

Fixer-uppers with upside potential were in high demand when the market was appreciating at a fast pace. Once depreciation took over, speculators disappeared until 2009, when low-end foreclosure properties in some areas became hot properties -- particularly if they were selling at a 50 percent discount from the peak in summer 2006.

In California, 70 percent of the homes bought by investors in 2009 were distressed-sale properties, according to the CALIFORNIA ASSOCIATION OF REALTORS®. Some were stripped of appliances and fixtures. But, at half price, there was profit potential for buyers who were up for a redo -- especially seasoned investors buying multiple homes to fix up and resell, or rent out.

Fixers priced over \$500,000 aren't as easy to sell today. Most buyers in higher price ranges are buying a home to live in. They want a home in move-in condition that will suit their long-term needs.

There are exceptions. In high-demand market niches with few listings, there is occasionally a fixer-upper that draws a lot of attention. Usually, these fixers sell to buyers who will live in the property and fix it up themselves to save money. Often this is the only way they can afford to move into the neighborhood.

Sellers of fixers in such neighborhoods should make their property as presentable as possible by cleaning out clutter, both inside and out. Many homebuyers can't visualize a property's potential. It's often worth a modest investment to show the house at its best advantage.

Cosmetic improvements, such as painting, replacing outdated floor covering, or refinishing worn hardwood floors can pay off. Some fixers are staged, even though the property needs a lot of work, so that buyers can envision themselves living there.

Presale inspections will help buyers make a decision about whether or not to tackle the project. Make reports available to buyers before they make an offer to avoid having to put the home back on the market if the deal falls apart because the buyer's inspectors discover defects not previously disclosed.

HOUSE HUNTING TIP: How much you spend preparing a fixer for sale depends on several factors. How much did you pay for the property? How much do you owe against the property? Is there demand for fixer-uppers in your area? Finally, how much does your real estate agent think you can sell the home for given current market conditions?

Sellers who have equity in their home and cash to invest in fix-up for-sale work should consider making cost-effective renovations, like a kitchen upgrade, but not an entire renovation. Ask your agent what the home would sell for with and without these improvements before doing anything to it.

The investment may not yield a profit, but could recover the costs when the home sells. In areas where fixers aren't selling, sellers might need to enhance the property to sell at all. A good real estate agent should be able to provide references for reliable, reasonably priced professionals who can do the jobs for sellers who haven't the time or expertise to do the work themselves.

Buyers who bought at the peak may not be able sell for even close to what they paid. One possibility would be to rent the property, if it makes sense financially. You may need to fix up the property somewhat to attract a good tenant. Consult with a certified public accountant about the tax consequences of converting a single-family residence to a rental.

Another option, if you don't have to sell now, is to stay put for awhile and fix the property up gradually over time. Avoid investing a large amount of money in the hopes of getting a bigger return.

THE CLOSING: The housing market in your area may be too uncertain for speculation.

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