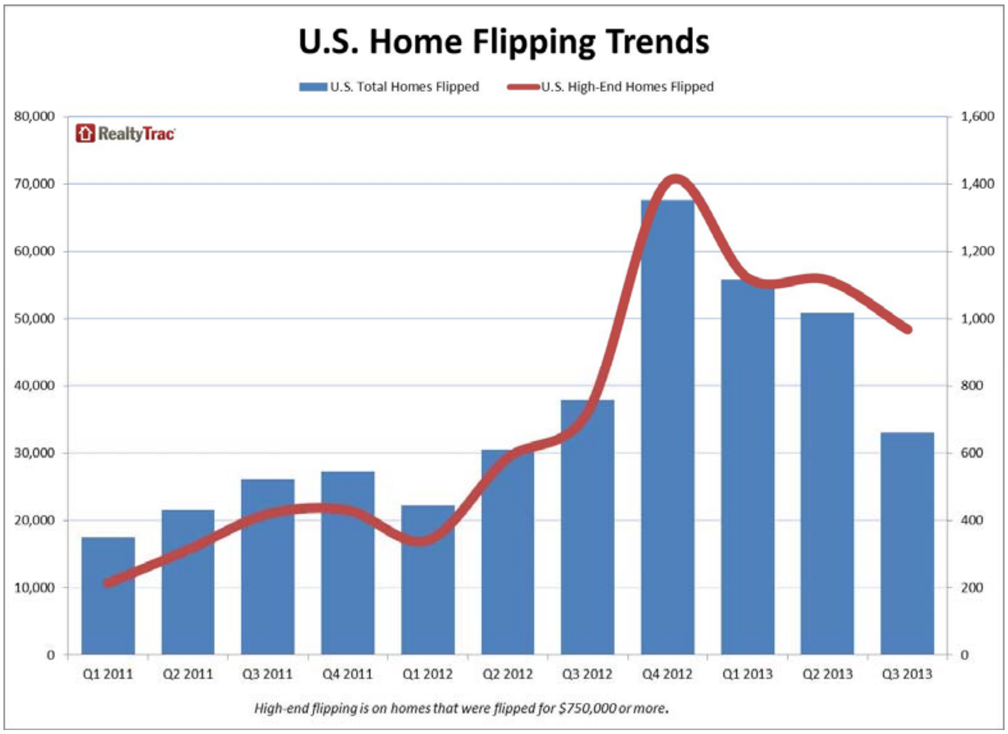
HIGH-END HOME FLIPPING UP 34 PERCENT ANNUALLY IN THIRD QUARTER EVEN AS OVERALL FLIPPING DECREASES 13 PERCENT

October 16, 2013
By RealtyTrac

High-End Flipping Centered in Four Coastal California Markets Along with New York
Former Flipping Hot Spots Phoenix, Tampa and Orlando See Marked Slow Downs

IRVINE, Calif. – Oct. 17, 2013 — RealtyTrac® (www.realtytrac.com), the nation's leading source for comprehensive housing data, today released its Q3 2013 Home Flipping Report, which shows 32,993 single family home flips — where a home is purchased and subsequently sold again within six months — in the third quarter of 2013, down 35 percent from the second quarter and down 13 percent from the third quarter of 2012.



The report also shows that real estate investors made an average gross profit of $54,927 on single family home flips in the third quarter. That was up 12 percent from an average gross return of $48,893 in the third quarter of 2012.

The higher gross profit was driven in part by an increase in high-end flips on homes that were sold by flippers for $750,000 or more. A total of 968 high-end homes nationwide were flipped in the third quarter, down 13 percent from the previous quarter but up 34 percent from a year ago. More than three-fourths of all high-end flips were in five markets: the New York metro area and four coastal California markets — Los Angeles, San Francisco, San Jose and San Diego. Flips on homes priced between $1 million and $2 million increased 42 percent year over year, while flips on homes priced between $2 million and $5 million increased 350 percent year over year.

“Increasing home prices over the past 18 months combined with decreasing foreclosures have created a market less favorable to the high quantity of middle- to low-end bread-and-butter flips that we saw late last year and early this year,” said Daren Blomquist, vice president at RealtyTrac. “But the sharp rise in high-end flipping indicates there is still good money to be made for flippers willing and able to take on the additional risk of buying and rehabbing more expensive homes. With that higher risk also comes the potential for higher reward. The average gross profit on each high-end flip equals more than four times the average gross profit on each flipped home in the lower price ranges.

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The number of single family homes flipped in the third quarter decreased from the previous quarter and a year ago nationally, but flipping numbers were still up from a year ago in some markets such as Los Angeles (11 percent increase), New York (14 percent increase), Detroit (13 percent increase), Atlanta (32 percent increase), Las Vegas (9 percent increase) Chicago (28 percent increase) and Seattle (23 percent increase).

Meanwhile home flipping decreased substantially from a year ago in several former flipping hot spots such as Phoenix (37 percent decrease), Tampa (47 percent decrease), Orlando (28 percent decrease), and Stockton, Calif. (down 37 percent).

Broker and Flipper perspectives

“We’ve seen a noticeable decrease in the number of flipped homes throughout central Ohio in the third quarter,” said Michael Mahon, executive vice president/broker of HER Realtors, covering the Cincinnati, Columbus and Dayton, Ohio markets. “The decrease is likely due to increasing rental rates and a decrease in the overall supply of REOs being released on the market.”

“As rent and home prices escalate and the number of available REOs continue to decline there are fewer people who are buying homes to flip. House flippers are kind of a misnomer as they’ve turned into what I like to call ‘holders’,” said Sheldon Detrick, CEO of Prudential Detrick/Alliance Realty covering the Oklahoma City and Tulsa markets. “Being a house flipper meant buy it, paint it, sell it. Now it’s turned into buy it, paint it, rent it, and hold it.”

“Many of the urban flipping hot spots such as Los Angeles, New York and Atlanta have many areas in disrepair with low-priced inventory, making flipping an attractive option. Additionally, home price increases coupled with fewer foreclosures are creating a shortage of inventory with enough spread for profitable flipping,” said Doug Clark, star of Spike TV’s Flip Men. “The continued slow pace of new home construction has created a gap in the inventory today’s buyers desire. They want more modern homes with the latest features, and the new home builders aren't meeting the demand. Flippers can often incorporate these features and get them into the pipeline very quickly.”

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Report methodology
RealtyTrac analyzed sales deed data and automated valuation data for this report. A single family home flip was any transaction that occurred in the third quarter where a previous sale on the same property had occurred within the last six months. To determine the top 15 markets for profitable flipping, RealtyTrac narrowed the metro list to only those with at least 100 flips in the third quarter and where flipping had increased from the previous year sorted by total gross profit, in descending order.

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