Scott Cimino, of Boston, stands in the kitchen of the Plantation Estates homes in Denham Springs that he and his wife Marcia’s company Home Pros is restoring. The company was working with insurers in the aftermath of the 2016 flood, then Cimino became part of the process by purchasing and rehabilitating flood-damaged properties.

Investors move in, rebuild flood-damaged houses

BY TIMOTHY BOONE
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“I first got here, it was like being in Iraq. Everything had been hit,” Scott Cimino said of Livingston Parish and its housing stock when he saw the August 2016 flood devastation.

Cimino’s company, Home Pros, was working with insurers in the aftermath to make sure people weren’t getting ripped off in the rebuilding process. The Bostonian also became part of the process by purchasing and rehabilitating flood-damaged properties on his own, concentrating on Plantation Estates, the Denham Springs neighborhood where he settled.

So far, he’s turned four houses in a neighborhood where prices were $200,000 to $300,000 before the storm into homes that go for $400,000 to $500,000.

“These are smaller homes built in the 1980s,” he said. “We gut them to the studs and modernize them with all the things people want and make them pretty. We’ve been selling them at a rapid pace.”

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Home Pros electrician Joshua Lewis, of Denham Springs, works Aug. 2 on restoring one of the Plantation Estates homes in Denham Springs.
No doubt the flood shook the Baton Rouge real estate market — over the course of a weekend putting tens of thousands of people in temporary or permanent need for new housing and on a path of recovery still stumbling along a year later. However, the storm struck at a time when housing inventory was low, about half the six-month supply that's in a normal market, and amid an economy that was humming along. That scenario — coupled with the understanding that areas not historically prone to flooding were inundated by unprecedented rainfall — has allowed those who wanted to walk away to sell their homes to investors like Cimino and others to buy freshly rebuilt residences.

"Most people know that many homes flooded, they know the chances are they're looking to buy a home that flooded," said Nikki Calmes, an agent with Keller Williams Realty Premier Partners in Denham Springs. "They're not turning up their nose on a home that had never flooded before last year."

The stigma of buying flooded properties has been minimal, except for neighborhoods that have repeatedly flooded over the years, said Bill Cobb, an appraiser with Accurate Valuations Group.

He said the low inventory explains why buyers in Livingston Parish are paying an average of $13 more per square foot of home post-flood, even for houses that took on 5 feet of water during the storm.

Calmes said because investors and individual homeowners are upgrading houses with new kitchen features and modern furnishings, they're driving up prices. A home that was valued at $100,000 before the flood is now going for $140,000 because it's brand new now, she said.

"Everything since August has been a surprise, and there's been a lot of uncertainty," she said. "But with these rebuilt homes being upgraded, there's a great future for the market."

That's in contrast to initial concerns the flood could cause a wave of foreclosures by homeowners who suffered extensive damage and didn't have flood insurance or the financial ability to rebuild. So far, that hasn't been the case. During the quarter that included the flood, 100 homes were added to the foreclosure rolls in East Baton Rouge and Livingston parishes, according to data from Latter & Blum. Eight months later, numbers are similar: 102 homes were foreclosed on during the three months that ended June 30.

AT&T Data Solutions, which tracks foreclosure and distressed home sales across the U.S., said the percentage of sales of actively bank-owned properties has dropped from 7.3 percent in metro Baton Rouge at the end of August 2016 to 5.2 percent in June.

However, short sales, where the lender allows a home to be sold for less than the amount owed on the property, went up from 1.8 percent to 8.8 percent of sales — a sign of all the flood-damaged sales.

According to figures from the Greater Baton Rouge Association of Realtors Multiple Listing Service, as of late July, there had been 892 damaged homes sold since the flood, representing about 9 percent of the total 9,823 sales during that period. The average price for damaged properties was $235,357, versus an overall average of $189,083.

The association set up the damaged and "as-is" category after the flood for people who wanted to sell homes that hadn't been gutted or repaired. Realtors are not required to put flooded homes in the category, so there are probably more damaged properties for sale and that have sold. By law, buyers are told that a house has flooded.

Because low inventory is lifting home prices in general, it's difficult to gauge exactly how much home prices have been affected in areas that didn't flood. Some areas, though, provide a snapshot. Cobb noted that in hard-hit Denham Springs, home prices overall have gone up an average of 3.3 percent since the flood. However, in some neighborhoods that stayed high and dry, like Livingston Trace, square-foot prices jumped from $92 to $103 — about 12 percent. In Watson, prices have gone up by 5.5 percent overall, with Easterly Lakes seeing home prices rise 9.2 percent to $130 from $119 a square foot before the storm.

Cimino said he'll probably rehabilitate two more houses in Plantation Estates and also is eyeing houses in Watson. "We're fixing them up and selling them; that's what people are doing all over," he said.

Pat Wattam, of Re/Max First in Baton Rouge, sees houses returning to the market but said she is a little concerned by the number that haven't come back. "It's not like there are whole neighborhoods that haven't come back; it's hit and miss," she said. "I drive around and I see houses that haven't been touched yet."

Part of that may be the result of people waiting on payments from their insurance company. "There are people who got their first payment and not the second, and they're just stuck there," she said. "To still see people not having insurance money is amazing to me."

David Tettleton and his wife, Ouida, had talked to Wattam about downsizing and selling their Sherwood Forest home about six months before the flood. After taking on 5 feet of water, Wattam reached out to them about selling.

"It was time to do it because we had everything out in the street," David Tettleton said. "Tettleton, 84, said he didn't want to go through the hassle of rebuilding. The couple had paid off their house and they had flood insurance on the structure. As soon as an adjuster was able to evaluate the damage, they put the house on the market.

They purchased a condominium off Coursey Boulevard and sold their house as-is for $90,000 to a pair of investors. One of the investors remodeled the home and is now living in it. "I thought I was set for life, but I have a mortgage again," Tettleton said. "But all in all, we came out pretty good."

Follow Timothy Boone on Twitter, @TCB_TheAdvocate.