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Home > Columnists > House Talk

**The Ups and Downs of Flipping Property in Today's Market**

By **June Fletcher**

**Question:** What is the best way to flip a house to make a profit?

-- Max Azongho

**Max:** The "easiest" way to flip a property is to buy it at the bottom of the real-estate market cycle and sell it at the top. But since it looks like the housing market is already cooling, "easy" isn't an option anymore.

Flipping -- that is, buying and reselling a house quickly -- tends to occur when supply is tight and home prices puff up like a pan of popovers. In such markets, just about anyone who can scrape up the money to purchase a home can gain, and in the recent boom, many people did just that. A 2004 survey by SRI Consulting Business Intelligence found that 2.2 million households used their home equity to buy additional property last year, more than twice the number of a decade earlier. In places such as Southwest Florida, where prices have risen particularly rapidly, McCabe Research & Consulting LLC estimated that 60% of the 60,000 new homes and condos scheduled to be completed by 2007 were bought by flippers.

But when markets start to deflate, most flippers fold their hands. Those who remain in the business generally are pros who know how to spot and buy homes at a significant discount. They have ready sources of cash to find their properties and keep in touch with lenders and real-estate agents who alert them to bargain buys in return for repeat business. They steer clear of over-financed properties (this will be harder to do in the next few years, since so many homeowners have maxed out their equity) because sellers won't be able to drop their price much. They look for homes with private financing where they can sometimes buy back a note at a discount. Sometimes, if mortgage interest rates are rising rapidly, they'll offer some form of seller financing to ensure the property moves quickly and to keep carrying costs down.

There are other ways for investors to make money in cooling markets, but these require more work than flipping -- namely, rehabbing houses or becoming a landlord. Both of these techniques require considerable time and out-of-pocket expenses, so be sure you figure out all the costs in advance of purchasing property. Good worksheets can be found in the book, "Secure Your Financial Future Investing in Real Estate" (Dearborn, 2003) by Martin Stone and Spencer Straus.

And while you're in the bookstore, consider investing in some of these other helpful guides before you invest far greater sums in property. "The Beginner's Guide to Real Estate Investing," (John Wiley & Sons, 2004), by Gary W. Eldred, describes 27 ways to find or create below-market deals (example: Find a "cranky" landlord who is desperate to sell), while "Flipping Properties: Generate Instant Cash Profits in Real Estate," (Kaplan Publishing, 2001), by William Bronchick and Robert Dahlstrom, provides basic but solid advice. And for the "flip" side of flipping, I heartily recommend "What No One Ever Tells You about Investing in Real Estate" (Kaplan Publishing, 2004) by Robert J. Hill. A compilation of 101 war stories from real-life investors, the book focuses mostly on landlords. But it also relates creative and funny ways investors have found good deals -- like the investor who bought a home directly from an older couple desperate to sell so that they could get rid of their mooching adult children.

-- June Fletcher is a staff reporter at The Wall Street Journal and the author of "House Poor" (Harper Collins, 2005). Her "House Talk" column appears most Fridays on RealEstateJournal.com. [Email your questions](#) about the residential real-estate market. Please include your name, city and state. If you don't want your name used in our column, please indicate that. Due to volume of mail received, we regret that we cannot answer every question.

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