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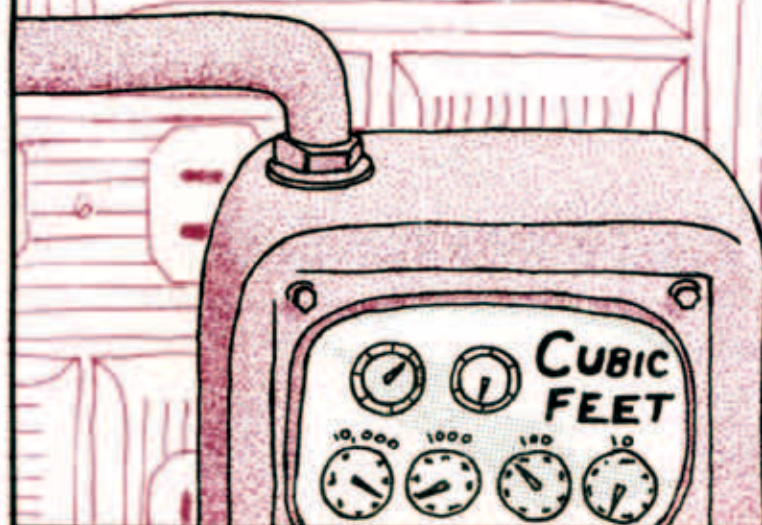
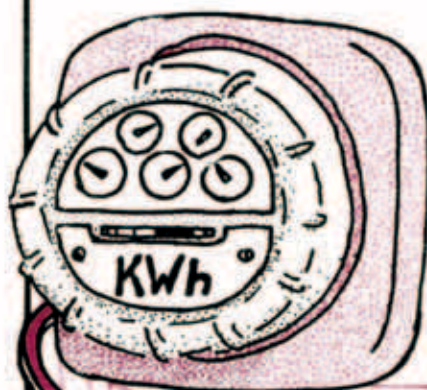
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DON'T BE A LIPSTICK FLIPPER



Photos by Larry Weingarten

We hear in the news about all the foreclosed, abandoned, vacant, or otherwise lost homes. We hear about the army of house flippers and people buying and fixing these homes to make an income from them, whether it's by reselling them or renting them out. Now we're also hearing about rising sales prices and lack of inventory. How does an energy-conscious person fit into this arena? Why should one even bother?

Lots of money is being poured into getting and fixing these lost homes, certainly because money can be made by doing so. Memphis Invest commissioned a study last September that found private investors put \$9.2 billion a year into fixing up their real estate purchases. The average is \$7,500 per home or unit, though 16% spend over \$30,000. The study found that real estate investors are spending over 4 times what the Federal Neighborhood Stabilization program is spending to rehab housing. Eleven percent of all Americans own real estate. Three percent of all Americans (or about seven million people) think of themselves as real estate investors.

Energized Investors

So ponder for a bit what might happen if energy-conscious people decided to jump into the fray and become investors. First, although housing prices are beginning to rise, there has been no better period in most of our lifetimes to take control of properties to make them



Kitchens need to show well. Reviving one doesn't need to cost a bunch. New finishes and fixtures can go a long way.

durable and efficient. The Great Depression might have been the last such opportunity. The best time to rehab a place is when nobody is living in it—cellulose insulation and drywall dust just aren't appetizing for people living in a home. Also, working by the hour has its limits. Finding a way to create an income that happens even if you take a day off has some appeal. You could rehab buildings to be rentals and become an energy-efficient landlord.

There is a good reason to become a landlord rather than sell the home you rehab. The appreciation of property is something to hope for but not something to count on. Perhaps appreciation is best thought of as retirement income. Real estate is a relatively safe investment over the long run. Like any investment done wrong, it can lead to losses, but many of the well-to-do people in the world got that way with real estate. It's got a proven record

and has intrinsic value, unlike paper money. Particularly now, with the dollar being as weak as it is, FDIC insurance being uncertain, and banks considering your deposits to be a loan, it's a very good time to be looking at something that holds its value, no matter where the dollar goes.

Now if energy-aware people get involved in housing and replace the "lipstick flippers"—who make only cosmetic changes to a home and get it back on the market as soon as possible—the opportunity to make a difference really grows, because homes aren't often so available for an energy makeover during their lifetimes. They remain occupied, often for decades. Sometimes the flippers aren't all that good at fixing up houses, and all that lipstick will keep the house stuck together and unavailable for real repairs for a while!

Appraisers are ever so gradually moving toward recognizing the value of energy improvements, so loans may take these improvements into account some day. Another thing that happens when we replace the lipstick: We have steadier work as energy-aware investors because we control the job. No more need to try to make prospective clients see the light, because we are the clients. And if we get “scary” homes—those cheap ones that look like a lot of work—we can save them from simply being demolished and sent to the dump. That can add up to some serious

embodied-energy savings. Many benefits can come from our involvement.

Getting to Work

There is a lot to the business of real estate, with many, many flavors. There is a lot to learn. How does one get involved? Where is funding? What rules exist for keeping out of trouble? One of the better sites to get this sort of know-how for free is Bigger Pockets. Much information is shared there. It comes from brand-new-to-real-estate types on up to those who have been involved in real estate

for 30 years or more. There are lots of good real estate books as well, and using info-per-dollar as a yardstick, books are a dramatically better deal than the gurus! There is one very good example of bringing wow and green to foreclosed homes with Dave Robinson's company, Green Earth Equities. Robinson sets a good example of what I'm talking about and offers up a lot of information useful to the energy-conscious person, with a nice mix of science and practicality (see “learn more” on p. 18 and “Energy-Wise House Flipper,” *HE* Nov/Dec '09, p. 18).



Sometimes it takes a little imagination to turn bad into good. This room was missing some roof but was turned into a comfortable entry.



This kitchen didn't show well, but new surfaces and appliances helped.

What do these foreclosed homes look like? Where are they, and how do you find them? We are used to thinking of bank-foreclosed homes coming up for sale on the local multiple listing service (MLS). Foreclosures range from multimillion-dollar mansions to hovels that sell for a few thousand or less, and they are in every state. They are in run-down “war zones” in the bigger cities and in quiet countryside settings way out of town. As a rule of thumb, if you're on the coast, go inland a bit and the deals will begin to appear. Sadly, MLS is no longer a good or reliable source of deals. There is simply too much competition. But here are some resources for finding potential homes for an energy retrofit:

Roughly half of the states in the United States are “deed states.” A good source



Pretty and efficient go well together. Once the house is sealed and insulated, a two-ton mini-split will handle the 100-degree-plus temperature range.



Combine a small kitchen and small pantry to get one nice kitchen.

>> learn more

References are listed in the order in which they are cited in the article.

Memphis Invest: www.memphisinvest.com.

For more on flippers, go to <http://activetrain.com/blog/view/2019273/mr-jay-s-neighborhood-meet-flipper>.

Bigger Pockets: www.biggerpockets.com.

Dave Robinson's Green Earth Equities: <http://greeneearthequities.com>.

Bid 4 Assets: www.bid4assets.com.

Tax Sale Resources: www.taxsaleresources.com.

HUD Homestore: www.hudhomestore.com.

Find a Real Estate Investment Club in your area at: www.reicclub.com/real-estate-clubs.php.

City Data: www.city-data.com.

Look for information on crime in an area at www.crimereports.com.

You can learn a lot through **Public Records** at <http://publicrecords.onlinesearches.com>.

Robinson, Leigh. *Landlording*. El Cerrito, California: Express Publishing, 2010 (11th Edition). You can order *Landlording* online at Amazon, or by going to www.landlording.com.

of information on tax deeds and more is Tax Sale Resources.

These tax deed homes to possibly retrofit appear online at sites like Bid 4 Assets, or you can go in person and find them at your local county offices.

HUD Homes is another source of information on rundown homes for sale cheap.

Even writing letters to the owners of dilapidated

properties can bring results.

Also, it just might be a good time to locate a Real Estate Investment Club in your area and attend a few meetings. Perhaps we can infiltrate the clubs and convert their members into energy-aware people!

Once you're looking at specific properties, web sites like City Data will give you lots of detail about any given area, and sites like Crime Reports will tell you if it's a war zone and you should be looking elsewhere. Also there is much that can be learned by going to Public Records and browsing through the official information. Or simply contact the officials themselves, whether they are in the building department, in the recorder's office, or with the tax collector.

I've focused on Internet information so far, but ultimately, nothing beats actually looking at a property. The vast Internet can't tell you if the house that looks so nice on Google Earth has just burned down, so always go look. The

neighbors might be willing to share some of the history of the property as well.

Once you have a specific property in mind, how do you determine if it's worthwhile? One old landlord rule of thumb is that you want to get 1% per month. This means that as a gross number you want rent to be at least 1% of the total money you have put into a place. For example, if you bought a house for \$150,000 and put \$50,000 into repairs you would want \$2,000 per month in rent. This assumes you will be doing the property management. Otherwise you want to get more like 2% per month, as managers usually charge around 10% of rents. Another thing to keep in mind as energy-minded rehabbers: We need to know beforehand how much we can spend on improvements and still have a cash-flowing property. It's going to be hard to justify turning all your rentals into Passive Houses.

Becoming a landlord is scary to many people, but that comes from lack of good information on just how to do it. I can suggest a good book: *Landlording*, by Leigh Robinson. It's in its 11th edition and has saved me countless troubles.

To close, I hope I've created a bit of interest in real estate. Putting energy-conscious people together with distressed homes can create that authentic win-win and move us all forward in a positive way. (E)

Larry Weingarten

Larry Weingarten is Home Energy's water heater expert. He has been servicing conventional and solar water heating systems in the Monterey, California, area for 35 years. His web site is www.larryweingarten.com.