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FLIPPING AS TECHNICAL REHABILITATION OF A PROPERTY RATHER THAN COSMETIC RENOVATION

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ABSTRACT

House flipping is commonly portrayed as a fast visual makeover, yet the buyer of a flipped house acquires the condition of its structures and building systems, not only its finishes. This study aims to substantiate the treatment of flipping as technical rehabilitation of a property rather than cosmetic renovation and to propose a practical framework for prioritising renovation works. The methodology is a structured narrative review of peer-reviewed research on residential flipping, housing depreciation and maintenance, building condition assessment, building codes and indoor dampness, interpreted from the practitioner perspective of a renovation company operating in Central Florida. The review shows that empirical flipping research rarely observes the actual scope of renovation, that the level of maintenance measurably affects house price depreciation, that standardised condition assessment improves the reliability of building data, and that markets exposed to wind and moisture risk capitalise construction quality into prices. On this basis, a four-tier priority model is proposed: structure and safety, building envelope and moisture control, engineering systems, and only then functional modernisation and finishes, supported by staged decision points and a technical disclosure package for the buyer. The study concludes that technical rehabilitation reduces hidden-defect and post-sale risks and aligns the resale price of a flipped house with its actual technical condition.

Keywords: House Flipping; Technical Rehabilitation; Building Condition Assessment; Housing Depreciation; Maintenance; Hidden Defects

1 INTRODUCTION

House flipping, understood as the purchase of a residential property, its improvement and resale after a short holding period, is an established segment of the housing market in the United States. Empirical research shows that flips tend to involve older and smaller homes and to gain a larger share of transactions as the market rises; the same research notes that repair and improvement costs are not observed in transaction data, so the measured profits of flippers are only upper bounds [1]. In other words, the most important operational variable of a flip, namely what was actually done to the house, largely remains outside the scope of empirical analysis.

Flipping investors are not a homogeneous group. A study of the Los Angeles housing market over 1988–2012 distinguishes middlemen, who buy well below market prices and sell above them throughout the cycle while improving liquidity and the existing housing stock, from speculators, who enter mainly during booms and trade at roughly market prices [2]. Flipping also produces externalities. In Clark County, Nevada, flips raised the prices of neighbouring non-

flipped homes in rising markets and lowered them in falling markets, which adds to price volatility [3]. The quality of a flipped house therefore matters beyond a single transaction.

The public image of the business, shaped largely by television and social media, emphasises visual transformation: worn carpet is removed, walls are repainted, a new kitchen appears, and the house is sold within weeks. From a professional point of view, this image is misleading. A house is a system of structures, a building envelope and engineering networks, each of which ages at its own pace. Cosmetic renovation changes how a property looks, but not its residual service life. When the scope of works is limited to finishes, defects remain inside walls, under floors and on the roof, and they pass to the next owner together with the title.

The objective of this study is to substantiate the understanding of flipping as technical rehabilitation of a property and to propose a practical framework for prioritising renovation works. The tasks are to delineate the concepts of cosmetic renovation and technical rehabilitation, to show the role of diagnostics at the start of a project, and to describe the engineering scope of works together with its economic logic.

2 MATERIAL AND METHODS

The study is conceptual and analytical. It uses no proprietary transaction or project data and involves no experiments with human participants or animals.

The literature base consists of peer-reviewed journal articles and an international health guideline. Sources were identified through publisher websites, the RePEc/IDEAS bibliographic database and the NCBI Bookshelf, and were selected according to their relevance to four questions: how flipping creates or redistributes value; how maintenance affects the depreciation of housing; how the technical condition of buildings is assessed; and how construction quality and moisture problems are reflected in market prices and in occupant health. For every source, the bibliographic record and the digital object identifier or stable URL were verified.

The findings of the reviewed studies were compared and synthesised into a conceptual framework, the four-tier priority model of renovation works presented in Section 3.3. The practitioner perspective of a renovation company working in Central Florida was used to interpret these findings in a humid, hurricane-exposed context. This perspective is qualitative and is not presented as statistical evidence.

The main limitation of the study is the absence of primary quantitative data. The proposed framework should therefore be regarded as a hypothesis for subsequent empirical testing rather than as a validated model.

3 RESULTS AND DISCUSSION

3.1 Cosmetic renovation versus technical rehabilitation

Cosmetic renovation covers works that affect surfaces and perception: painting, replacement of floor coverings, new cabinet fronts and countertops, lighting fixtures and landscaping. Such works are fast. They are relatively inexpensive per square foot and look excellent in listing photographs. Yet none of them changes the residual service life of the building.

Technical rehabilitation belongs to a different category. It is a set of measures that return the structures, the building envelope and the engineering systems to a serviceable condition and extend the remaining life of the property. Its result is often invisible: a replaced drain line under the slab, a re-sheathed roof deck, a rebuilt electrical service.

The economics of housing depreciation explains why this distinction matters. Housing capital wears out continuously, and repeat-sales estimates put the annual depreciation of owner-occupied housing in the United States, net of maintenance, at about 2% [4]. Maintenance is the component of this process that an owner, and therefore a flipper, actually controls. A house bought for flipping usually carries years of deferred maintenance, and the investor effectively decides whether that deficit will be eliminated or merely concealed.

Evidence from Stockholm makes the point sharper. For a property about 40 years old, the price difference between a house maintained both indoors and outdoors and an unmaintained one reached about 13%, and the absence of outdoor maintenance mattered more for depreciation than the absence of indoor maintenance [5]. For flipping, this is a telling result: the exterior and the envelope, which cosmetic projects tend to neglect, weigh more in value than interior finishes, on which they concentrate.

A working definition follows from these considerations. A flip can be regarded as technical rehabilitation if, at the moment of resale, the actual technical condition of the property, and not merely its appearance, corresponds to the asking price. The buyer then pays for a house with restored residual service life rather than for fresh paint over aged systems. The central question of the project shifts from how quickly the house can be sold to what exactly has been restored.

3.2 Diagnostics as the starting point of a flipping project

If rehabilitation is the goal, the project begins with an inspection rather than with a design board. Distressed properties such as foreclosures, estate sales and homes that have stood vacant for a long time rarely come with maintenance records. Their defects are often hidden, and cosmetic finishing is ideally suited to concealing them.

Building management practice offers a useful model. A Dutch national standard for condition assessment allows inspectors to provide property managers with objective data on the condition of individual building components; aggregated results support condition targets and benchmarking, and standardisation is expected to make condition surveys more reliable [6]. A flipping company can adopt the same logic on the scale of a single house: every component is inspected and rated separately, and the result is recorded in a defect list rather than in general impressions.

In practice, diagnostics can be organised on two levels. The first is an experienced visual walk-through of the entire house during due diligence. The second is a set of targeted instrumental checks where the walk-through raises questions: moisture measurements, thermal imaging of walls and ceilings, a camera inspection of the sewer line, an evaluation of the electrical panel and a professional roof inspection. Compared with the purchase price, the cost of these procedures is small. Their value is that they turn an unknown into an estimate.

Moisture deserves particular attention. According to the World Health Organization, occupants of damp or mouldy buildings face an increased risk of respiratory symptoms, respiratory infections and exacerbation of asthma; the guideline states that persistent dampness and microbial growth on interior surfaces and in building structures should be avoided or minimised, and it lists condensation, visible mould, a musty odour and a history of water damage or leaks as indicators [7]. A flipper who paints over a leak stain removes an indicator, not the problem, and transfers a health risk to the next occupants.

Regional conditions sharpen the importance of diagnostics. In the humid subtropical climate of Florida, with heavy rainfall and an annual hurricane season, moisture and wind are the main threats to the building envelope. The market recognises this: in Jacksonville, houses built under the stricter 2002 Florida Building Code sold at an average premium of about 12% over houses built under the older code, and the premium generally increased after the 2004 and 2005 hurricane seasons [8]. Florida insurers also commonly request reports on the condition of the roof, electrical, plumbing and air-conditioning systems, as well as wind mitigation reports. The market itself, in other words, asks technical questions that no amount of cosmetics can answer.

3.3 Four-tier priority model and its economic logic

On the basis of the diagnostic report, the scope of works is arranged as a four-tier priority model (Table 1). The budget is allocated from the top down: the fourth tier receives what remains after the first three have been closed.

The model works only if defects are treated as a system and causes are eliminated before symptoms. Patching a crack in drywall without repairing a leaking drain under the slab means paying twice: first for the patch, and later for the full repair together with the damage the leak has caused in the meantime.

Technical rehabilitation is more expensive than cosmetic renovation and takes longer. It is nevertheless economically justified for three reasons. First, it reduces the probability of claims after closing, of renegotiation after the buyer's inspection and of deals falling through at the last moment. Second, it allows value to be captured: a new roof, a new air-conditioning system or an upgraded electrical service appear in inspection reports and insurance quotes, and buyers and appraisers take them into account. Third, it builds the reputation of the company. This business model corresponds to the middleman strategy described in the literature, in which investors sell above market prices throughout the cycle and improve the existing housing stock [2].

Table 1: Four-tier priority model of renovation works in a flipping project

Tier	Scope	Typical works	Decision rule
1	Safety and structure	Foundations, load-bearing walls, roof structure, signs of settlement, damage by wood-destroying insects	Mandatory; if the cost exceeds the projected margin, the deal is abandoned
2	Building envelope and moisture control	Roof covering, windows and doors, site grading and drainage, waterproofing	Mandatory before any interior finishing
3	Engineering systems	Electrical service, plumbing and drainage, heating, ventilation and air conditioning	Repair or replace according to the diagnostic report
4	Functional modernisation and finishes	Layout changes, kitchens and bathrooms, flooring, paint, landscaping	Funded from the budget remaining after Tiers 1–3

Because the scope of renovation is invisible in transaction records [1], documentation is the only way to make it visible to the buyer. A technical disclosure package should include permits, invoices, warranties and photographs of concealed works taken before walls and ceilings are closed. Transparency turns invisible work into recognisable value.

Finally, technical rehabilitation is the main instrument of risk management in a flip. In practice, it means a contingency reserve in the budget and staged decision points: a go or no-go decision after diagnostics, and a re-estimate after walls and floors have been opened. It also means accepting that not every property deserves rehabilitation. If the cost of the first three tiers absorbs the projected margin, the right decision is to walk away from the deal. Given that flips affect the prices of neighbouring homes [3], this discipline matters not only for the investor but also for the neighbourhood.

4 CONCLUSION

Understanding flipping as technical rehabilitation shifts the core of a project from finishing to restoring the residual service life of a property. Cosmetic renovation does not disappear from this model. It remains the final and legitimate stage, but it ceases to be a substitute for repairing structures, the building envelope and engineering systems.

In practical terms, the approach comes down to four principles: diagnostics before design; a four-tier order of works in which finishes come last; elimination of causes rather than symptoms; and documentation of concealed works for the buyer. In the climatic and insurance environment of Florida, this approach is not only ethically sound but also commercially rational, because the market checks the technical condition of a house at the time of sale.

Further research should test the framework empirically by comparing resale prices, time on market and post-sale claims for documented rehabilitation flips and purely cosmetic ones, and should develop a standard technical disclosure package for renovated housing.

STATEMENTS ON COMPLIANCE WITH ETHICAL STANDARDS

Disclosure of conflict of interest

The author is the director of VLugan LLC, a company engaged in the renovation and resale of residential property in Florida. The article contains no commercial data of the company. No other conflict of interest to be disclosed.

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