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Fervent Flips: Rehabbing houses takes hold on block of East Sprague

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Ben Revilla works at 120 E. Sprague St., which he and his wife, Aggie, are renovating. (Journal Photo by Kate Lord)

When Triad House Buyers LLC of Kernersville recently found a rundown house on East Sprague Street in the Sunnyside area, it snatched it up as a property to flip.

Flipping is when people buy undervalued properties, fix them up quickly and sell them for a profit. It's a risky venture if people don't know what they are doing, but start-up costs are low and investors can make a killing.

The owners of Triad House Buyers heard that other flipping investors in the area had been scared to touch the house that they bought at 124 E. Sprague St. Built in 1919, the house had been vacant for about 25 years. With a kitchen that needed to be gutted, the house required a tremendous amount of work.

"But we saw the potential," said John Heath, who owns Triad House Buyers with business partners Angela Shoffner and Darren Rogers.

The company specializes in problem properties.

Triad House Buyers just completed work on its Sprague Street house, which has four bedrooms and two full baths. The project included completely redoing the kitchen, adding heating and air-conditioning, and upgrading with new appliances. The company paid \$39,000 for the house, spent about \$65,000 to rehab the place and has it listed at \$154,900.

The property is one of three houses sitting side by side on East Sprague Street that are being or have been fixed up for flipping. There is a lot of this type of real-estate activity going on in Sunnyside, all within a half-mile radius.

Next door to Triad House Buyers' property, Aggie and Ben Revilla of Kernersville are renovating a Sears catalog home called The Osborn at 120 E. Sprague St. The three-bedroom house was built in 1921. The Revillas are redoing the house's kitchen, putting in appliances, and adding a washroom and a second full bath, among other things.

The couple bought the house for \$50,000, according to tax records, and plan to list it at \$119,000 when the fix-up is 95 percent complete. They expect to spend \$20,000 in renovations, which should be completed in mid-September.

This is the Revillas' first time at flipping. They consider it a labor of love and are ready for more.

"As soon as we finish this, we'll look for another one," Ben Revilla said.

At 116 E. Sprague St., Pat McCoy and her business partners, Vickie and John Sivalski, have completed work on a house with three bedrooms and two full baths. Renovations include a remodeled and upgraded kitchen and master bedroom. The dwelling was built as a single-family home in 1921 but later changed to a duplex. The business partners have turned it into a single-family home again by closing off doors and opening walls.

The house was bought for \$90,000 and is on the market for \$149,900. The business partners hope to rehab and flip other houses in the area.

People can make money from flipping, but experts warn that they should get as much education as possible before getting into the business, especially in how to spot bargain properties.

William Bronchick, a lawyer and real-estate author and expert in Denver, said that people should treat flipping as a business, not as a hobby.

"It's not like going into the stock market where you can just go online and pick a stock and hope you're right," Bronchick said. "The learning curve is a little higher in real estate."

Shoffner, an owner of Triad House Buyers, said that they enjoy rehabbing old homes and aim to provide a quality product. Even so, they treat flipping as a business to make a profit and want work on projects to run efficiently.

The company typically does two projects at a time. It has just signed a contract to rehab a house at 107 E. Sprague St. that was damaged by fire in early May.

Bronchick, the lawyer, said that some people look at television shows about flipping and think that it is simple. "It's not quite as easy as it looks," he said, referring to hidden costs.

Heath of Triad House Buyers said that people often overlook holding costs, anything that is involved with holding a property until it is sold, including interest payments and utilities.

The \$65,000 that Triad House Buyers put into rehabbing its 124 E. Sprague St. property excludes holding costs.

Bronchick said that it is important to know what he calls the true retail value, or what the property is going to sell for in 30 to 60 days.

“When you’re flipping, you’re only working on maybe a 10 percent margin,” he said. “So if you’re 10 percent off on your values, you’re in big trouble.”

The biggest mistakes that people make are underestimating costs to fix up houses and putting more money into a property than the market will allow, Bronchick said.

He gave two rules in flipping properties: “It always costs you more than you think to fix it,” he said, “and it always takes longer to sell it than you think.”

Vickie Sivalski declined to say how much she and her business partners spent to fix up their house, but she said that they spent more than they should have. For example, they paid \$1,500 to have 32,000 pounds of trash hauled off when their trash-hauling budget was just \$500.

But, Sivalski said, it is important to do quality work. “We’re not going to cut corners,” she said.

All the property owners expect to get their asking prices, especially since Sunnyside is considered an up-and-coming neighborhood with a mix of people from all walks of life. Laid out in 1892, Sunnyside has a housing stock predominately from the early 20th century, including cottages and bungalows. Over the years, the neighborhood fell into disrepair but is starting to bounce back.

A consultant is preparing a National Register nomination for the Sunnyside/Central Terrace area.

LeAnn Pegram, a project planner for the City-County Planning Board, said that tax credits are available for rehabbing properties on the National Register and that when historic areas are officially listed, there’s a spinoff effect of an area improving over time.

She said that the rehabbing of houses on East Sprague is also good for the area.

“I think anytime you have a property that is in need of attention and someone gives it that attention, it improves the look of the property, making it much more attractive to potential buyers,” Pegram said. “When you see that sort of thing happening with several houses along an area, it can do nothing but be a positive effect.”

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