

CNNmoney [HOME PAGE](#) [BACK TO MAIN PAGE](#)

RealEstate

Web
 CNN/Money

[Buying & Selling](#)
 [Investment Property](#)
 [Home Improvement](#)
 [Million \\$ Life](#)
 [Financing](#)
 [Best F](#)

[SAVE THIS](#)
 [EMAIL THIS](#)
 [PRINT THIS](#)
 [MOST POPULAR](#)

The art of the flip

A new reality television show will follow real estate speculators as they buy, fix and "flip."

October 14, 2004: 2:24 PM EDT
 By Sarah Max, CNN/Money senior writer

SALEM, Ore. (CNN/Money) –It's one thing to buy a house to call home. It's quite another to buy property with the sole purpose of turning around and reselling for a profit.

It's called flipping, and in the coming months, a dozen aspiring real estate investors experience this firsthand -- on camera, no less -- as they attempt to buy, remodel and sell property within a period of six months.



Flipping is the subject of an upcoming reality television series with the working title "[Property Ladder](#)," scheduled to appear on The Learning Channel in May 2005.

advertiser links [what's this?](#)

Flipping Property the Easy Way
 Every legitimate method of flipping real estate, plus many other strategies. Low...
www.intellibiz.com

Flip Properties Using Only \$10
 How to flip pre-foreclosure property using a \$10 contract deposit. Completely...
www.pforeclosure.com

Become a Real Estate Millionaire
 Advanced secrets on how to make millions in real estate using none of your own...
www.adreporting.com

Make Immediate Cash Flipping Properties
 This step-by-step course is for anyone who wants to learn how to make immediate...
www.business-marketing.com

"Everyone you talk to seems to know someone who has tried to flip property," said Char Serwa, the show's executive producer. In California, where most of show's subjects are buying, 2.6 percent of all houses sold during the month of May were owned for less than six months, according to DataQuick Information Systems, up from 1.9 percent the previous year.

There are several varieties of flipping, said William Bronchick, author of "Flipping Properties." One is rehabbing, which is the focus of the show. Other flippers buy property that's in foreclosure or under construction and try to resell the property to other investors.

"We're not advocating that people do this," added Serwa, explaining that each homeowner's story will be told in an individual episode, detailing the experience

from purchase to sale.

"This is truly an observational documentary," she said. "It's real life."

Indeed, the homeowners featured on the show are not only footing the bill for the property and the cost of renovations, they're managing the projects on their

ADVERTISEMENT

Rates are s
 Don't wait -
 Lower your n
 payments.
[Amerquest t](#)

own. Unlike other TLC makeover shows, seasoned carpenters and designers won't be pitching in to help.

What the show's subjects do get is advice from host Kirsten Kemp, an actress, real estate agent and seasoned property investor. Whether the homeowners actually take that advice is another story.

Viewers, meanwhile, may likely learn a few lessons as well, namely that buying, remodeling and selling property is hard work – particularly when done in a matter of months.

QUICK VOTE

Have you ever bought real estate solely as an investment, and not to have a place to live?

- Yes
- No

VOTE [View results](#)

"A lot of things can go wrong," said Kemp.

It's also financially risky. A slowdown in real estate means little to a homeowner settled in for several years, but it can be devastating if you're banking on selling for a quick profit.



Buy it, fix it and sell it. Kristen Kemp, host of TLC's 'Property Ladder,' shares tips on flipping properties.



[Play video](#)
(Real or Windows Media)

Factor in the transaction and renovation costs and there may be little profit at all. Any profit you do make, mind you, will be taxed at ordinary income if you sell in less than a year, noted Ron Phipps, of Phipps Realty in Warwick, RI.

In seven years, Kemp flipped 40 properties, not always successfully. "I made money about 70 percent of the time, and 30 percent of the time I broke even or lost money."

Here's a sneak preview of some of the lessons Kemp hopes to bring home.

Leave your emotions at the front door

When shopping for investment property, you want to find a house that tugs at you emotionally, said Kemp. If a house rouses your emotions, chances are it will do the same for future buyers will as well.

When it's time to make an offer, however, your emotions cannot get the best of you. "You make money flipping in part by buying low," she said. "The people who say 'I just have to have this house' are the ones who overpay."

Don't overdo it when renovating

"This is not the time to create your dream house," said Kemp. "You don't want to fix the property to a level that is not necessary."

This is a dilemma many first-time flippers struggle with. On the one hand, they want to do a good job on the renovation. On the other hand, they don't want to put money in



See the average cost for 15 common projects and how much they can add to the value of your home.

Type of project:

expensive light fixtures or elaborate built-ins if they aren't going to recoup the time or money they spent.

That said, you don't want to cover up serious problems with a new coat of paint or a well-placed picture. "You want to attack anything thing that would be a red flag at closing," said Kemp.

Average job cost (2003 Natl Avg):

\$

What will you get back?

% Cost recovered

%

Value at sale

\$

Get your local results from
[Remodeling Online's 2003 Cost vs. Value Report](#)

DIY when it makes sense

The more work you can do yourself, the more money you'll make on the flip, said Kemp.

Still, even do-it-yourselfers need help sometimes. Develop a list of reliable contractors, plumbers, electricians, drywallers and other experts to call on. Kemp, for one, says she has her own contractor to thank for getting her through many projects.

While you're at it, find a good real estate agent, she said. "They can help you understand what is selling and what's not," she said. "They'll do a good job because if they do, they know you are going to list the property with them when you're ready to sell."

Price the property to sell

You give your blood, sweat and tears to a house, but it's no excuse to overprice it.

"I encourage people not to get greedy," Kemp said. In fact, she recommends pricing property a little under market value. "Every day your house is on the market you're losing money."

What if "Property Ladder" homes don't sell in time for prime time?

That's just part of the story. And in real estate, sometimes that's the reality. ■

--* [Disclaimer](#)

[Try an issue of MONEY magazine - FREE!](#)



[SAVE THIS](#)



[EMAIL THIS](#)



[PRINT THIS](#)



[MOST POPULAR](#)

More on REAL ESTATE

- [The art of the flip](#)
- [The right way to hire a contractor](#)
- [Mortgage applications fall](#)

TODAY'S TOP STORIES

- [Blue chips stay upbeat](#)
- [Michigan confidence plunges](#)
- [Investors eye Kerry surge](#)

CNNmoney

[contact us](#) | [magazine customer service](#) | [site map](#) | [CNN/Money glossary](#) | [press room](#)

OTHER NEWS: [CNN](#) | [SI](#) | [Fortune](#) | [Business 2.0](#) | [Time](#)

© 2004 Cable News Network LP, LLLP. A Time Warner Company ALL RIGHTS RESERVED.

[Terms](#) under which this service is provided to you. [privacy policy](#) [Reprints](#) of site stories are available.