

Fixer-Uppers for Fun & Profit

by Walter Jowers



Buying, renovating, and reselling old houses can be a good business for small- or medium-sized builders, particularly those of us who may be long on hands-on skill but short on up-front capital. There's no other niche that offers the possibility of fairly quick profits to builders whose biggest asset is the quality of their work. And all it takes to get started is enough money to buy-and-enough skill to renovate-one "distressed" old house. But it's got to be the right distressed old house, and it's got to be renovated the right way.

Over the last several years, I've owned and restored four old houses: a 1950s cottage in South Carolina, a 1920s bungalow in Nashville, an 1880s New York City apartment (actually ¼ of a house), and a 1916 Foursquare in Nashville. I made a decent profit on each of the first three houses and, if I sold the Foursquare tomorrow (I'm living in it now), chances are I'd do all right on it, too. Though I make no claim to having a Golden Touch with real estate, I think I've gained some insight into what makes for a profitable old-house renovation, and I'll try to pass some of that along here.

One thing a potential renovator needs to understand is that, on the market, old houses behave somewhat like normal real estate, and somewhat like antiques. They behave like normal real estate in that the most important thing is location. When you're looking for an old house to renovate and resell, you should have the same concerns as any potential house buyer. For instance, are the schools in this district good? Is the house close to good shopping? Are property values in the neighborhood stable or rising? Is there a strong demand for houses in the area? How is the property (and neighboring properties) zoned? Can somebody put a junkyard next door to the house?

Another important consideration is conformity, which in real estate lingo means harmonious and compatible land use within a certain area—a well-kept neighborhood instead of a hodgepodge. Old-house renovators should try particularly hard to keep conformity in mind. It's easy to get impressed with an old mansion standing alone on a hill and imagine rich folks lined up to buy the restored beauty. It usually doesn't work that way. The safest course is to buy an old house in a neighborhood full of old houses. In an old neighborhood, conformity should be pretty good, and because of this, the renovated house stands a better chance of increasing in value. My favorite areas for renovation are the early planned suburbs built in most U.S. cities between around 1880 and 1930. Many of these developments can still be found intact, with good roads, utilities, and mature street plantings that help

improve the residents' quality of life and property values.

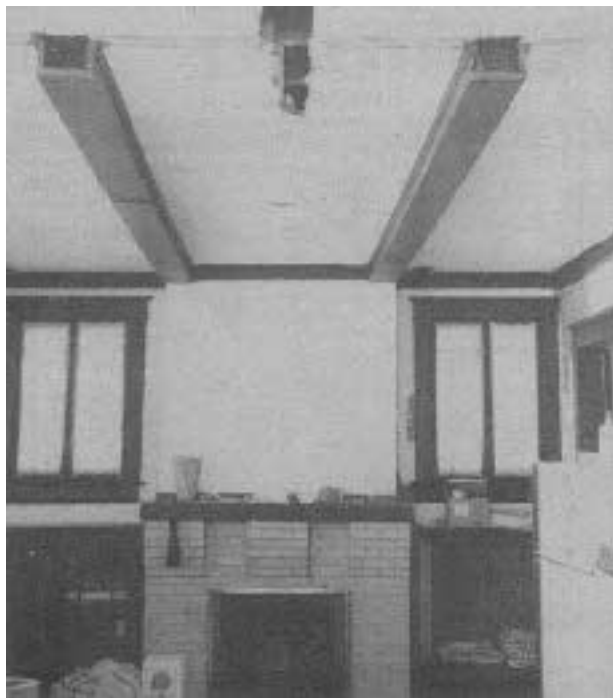
While we're on the subject of conformity, let's address historic zoning laws, which a lot of folks mistakenly believe:

- Legally protect old houses from destruction.
- Eliminate or compromise owners' property rights.
- Provide a lot of free or cheap money for restoration. Generally, none of the above is true.

A house or a neighborhood in the National Register of Historic Places has almost no protection against demolition or horrific remuddlings—that means no protection against lack of conformity. If a project of the Federal government (like an Interstate highway or a giant dam) threatens a National Register district, then the project must be reviewed by the Feds to decide if the benefits of the project outweigh the harm done to the district. This is fine if your house is threatened by an Interstate (not too likely now that most of them have been built); but a neighborhood's listing in the National Register offers no protection against local developers who want to flatten old houses and put in offices, or convenience markets, or quadplexes, or whatever. And there's no federal law against any building owner anywhere wrecking or remuddling a house. The only protection against these threats to a property's value is Local historic zoning. Municipal zoning laws across the country vary from Tennessee's Conservation Zoning law, which only slows down demolition, to laws like some in California that won't let a homeowner remove a chandelier from certain designated houses. To find out about local historic zoning in your area, call City Hall.

Now, back to that business about old houses behaving somewhat like antiques: If you want to make money renovating old houses for resale, you have to forget the typical real estate appraiser's premise that all houses of similar square footage in similar locations are of similar value. People who want to buy an old house are not the same shoppers who base their house-buying decision on the number of bedrooms and closets. Old-house buyers want things that add up to what real estate agents call "charm." Things like high ceilings, plaster walls, original woodwork, maybe even armoires *instead* of closets. Typically, old-house buyers do *not* want aluminum siding, replacement windows, lopped-off porches, or queer additions.

This is the hardest part for many spec builders to understand. For instance, one block over from my house, a builder just refitted a 1920s bungalow with new double-



A Nashville fixer-upper early in the rehab process. Previous owners had cut off the ceiling beams when they put in partitions to create a duplex.



Rehab the cat poses with the plaster-patching materials. Later, when the job was done, Rehab clawed up the furniture and was sent to live with relatives.

glazed windows and an aluminum-sided dormer. Nobody wants the place. Two blocks up the same street, a house that needed *everything*—new wiring, new plumbing, new heating plant, new roof—just sold for a good profit. The people who bought the house want it to at least appear original—like an antique.

Getting a house working right—with adequate mechanical systems—and looking right, with enough of the original detail to create that nebulous old-house aesthetic, is more of an art than a science. The qualities that make an old house charming, cozy—*desirable*—are too many and varied to detail here. But I will offer these anecdotes:

When I bought the 1916 house that I'm now restoring, I almost had myself talked into doing a period kitchen (the period would have been roughly 1916-1930). I had found an old Westinghouse refrigerator in excellent condition, a swell streamlined one with the coils on top. I had my eye on an old kitchen sink—porcelain on cast iron, with a giant double drainboard and four china legs. I had a Hoosier

cabinet spotted, and a nice two-tone cast iron gas range, too. I was thinking about white ceramic tile walls and a linoleum floor. Then it occurred to me: Installing this kitchen would be a *serious* mistake. If I ever wanted to sell the house, potential buyers would take one look at the kitchen and run for the door. A sink with legs? A fridge that needs defrosting? A cabinet with a flour sifter? It would be easier to sell a house known to be possessed by demons.

Until I hear a better idea, I think old-house kitchens shouldn't look (or work) like time capsules or space capsules. The safest (and most convenient, let's face it) route is to install a modern kitchen, a fairly conservative one with simple wood cabinets and modern appliances. A good rule of thumb is that a new kitchen should cost about 10 percent of what the finished house will be worth. A Hoosier cabinet is okay, but don't do what I almost did and install antique appliances (a fine antique range could be an exception). Neither is it a good investment, or a good aesthetic

decision, to install a "Star Wars" kitchen that's black and white and slick all over. It's hard to keep such a kitchen from being visually jarring in an old house. Such details often leave potential buyers uncomfortable. They don't know what they don't like about the house; they just know they don't like *something*.

You get into less trouble with period-style bathrooms. Footed tubs and pedestal sinks have timeless beauty and utility that keeps them from becoming obsolete or unfashionable. Well-maintained antique fixtures or any of the high-quality reproductions (from Kohler or Besco, for example) now available are safe bets for an old-house bathroom. If you install extra baths in an old house, it's best to be conservative, with, for instance, a nice ceramic-tiled bath with high-quality (but not high-fashion) fixtures. Currently, people are willing to pay well for a large, luxurious bath; this is a fairly new trend, though, and tastes could change.

The best rule when remodeling kitchens and baths in an old house is to choose fixtures that have a timeless quality (white sinks, not avocado or cobalt blue), not fixtures that are the height of current fashion.

A carefully done, high-quality restoration will make a house worth more money. Fussing over details like repairing porch rails and refinishing hardwood floors does pay off. Save your best period decoration and restoration practice for the living room, the dining room, the bedrooms, and the exterior of the house. Despite what some quick-and-dirty real estate investors might say, a carefully restored old house, with intact woodwork, wall stencilling, plaster walls and hardwood floors will bring significantly more money than a similar house that has been hastily gutted, painted, and remodeled. At the risk of offending some remodelers, I'll say that most of the people who argue that a high-quality residential restoration won't pay for itself simply don't (or can't) appreciate the difference between a Tiffany-finished wall and a coat of cheap white latex paint. People *are* willing to pay for quality in the form of restored woodwork and wall stencilling, for instance, but are unwilling to pay for esoteric period touches like my bad kitchen idea.

One final example: Before I sold my New York apartment, I repainted the off-white walls in attractive period colors (the whole place had been painted ceiling white by earlier quick-and-dirty investors), I made a few minor repairs, and my wife, Brenda, marbleized the two mantels. The same day I put my apartment up for sale, my neighbor two floors down put his up for sale for the same price. Same apartment (except for my restoration touches), for the same money. The result: My apartment sold overnight. After two months, my neighbor hadn't had a nibble. ■

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