



Agents Balancing Million-Dollar Sales with Foreclosures

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It can't all be million-dollar mansions these days: The sheer number of foreclosed properties for sale can no longer be ignored when profits are to be made.

Charlesgate Realty Group is offering a 5,000-square-foot brownstone on Marlborough Street in the Back Bay for \$5.2 million. The six-level residence for the "discerning buyer" features four bedrooms, seven fireplaces, an elevator, a deck, parking and a home gym. Next week, the Boston company is expected to list a foreclosed two-family on Crawford Street in a gritty section of Dorchester for \$200,000. The owner abandoned the property in the midst of a renovation and a blighted shell remains.

"The target buyers and the locations are obviously quite different," said P.T. Vineburgh, the firm's founding partner. "It's two different worlds."

Of the 47,673 homes listed on the MLS Property Information Network, an estimated 7 percent or nearly 3,400 are bank-owned or REO properties. And the number is expected to rise. Nearly 9,000 foreclosure deeds were filed through August, up from about 5,000 during the same period in 2007, according to The Warren Group, the parent company of Banker & Tradesman. As a result, brokers are balancing their regular listings with a glut of foreclosed homes.

While some agents, like Vineburgh, have sold three dozen bank-owned properties this year, other brokers deal exclusively in foreclosed dwellings. The New England Group in Foxboro, Weymouth-based Noble Properties and Re/Max Landmark in Taunton are among the companies that specialize in the sale of distressed single- and multi-family homes and condominiums.

"All the real estate agents want to get into REOs because that's where the money is," said Jack O'Leary, a broker at Re/Max Landmark.

O'Leary has sold 146 properties so far this year, up from 110 for all of 2007, according to MLS. Typically, brokers are paid a 5 percent to 6 percent commission by the lender if they list and sell the home. More often they split the fee with a buyer agent.

But O'Leary said selling foreclosed properties takes upfront cash and management skills. When a lender contracts with the agent for the listing, the broker often becomes responsible for confronting tenants with news of the eviction, keeping the building clean, safe and heated.

"Many agents don't realize the money it takes to get into foreclosures," he said. "We pay contractors upfront and later get reimbursed by the lender. I have \$400,000 in receivables. Dealing with 200 homes adds up."

O'Leary, who started selling foreclosed homes during the last down market in the early 1990s, said he tries to work out a "cash for keys" deal with tenants who may still be living in the property. "Bankers often get cast as the bad guy, but they're willing to put up moving money to help tenants get settled elsewhere," he said. "They've paid tenants anywhere from \$1,500 to \$6,000."

Ronald Rusin, president of the Greater Fall River Association of Realtors, said he does not see much difference when it comes to selling a bank-owned listing and a typical sale.

"I don't care if I'm listing a \$1 million or a \$100,000 property, my fiduciary responsibility is to get the highest price for the seller whether then owner is a bank or a private seller," he said.

Still, Rusin acknowledged there are challenges in selling abandoned homes in high-crime neighborhoods.

“In some areas, brokers worry about copper pipe being stripped from an abandoned home,” he said. “And in many cases banks require the agent to make weekly home inspections to check on properties.”

For Vineburgh, who handled two dozen such properties last year, said he expects to list more foreclosed homes.

“Given the volatility of the housing and lending markets and the fact that many high-risk subprime loans are still out there, I suspect the volume of these kinds of properties will rise,” he said. “It’s grim out there.”

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