



## Buying Foreclosures: One Investor's Key to Success

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With potentially millions of foreclosed, bank-owned homes coming to the housing market over the next few years, cash-heavy investors are poised to profit, especially when [buying in bulk](#).

The Federal Housing Finance Agency, regulator of Fannie Mae and Freddie Mac, recently announced a pilot property sale program of [2500 foreclosures](#) now on the books of Fannie Mae.

Phoenix investor Geoffrey Jacobs is hoping to get in on it.

"The ability to buy in bulk adds to our ability to grow our portfolio in a meaningful way in a short period of time," says Jacobs, principal at Empire Group, which has already bought over 1000 Phoenix-area homes in the past two and a half years. "When you look at how well these properties lease and the type of rental yields, it's a compelling investment."

When Empire Group first began buying foreclosures in 2009, it farmed out the property management to smaller companies and individuals. Jacobs quickly learned that method was costing precious profit.

"To some degree it's a nickel and dime business. If you don't have it in house or in a joint venture, you're losing out," says Jacobs.

Just twenty percent of the nation's 8.7 million single family rental properties are managed by professionals, according to Steve Cook of Real Estate Economy Watch. Individual

owner/investors do the bulk of the rest. That led to just 35 percent of those rentals turning a profit. Owners, according to Cook, may be spending too much time and money on maintenance.

Jacobs' group, however, is very profitable, with 8-9 percent annual returns on his properties. His renters stay, he says, with a 65-70 percent re-up rate. He credits good management and hopes, someday, that his long-term renters will become buyers. Unfortunately, that may take a while, as so many of them need to rebuild their credit.

"Our tenants are not apartment dwellers. They're dual income families, probably lost a house or gave up a house voluntarily. They want to get their lives in order, stabilized," says Jacobs. "Once they've done that, they then can become buyers of those properties down the road."

Empire Group has already passed the first round of pre-qualification for the FHFA REO to Rent program and is hoping to clear the second round and start bidding on bulk properties in the next few weeks.