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## Flipping houses is back in South Los Angeles

Investors are snapping up foreclosed homes in hopes of making a quick killing.



Olivier Clamagirand, who just bought this South L.A. home, says the era of easy money is over. These days investors deal with squatters, take on major repair jobs and face a host of unexpected pitfalls. (Francine Orr / Los Angeles Times / March 3, 2010)

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Alejandro Lazo, Los Angeles Times

April 24, 2010 | 8:03 p.m.

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The musty smell of neglect greeted the two investors as they stepped past the waist-high weeds and peeling paint to cross the threshold of the latest prize: a boarded-up two-story house in South Los Angeles.

Shards of glass crunched underfoot. The men spied a shoe-sized hole in one wall and an empty can of Steel Reserve beer on the floor.

"This is not bad," chirped Robert Fragoso, complimenting his friend Olivier Clamagirand on his new purchase.

Two days before, Clamagirand paid \$180,000 for the lender-owned home on Second Avenue, six blocks east of Crenshaw High. His plan is to spend \$45,000 on repairs and sell the house for about \$320,000.

"The key is to buy right and move quick," Clamagirand said in his thick French accent. "If you can get

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out in three or four months, you're good."

Flipping homes is back.

Lured by steep discounts on bank-owned properties, investors are sifting through the wreckage of Southern California's real estate bust, snapping up foreclosed homes in hopes of making a quick killing. The rapid-sale rebound comes amid a general recovery in housing prices and sales, and the epicenter is South Los Angeles.

MDA DataQuick, the real estate research firm, ranked Southern California Zip codes by frequency of flips, which it defined as homes resold within three weeks to six months of purchase. Three of those Zip codes were in South Los Angeles, and two others were in the nearby unincorporated county communities of East Compton and Willowbrook.

In Watts, about 1 out of every 6 homes sold during the final three months of 2009 was flipped, making it the neighborhood with the highest concentration of flipped properties in all of Southern California, DataQuick said.

Along with low prices, real estate investors are drawn to the area because of its proximity to the ports of Los Angeles and Long Beach, Los Angeles International Airport and other job centers, including factories.

Unlike many of the remote suburbs ravaged by the housing bust, the economy of South Los Angeles and its neighbors was never tied to housing and development. And these urban communities were largely spared the rampant overbuilding that has left areas like the Inland Empire littered with boarded-up subdivisions. Subprime lending was prevalent in South Los Angeles, making foreclosures common.

"South Central is good because it is a blue-collar area, but it is close to essentially a lot of work," said Fragoso, 38, senior vice president at financier Anchor Loans as well as Clamigirand's sometime partner in real estate deals. "It's close to downtown and there are a lot of factories and blue-collar work here."

Flipping was also given a boost in February when the Federal Housing Administration temporarily suspended its "no flip rule," which prohibited people using FHA loans from purchasing properties from sellers who had owned the homes less than 90 days. The one-year suspension was designed to give the housing market a boost.

Investors have long been active in and around South Los Angeles, but their numbers have surpassed even the boom years. The percentage of homes sold to absentee buyers in a large swath of neighborhoods, from Jefferson Park just west of USC to East Compton, peaked at 17.3% in the first three months of 2004, bottomed in the fourth quarter of 2006 at 9.4% and then hit a fresh high of 28.9% in the fourth quarter of 2009, according to DataQuick.

"People have very, very short memories and we go straight from collapse to bubble," said Leo Nordine, one of Los Angeles' top foreclosure agents. "The second South L.A. stopped crashing, we started getting 20 offers on everything."

Investors say there is no shortage of buyers.

Standing outside the open doors of a three-bedroom, one-bathroom, fully refurbished home in Compton one recent weekend afternoon, real estate agent Sonia Moncayo greeted a steady stream of potential buyers in Spanish as *ranchera* and *banda* hits played from a neighbor's stereo.

Moncayo touted the home's tiled floors and granite countertops, the tranquility of the neighborhood and the elementary school nearby. But the real selling point, she said, was the large backyard with a spacious patio.

"This is perfect for your barbecues," she said, reciting her pitch.

Antonia Villegas, 35, and her husband Pablo, 39, were among the interested visitors that day. The couple currently rents in South Los Angeles, but they want more space for their four children.

The Compton location, she said, was ideal as her husband works about a 10-minute drive away in a Boeing assembly plant.

"It is very close to my husband's work," she said in Spanish. "It is a little bit cheaper in these areas, and we are looking for an area that is a little bit more tranquil than where we live now."

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Jaime Reyes, 30, a mechanic who works for an Audi dealership in Pasadena, grew up in Compton and already owns a house — a duplex where his parents live in the spare unit — but said he wanted to take advantage of federal tax incentives expiring this month to purchase a home for his wife and 4-year-old son.

"It's time for me to expand into a two- or three-bedroom," he said. "And, hopefully, expand my family."

Many novices made fortunes flipping homes during the boom, but pros like the 41-year-old Clamagirand say the era of easy money is over. These days, he says, investors need to face down squatters, take on major repair jobs and wrestle with a host of other unexpected pitfalls.

"You can't compare that time and now: Anybody could buy something, hold onto it and make money six months or a year later," he said. "These days you really need to buy right and spend time to make improvements."

In a too-common narrative of the bubble years, the previous owners of his newly purchased five-bedroom property on Second Avenue loaded up the home with debt, refinancing at least seven times. The size of the mortgage swelled from \$142,159 to more than \$500,000 before it was foreclosed on last summer. Clamagirand plans to fix it up and sell within a matter of months.

A curly-haired French and Belgian national who heads his own company called Oceanside Property Investments, Clamagirand is a former competitive Motocross racer who yachts out of Marina del Rey in his free time. His first flip more than a decade ago was a single-family home on West Magnolia in Compton; he still keeps two bullets he found lying inside as mementos. They foreshadowed a tragic twist: The husband and wife who bought the home lost two sons to gunfire within months.

"Compton can be rough," Clamagirand said, standing in the back room of the newly purchased home, looking through a BB-gun-pierced window onto a still sea of backyard weeds.

It seems every investor or real estate agent who has worked in South Los Angeles long enough has gritty tales or close calls, though law enforcement officials say violent crime is down significantly in recent years.

Richard Contreras, 33, who works for Nordine listing properties in South Los Angeles, says he takes precautions as he drives around the area, delivering foreclosure notices, overseeing evictions and then inspecting seized properties.

"It is always an emotional thing," Contreras said. "If they yell, I don't yell back. I get it. People lose jobs, fall behind on their payments."

He drives his boss' blue Toyota Prius, which he says is safer than his own car, a black 2000 Buick Park Avenue Ultra, which sheriff's deputies have told him resembles an undercover cop car.

To get people out of homes quickly these days, lenders often will offer residents a "cash for keys" deal, literally paying residents to vacate without a fight.

"This is not my proudest day," said one unfortunate homeowner, standing in the doorway of his empty house as Contreras completed a full search, opening up cupboards, closets and inspecting the basement.

But as some homeowners are forced to leave, others are stepping up to take their place.

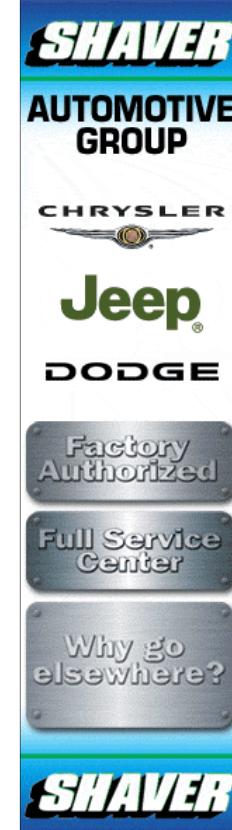
Eula Toca, 34, now rents in Highland Park in northeast Los Angeles. Despite skepticism from friends and family, she wants to buy in South Los Angeles, believing it's a good place to get the most house for her money.

"There are some beautiful pockets," Toca said. "And not everything is as it seems."

[alejandro.lazo@latimes.com](mailto:alejandro.lazo@latimes.com)

Times data analyst Sandra Poindexter contributed to this report.

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## Comments (9)

[Add / View comments](#)**freddy123** at 9:50 PM April 25, 2010

Interesting article - my question is what type of financing are the Flippers using to obtain the properties??? Their own windfall of cash or getting a regular loan???? Most or let me some many Flippers misrepresent their intention of occupancy to obtain favorable rates and less down, which was one of the core issues of the current housing debacle - misrepresentation on loan applications - of course, I could be wrong in my assumption but the notion of investing for 3 - 6 months makes you wonder. Also, the injection of South Central, Compton, Watts, etc. is very suspect as those are the most popular areas - according the reference source used - but I guess it juices up the story.

**antarez7** at 4:11 PM April 25, 2010

These House flippers should move fast. If unemployment stays high, they're going to get burned.

**Jose90220** at 2:15 PM April 25, 2010

Magnolia St has some rough areas, that DOES NOT represent every single area in Compton.

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