
BRONX DISTRESS HITS MIDDLE-INCOME AREAS HARDEST

Once well-kept homes now sit in squalor, with tanking resale values

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By Sarah Ryley

Last month's big foreclosure legislation was signed in Morris Park, a middle-class enclave of leafy streets and tidy brick homes in the Bronx where the bill's co-sponsor, Senator Jeffrey Klein, grew up.

During the first three quarters of 2009, the Furman Center counted 190 foreclosure filings in the community district -- the fourth highest in the Bronx, where the overall quarterly foreclosure filing rate shot up by 42 percent last year. In fact, four of the five community districts in the Bronx that have the highest median incomes also saw the most foreclosure filings (Riverdale-Soundview is the one exception).



1861 Bronxdale Avenue

Klein said he's watched empty homes in his neighborhood become havens for rats, vandals, druggies and squatters; and has heard stories of marshals evicting unknowing tenants whose landlords were foreclosed on.

Gabriele Pacino of the Morris Park Association said his neighborhood "used to be nice and clean." But crime started going up in tandem with the downturn, which hit the area's middle class hard.

The devastation has helped push the median sale price in the Morris Park community district down 26 percent in the two years since it peaked during the second quarter of 2007, according to PropertyShark.

And, the wear and tear on the vacant homes drags on during the state's roughly two-year foreclosure process, decimating their resale value, said Robert Nelson, an REO broker with Triton REO Management Corp., a firm that sells properties that were reclaimed by banks.

On average, banks lost roughly 40 percent selling Bronx properties they acquired following unsuccessful auctions since 2007, according to *The Real Deal's* analysis of RealtyTrac data.

Nelson was involved in the sale of 1612 Mulford Avenue in Morris Park, a one-family home that sold in September for \$210,000 -- 53 percent less than the outstanding loan amount that the bank acquired it for in August, and 58 percent less than what the previous owner paid in 2006.

Nelson said the house, abandoned prior to foreclosure, was a disaster. "The kitchen had been ripped out and

there was water damage. It was not a move-in house."

He said the heavily discounted resale prices on REOs actually reflect their market value because of their poor condition, which often disqualifies them for bank financing, and because the prior purchase price was often unrealistic given the income level of the area, as well as unrealistic today because of stricter lending requirements.



To put things in perspective, today banks would require at least a \$100,700 down payment to purchase the Mulford Avenue house for \$503,500, its purchase price in 2006. And the annual mortgage payment would be around \$31,000, whereas the ZIP code's median household income is \$40,240.

Even if the house were in mint condition, Nelson estimated that the most it would sell for would be in the "high twos."

Pacino pointed to homes like 1861 Bronxdale Avenue that have become blighted and are now worth less as a result. A neighboring business owner said squatters lived there for several years, and city records show the property has been scheduled for auction under three separate owners since 2000, including the current owner, who is in foreclosure.

Declines in resale value can also be seen in the affluent Country Club neighborhood, which sits in the district that saw the third highest number of foreclosure filings in the Bronx last year.

Adam, the auction investor, said he bought a duplex apartment with a private boat slip in a Country Club apartment building at a foreclosure auction over the summer for \$381,000. But he's since been unable to sell for his listing price of \$475,000, despite the fact that similarly sized apartments in the development sold for more than \$600,000 between 2006 and 2008.

The case illustrates that other townhouses in the subdivision have decreased more than 20 percent in value, which could prompt more underwater foreclosures.

"A lot of those people who bought in '07 are underwater," said Adam, adding that he's received a few lowball offers on property, but "nothing has approached the \$650 to \$700 [thousand] level that all of my neighbors [paid], sadly."