

Looking for Foreclosures? Here's How I'd Recast Your Property Search

Often buyers will ask me to help them find and purchase foreclosed homes. Such buyers are making two assumptions: first, that foreclosures can be found in a distinct database; and, second, that foreclosures represent the best available "deals" to be found.

First I point out that nowadays banks and HUD list their foreclosures on the MLS — or will do so as soon as they are ready to sell them. Second, I suggest that since foreclosures are on the MLS, don't search specifically for them but rather for all homes that represent a good deal based on recognized indicators of value.

One such indicator of a good deal is a **low price per square foot** ("PSF"). Unfortunately, none of the real estate websites available to consumers that I'm aware of has PSF as a search criterion.

The MLS, however, does allow

its members — licensed agents — to search by price per square foot. I do such searches all the time.

The regional variations in PSF can be very dramatic and quickly tell you where prices are the most depressed. For example, searching in Jeffco, there are currently only 89 single-family listings under \$90 PSF. But in northeast Denver alone, there are currently 189 listings under \$90 PSF.

Analysis of those homes with a low PSF proves the thesis of this column — that foreclosures aren't the only bargains. Almost 50 percent of those listings with the lowest PSF are *not* bank-owned foreclosures or HUD homes. They are listings by individual home owners who must compete with those foreclosures. **NOTE:** Many of them are short sales, which require extra

patience if you're interested in buying them, because it can take weeks or months to get lender approval for your transaction.

We're fortunate that the number of foreclosures on the market is not high enough in most Jeffco neighborhoods to bring the market down for non-distressed listings. Areas east of I-25, especially Green Valley Ranch, south of DIA, are not as lucky. There, as I write, 88 homes are for sale under \$90 per square foot, and about a third of them are privately owned, competing with the two-thirds which are foreclosures.

By contrast, a short sale listing in Golden's upscale Mountain Ridge community sold last year for \$550,000. It was such an anomaly in that community that it sold for \$177 per square foot, only \$16 below the average PSF for all homes in that subdivision.

So, an opposite dynamic was at work in Golden. Instead of short sales and foreclo-

tures dragging down "normal" sale prices, the "normal" sale prices dragged up the short sale price. The most recent foreclosure in that community sold in June 2009 for \$527,500 or \$152 PSF. Although that was below the average PSF for the neighborhood, it had no effect on other sales that year, precisely because it was an anomaly.

What about buying foreclosures at the **Public Trustee's auction**? Yes, it is possible to get some great deals by outbidding the lenders at the foreclosure auction, but to do so you have to bring cash or certified funds, and not many people can do that. You are usually better off to wait until the bank puts the home on the MLS a few months later — probably at a price lower than you'd

have to pay at the auction — and now you get to use a loan to buy it!

There's one other way to buy a foreclosure, and that is to "redeem" the property if you are a junior lien holder. The foreclosing bank is usually in "first position," meaning that it holds the first lien against the property. When the house is sold to the lender for lack of a competing bidder, all junior lien holders are wiped out — although they do have the right to "redeem" by paying off the first lien holder. Few will do that, but you, an outsider, can buy that junior lien from one of those junior lien holders for pennies on the dollar and then redeem the property yourself if you do so within 8 days after the auction sale. I'm aware of on such redemption this week.

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