



Real Estate

Best Places To Buy Foreclosed Homes

Matt Woolsey and Jon Bruner 03.19.08, 6:00 PM ET

Only today's bravest buyers would consider homes in cities like Las Vegas and Tampa, where rampant foreclosures are sinking already weak real estate markets.

But in markets in other cities, where there are hints of stabilization, foreclosed properties might be a good investment.

You'll find such spots in the Sunbelt, home to [Charlotte, N.C.](#), [Raleigh, N.C.](#), [Oklahoma City](#), [San Antonio](#), and [Albuquerque, N.M.](#) These five cities topped our list of Best Places To Buy Foreclosed Homes.

Complete List: Best Places To Buy Foreclosed Homes

To compile our list, we started with the country's 100 largest metro areas and ranked them by annual foreclosure rate, based on data from RealtyTrac, a listing firm that tracks foreclosures. To give a sense of scale, [hard-hit markets](#) have foreclosure rates in the 3% or 4% range. Riverside, Calif., has a foreclosure rate of 3.8%, and Detroit has a foreclosure rate of 4.9%. By contrast, [Seattle](#), has a foreclosure rate of 0.4%, and Austin, Texas, has a rate of 0.8%, two figures which are within a healthy range for foreclosures, as all markets, at all times, have them.

Our goal was to differentiate inexpensive foreclosure markets from those that are undervalued, as cheap foreclosures in flimsy markets don't necessarily make strong investments. One can score a deal on a house in Detroit, for example, but there are long odds on recouping costs due to the area's current economic environment and that housing market's depression. If Detroit were adding jobs, or were a more hospitable location for business, it could be a good comeback play. But as it stands, it's not a housing market where you want any amount of your money.

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Only cities on Forbes' [best places list](#), which measures criteria such as quality of life and the local economy (labor and energy costs, the regulatory environment, taxes) to find markets, such as Raleigh, N.C., or Oklahoma City, where foreclosures aren't symptomatic of local economic ruin, were measured.

Then, we looked at how real estate prices have moved since 2006, based on data from Moody's Economy.com. No city has seen massive median price jumps, but making a foreclosure buy in [San Antonio](#), where prices grew 8.24% between 2006 and 2007, carries far less risk than Sacramento, where prices dropped approximately 10% over that same time period.

What's happening to home prices in your community? Weigh in. Add your thoughts in the Reader Comments section below.

Next, we looked at the spread between median prices and foreclosure prices, with data supplied by RealtyTrac, to determine where banks and sellers were offering the largest discounts on foreclosed properties. Stubborn sellers looking for full value aren't as helpful to a bargain hunter as sellers willing to make a short sale--where the home is sold for under the outstanding loan value--in order to unload a property quickly.

By this measure, Charlotte, N.C., performs very well. Foreclosure prices are 28% below median prices, for an average savings of \$56,874. Not bad in a market where the median sales price is \$147,299.

Foreclosures and real-estate-owned properties are available through local listing agents, though the most comprehensive databases are found in the online depositories of companies like RealtyTrac.

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In Depth: Best Places To Buy Foreclosed Homes

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1. Charlotte, N.C.

Median home price: \$147,299

Foreclosure savings: \$56,874

Foreclosure rate: 1.44%

Price change 2006-2007: 7.24%

North Carolina's real estate economy has been well served by job growth and migration patterns which have lured new residents from across the country. Charlotte is one of the country's most affordable markets. Properties here are expected to increase in value, as the number of area foreclosures is low.

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