

10 Best Markets for Foreclosure Bargains

This report is incredible, with great data and research by RealtyTrac and their writers. Not only do they list the top 10 markets for foreclosure bargains but they give you the average sales price per foreclosure, summarize each market and more. This is incredible information. Now I don't know about you, but most investors in it to make money. So why not consider a market with the highest foreclosure discounts?

Most of these cities are not a surprise. Many are smaller, less-hyped areas that do not have the crazy competition and speculation of markets in CA, FL, AZ and Vegas. I am not surprised to see one of my favorite markets Cleveland on the list, Cleveland hits on almost every factor you can think of when evaluating where to invest. The big surprise to me was San Fran made the list, with an astronomical \$327K average foreclosure sales price though. 200K or more than almost every other market.

Tips – some things to consider. Just because a market has bargains does not mean every deal is a great deal. There are good deals and stories in every market, there are also duds and horrible stories in every market. Some markets these deals are very hard to find, while other they are plentiful and you can cherry pick the best ones. The goal is to minimize risk and maximize annualized return. Be smart, do your due diligence, make informed decisions, focus on multiple exit strategies and control your success like the savvy investor that you are!! **BEST OF LUCK TO ALL!!**

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LOCAL MARKET SPOTLIGHT: UNPLUGGED

Editor's Note: This is the first in a series of "unplugged" state and local spotlights where Foreclosure News Report writers will be stepping away from their desks and PCs to report in person from the locations featured in the spotlight. Readers will get an on-the-ground eyewitness account of what is happening in each market.

Las Vegas: Betting on Short Sales

By Octavio Nuiry, Staff Writer

Las Vegas – Drive down the Strip, past the glittering forest of high-rise condominiums, hotels and resorts, and the ravages of the recession appear like a worn-out showgirl. Portions of the once-glorious Strip are now haunted with steel and concrete shells, like the \$2.9 billion 4,000-room Fontainebleau, whose owners declared bankruptcy last June. The stalled 63-story luxury hotel and casino development on the northern end of Las Vegas Boulevard

remains a hulking reminder of the city's recent run of bad luck.

No other city in America has been hit by the economic crisis quite as dramatically as Las Vegas, where two decades of unbridled growth have turned into a big-time bust. The city lured second-home buyers from around the world during the housing boom with a wave of glitzy high-rise condominiums and new suburban developments, but it has become ground zero of the housing bust.

Continued on page 8

Top 10 Metros for Foreclosure Bargains

(See full story on page 10)



Sources: RealtyTrac, BLS.gov, NAR

IN THIS ISSUE

News Briefs	2
Foreclosure Attitudes Survey	3
April 2010 U.S. Foreclosure Report	6
Best Places to Find a Foreclosure Bargain	10

My Take



Has the Residential Housing Market Stabilized?

James J. Saccacio
CEO
RealtyTrac Inc.

Today, with the collapse of the U.S. housing market and the near-collapse of the banking system, we are experiencing the defining economic event of our lifetime. I would like to explore where we are today in terms of a market recovery, what the government's role has been in trying to resolve the crisis, and what the future likely holds.

The housing market has not stabilized because of four key factors: shadow inventory, a growing number of foreclosures, negative equity and ineffective government programs. The convergence of these four factors is creating a volatile mix that could ignite new economic turmoil in the housing market.

Shadow Inventory

Industry estimates have suggested that the potential shadow inventory of distressed properties could be as many as 7 million homes. The math is pretty straightforward: There are nearly 900,000 bank-owned homes in the RealtyTrac database. Only 30 percent of them are available for sale today. That means between 600,000 and 700,000 of these homes have yet to come to market.

Continued on page 4

Best Places to Find a Foreclosure Bargain

By Joel Cone
Staff Writer

"Buy low. Rent smart. Sell high." It should be every real estate investor's mantra in today's market. It is for investor, author and educator Andy Heller.

"I think the entire country right now is for sale," said Heller, who recently founded the newly launched social networking website RealtyJoin. "A few areas are marginally better because they experienced greater falloff, so they have greater growth potential."

To Heller's way of thinking, the best strategy for investing in real estate today comes down to three ingredients: buying at a significant discount, buying the right type of property to attract the types of tenants you want to rent to, and lastly – location.

"For investors the bigger issue – as opposed to what parts of the country are better than others – is all parts of the country are great so long as you can buy low enough. Today the investor should be buying property between 30 and 60 percent off."

For investors like Heller and other buyers looking for deep discounts, *Foreclosure News Report* assembled its annual list of some of the best metropolitan areas nationwide to find foreclosure bargains. Based on data from RealtyTrac and the National Association of Realtors (NAR), along with Bureau of Labor Statistics (BLS) data, all of the metro areas on the list had an average discount of at least 35 percent on foreclosure purchases, positive year-over-year growth in median home prices and, as of Q1 2001, relatively low unemployment.

#1 Memphis, TN

Consisting of Fayette, Shelby and Tipton counties in Tennessee, along with adjacent Crittenden County in Arkansas, and De Soto, Marshall, Tate and Tunica counties

in Missouri, the Memphis metropolitan statistical area (MSA) had an estimated population of 1.3 million people as of July 2009, according to the U.S. Census bureau.

Thirty-seven percent of sales were of foreclosure properties, selling at an average discount of nearly 53 percent, according to RealtyTrac.

On a year-over-year basis, unemployment was up one point in March to 10.6 percent, slightly above the national average according to the BLS. Despite the unemployment numbers, however, home prices increased 18.5 percent, with the average foreclosure selling for \$72,904 during the quarter.

#2 Milwaukee-Waukesha-West Allis, WI

Milwaukee, Ozaukee, Washington and Waukesha counties make up this metropolitan area, home to an estimated 1.56 million people in 2009.

In total, 22 percent of sales in the metro area during the first quarter were of foreclosure properties, selling at an average savings of nearly 48 percent. The March unemployment rate of 9.8 percent was below the national average, and up less than one point from March 2009.

Metro home prices rose during the quarter by 6.8 percent from the previous year, with the average foreclosure property selling for \$89,839 during the first quarter.

#3 Buffalo-Niagara Falls, NY

Erie and Niagara counties make up this MSA, which more than 1.1 million people called home in 2009.

Although only 8 percent of the MSA's total properties sold were foreclosures during the first quarter, they sold at a discount of more than 47 percent. Unemployment in the MSA was well below the national average at 8.6 percent in March, a slight downturn from a year ago.

Another positive factor was the metro's median home price, which rose

7.5 percent during the quarter from the previous year. Foreclosure properties there sold during the quarter for an average price of \$57,191.

#4 Cleveland-Elyria-Mentor, OH

One of the poster children for what went wrong when the real estate market crashed and foreclosures took off in 2007, Cleveland and its surrounding area is making a comeback of sorts.

"Ohio is a good area. A very high-tech environment and strong education and university system," said Dr. Jay Butler, director of Realty Studies, Morrison School of Management and Agribusiness at Arizona State University.

Home to an estimated 2.1 million people in 2009, the Cleveland MSA is made up of Cuyahoga, Geauga, Lake, Lorain and Medina counties.

Twenty-six percent of properties sold during the first quarter were foreclosures, selling at an average discount of more than 45 percent. Unemployment was virtually on par with the national average in March at 9.8 percent, up marginally from the same month last year.

"I think a lot of people get down on places like Cleveland and Detroit," Butler said. "They're overlooking those places. The focus has been on Detroit, but the rest of Michigan is in pretty good shape. Also Mississippi and Georgia, where plants got shuttered, they are now opening. The auto industry is bouncing back."

Home prices were the big story in Cleveland during the first quarter of the year as they grew 53.8 percent from the first quarter of 2009. The average foreclosure property sold for \$71,438 during the quarter.

"If you want to buy and hold for cash flow, then the Midwest – Cleveland, etc. – is the place you can buy," said Phyllis Rockower, founder and president of the Real Estate Investors Club of Los Angeles.

#5 San Francisco-Oakland-Fremont, CA

With 4.3 million residents, this metro area has high California prices, but with big enough discounts to justify serious consideration from investors looking for an in-demand market with rock-solid long term prospects.

A good portion of Northern California comprises this metro area, consisting of Alameda, Contra Costa, Marin, San Francisco and San Mateo counties, some of which are "rebounding pretty well," according to James Gaines, research economist for the Real Estate Center at Texas A&M University.

Forty-five percent of all first quarter home sales in the metro area were foreclosure properties. Selling at a discount of 41 percent, the average foreclosure sold for \$327,262.

"When I first started teaching five years ago I did a lot of workshops in California," Heller said. "Of the active investors living in California, I would estimate that 70 percent were investing out of state. I've been doing a lot of workshops in California the last year, and I would estimate that now the active investors have totally flipped. Now they're investing in-state. They didn't before because they felt the numbers couldn't work. Now they do."

Like all of California, unemployment was up in March in the metro area, where joblessness was up almost two points from March 2009 to 11 percent. However, the median home price rose substantially, up 28.9 percent from the first quarter of 2009 to the first quarter of 2010.

#6 Pittsburgh, PA

Allegheny, Armstrong, Beaver, Butler, Fayette, Washington and Westmoreland counties make up this metropolitan area, home to 2.35 million people.

Twelve percent of properties sold during the first quarter were foreclosures. The average discount on foreclosure sales was 41 percent. The average sales price for a foreclosure during the quarter was \$83,025.

March unemployment numbers for the MSA were up 1.6 points from a year ago, but still below the national average at 8.6 percent. The median home price rose by 12.2 percent from the first quarter of 2009.

#7 Lexington-Fayette, KY

Roughly 470,000 people lived in this metro area among Bourbon, Clark, Fayette, Jessamine, Scott and Woodford counties.

Ten percent of properties sold during the first quarter were foreclosures. The average discount on a foreclosure purchase during the three-month period was nearly 40 percent with an average sales price of \$103,479.

Unemployment went unchanged from March 2009 at 8.6 percent. The median home price grew a modest 1.2 percent rate for the quarter.

"The only thing that makes sense is to buy at a steal and sell at a steal. One thing I try to tell investors is to know your marketplace. If investors are really on top of things, they can recognize extraordinary opportunities; there's good upside potential."

Lewis Goodkin
Principal
Goodkin Consulting
Miami, Fla.



#8 Columbia, SC

Consisting of Calhoun, Fairfield, Kershaw, Lexington, Richland and Saluda counties, roughly 745,000 people reside in this metro area.

Sixteen percent of properties sold during the first quarter were foreclosures, selling at an average discount of nearly 40 percent. The average foreclosure property there sold for \$95,084 during the quarter.

Unemployment rose less than one point from March 2009 to 9.6 percent, still under the national average. The median home price rose marginally there by 1.7 percent for the quarter.

#9 Houston-Sugar Land-Baytown, TX

Unlike California, most metropolitan areas in Texas are considered to be quite affordable for investors and homebuyers. Plus, Houston is one of those areas where investor William Bronchick, president of the Colorado Association of Real Estate Investors, said rents are strong.

In all, the metropolitan area is an assemblage of 10 counties: Austin, Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, San Jacinto and Waller, accounting for almost 5.9 million people.

"There is a sentiment in the marketplace that there ought to be some really good buys with foreclosures and distressed properties," said Gaines from Texas A&M. "As a total percent of sales, foreclosures are not an overwhelming number. The discount seems to be greater when you separate out foreclosures and distressed sales."

RealtyTrac data seem to prove out Gaines' belief about the current market, showing that foreclosures represented only 14 percent of the properties sold in the Houston metro area in the first quarter. That said, those foreclosures sold at an attractive average discount of 37 percent.

Although up 1.7 points from the same month last year, at 8.5 percent in March, unemployment in Houston remained well below the national average.

Continued on page 12

Best Places to Find a Foreclosure Bargain *Continued from page 11*

Despite this recent upswing in median price, Gaines explained that home values overall have remained relatively flat over the past three years.

"As one broker put it to me, flat is the new up," he said.

#10 Shreveport-Bossier City, LA

"Louisiana has a lot of issues. First Katrina, and now the oil spill," said Butler. "Still, the southern states are good. They run the gamut in metro areas. They have low taxes and are aggressive in economic development."

Bossier, Caddo and De Soto counties make up this metropolitan area, which housed an estimated 391,000 people in 2009.

Twelve percent of properties that sold here in the first quarter were foreclosure properties, selling at an average discount of nearly 37 percent.

Unemployment numbers were down almost one point on a yearly basis from March 2009 to 5.8 percent, almost half the national average. The median home price was up 7.6 percent from Q1 2009.

Some Perspective

"You have to keep in mind what is a bargain," warned real estate consultant Lewis Goodkin, principal of Goodkin

Consulting in Miami, Fla. "When you have an appreciation race like you had in California, Nevada, Florida and Arizona where you had a lot of speculation going on, appreciation rates outstripped historic appreciation rates.

"So what looks like a bargain is all relative because it looks like a bargain compared to what the peak prices were. Such a jump in values, even if they get cut in half, the cut in half is what the prices would have been if we hadn't had the build-up to the bubble," he added.

Goodkin believes many people have an unrealistic view of what an economic recovery looks like, thus a true recovery in their eyes is unachievable. In the end, investors with a jaded view of what a market recovery should be are going to be disappointed.

"The only thing that makes sense is to buy at a steal and sell at a steal," he said. "One thing I try to tell investors is to know your marketplace. If investors are really on top of things, they can recognize extraordinary opportunities; there's good upside potential."

Investor and trainer Larry Goins believes wholeheartedly in that philosophy. For Goins, buying at a price that would be considered a steal is a daily business practice once an investor identifies the market.

"I'm a firm believer in going for the low-hanging fruit," said Goins, who currently is buying properties in Birmingham, Ala. "I buy value. If it's going for \$80,000 I'm probably going to pay \$50,000. If it's going for \$30,000 I'm going to pay \$5,000, \$10,000 or \$15,000."

Goins believes in buying at a good discount, then turning around and selling the property with seller financing, getting a small down payment in the process, and then either collecting on the note for the next 10 years or selling the note at a discount.

Prices may be different in different markets, but the technique works almost anywhere so long as the market is not too depressed and you can buy at a good discount.

"If you're buying value, paying 25 to 30 percent of list, you can buy anywhere you want to," he said. "It all boils down to your closing percentage. Once you get your first deal, then work through to try and increase your closing ratio. Then find more properties and make more offers."

Foreclosure News Report is a monthly publication dedicated to helping foreclosure investors succeed by providing them with timely and relevant information about the foreclosure market.

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