"When it comes to renovating your bathrooms, consider purchasing premade vanities; they are available in a wide range of styles, colours and sizes and are very reasonable in cost."

These vanities usually include a quartz or marble counter along with a sink. Coupled with a new floor, fresh paint, and an upgraded tub and/or shower, the entire bathroom will look and feel like new.

In addition to the kitchens and bathrooms, one general rule of thumb is to always ensure the paint job in the home is newly done in a modern colour. The flooring is another important element to consider.

"If the home you want to flip has wall-to-wall carpeting, replacing it with a laminate floor is a good investment because it adds richness and a clean style without the high cost of hardwood floors," Roy said.

"Painting the house with neutral colours also appeals to buyers."

If you're taking on a flip project for the first time, consider if you truly have the time and money to put behind this type of undertaking. If you're all in, start by locating a property in the right area.

"You want to focus on areas where properties appreciate quickly," Poupart said. "Areas that are seeing large increases in price year over year will be more profitable than areas seeing slower growth." For example, the Sud-Ouest borough is in high demand.

"The average purchase price has been increasing significantly year over year," Poupart said. "So not only are you making a profit on the renovations and improvements you've brought to the property, but also the short-term appreciation as well."

*MORTGAGE RATES**

Financial Institution	Type	Variable	6 months	1 year	2 years	3 years	4 years	5 years
Alterna Bank	Closed	4.15	3.25	2.14	2.14	2.14	2.14	2.44
Alterna Savings	Closed	4.15	3.25	2.14	2.14	2.14	2.14	2.44
Bank of Montreal	Closed	4.15	4.20	3.09	3.29	3.75	4.24	4.79
Bank of Nova Scotia	Closed	5.75	4.25	3.09	3.19	3.79	4.09	4.79
CIBC Mortgages	Closed	4.25	3.75	3.19	2.89	3.59	4.24	4.79
Canada Life	Closed	—	4.20	3.10	3.20	3.65	4.24	4.79
Desjardins - Caisses	Closed	—	4.40	2.89	3.04	3.54	4.09	4.74
Effort Trust	Closed	—	4.15	4.15	4.25	4.35	4.45	4.55
HSBC Bank Canada	Closed	3.94	3.19	2.19	1.94	1.99	2.04	1.96
Home Trust	Closed	—	—	3.99	3.54	3.79	3.85	1.94
Investors Group Trust	Closed	—	4.20	3.10	3.20	3.65	4.24	4.79
Laurentian Bank Canada	Closed	—	4.40	3.09	3.24	3.74	4.29	4.74
Manulife Bank	Closed	3.05	4.45	3.24	2.89	2.89	2.89	2.79
National Bank	Closed	—	4.40	2.69	3.04	3.54	4.09	4.79
Royal Bank of Canada	Closed	4.95	2.69	2.69	3.04	3.55	4.09	4.79
Simplii Financial	Closed	—	6.19	3.19	2.89	3.64	4.29	4.74
T-D Mortgage	Closed	3.60	3.09	3.14	3.19	3.49	3.74	4.59
Tangerine	Closed	—	—	2.89	2.19	2.19	2.19	1.99

**Rates as of Sept. 14, 2020*