

Interested in Flipping?

An increasing number of Americans are flipping houses; according to CNBC's Realty Check, more than 207,000 homes were flipped in 2017. Flipping a home, which is a property bought and sold in the same 12-month period, is more common now than it has been in a decade.

Flipping homes, however, is not the industry it was. If you're considering such a move, think about the amount of time, money and effort will be needed to make your investment worthwhile.

HOW STRONG IS THE REAL ESTATE MARKET IN YOUR AREA?

Home prices are increasing, which increases the risk of flipping; the more expensive a house is, the fewer potential buyers you have and the more you will have to spend more to fix up and set the home apart. Houses on the less expensive end of the spectrum are in higher demand and thus are less likely to be a good investment for flippers, who want to get in at the low end.

According to CNBC, the highest average gross returns for flipping in 2017 happened in Scranton, Pittsburgh, Philadelphia, Baton Rouge, Cleveland, Baltimore and Buffalo. Flipping rates were highest in Memphis, Las Vegas, Tampa, Birmingham and Phoenix.

HOW WILL YOU FINANCE?

Banks are loaning more to home flippers than they have in the past, but in 2017, almost two-thirds of people who bought houses to flip used cash. That's a reversal from a decade prior.



REAL ESTATE 101

Avoid Costly Mistakes

The biggest mistake real estate flippers make is not having enough cash on hand, according to Investopedia. Down payments, interest, renovations and holding costs, such as taxes, insurance and utilities can add up quickly, and they all eat away at your potential profit. If you don't plan ahead, you could make a costly mistake. Read all of Investopedia's "Five mistakes that make house flipping a flop" and how to avoid them at <https://bit.ly/2zWNefR>.

HOW MUCH WILL YOU SPEND FIXING UP THE HOUSE?

The average return on investment in 2017 was 49.8 percent, down from almost 52 percent in 2016. While the

dollar numbers are higher than they've been in past numbers, flippers are buying more expensive houses and spending more money to fix the houses up. You also have to factor in

the closing costs when buying a house.

BUILD RELATIONSHIPS WITH LOCAL PROFESSIONALS

If you're a regular in the real estate market, consider negotiating a lower commission for your agent with the promise of more business in the future. See if you can find houses before they're listed to the public.

Get to know the contractors and other home repair professionals in your area too; ask if you can get a volume discount on paint jobs, yard work, flooring and other common repairs.



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HOMESWISE GLOSSARY

Margin: the number of percentage points the lender adds to the index rate to calculate the ARM interest rate at each adjustment.

Lender disclosures: important terms and costs of home loans, including the APR, miscellaneous charges, payment terms, and information about any variable-rate feature, which must be disclosed under the federal Truth in Lending Act.

SOURCE: Homeclosing101.org

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