



From the desk of
William C. Ring, President

Real Estate Newsletter

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Investors Purchase Record Number of Foreclosures at Auction...

April foreclosure notices dropped from March's record level. Foreclosure Radar (www.foreclosureRadar.com), the only website that tracks every California foreclosure and provides daily auction updates, issued its monthly *California Foreclosure Report* for April 2009. In a reversal from the prior month, foreclosure notices dropped while foreclosure sales rose. Sales at auction rose by 35% overall and a record number of those properties were purchased by third parties at an average 28% discount from estimated market value. Notices of Default, the first step in the foreclosure process, dropped by 18.2% from the record level set the prior month. Notices of Trustee sale, which set the auction date and time, also dropped by 8.5% from the prior month.

"As the inventory of bank owned, or REO, properties drop across California, we've seen a dramatic increase in demand for information on foreclosure auctions as an alternative source for buying property in the current market", says Sean O'Toole, founder and CEO of Foreclosure Radar. "Despite the discounts offered at the trustee sale auctions, we'd like to remind everyone that these discounts come with significant risks, especially for consumers and inexperienced investors".

There are a number of inherent risks when bidding at a foreclosure auction, technically referred to as a "trustee sale". All sales are as-in with little or no opportunity to inspect the property before purchase. Sales are also subject to existing liens and encumbrances so buyers must carefully research any outstanding debt that may be owed after the purchase. Since there is no title insurance, any mistake made when researching those liens and encumbrances is the buyer's alone to bear. In addition, the successful bidder may have to evict the prior owner or tenant, before taking possession of their new purchase.

In return for taking on these risks, third party buyers enjoyed an average 28% discount from the estimated market value. With an average estimated market value of \$294,000 that discount represents a significant savings of nearly \$82,000. Despite the size of this discount, actual margins are lower given the costs associated with evicting occupants, cleaning, repairing, maintaining and reselling these properties. Private investors can often accomplish these tasks far more cost-effectively than large banks, making it a win-win for both parties.



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YOU DADS AND GRADS
OUT THERE!**



Please contact me anytime regarding your real estate needs or questions; commercial or residential. And, remember that the highest compliment I, or anyone, can receive is the referral of my name to your family, friends, and business associates. Thank you for your trust.

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