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Buy it, own it, sell it; do it all again tomorrow

'Flipping' property just to rake in the profit has risks -- and big rewards

By [Michael Pollick](#)

Alex Newberry and Monique Joannette just flipped their fourth property in three years. She still works as an accountant, but he quit his job as a Herald-Tribune reporter to do theater lighting.

"The money that we make allows me to go back to the theater," Newberry says. "It gives me the license to have a life."

Flipping -- holding real property for a short time before taking a profit -- has been around for centuries. But in the real estate mania of Southwest Florida, where the value of a condominium can go up 30 percent before the builder can finish it, flipping has turned into a sport rivaling football betting.

Newberry and Joannette are moving out of the home they bought and fixed up on Stevens Drive in Sarasota near the Ringling Museum of Art, after owning the place for less than a year.

That still leaves husband and wife with their West-of-the-Trail dream home renovation, a partnership in another house in north Sarasota and a one-acre parcel on northern Shade Avenue that they hope to subdivide into four or five lots.

"The house we are in right now, we bought for \$180,000 in July of last year. We put \$60,000 into it, and we sold it for \$375,000, and that was

in ten minutes," Newberry said.

"We never got the open house open. We let one couple in ten minutes early. They grabbed it."

Buy three, sell one

Sarasota's Jules LaMontagne is enjoying profits as a ground-floor investor with developer Ross Bryans as he converts one apartment complex after another into condominiums.

The units typically sell in the low \$100,000s.

Bryans calls LaMontagne one of his "mezzanine investors" -- people who willingly jump in with cash deposits before the brochures are printed and before the buildings are spruced up.

LaMontagne might commit himself to a sizeable investment in the

upcoming conversion of an apartment project into condos without knowing much about the project. The initial transaction might be based solely on a phone call.

"That's almost as simple as it is. Some take ten, some take three, some take five," LaMontagne said. "I buy three and sell one, and use the gains on one to offset the funding of the two others."

At Grand Oaks, a Bradenton project, he agreed to buy three units in September, closed on two in December, and closed on a third in February. He immediately put the February unit up for sale, signed a contract in March and closed with a new buyer this month.

"That was pretty fast," LaMontagne said. "I was under contract for six months and owned it for two, so I had the benefit of eight months of gains.

"These aren't big-ticket items, these are \$110,000 to \$120,000 condos,

so 30 percent isn't a lot of money, but it certainly is a gain."

Downtown action

Realtor Dan Shanahan just helped a condo flipper make a \$110,000 profit on a \$70,000 investment in eight months flat.

The customer strolled into Help-U-Sell's office on South Tamiami Trail, carrying his agreement to buy one of those ritzy downtown condos that isn't even built yet but can be seen rising from the dirt at 100 Central Avenue.

The way the developer wrote the sales contracts, it is okay for the initial buyer to assign the contract to somebody else. When the unbuilt units first went up for grabs, this customer put down some earnest money and agreed to buy the condo for \$352,000. Since then, downtown prices have ballooned like a spinnaker on an offshore reach.

So he pays Help-U-Sell \$4,900 to market the property. Shanahan floats the property out on the Internet and in newspaper advertisements.

Wham, bam, the guy sells the condo he never really bought for \$465,000, which, minus the Realtor's fee, works out to a profit of about \$110,000.

"It's a lot easier than closing," Shanahan said.

Easier, yes, but not everyone likes the term "flipping."

Mention it to Realtor David Jennings and he kind of flips out himself.

"The word has a lot of connotations," said Jennings, a Realtor at Prudential Palms Realty. "I would call this a 'pre-construction resale opportunity.'"

His client Alicia Nordquist tied up roughly \$66,000 last August, agreeing

to buy two side-by-side office condos just north of the Selby Public Library in Sarasota for about \$330,000 each. Between now and the time the building gets its certificate of occupancy in May, she is advertising them for sale at \$412,500 each.

Did she think prices would have risen this much since last summer, prompting her to sell before a closing in May?

"It was not something I was anticipating, but it was certainly something that I considered possible," Nordquist said.

In the world of flipping, not everything is written down in black and white.

For example, Nordquist's contract doesn't really say she can assign her ownership interest. Instead, "There's language in the contract that seemingly allows assignment," Jennings said.

Allowing flippers to play gives a project a certain liquidity at the outset. The developer can show the bank that he has the required number of deposits to get his construction loan.

But many developers have become more interested in the other side of that coin.

In a rising market, with plenty of buyers to be found, allowing the flippers to play means the developer misses out on a potential profit.

Worse, the developer, whose big goal is to hang that banner that says "Sold Out," instead finds himself competing with his own customers for sales.

When Tivoli Homes president Gary Johnson was setting up Rivo at Ringling, another downtown project, "we said right in the contract, they are not assignable."

"We have people who have multiple units," Johnson said. "But they have to close with us first. We make it a little more difficult for them. We have a lot of customers who appreciate that it's not going to be a revolving door.

"It's not as transient, I guess."

A risky business?

You could say William Bronchick, a Denver real estate attorney, wrote the book on flipping. His 2001 tome, "Flipping Properties: Generate Cash Profits in Real Estate" is a classic in the field.

Bronchick warns that hot markets, such as Southwest Florida, can turn lukewarm, like Denver did in 2001. They can leave highly leveraged speculators hanging out to dry.

"If you buy a property simply because you say, 'Everything is going up

10 percent here,' that is a dangerous kind of investment. If you're wrong you're in big trouble."

"The average holding time for a flipper in my market, say on a \$100,000 house, is 90 to 120 days. Of course in your market it might be 90 to 120 minutes," Bronchick said.

Joannette, the CPA flipping property with her husband, Newberry, said they are cognizant of the risks.

Recently, at least six of her accounting clients have said they were thinking about putting their property on the market because they are "tired of the renters and the hassle. That is an interesting thing for me to hear from half a dozen people."

"I love real estate, but I think it is harder to find good deals right now than even a year ago. Very hard."

LaMontagne, meanwhile, feels there is much less risk at the market's low end than at the high.

"The ability to turn over a \$100,000 condo is very high, very fast. The demand is just huge."
