

Although this does not particularly apply to our much smaller market in Tampa's South Shore particularly Sun City Center where most properties are not in foreclosure and have been realistically priced by their owners to sell in this market, it is an interesting read.

Bargain Hunters See Bottom in Some Markets

Octavio Nuiry

Ask a group of real estate millionaires how they made their money and most will recite some version of this axiom: "When everyone zigs, you zag."

In today's downward real estate market the axiom simply translates into buying property when most others are not — and that's exactly what Tommy Barone and his clients are doing.

Vultures Flock to Florida

Barone, a real estate agent with Condo Vultures Realty in Bal Harbour, Fla., said bargain hunters from around country and the world are flocking to Florida to buy condominiums that have suffered steep price declines amid the housing glut. He believes the South Florida condominium market — where about 23,000 condo units are currently for sale — has reached the bottom and is poised to take off soon.

"Snowbirds from Canada, New York, Ohio and the Midwest already know the deals are here," said Barone, who's working with several foreclosure investors in condo deals in numerous South Florida developments. "We are starting to get calls, and the buyers are beginning to descend on South Florida."

Frank Marrero, one of Barone's real estate investor clients from New Jersey, is among those swooping into distressed residential waters, responding to the deep price cuts in South Florida.

Marrero, a foreclosure "bottom feeder," has purchased 10 foreclosure properties in the last eight months — two in Miami and eight in Naples, Fla. Propelled by low-cost foreclosure sales and accelerating price drops, Marrero is snapping up deeply discounted properties in Florida's hardest hit coastal communities.

"I look for sellers that are bleeding," said Marrero, a banker by trade who is buying and holding his newly purchased foreclosure properties. "Once I find them, then I wait until the owners start hemorrhaging red ink. That's when I buy."

He said he looks for properties that have "value" and "good quality," favoring bank-owned distressed properties. As a banker, Marrero knows how the lenders think, giving him an advantage at the negotiating table.

"I team up with people like Tommy and look for good deals," he said. "In January, for example, I bought a condo in downtown Miami. The seller wanted \$400,000. They were bleeding, but they weren't ready to discount. Many of these sellers are trying to recoup their deposit. So we waited. They started hemorrhaging money. Then we came in and bought it for \$340,000 — a 15 percent discount."

Peter Zalewski, founder of Condo Vultures, said: "No one knows where the bottom of the market is, but we do know that sellers have shaved an average of 22 percent off their original pricing in coastal South Florida."

Prices have declined, but the housing market still has a ways to go before it begins to stabilize significantly, said Zalewski.

Zalewski, Barone, Marrero and other real estate experts said that Florida is a microcosm of what's happening nationwide, where once-hot real estate markets have suddenly cooled and bargain hunters are stalking the deals.

Major League Foreclosure Players

In Concord, N.C., foreclosures are attracting buyers from Florida, California, New York and other areas, according to David Benham, owner of Benham Real Estate Group, an REO listing real estate agency that is selling 2,000 bank-owned foreclosure properties through a network of 38 franchises around the country. David and his identical twin brother, Jason — both former professional baseball players — are finding major league opportunities in the ever-changing foreclosure landscape.

"We are starting to get a lot of out-of-town buyers who are looking to buy foreclosures in bulk," said Benham, who started the Benham Real Estate Group in 2003 with his brother when they only had a handful of distressed listings. "Now, we are seeing high-profile investors who are buying five to 15 foreclosures a month. They're paying cash and closing quickly."

One of Benham's clients is Ryan Lorenzen, an investor from Destin, Fla., who has amassed a \$100 million fund from investors in Dallas, Texas, to buy bank-owned assets. Lorenzen buys foreclosures portfolios from lenders in Florida, offering lenders cash, quick two-week closings and waives all inspections.

"Part of what I do is educating lenders," said Lorenzen, who started working in the real estate field 13 years ago as developer and contractor. "Some lenders are finally coming to the realization that they have some real problems. Most of the bankers I deal with have never seen a downturn."

Lorenzen, who works with his father, Dwight, a former asset manager who liquidated a \$5 billion portfolio of bad loans during the savings and loan crisis of the 1990s, is currently negotiating with a Florida lender to purchase a Gulf of Mexico-facing 15-unit project in Seagrave Beach, Fla., near the New Urbanist community of Seaside, Fla.

"It's a cat-and-mouse game," Lorenzen said. "This Seagrave project is a class-A, top notch project. Water-view units, with 2,000 square feet of living space, sold a couple of years ago for \$2 million each. We put in an offer of \$500,000 for each unit. The loan balance was \$25 million. We offered the bank \$7.5 million last week. Within 48 hours, the head of the bank's distressed asset department called me and invited me to their 'war room' to look at all of their distressed assets."

If the beachfront deal goes through, Lorenzen and his investor clients are poised to shave 70 percent off the \$25 million loan amount.

Another Florida Panhandle foreclosure deal engineered by Lorenzen was a 70-unit townhome project in Freeport, Fla., just north of Destin across the Choctawhatchee Bay. He purchased the entire project for only \$128,000.

"The retail price of this townhome project is probably \$4 million," said Lorenzen. "I'm talking about just the dirt. The lender called me and I bought it right away."

Wheeling, Dealing and Trawling

In Stockton, Calif., about 80 miles east of San Francisco in the state's agricultural Central Valley, and in Riverside, about 50 miles east of Los Angeles, falling home prices are offering opportunities to Bruce Norris, a professional investor and founder of The Norris Group, a real estate investment firm in Riverside. Norris believes housing prices in Southern California will continue to fall for another 18 months.

"Banks are starting to price foreclosures at levels that are completely wholesale," said Norris, who has recently purchased about 20 foreclosure properties from lenders and at auction. He quickly rehabs them and sells them to investors and homebuyers at retail prices. "The banks are starting to move product faster."

Norris bought a three-bedroom home listed for \$350,000 in the Moreno Valley section of Riverside County for \$80,000 — a 77 percent discount. He got a 76 percent discount on another Riverside County property, which listed for \$400,000 and sold for \$95,000.

Cesar Dias, a Stockton real estate agent and owner of RepoHomeTour.com, is another investor profiting from the increase in affordability. Dias is an entrepreneur who is organizing foreclosure bus tours. He offers buyers in California's Central Valley a weekly bus tour of the foreclosure landscape. His bus tours are so successful, Dias started franchising the Repo Home Tours concept, earning \$20,000 for each franchise. Repo franchises are now shuttling foreclosure buyers all over California, Nevada, Texas and Florida.

"The Stockton market is correcting itself," Dias said. "For six consecutive months, sales of existing homes — mostly foreclosures — have continued to rise in San Joaquin County. Our market right now is flooded with buyers. In July, we closed over 1,000 residential sales in the Stockton market, compared with about 200 sales last year in July."

Bottoming Out?

While investors are underbidding on many foreclosure properties, Christopher Thornberg, a principal at Beacon Economics in Los Angeles, said that interest is coming from "vulture funds" with millions of dollars to spend on distress sales. Thornberg said Wall Street vulture funds are amassing war chests in preparation for a new cycle of opportunities in loans or bonds of struggling financial companies or homebuilders.

"They are investors who pool their money and buy 10, 20, 30 distressed homes from lenders and then rent them out short term and then sell them when the market turns," Thornberg said.