

Flipping with no Money



A few years ago I was in Thailand, enjoying myself with one of my ex-girlfriends. Per our usual, we spent the evening having drinks, chatting, fiddling on the iPad and watching the sunset.

Since real estate is my passion, I'm usually reading about it when browsing the internet. Always looking for a good investment makes it very entertaining.

That wonderful day got even better while sitting on my balcony at the resort. I found a potential deal!



The ex-girlfriend's mother wanted to move a few hours south and bring her three cats and two dogs. Let's call her Nanna (not her real name).

As that is a more popular area, finding something to rent when having pets and within a short period of time can be difficult.

As I first laid eyes on the potential deal, it hit me like lightning. If I could get financing, I could have Nanna living in it helping me with payments and taking care of it. That should get me a house that would increase in value over time without much effort on my part. Brilliant!

The place was located in a nice rural area within biking distance to town (10kms). There were no neighbors close by and it only needed a tiny bit of cosmetic work to be a pleasant home. It was perfect for Nanna and all of her pets.



The sale was being done through a foreclosure with one open house and then the auction a few weeks later. Sadly the open house was planned for the next day and there was no way I would make it from Thailand to Sweden in time to see it.

I kept the house in mind and three weeks later after landing at Landvetter airport in Göteborg, Sweden I went straight home, picked up my car and drove out to look at the place.

No one was home during my visit so I browsed around and gazed through some windows.



It was a nice place, but there were tons of scraps laying around. My guess was that the resident was a bit of a car fanatic and probably spent too much cash on his interest, hence his poor economy.



After 30 minutes or so, I got back in my car and drove straight to the auction that took place that same day. As I arrived, it turned out there was only one other person interested in the property and he didn't put in a serious offers so I ended up winning at a ridiculously low price.

However, before you can actually purchase a house through a foreclosure in Sweden, the bank or company that the former resident owes money to must accept the offer.

My offer was way below both the market value and the debt on the house so it was not accepted. Hoping to find a solution, I started negotiating what would be a fair price in order to close the deal. After some debating, we agreed on 450 000 SEK. (approx. 65 000 USD).

It was still a good investment with a price slightly below what I had in mind. I made a 10% down payment and then had one month to pay the remainder of the purchase price.

At the time, I had a great contact at a local bank. She gave me a generous loan that covered the missing 90% and so the transaction was done. I was a proud owner of a nice rural house that I could lease to Nanna and her pets. GREAT!

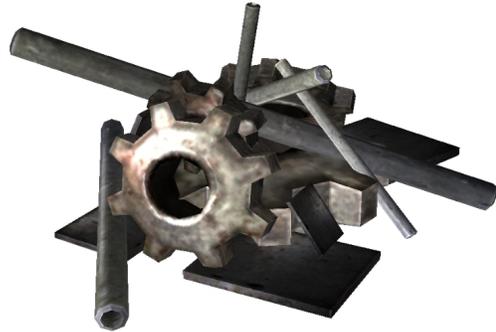


The 10% down payment was pretty much all the money I had at the moment so I ended up flat broke for a short while, but here comes the masterplan of this deal.

As I mentioned earlier the property was full of scrap. Most people looked at this as a problem, but not me. I knew all the "scrap" were worth a fair bit of money, so I began hauling everything to the scrap yard.

After 20 or so runs with iron, aluminum and copper, I made the whole down payment back. I also earned a few free lunches, money for gas and got a clean property.

Seeing beyond what makes other people back away is an invaluable asset. Always look for clever solutions!



A year later, the relationship with my girlfriend ended, but Nana stayed for another year. The situation became a bit strange, so I tried selling her the house for 500 000 SEK (approx. 71 500 USD). She didn't take the offer and eventually moved out.

At that point, I wanted to get rid of the place so I hired a realtor. One week later I had 700 000 (approx. 100 000 USD) transferred to my account and a nice young couple moved in.



It was a great ending to a time of my life where I was a bit too kind for my own good. Still, all experiences teach us something very valuable in the long run.

The end result.

I bought the house for 450 000 SEK (65 000 USD). Did nothing but collect some rent from my ex-girlfriend's mother. The rent left me with a profit of 1000 SEK (143 USD) / month after paying all bills and interest on the loan, then sold it for 700 000 SEK (100 000 USD).

I had flipped a house :)

Total profits:

$1000 \text{ SEK} * 12 \text{ MONTHS} = 12\,000 \text{ SEK}$ (yearly income)

$12\,000 \text{ SEK} * 3$ (the years I had it leased) = 36 000 SEK

$36\,000 \text{ SEK} + 45\,500 \text{ SEK}$ (money made from scrap) = 81 500 SEK

$81\,500 \text{ SEK} + 700\,000 \text{ SEK}$ (selling price) = 781 500 SEK

$781\,500$ (income) - $450\,000$ (what I paid for the house) = 331 500 SEK

331 500 SEK. Equaled 47 000 USD at the time

Not bad, ha? I'm super happy about how things turned out with this property and it taught many valuable things that will help me perform even better in the future.

Now go out and find a deal for yourself. Doing real estate investments is fun, trust me!

Go! Do it! Live it!

