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Cash buyers rule Lee County market

Lenders want fastest deal after foreclosure

BRIAN LIBERATORE • BLIBERATORE@NEWS-PRESS.COM • JUNE 25, 2009

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A Fort Myers couple lost their dream home to someone offering less money — twice.

Josh Terwilliger and his fiancée Gail Berlam offered \$70,000 on a foreclosure in northwest Cape Coral only to lose out to a \$50,000 offer from a buyer with cash. When the cash deal fell through, Berlam and Terwilliger lost out again to a buyer putting down 20 percent on a \$66,000 offer.

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Realtors say the couple's story is growing more common in Southwest Florida as investors flood the housing market with cash offers, pushing out traditional home owners.

Of the 6,474 homes sold in Lee County between Jan. 1 and May 31, almost 60 percent went to cash buyers. The proportion of cash buyers is even higher on foreclosed properties. About 64 percent of bank-owned properties are going to buyers with cash.

During the boom years, Cape Coral Realtor Paula K. Hellenbrand said she would be surprised if one of every 10 sales was a cash transaction.

"We finally have buyers that can qualify for financing, they have the income, they have the credit score and the prices are where they can afford to do it," said Suzanne Sherer, president of the Realtors Association of Greater Fort Myers and the Beach. "But they're being forced out."

Berlam and Terwilliger are first time homebuyers with good credit, government incentives and steady jobs at a resort in Fort Myers Beach.

"It's kind of a hard thing," Berlam said. "We're very, very frustrated. This may be driving up prices again, but it's not helping anyone who wants to live here and stay here."

For banks, a cash deal's quick turnaround often makes it more attractive than an offer from a financed buyer.

If a bank is selling a property, said First Community Bank of Southwest Florida President David Hall, the lender is paying carrying costs. A financed deal can require a bank to hold onto a property for months, racking up the bills for insurance, taxes and upkeep as a buyer tries to find financing.

"Sometimes qualifying is more difficult just because credit is tightened up so much on a national basis," Hall said.

With a cash deal the property changes hands in days instead of months.

Cash buyers don't have mortgage payments to fall behind on, which real estate experts say is good in a region reeling from foreclosures. But the investors are pushing out families and first time home buyers who view homes as a place to live instead of an investment.

"You're shifting the financial obligations from one party (the bank) to another party (the investor)," said Owen

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Beitsch with Real Estate Research Consultants in Orlando. "But you haven't found anyone to occupy the structure and at the moment that's what you need. You really do have too many vacant properties."

Investors have been waiting in the wings for months, ready to pounce when home prices bottomed out, Sherer said. "Now that we're seeing the prices click up, everybody is saying whoops, I don't want to be left out."

Competition for inexpensive property is ferocious.

Home sales in the county are skyrocketing. In just five months this year, Realtors have sold 6,467 homes, according to the Multiple Listing Service, the real estate database of available homes. That's 1,756 more sales than in all of 2007. The MLS recorded 1,451 sales in May alone – twice the number of sales in May last year.

Across the state, Beitsch said, investment funds with pools of cash are buying up deeply-discounted, bank-owned properties in bulk. Buying several in bulk gives those investors leverage to negotiate lower prices from banks.

Hellenbrand, president of the Cape Coral Association of Realtors, said she is seeing people tap into savings or divert funds from individual retirement accounts to purchase real estate.

"They realize prices are as low as they're ever going to be," Hellenbrand said.

The quick cash sales, Beitsch said, help banks clean up their books, getting foreclosed properties off their balance sheets in a matter of days instead of months.

But what may be good for banks in the short term might not be best for the community in the long run.

"It's terrific that the market is moving," said Ralph Angelucci, a Cape Coral Realtor.

"But in my opinion, it would be much more positive if we could get first time homebuyers, just regular people. Those are the people that are in the community that are going to work for the betterment of the community.

"They're going to provide jobs, they're to help Cape Coral and Lee County get back to a place we want it to be."

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Riverbender wrote:

There will be another wave of flippers being caught with their pants down. There are not enough buyers that will be able to afford 100,000+ mortgages. Besides the majority of those lowend deals are stripped out junk or in less than desirable areas. It amazes me how anyone can look at Lehigh or the cape and see homes built on giant ant mounds and not wonder why. Let it rain like yesterday in the cape and you see why they advertise waterfront property. If someone really did their homework before buying the desirable ares to buy or build in Lee county would shrink dramatically.

6/25/2009 6:35:02 AM

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brownsbacker wrote:

Replying to sarahm:

Yep. Happened to us three or four times. And guess what? Those USDA backed loans? One you have to use ALL income in the house. The other you can't use all the income (part-time work unless you've been there a year at least, usually two years and if one person gets a 1099, forget it). BOTH are USDA backed. One you make too much. The other you make too little. So much for Obama getting working people into homes. One house we looked at was sold for fifty some thousand. Now a flipper has it for \$105,000 and probably put \$20,000 in it. Come on Mel, search for more people out there like the people you wrote about. This economy is going to tank even more thanks to "cash" (flippers) buyers.

how is the economy going to tank even more because of cash buyers? as for the flipper, if you bought a house for 50,000 and wanted to sell, would you ask for what you have in it, if you could get more. either you waited too long to buy (more competition), or you need to offer more.

6/25/2009 6:07:33 AM

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fairandunbiased wrote:

Cash is always king!

6/25/2009 5:53:37 AM

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sarahm wrote:

Yep. Happened to us three or four times. And guess what? Those USDA backed loans? One you have to use ALL income in the house. The other you can't use all the income (part-time work unless you've been there a year at least, usually two years and if one person gets a 1099, forget it). BOTH are USDA backed. One you make too much. The other you make too little. So much for Obama getting working people into homes. One house we looked at was sold for fifty some thousand. Now a flipper has it for \$105,000 and probably put \$20,000 in it. Come on Mel, search for more people out there like the people you wrote about. This economy is going to tank even more thanks to "cash" (flippers) buyers.

6/25/2009 5:38:18 AM

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