

Gulf Shores Foreclosures And Short Sales

The Gulf Shores real estate market is all a buzz; most agents are talking about great deals with foreclosures and short sales.

Companies are selling about 1-2 short sales per month in addition to the regular sales with “motivated” sellers. The lenders do not want to take the homes/properties back from the owners and would rather work something out but if a workout is not possible realtors are given 2 – 4 months to sell the property short before it is foreclosed.

As I look at the statistics of sales of improved properties sold since the beginning of this year, I find that properties are selling at about 90% of the asking price closing in 30 days or less. The only seller owned properties that are selling are those who have reduced their asking prices to a point that represents today’s values. If we look at how today’s value is determined; it is based on Comparable Properties SOLD with in the last 3 to 6 months.

The question of what type of transaction a buyer should concentrate their efforts on buying is simple once the buyer understands the realities of value and the position of the sellers/lenders.

The lenders in both Short Sale and Pre-Foreclosure transactions will generally base the eventual selling price of the subject property on Sold Comparables and will typically negotiate with the buyer somewhere between 8% – 12% off that new fair market value. This new fair market value will be determined by a BPO or by a qualified appraiser and in most cases the outstanding mortgage balances do not enter into this calculation.

When a property is Sold at the Courthouse steps the lender has a representative there protecting their asset, bidding on the subject property against the other bidders in an attempt to insure that the selling price will be at or above the mortgage amount.

Unlike traditional Courthouse step auctions that most people are familiar with the value of the property in today’s real estate climate is less than the outstanding balance of the mortgage. So the eventual selling price will be more representative of current market values and less like a bargain.

Motivated sellers, those who have been reducing their asking prices in an attempt to find today’s fair market value do so by having their REALTORS provide them with Sold Comparables, that is properties sold that most closely resemble their property and they typically increase that amount by about 10% in an effort to give a little back to the buyer during the negotiations. Most sellers believe that buyers feel as though they are getting a value if the seller comes off his price 5% - 15%.

I hear many times from unrealistic buyers that they will wait until they can get a real “Deal”. Here is the quick math. If an owner’s property (including REOs) costs them \$50,000 per year on a property valued @ \$500,000 (assuming the property is priced at current fair market value) why would they come off their number \$100,000? It has become common knowledge that this real estate market is at or pretty close to the bottom of the cycle; if over the next 18 months inventory and values stabilize the only direction left to turn is upward. If an owner opts to keep their property for this period and then sell they lost \$75,000 rather than the \$100,000 they were going to lose. If they choose to hold it longer, based on appreciation their losses will begin to diminish; the longer they keep the property the more their position improves.

My recommendation: buyers should look for properties priced at fair market value and negotiate aggressively. The deals are found when price, terms and conditions of the sale are outlined in a contract. The sellers respond best when they can see the pain and suffering they are going through is about to end, this is the motivation. Expect that properties that were bought by the sellers prior to 2003 to have equity and more wiggle room compared to properties bought in 2004 and 2005 where the

sellers in nearly all cases are upside down and have to come out of pocket at closing – that's no wiggle room – if the sellers have the money or the assets to bring a check to closing you've got a deal. If they don't then there is a Short Sale on the horizon and the eventual selling price of the property will have little or no change.

Call today for information on [foreclosures or short sales](#)

Thank you for trying Soda PDF