



What's Up with the Flipping Market?!

by Troy Martin

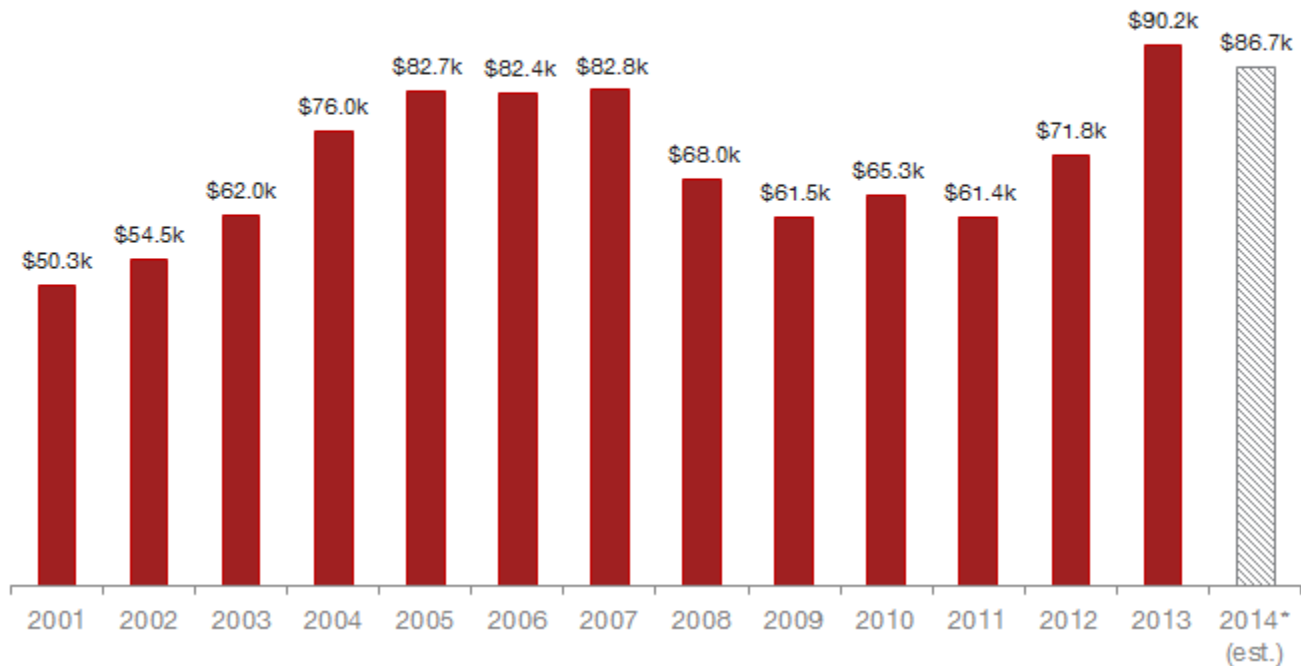
June 19, 2014



House flippers grossed more than ever in 2013, an average of \$90,200 per home, and \$194,000 in San Francisco

With the housing market well into a fourth year of steep price gains, homes in 2013 were being flipped for more money than ever: an average of \$90,200 per home. Redfin crunched the numbers all the way back to 2001 to see how flippers fared before and after the housing bust, and found that they have fared particularly well lately. For this analysis, we defined a flip as a home that was purchased and then sold again within 12 months.

REDFIN. Average Gain from Flipped Home Sale (Combined Redfin Markets)



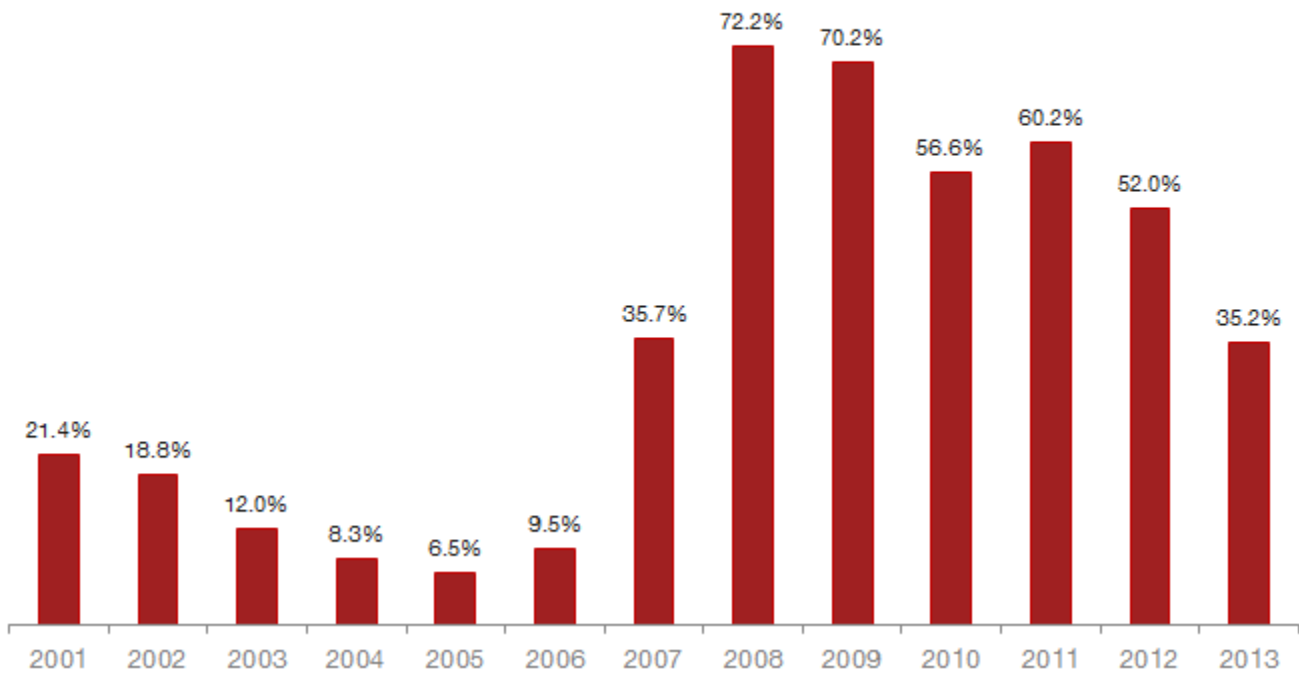
It's worth noting that gains are not profits. Home flippers, whether they're banks, companies or individuals, generally make improvements to a home before selling it. Those improvements can range from simple cosmetic changes to completely gutting an entire home, which makes it difficult to pinpoint actual costs for each of the homes in this analysis. But according to [Remodeling Magazine](#), replacing a door would cost somewhere between \$1,000 and \$3,000, while a major kitchen remodel could cost \$55,000 or more.

Redfin agent [Al Medina](#), an experienced flipper himself, says that success in home flipping doesn't come without careful planning and cost consideration. "People see house flipping shows on TV and think it looks easy, but it's always way more work and time than they anticipate, and there is a ton of risk inherent in house flipping," he said. "It takes an experienced eye to determine a proper scope of work and even with that there may be some unforeseen expenses. Rehabs can range from basic improvements, such as painting, re-carpeting, and updating kitchen and baths to full gut jobs, which can range anywhere from \$60 to \$120 per square foot."

Who's Doing All the Flipping?

Many home flippers before the housing bust were individuals hoping to capitalize on huge price gains leading up to 2006. But after the bubble popped, banks had many foreclosed homes come on the books. By 2008, the majority of flippers were banks, who have since reduced their inventory of distressed housing. In 2013, bank real estate owned (REO) properties fell to their lowest levels since the foreclosure crisis, according to data provider CoreLogic.” In 2013, only 35.2 percent of house flips in these markets were bank-owned, compared with 72.2 percent in 2008. This year, [bank REOs are up 15 percent](#), signaling that they may be more active participants in the flipping market in the second half of 2014.

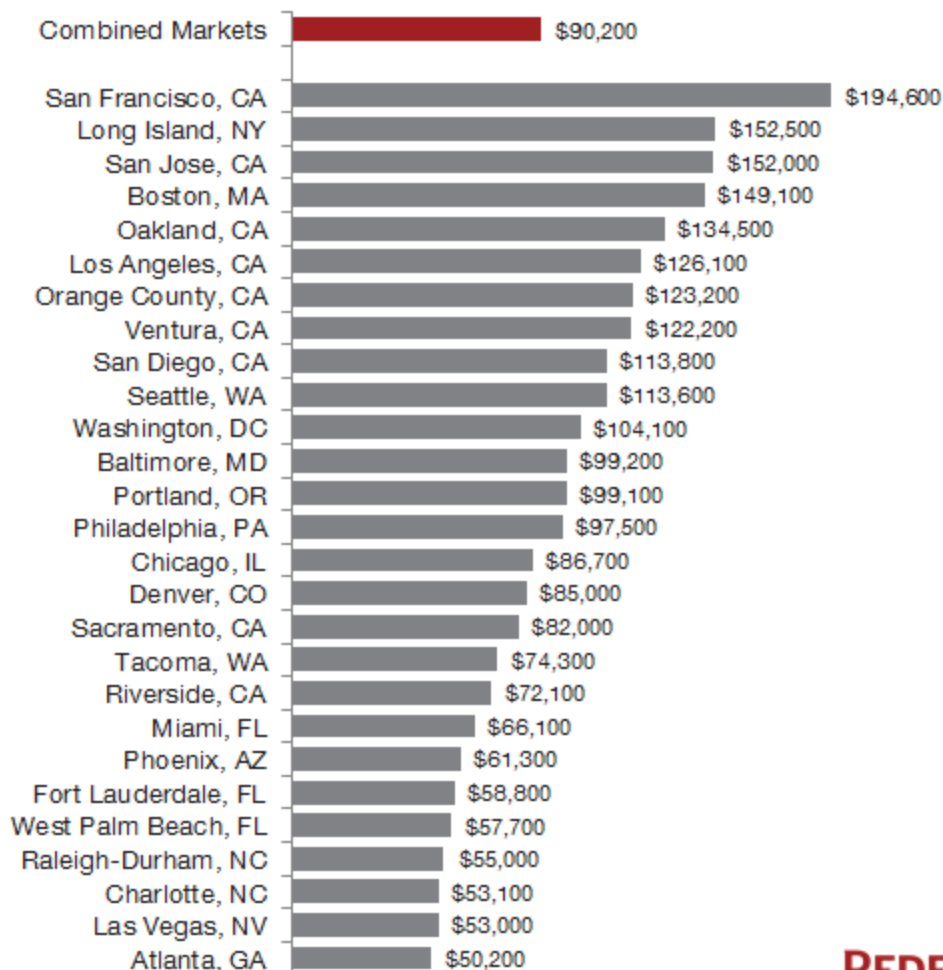
REDFIN. Percentage of Flips that Were Bank-Owned Sales (Combined Redfin Markets)



Gains from House Flipping Vary by Market

In 11 of the markets analyzed, the average gain from a flipped home was well over \$100,000. San Francisco (average gain of \$194,600), Long Island (\$152,500) and San Jose (\$152,000) were the three markets where home flippers saw the highest gains. On the other end of the spectrum, home flippers in Atlanta and Las Vegas saw average gains of \$50,200 and \$53,000, respectively.

Average Gain from a Flipped House in 2013



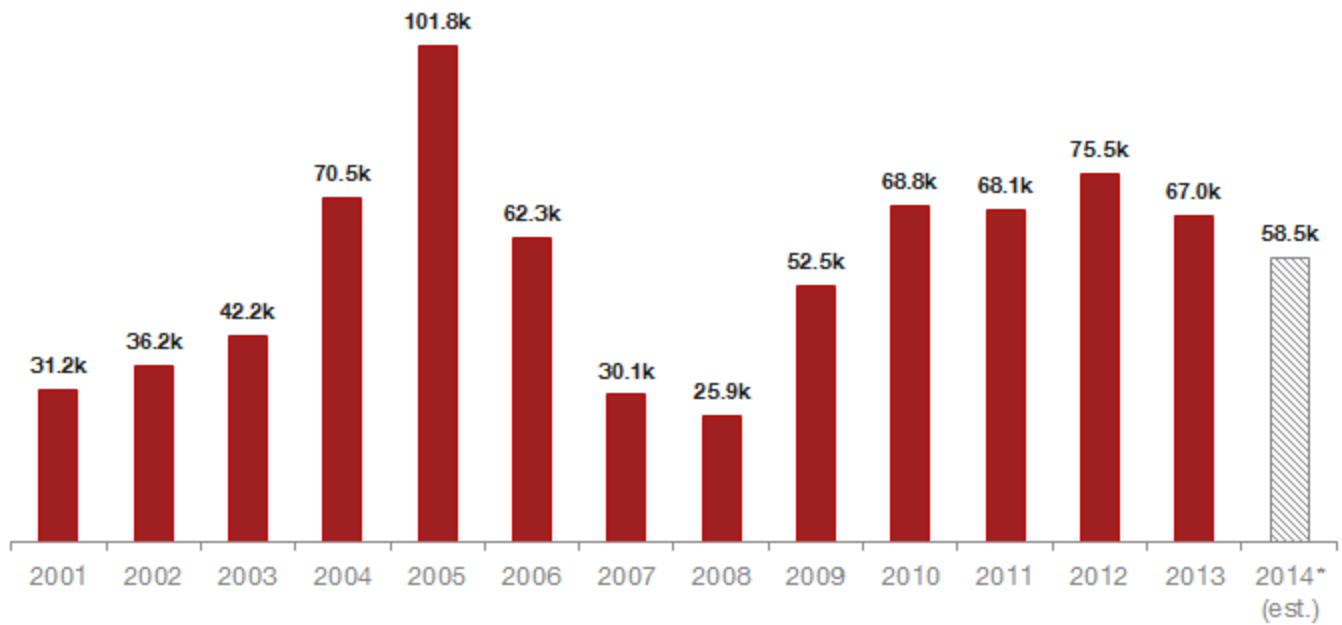
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Fewer Homes Being Flipped Than During The Boom

While big gains in home prices have created big opportunities for flippers, the number of homes being flipped is nowhere near the volume of 2005, which was the peak flipping year at 101,800 homes. The largest volume of house flips since the bust occurred in 2012, at 75,500 across Redfin markets.

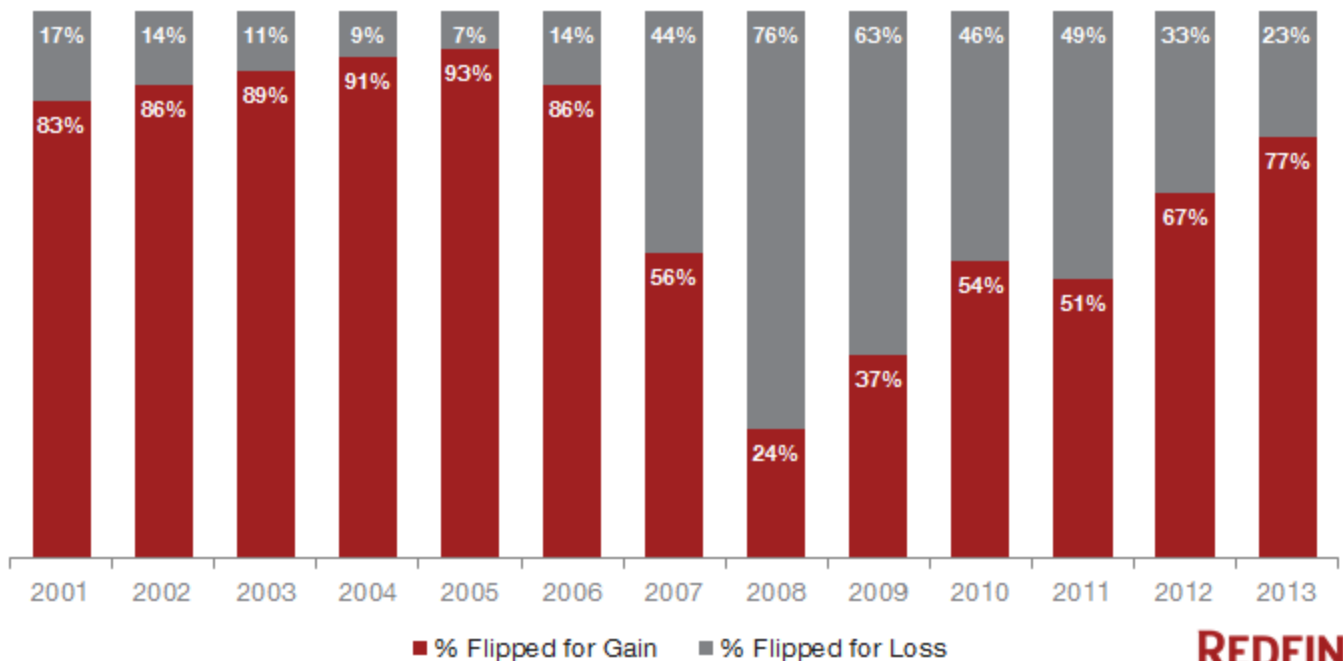
“In 2005, homebuyers could easily access zero-down financing, which led to heightened activity from amateur investors who bought several homes without any upfront costs, and who planned to resell them at a profit,” said Nela Richardson, Redfin chief economist. “When the market crashed, those buyers were left in a lurch. Today, with low inventory, high demand and stricter mortgage standards, flippers are largely developers, corporate investors and all-cash buyers who are experienced and can act quickly to snatch up properties with flip potential. Unfortunately, high demand and low inventory have also limited the ability of average homebuyers to use sweat equity to renovate a property over several years and make a longer-term financial investment in a home.”

Number of Homes Flipped (Combined Redfin Markets)



Even though fewer homes were flipped last year than in the three previous years, the success rate has been higher. In 2013, 77 percent of homes that were purchased and sold again within 12 months were sold for a gain, while in 2008 roughly the same percentage were sold at a loss. In 2008, only 24 percent of flipped homes were sold for a gain.

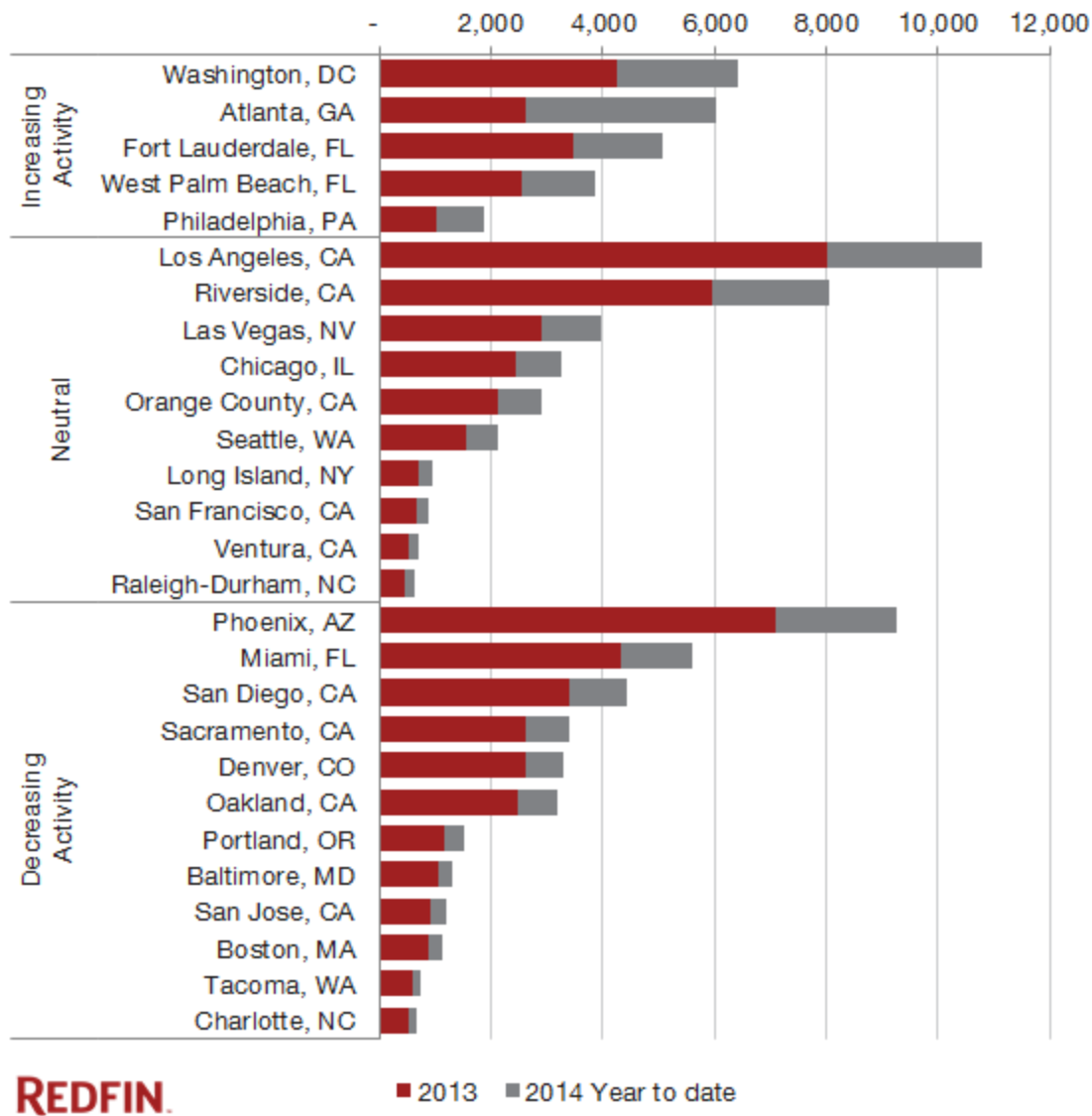
Percent of Flipped Homes Sold for Gain or Loss (Combined Redfin Markets)



Some markets are seeing flipping activity increase this year when compared with year-to-date flipping activity last year, including Washington, D.C., Atlanta, Fort Lauderdale, West Palm Beach and Philadelphia. Los Angeles, Phoenix, Riverside, Calif., Washington, D.C., and Atlanta have seen the most house flipping when 2013 and 2014 are combined.

Level of House Flipping Activity

(2013 and 2014 Year to date)



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■ 2013 ■ 2014 Year to date

The Hottest Spots for Home Flipping

We looked at neighborhoods in each market to see where house flippers walked away with the biggest gains in 2013. Two neighborhoods in Washington, D.C.— [Petworth](#) and [Brookland](#) — were among the top three, with average gains of \$312,400 and \$271,900, respectively. The [Beaumont](#) neighborhood of Portland, Oregon, ranked second, with an average gain of \$285,600.

	Metro	Neighborhood	Average Gain from Flip	Average Pre-flip Price	Average Post-flip Price
#1	Washington, D.C.	Petworth	\$312,400	\$353,800	\$666,200
#2	Portland	Beaumont	\$285,600	\$345,100	\$630,800

#3	Washington, D.C.	Brookland / Catholic University	\$271,900	\$314,500	\$586,400
#4	Los Angeles	Mid-City	\$239,900	\$426,500	\$666,400
#5	Los Angeles	Mount Washington	\$236,300	\$342,000	\$578,200
#6	Washington, D.C.	Fort Totten	\$233,300	\$284,900	\$518,200
#7	Washington, D.C.	Stadium, Armory	\$230,400	\$314,500	\$544,800
#8	San Francisco	Sunset District	\$225,600	\$666,300	\$891,900
#9	Los Angeles	Sherman Oaks	\$214,000	\$444,900	\$658,800
#10	San Francisco	Bayview District	\$196,200	\$338,600	\$534,800
#11	San Jose	Cambrian Park	\$195,000	\$527,700	\$722,700
#12	Los Angeles	Highland Park	\$191,400	\$310,600	\$502,000
#13	Los Angeles	Altadena	\$189,300	\$358,500	\$547,800
#14	San Francisco	Visitacion Valley	\$180,100	\$386,700	\$566,800
#15	Los Angeles	Encino	\$172,800	\$367,700	\$540,500
#16	Phoenix	Camelback Corridor	\$169,800	\$344,900	\$514,700
#17	Los Angeles	Lake Balboa / West Van Nuys	\$153,400	\$296,300	\$449,600
#18	Seattle	Rainier Valley	\$153,000	\$222,300	\$375,300
#19	San Jose	Alum Rock-East Foothills	\$146,400	\$320,100	\$466,500
#20	Baltimore	Canton	\$145,600	\$162,200	\$307,900
#21	Los Angeles	Northridge	\$145,200	\$353,300	\$498,500
#22	San Diego	Poway	\$144,700	\$400,900	\$545,600
#23	Seattle	West Seattle	\$143,400	\$220,300	\$363,700
#24	Los Angeles	Leimert Park	\$142,600	\$261,000	\$403,600
#25	Los Angeles	Granada Hills	\$142,400	\$361,400	\$503,800
	Combined Markets		\$90,200	\$201,700	\$291,900

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This entry was posted on June 19th, 2014.