

PASS · -7.0% (loss) build-invest; build-own all-in ~\$1.09M in North Hills MARGIN

\$1M-\$5M PROJECT

#4 · 5605 N HILLS DR, RALEIGH, NC 27612

0.31-ac R-4 teardown lot / MLS 10161071 / \$25k price cut / public sewer

LIST PRICE	\$575,000 (MLS 10161071; Active; \$25k price cut April 2026; on market ~5 months)	ACREAGE	0.31 acres; existing 1973 home (1,924 SF) conveying as-is for land value — teardown required
MLS	10161071 — R-4 zoning; public water and sewer; Midtown Raleigh North Hills corridor	ZONING	R-4; gently sloped rectangular lot ~90ft × 150ft; favorable build envelope; single-home only
UTILITIES	Public water and sewer confirmed; paved road access	STRATEGY	Demo 1973 home (~\$22,500 cost) then build 2,600 SF custom home. Build-invest: loss at this price. Build-own all-in ~\$1.09M.
OUT-OF-POCKET CASH	\$290,280 (equity \$229,319 + land closing \$11,500 + loan closing \$12,196 + carry \$37,265)	FINANCED	\$813,041 construction loan (~78% of \$1,042,360 project)
MODELED	2,600 SF × \$111/SF builder grade; 20% Home On intro margin; 11-month cycle incl. demo		

PROJECT COST

\$1.09M

GROSS REVENUE

\$1,092,000

NET PROFIT

-\$76,261

MARGIN

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MAX OFFER (20%)

\$341,940

PRO FORMA

LINE	AMOUNT
Gross revenue — 2,600 SF × \$420/SF (North Hills new const estimate)	\$1,092,000
Land acquisition (\$575,000) + closing (2%)	(\$586,500)
Construction — builder cost (2,600 SF × \$111 builder grade)	(\$288,600)

LINE	AMOUNT
Home On builder margin (20% intro rate; standard 30%)	(\$72,150)
Site development (single lot, public sewer, incl. 20% margin)	(\$43,750)
Contingency (10% build cost + \$22,500 demo, AT COST — typically returned if unused)	(\$51,360)
Construction loan closing + carry (10% APR, 11-month cycle)	(\$49,461)
Selling costs (~7%) — paid at sale closing, not out-of-pocket	(\$76,440)
NET PROFIT TO INVESTOR (build-invest) ~-\$76,261 · LOSS · PASS MAO \$341,940 — ask needs to drop \$233k (41%) for investor viability Build-own all-in: ~\$1,091,821 for custom 2,600 SF in North Hills	

Same North Hills comps as 4900 N Hills Dr. Even at \$450/SF profit = \$11,738 (1% margin — not viable). Land inflation has priced single-lot North Hills teardowns out of investor math. MAO \$341,940 at \$450/SF (\$233k below ask). \$25k price cut is insufficient — needs another \$233k off.

DILIGENCE GATES

GO (build-own only): Best value if buyer self-finances or uses portfolio loan to avoid construction loan overhead on larger land basis.

VERIFY: Demo permit cost and timeline; asbestos test on 1973 home before offer (asbestos remediation adds \$15-30k).

STOP: Any price above \$342k for investment. Asbestos remediation estimate before committing to teardown.

VERDICT

PASS as investment — produces a loss at \$575k. A \$25k price cut is not enough; needs \$233k more off to reach investor MAO. The better North Hills build-own lot is 4900 N Hills Dr (\$499k, no demo). If the buyer is committed to this specific block/street and accepts the demo risk, all-in is ~\$1.09M for a custom 2,600 SF home — comparable to buying finished new construction at the low end of the North Hills new construction range. Always get an asbestos test before committing to tear down a 1973 home.