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Homes: Stung by the slow market

Dave Corey has been flipping houses for years. But now he's stuck holding.

By Les Christie, CNNMoney.com staff writer

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NEW YORK (CNNMoney.com) -- Dave Corey has been flipping houses on the side for nearly 30 years, but the latest slump in the real estate market is taking its toll.

His latest struggle: Unloading a ranch in Ocala, Fla., with three bedrooms, two baths and a two-car garage.

He thought it would be a quick buy, rehab and sell transaction. Instead, it's been buy, rehab...and sit. For 10 months.

After paying \$146,000 in January of 2006, he's now out of pocket \$160,000 including closing costs and renovations, he said. The list price of \$178,900 has drawn zero interest.

Before moving to Florida in the early 2000s, Corey's main income came from his used Saab sales and service dealership in Vermont. He sold out and moved south where he earned good money flipping houses at the height of the boom.

"I made \$80,000 in the first four months of 2005 and didn't kill myself [working too hard]," he says.

A few years ago, Ocala, a small (under 50,000 population) central Florida city, was a hot spot for investors, mainly Northerners, according to Corey. Those buyers have flown back north. "I don't see where any new investors are coming in," he says.

Corey's plan had been to follow the strategy honed in Vermont. Describing himself as a "hands-on guy," Corey looks for places that are structurally sound but in some stage of disrepair or ones that need an upgrade. Houses owned by estates are often good, because the heirs don't want to live there; they just want to get the money out of the property quickly.


Sometimes, the places look like bombs went off in them.

"I took my wife, Sharon, to one of the first houses I bought down here [in Florida]," says Corey. "She went in and said, 'Oh gosh. Let's get out of here.'"

Corey had to convince her that was just what he wanted; a place that looked terrible but that had a good roof and a solid foundation.

He managed to find five or six houses a year like that and when he corralled one, he acted quickly. His schedule was to have a contract on them or close a deal within three months of the day he bought.


Corey got the current one directly from a builder so it didn't need much work. With this kind of home, all he does is upgrade some of the features and amenities.



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But, by the time he was ready to sell, he could no longer get the price he wanted. "It sat for five or six months," he says "Nobody even looked at it."

And he stands by the remodeling: "I put it together so that I could live there myself," he says.

It's just that the market is super slow. "Inventory is so high, I heard they had 1,200 homes for sale in [a nearby subdivision] The Villages, it's very difficult to buy and sell," says Corey, "I haven't bought anything in 10 months."

Solution

Corey thinks he may have solved his problem, at least for now. He entered into a lease-with-an-option-to-buy transaction with a 30-something couple. They're paying \$1,200 a month, of which \$200 goes into the down payment principal. He's very pleased with the lessees; they pay promptly and he expects them to follow through on the buy option.

Still, he'd rather sell the home right away. ("It ties up my money," he says.)

He looks forward to a time when the market starts to open up again and he can plunge back into the flipping business. By then, he thinks, Sharon might be ready to retire from her job as a middle school assistant principal. "Maybe we can do it as a joint venture," he says.

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