

## Property Flipping: When a Fast Flip Hurts

Contributed by Lance Mohr  
Thursday, 14 August 2008

When it comes to buying or selling real estate, one way many people have made money in recent years was “flipping” a property. Basically, flipping is when a buyer purchases a home and then quickly sells it again to turn a quick profit.

{mosbotwordcount}

When it comes to buying or selling real estate one way many people have made money in recent years was “flipping” a property. Basically, flipping is when a buyer purchases a home and then quickly sells it again to turn a quick profit. While it is true that flipping can create large gains there is also a large potential downside as many prior investors are quickly learning. Find out the ins and outs of flipping Tampa real estate with these simple tips:

{bot\_wrgoogle}Flipping works best when prices are appreciating. Flipping Tampa homes is a lot like playing “hot potato”&hellip;when the music stops someone is left holding the unwanted item. In this case, the hot potato often came with a large mortgage.

Tip: Real estate prices don’t move upward forever. Never purchase a property without a pre-defined exit strategy and always make sure you can afford the monthly payments on a property prior to purchasing it.

Flipping has been associated with fraud. Across the nation flipping fraud has been perpetuated on unsuspecting buyers who use deceptive sales tactics and inflated appraisals to sell homes at drastically higher prices.

Tip: There are many reasons the cost of a home can increase in value especially if an investor or owner has performed extensive renovations to the home or land. Before purchasing a home make sure you understand what value has been added to the property to justify the increased price especially if the home has been recently purchased.

Flipping and fraud places neighborhoods at risk. If you have owned your home for quite some time then you may think flipping and fraud doesn’t impact your property &ndash; you would be wrong. Entire neighborhoods are hurt by flipping and fraud; first through increased property taxes and insurance premiums&hellip;and then later through large numbers of empty homes and foreclosed properties resulting from loan defaults.

Recent changes to the mortgage industry and underwriting standards hope to curb the incident of flipping and fraud but may also inadvertently hurt reputable investors that specialize in purchasing distressed properties and rehabilitating them. Tighter lending requirements, limits on refinancing and stricter regulation on the holding period of property may help protect naïve buyers but the best safeguard is individual awareness and education. Before purchasing a home or other real estate, take time to review the history of the property and surrounding neighborhood. Areas with numerous recent sales and rapidly escalating prices without signs of improvements or added value may be subject to continued decline in the coming months.

Lance Mohr is a licensed broker associate with Keller Williams Realty. He specializes in Tampa Real Estate and New Tampa homes for sale.