

Distressed Sales Rising In RI Market

By Christine Dunn
Journal Staff Writer

So far in 2009, the impact of “distressed” properties — foreclosures and short sales — in Rhode Island’s real estate market just keeps growing.

Close to 43 percent of all single-family house sales in February were distressed properties.

As recently as the third quarter of 2008, just 27.4 percent of single-family sales were foreclosures or short sales.

In recent months, distressed sales have dominated the multifamily market, accounting for 82 percent in January.

The spike in distressed sales has contributed to a decrease in unsold inventory and in the average time properties remain on the market. In February, the average number of days a home remained on the market fell to 104, compared with 115 in February 2008.

The Rhode Island Association of Realtors began tracking distressed sales just last year by requiring them to be identified when sold through the Statewide Multiple Listing Service.

This year, the MLS board of directors is planning to implement identification of foreclosed properties when they are first listed for sale, according to Karl Martone, president-elect of RIAR and a past president of the Statewide MLS.

Although many properties now have indications in the “comments” section of a listing that indicate that a property is probably distressed, “our members and consumers weren’t able to differentiate them — unless they knew the ‘code’ words,” Martone said.

Code words include such terms as “proof of funds,” “lender approval required,” and “as-is condition,” he said.

The MLS board has determined that because a foreclosure is a matter that is in the public record, it should be disclosed on the listing information, Martone said.

But a short sale is a different matter, he said.

Because a short sale — in which the sales price will be lower than the amount owed on a property — reveals part of a seller’s personal financial status, and it is not a matter of public record, the MLS cannot require it to be included in the listing, to honor the seller’s right to confidentiality, Martone said.

Still, as a practical matter, sellers and agents should let prospective buyers know if a short sale is required to sell a house, because of the nature of these transactions, he said. Lenders have to agree to the sales price in short sales, a process which can cause lengthy delays. “You have to let that buyer know what they are getting into,” Martone said.

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“Not all foreclosures are tremendous deals,” Martone said. “They could be listed higher than what they’re worth.”

“We have two real estate markets now,” he added. “We have a conventional real estate market, and you have a distressed market.”

Meanwhile, as investors and bargain hunters buy more distressed property, Olneyville Housing Corporation executive director Frank Shea said he is frustrated with delays in implementing the federal Neighborhood Stabilization Program approved last July.

The program was aimed to help nonprofit developers purchase and rehabilitate abandoned and foreclosed properties for reuse as affordable housing.

Rhode Island was awarded \$19.6 million as part of the \$3.92-billion federal Program that was part of the Housing Economic and Recovery Act (HERA).

But Noreen Shawcross, chief of the Rhode Island Office of Housing and Community Development, said the state has not yet received its \$19.6 million in HERA money.

Rhode Island Housing Deputy Director Susan Bodington said the state’s plan for using the money was approved by the U.S. Department of Housing and Urban Development on Jan. 9, and the allocation is expected “in a week or two.”

The state’s three-part plan includes a Land Bank, in which Rhode Island Housing directly purchases foreclosed properties, a development finance program, in which Rhode Island Housing helps local nonprofit developers purchase foreclosures for rehabilitation and a program that provides down-payment assistance to homebuyers purchasing foreclosures.

So far, Bodington said four properties have been purchased by the Land Bank, and 51 are “in the pipeline;” three applications have been received by the development finance program, and 37 applications have been received in the down-payment assistance program, resulting in two closings to date.

R.I. inventory of unsold properties
Listed for sale in Statewide MLS
Property type 3/2009 3/2008 3/2007
Single-family 5048 6121 5441
Multifamily 1129 1683 1344
Condo 1508 1823 1779
Source: Rhode Island Association of Realtors

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