

Protect Your Profit: Is Your Rehab Property Properly Insured?

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Real estate investors have numerous ways to protect their profit: accurate sales comparables, trustworthy contractors and a successful exit strategy. One aspect that may be overlooked by many investors is the proper insurance coverage for a property in the process of rehabilitation.

Do you have the proper coverage?

Typically, an investor obtains a standard fire policy on the property they are rehabilitating. However, a standard fire policy typically applies only to occupied properties. A better option for a property in the process of being rehabilitated is a Builder's Risk policy.

Builder's Risk: What it covers

A Builder's Risk policy is designed to address the exposures usual to an unoccupied structure under construction or renovation. A Builder's Risk policy takes into consideration the progress and ongoing change in value of a property as it is being renovated.

A Builder's Risk policy will apply to the total completed value.

The completed value consists of:

- Purchase price of the property
- Cost of the improvements
- Soft Costs
- Profit

Because theft and vandalism are common challenges with a rehab project, materials, supplies and fixtures that will become part of the property are also specifically insured. Coverage can also be extended to include materials in transit and materials that are stored at a temporary location.

A Builder's Risk policy also addresses the multiple insurable interests of a property in renovation. This includes the owner, contractor and lender; all parties can be named as insured.

A Builder's Risk protects an investor's best interest: their profit.

Remember, after construction is finished, it is important to complete a proper insurance review. Most Builder's Risk policy will exclude coverage if a property remains vacant for more than 60 or 90 days.

ReCasa Financial Group

ReCasa Financial Group, LLC provides an array of products and services for real estate investors to successfully exceed their profit and investment return objectives. Financing, insurance, education and security offerings are tailored for each investor's situation. The core loan product provides 100% financing for rehab projects. For a free consultation or to explore how ReCasa Financial Group can assist you, please contact us at 614.221.6770 or visit our website at www.ReCasaFinancial.com.