

JANUARY 14, 2010, 11:53 AM

## **Foreclosures Draw Flippers, Study Shows**

By *CHRISTINE HAUGHNEY*

Many New York City residential properties that reach the final phases of foreclosure and are auctioned off are bought by investors who flip them for a profit, rather than by buyers who intend to live in them.

That's according to a report released Thursday morning by the New York University's Furman Center for Real Estate and Urban Policy. [pdf] The center reviewed 15 years of data about New York City foreclosures.

Among its findings, the center discovered that from 1995 to 2007, 44 percent of bank-owned properties that were sold while in foreclosure were then resold within a year. In other words, they weren't bought by homeowners looking to live in those properties, but by investors who bought and quickly resold them. In 2008, 20 percent of these properties still landed in the hands of flippers, the data shows.

Those formerly foreclosed properties have been fetching high prices. Buyers paid 45 percent more for the properties than what the original purchaser paid in the real estate auction the year before. For example, a house that sold at auction for \$300,000 would typically resell within the year for about \$450,000. Even in a heated real estate market, that's much faster than the citywide average rate of appreciation, which was 14 percent from 2002 to 2003.

Researchers raised concerns about having a high concentration of flipped properties because they feared that these homes inflated prices in the neighborhood and might "cause even more home buyers to stretch their finances and take out loans they may not be able to afford," according to the study. That, researchers said, could cause "even more foreclosures."

The report also showed that the time between when New Yorkers purchased their homes and they fell into foreclosure shrank rapidly in the early 2000s, with the rise of subprime lending. From 1993 to the first half of 2009, borrowers typically fell into foreclosure within three years of buying their homes. But in 2007, that number had shrunk to 18 months.