

It is understandable in today's real estate market when potential buyers make the remark, "should I wait to see if prices fall any further?" In many areas there has been a 50% drop in prices since the peak of the market in 2005. Yes, prices may fall a little further in some select areas and they may remain static in others. If someone is attempting to buy and "flip," then don't buy.

If you are an investor, property can now be purchased, rented, and at the same time achieve a positive cash flow. When is the last time that could be done? In prior years investors really did not worry too much about a positive cash flow, because they were going to sell the property within the next year or two and make their profit at the back end (from appreciation). But today it is different. Investors should only be buying properties with positive cash flows. More important is the internal rate of return. Many properties can be purchased that will provide an IRR in the double digits. Yes, financing is available for investors. Most lenders today offer good rates with 25% down.

If buying property for a single residence is your goal, then some of the best values today are for properties priced \$500,000 or below. Interest rates remain at historical lows. Just think, one can buy a home today, get a low interest loan, fully amortized loan for 30 years. Interest rates today are going to look very good in the next couple of years because one thing that can almost be guaranteed, interest rates will be rising. And they will continue to rise. This is not a scare tactic, it just a fact.

Now that you may have made the decision to buy, what do you look for? Property offered for sale today comes in all sizes, shapes and selling conditions. The best deals today are REOs and short sales. An REO is short for real estate owned. The bank has foreclosed and now owns the property. That property is now for sale by the bank. Some REOs may not be in very good condition, but some are. So a buyer really has to have either the knowledge or good advice how much to offer and at the same time know what how much expense there will be to bring the property to proper standards. In these cases buyers will not only need funds for the down payment, they will need funds for rehabilitation. Many REO condos are in better shape than single family homes. A short sale is a property where the owner owes more than the property is worth. They hope the lender will forgive the difference. These types of sales can be very time consuming. So be prepared in some cases to wait 2 or 3 months for a lender approval. Or you may 2 or 3 months and get turned down by the lender. A positive about a short sale is that the property in many cases will be in much better condition than the REO sale.

One very big mistake that some buyers make today is making a "low ball" offer. They think that all sellers are desperate. They are not. Lenders are not going to give an approval to a short sale if the sales price is a deep discount from the fair market value and also taking into consideration the condition of the property. These lenders do not live in a vacuum. They know what the fair market value is for the

Properties they have loans on. They would just as soon see the property go into foreclosure. They can let the property go into foreclosure, sell the property, and make more than agreeing to a deep discounted short sale. Many buyers also think that the banks selling one of their REOs are also going to agree to a "low ball" offer. They will not. Again they will sell it at the fair market value based on the condition of the property.

Many of these short sales and REO properties exist all throughout San Diego County. For some reason many people think that they only exist in areas that are considered "bad" areas. They are not. It is true that the closer one gets to the coast the less effect there is in the down turn in the real estate market. But even on the coast prices have dropped. In many areas just east of interstate 5 many of these very good properties can be found at prices below \$500,000.

In summary, is now the time to buy? Probably.