

LOCAL

# Intense competition for Twin Cities houses attracts flippers

By one estimate, investors accounted for nearly 10% of all Twin Cities purchases last year. But it's taking more work to make it happen.

By Eric Roper (<http://www.startribune.com/eric-roper/62906482/>) Star Tribune |

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Young families aren't the only ones desperately hunting for deals in today's competitive Twin Cities housing market. Amid record low home inventories in some areas, investors are peppering some Twin Cities homeowners with letters and postcards nearly every day, offering to buy their house "as-is," with no repairs.

By one estimate, investors accounted for nearly 10% of all Twin Cities purchases last year — with a focus on low-priced properties also sought by first-time home buyers. Some rehab the homes to sell or rent them out. Others flip the properties to other rehabbers as soon as they buy them.

"I think there's still deals to be had out there," said Derek Burington, a rehabber who has been investing in real estate for six years. "It just takes a lot more work than it did a few years ago."

Burington was once able to find prospects on the open market. But a scarcity of deals led him to become a franchisee with HomeVestors, the entity behind "We Buy Ugly Houses" ads, to find better leads. The number of HomeVestors franchisees in Minnesota has grown fourfold since 2011, to 21 today.

Nationally, investor homebuying [reached record highs last year](https://www.corelogic.com/blog/2019/07/investor-homebuying-activity-reaches-historic-heights.aspx) (<https://www.corelogic.com/blog/2019/07/investor-homebuying-activity-reaches-historic-heights.aspx>), according to data from the analytics firm CoreLogic. The share of Twin Cities homes purchased by investors has been climbing for several years, though it was higher between 2008 and 2014.

And there appears to be more flipping. Nearly 10% of homes sold in the Twin Cities in early 2018 had changed owners within the prior two years, a figure unmatched in recent history, according to CoreLogic.

"The industry is definitely getting more competitive," said Josh Zinda, leads and marketing manager with Cash For Houses, which aggressively targets certain homeowners with direct mail.

The firm does its own rehabs, but also sells properties to other flippers. That was the case in April 2018, when Cash For Houses bought a house in Minneapolis' Armatage neighborhood for \$180,000 and immediately sold it to an investor for \$207,500. It sold this year for \$319,000.

Zinda says their work doesn't reduce the number of "starter homes" available on the traditional market, however, since rehabbers are providing property updates.

"These are houses that need work," Zinda said.

Darius Collins was forced to sell his Longfellow-area house in late 2018 after medical bills left him behind on mortgage payments. Faced with bank pressure to sell quickly, he turned to an investor after another buyer fell through. Paramount Investment Group paid him \$125,000 and immediately sold the house to a rehabber for \$180,000, which then sold it this August for \$385,000.

Collins had hoped it would go to a working-class family, but the final price was geared toward the higher tiers of middle class.



JOHN BAZEMORE — AP

Nationally, investor homebuying reached record highs last year, according to data from the analytics firm CoreLogic.

“I understand business is business,” he said. “But for community advancement [reasons], I would have preferred it go for a little less.”

In another striking turnaround, an investment firm purchased a home on 35th Street and Cedar Avenue in Minneapolis for \$90,000 in 2016 and immediately sold it to a rehabber for \$135,000. The house sold for \$400,000 this February. Olmedo Alvarado, who owns the company that renovated the home, said the duplex had a poor layout and was full of garbage before he bought it and performed extensive demolition work. He sold it to another investor, who will rent it out.

“I just used the shell and the roofing. Besides that, the inside is like new. New plumbing, new electrical, new furnace,” Alvarado said. “\$400,000, that’s not a lot for a nice house.”

Mike Jacka, president of the Minnesota Real Estate Investors Association, said the number of active investors in the Twin Cities has been relatively stable. But competition is fierce, he said, particularly as outside hedge funds quietly scoop up homes by buying bad debt from banks.

“There’s investor money from all over the world coming to markets like the Twin Cities right now, and we have an extreme lack of inventory,” Jacka said. “I don’t see more investor activity. I see more investor activity concentrated on the same target audience.”

Regarding the rise in short-term sales, Jacka said some investors who bought homes to hold as rental properties are now selling them because there are so many buyers.

The number of HomeVestors franchisees nationally has risen from about 165 in 2009 to more than 1,110 today, said David Hicks, HomeVestors CEO. He said their marketing, which includes TV commercials, billboards, mailings and online ads, helps find people interested in selling their homes.

“There are a whole lot of people out there, a lot of gurus, seminars on buying investment property,” Hicks said. “But then they leave there and say ‘Now go buy a house.’ And the reality is where do they find it?”

Victoria Caprioni is one of the targets of investor marketing efforts. She receives more than a dozen a week by mail, postcard, e-mail, text message and flier from different entities to buy her house on the East Side of St. Paul. She believes these sales are fueling what she calls the region’s housing crisis.

“Nearly every house on my block has been flipped at some point. ... I think it artificially drives up the price of homes,” Caprioni said.

Until recently, Joan Ballanger had seen a similar marketing deluge at her St. Paul home. But she’s not tempted.

“If I was interested in selling, I would let somebody else know,” Ballanger said. “I don’t want somebody making me feel like, ‘Oh, there’s something wrong with your house, I’m going to buy it as-is.’”

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