

How to Flip Houses Using the 70% Rule Review

As you may recall, the 70% Rule keeps you out of trouble when you're flipping houses. It also prevents you from doing "eraser math" when you're evaluating [how to flip houses](#). I see lots of different ways to evaluate a property, but the 70% Rule is the rule that I've always stuck with because although it does not exactly apply in every circumstance, it is an excellent benchmark to use to keep you honest and ensure a good profit on the property.

So, for example, you've determined that the after repair value of a certain house is \$200,000.

There are several comps in the area in the past six months that indicate that \$200,000 is a fair price. These recent sales give you a good benchmark to begin your math.

1. You take the \$200,000 and multiply it by 70%, which equals \$140,000:

ARV = \$200,000

70% Rule: $\$200,000 \times .70 = \$140,000$

2. Deduct your repair costs from that \$140,000. Your rehab expenses will be \$40,000, according to your contractor.

Now, using the 70% Rule, subtract the \$40,000 from the \$140,000:

Repair costs = \$40,000

70% Rule = \$140,000

The maximum price you want to pay for this house is \$100,000:

Maximum purchase price = \$100,000