



August 20, 2009

Beach properties tempt bargain hunters

By JONATHAN STARKEY
The Washington Post

Rich and Debbie Sulkovsky of Herndon, Va., had been looking for months for a place near the ocean when they saw a yellow house with green shutters in a creek-front community not far from Rehoboth Beach.

"Initially, we were looking for just an investment property. But we kind of like it enough, we're thinking about using it as a second home," Rich said. "It ended up being exactly what we were looking for."

Mostly, what the Sulkovskys were looking for was a deal. And in that three-bedroom, three-bathroom foreclosure in Long Neck, they found one. The couple paid \$210,000 for the house, about \$150,000 less than it sold for three years ago, Rich said. The empty lot next door was listed for more.

Distressed properties, many bought at the height of the boom by buyers expecting that prices would continue to climb, have become a target for bargain-hungry second-home buyers, according to real estate agents in Maryland and Delaware beach towns.

While housing data show that home sales at the beach are still way down, some agents say aggressive bargain-hunting has boosted activity after a painfully slow 2008. "That's the first thing out of everybody's mouth: 'Are there any short sales or foreclosures?'" said Gregg Holland, an agent with Coldwell Banker in Ocean City and president of the Coastal Association of Realtors. "There are a lot of bottom-feeders."

Deals at the beach are relatively easy to come by, at least compared with a few years ago. Take Ocean City's condominium market: Through May, the median selling price was \$335,000. That's down more than 20 percent from the corresponding period in 2007. The median selling price for a home along Delaware's coast was \$368,100 through late June, down 13 percent from 2007, according to the local multiple listing service. Homes are also selling at a lower percentage of the original listing price, indicating that sellers are more willing to work with buyers than they were at the beginning of the downturn.

That hasn't translated into more sales. Nationwide, the vacation-home market plunged last year, falling 30.8 percent, to 512,000 purchases, from 740,000 in 2007, according to the National Association of Realtors. Through June 29, only 308 properties had sold along Delaware's coast. That's behind the pace of last year, when 829 homes were sold in the full year. In 2007, there were 1,123 homes sold.

Low prices, coupled with low mortgage rates, however, are luring some buyers back into the market, agents said.

"We just thought now would be the time if we are ever going to be able to afford doing this," said Mary Alice McNamara, a lawyer in Baltimore County. She and her husband closed in May on a four-bedroom salt box in South Bethany. They will vacation in the house, McNamara said, but also rent it out part time to cover costs. Second-home owners can rent out their homes for up to two weeks before they must declare the rent as income for tax purposes.

"My husband had been tracking the market for a while and watching the prices drop," McNamara said. "Coincidentally, the interest rates dropped at the time we found the house we really liked. It made it more attractive for us."

But many buyers want even more and are willing to wait out the often longer and more arduous

process of buying a distressed home in order to achieve bigger savings.

Justin Healy, managing broker at Ocean Atlantic Sotheby's International Realty in Rehoboth Beach, said about 10 percent of his agency's deals are being made on distressed properties -- either foreclosures or short sales, in which the bank approves a deal for less than the amount owed on the mortgage. "Buyers have become very, very good negotiators," he said. "Buyers almost want to see blood right now in terms of getting deals."

Added Richard Miller, a mortgage banker at Capital Mortgage Finance in Rehoboth Beach: "The price is right, and they've got the money to put into it."

Rich and Debbie Sulkovsky, plan to put another \$10,000 to \$15,000 into their new home. An upstairs bathroom needs work. Wood paneling throughout will be replaced by drywall. Kitchen counters need replacing.

The appraisal was somewhat tedious, even "silly," Rich said, because they were buying a foreclosed home. A piece of masking tape on the linoleum kitchen floor was scrutinized, for example, because of worries that it may have been hiding a failed seam. Any temporary angst, however, was a small price to pay for the ultimate savings, the Sulkovskys said.

"It's a little trickier, and you have to be patient working with the lenders," Rich said. "But there are some great deals."