



Get Quote

Search

- Subscribe to Money
- Make CNNMoney my Homepage
- Add to Favorites

PARTNER CENTER



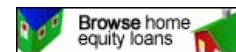
[International News](#)



[Click Now](#)



[Top things to know](#)



[Search rates](#)

SPECIAL REPORT Mortgage Meltdown

[Complete Coverage](#)

Vulture real estate investors swoop in

Let the bargain hunting begin. Prices may still be falling, but they're low enough for some investors to buy, sell, and pocket a tidy profit.

By Les Christie, CNNMoney.com staff writer
Last Updated: July 5, 2008: 7:32 AM EDT

[EMAIL](#) | [PRINT](#) | [SHARE](#) | [RSS](#)

NEW YORK (CNNMoney.com) -- Rock-bottom home prices have finally begun to lure vulture real estate investors into the fray.

Sharon Restrepo, a broker in South Florida, where home prices have dropped nearly 27% over the past 12 months, recently bought a three-family home in Cape Coral from a very motivated seller for a mere \$65,000. It listed for \$195,000.

She can rent the three apartments out for about \$1,500 and turn a profit, while she holds on to the property until the market recovers.

"The savvy investors here," she said, "are buying up everything they can."

Quick flips

Even in the Seattle area, where prices are down just 5% year-over-year, small investors like Liberty Capital, a three-man operation, are snapping up cheap properties.

Liberty's portfolio manager Davis Hsu has purchased four homes this year, including a "very clean" 2,700 square foot four bedroom in suburban Federal Way, for about \$330,000. He estimated that he bought it at 70 cents on the dollar. He quickly flipped it for a modest profit.

He bought another house for only \$80,000, a 55% discount from the market, he figured, and made \$60,000 profit when it sold. The other two properties he plans to hold onto for a while, renting them out until the market rebounds.

"You can get good deals on distressed properties," Hsu said, "if you're willing to wait two or three years before you sell them."

Peter Zalewski, founder of Florida-based Condo Vultures, LLC, which specializes in bulk purchases of condo properties, is finding very deep discounts for his clients. In one deal he recently negotiated in Tampa, a developer's lender agreed to sell 149 units for \$12 million - a 43%

Downsizing the American home



[More Videos](#)

Quick Vote

When it comes to investing my money, I most trust:

- Myself
- A family member
- A certified financial planner
- "Issue #1" host Ali Velshi

[Vote](#) or [View results](#)

Real Estate: Your local forecast

381 markets tracked

1. Select your state

Choose state

2. Select your city/market

Select state above to view cities

ISSUE #1: AMERICA'S MONEY

- Environmental support dips vs. economy - poll
- A half-year of job losses
- Job market: No bottom until '09
- Change of plans for July 4 - gas too pricey

Top Stories	Most Popular Stories	Most Popular Videos
-------------	----------------------	---------------------

- Real Estate: Vultures swoop in
- Gas prices hold in record territory
- Stuck with an SUV
- Global warming and oil top agenda at G-8 summit
- Meet the 'iPhone Five' on a week-long wait

REPLAY

Why not try before you fly?
For a chance to pilot our flight simulator

US Indexes	Fortune 500 Movers	
Markets	Last	Change
Dow Jones	11,288.54	▲ 73.03 / 0.65%
Nasdaq	2,245.38	▼ -6.08 / -0.27%
S&P 500	1,262.90	▲ 1.38 / 0.11%
10-year Bond	99 4/32	Yield: 3.98%
U.S.Dollar	1 euro = \$1.570	0.000

July 3, 2008 12:00 AM ET

symbol [Go](#) Sponsored by [Subscribe to Money Magazine](#)

+ SYMBOL LOOKUP

Photo Galleries



Boom times for fiery business

The Fourth of July is the Big Bang weekend for fireworks companies. Here's our behind-the-scenes look at what's coming this weekend in five

discount to the outstanding \$21 million loan.

Buying in bulk

Prices are even cheaper in the Midwest.

There, buyers like Jeff Ball, president of Austin, Texas-based Econohomes, purchase packages of bank-owned homes from lenders and resell them after little if any rehab. He buys five to 50 houses at a time, sight unseen. Often, the homes come with encumbrances, like back taxes, water bills or other liens that can add up to tens of thousands. Still, he comes out ahead.

Econohomes has purchased about 500 of these homes - located primarily in Ohio and Michigan - over the past two years, at an average price of less than \$5,000. Ball said he's bought homes in Cleveland and Detroit for as little as \$3,000. They sell for an average of \$25,000.

His business has been criticized; usually city officials would prefer the homes be renovated before they're resold. But Ball said the money spent doing that would make the business unprofitable; nobody would buy at the prices he would have to charge. They would sit vacant and become havens for squatters, looters and drug dealers.

"The most significant thing is to stabilize the situation," Ball said. "Get people back in the house." The new owners move in and start taking care of the properties, according to Ball. If that starts to happen in large numbers, these communities may spring back to life.

On the sidelines

Despite these bargains, many big investors who buy in bulk have been slow to start shopping, according to Jack McCabe, a Florida real estate consultant. They're after even deeper discounts, and prices are indeed projected to keep falling in the next year - [by double digits in parts of California and Florida](#).

While Sharon Restrepo, the Florida broker, is doing individual deals, she's sitting out the bulk purchases for now.

She was recently given the chance to broker a liquidation sale of 32 new homes in North Cape Coral, priced from \$122,000 to \$127,000, down from \$195,000. But she's not interested.

"They're not cheap enough for my guys - or me," she said.

Jack McCabe says he still sees "a large disconnect between what buyers are willing to pay and what lenders are willing to sell for."

That's even more true in California, according to David Michelson, a partner in California-based developer Three Arch Investors - despite the fact that home prices there are already down 35% in the last 12 months. The company is putting together a \$250 million vulture investing fund in anticipation of even further declines, and will buy foreclosed homes in California, Nevada and Arizona.

"The transactions are not happening yet," he said. "There are plenty of people looking, but the lenders are carrying the cash value [of these distressed homes] at two or three times the actual value," said Michelson.

Until banks reduce these prices - and take the write downs that will come with them - buyers like Michelson won't budge.

He figures that the banks will have to start liquidating these properties by the end of the year to get them off their books. And then, he says, the floodgates will open. ■

Sponsored Links

Investing With 15% Return

Invest in Medical Imaging Device & Earn a Monthly Income: Min Inv. \$25K
DirectMedicalInvesting.com

Free Forex Essentials Kit

Free Forex Guide & Webinars. Includes Free practice account. Try Now.
www.GFTforex.com

Buy a link here

- [Pace of housing rescue slows, as foreclosures rise](#)
- [Vulture real estate investors swoop in](#)
- [Senate holiday on housing rescue](#)
- [Calif. home sales soar 18% as prices swoon](#)

cities. [More](#)



Top 10 luxury rides

For those who want the best of the best, here they are. Plus 20 more options to consider. [More](#)



Where cheetahs roam

In Namibia, animal lovers' tourism dollars help protect threatened species. [More](#)

GET A FREE TRIAL ISSUE!



Money

Name

Address

City

State/Pr

Zip/Postal

E-mail

[Privacy Policy](#)