

IN THE REGION/Long Island

Profiting From Distressed Homes

By MARCELLE S. FISCHLER

SITTING in the office of his 20,000-square-foot mansion on seven and a half acres here, Harsimran Singh Sabharwal, a real estate investor, recently shared his rags-to-riches tale: how, in 1973, he came to the United States from India with \$8 in his pocket and now has a house whose kitchen dwarfs the home where he grew up, in a family of eight.

The secrets to his success? Faith, a positive outlook and buying distressed properties.

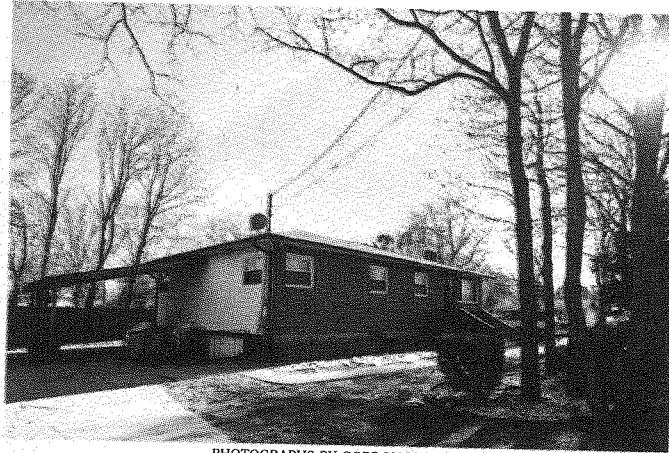
An engineer with a doctorate in business economics, Mr. Sabharwal started buying abandoned homes in East New York, Brooklyn, in 1983, rehabilitating them and “moving people from shelters to houses.”

As a motivational speaker and author of a self-published book called “A to Z of Foreclosures: Real Estate Worth Millions Acquired With \$101,” among others, Mr. Sabharwal is one of a number of local investors who see buying short sales and bank-owned properties as a lucrative venture.

Another investor is Steven Spiegel, the chief executive of Omega Venture Capital, which is based in Brooklyn. Not long ago Mr. Spiegel bought, rehabbed and sold two bank-owned properties in the Five Towns. After gutting a \$400,000 two-family home in Cedarhurst, his crews put in new kitchens, baths and an extension for \$225,000. It quickly sold for about \$1 million. In Woodmere, Mr. Spiegel knocked a \$500,000 foreclosure down to the foundation and built a six-bedroom colonial with a first-floor master bedroom, investing \$300,000. The house recently sold for \$1.2 million.

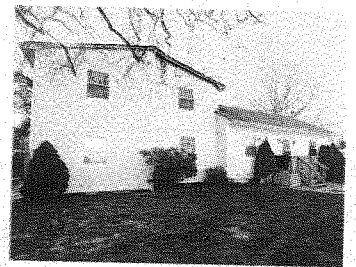
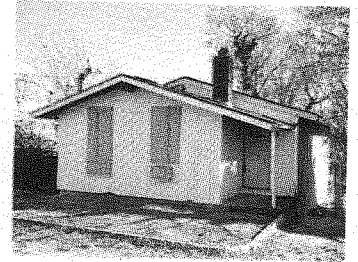
Working on a smaller scale, Rob D’Agostino, the project manager for Mid Suffolk Handyman Services in Centereach, has rehabbed about four foreclosure properties a month.

“Those houses sell quick,” he said, adding that they gave an average homeowner with a residence for sale “a lot of competition.” Because the properties



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AWAITING RENEWAL Homes in Mastic, above and top right, and Shirley, are among the three dozen or so properties owned by the investor Harsimran Singh Sabharwal.



have already been upgraded and are well priced, “people fall in love with them.”

Todd Yovino, the broker-owner of Island Advantage in Huntington, specializes in bank-owned homes. “People are out there picking up the properties and rehabbing them,” said Mr. Yovino, who has nearly 400 listings, in upscale neighborhoods like Sands Point and Brookville as

Investors say there’s a demand for freshly rehabbed properties.

well as more blue-collar areas like Hempstead. “The properties that are renovated are selling much, much quicker than the homes in ‘as is’ condition,” he added.

Melissa Kollen-Rice, a lawyer in Commack and the author of “Buying Real Estate Foreclosures” (McGraw Hill), said the process of selling short — for less than a property’s original value — was expedited early this month by a federal Home Affordable Foreclosure Alternatives program requiring a yes-or-no answer from the lender within 30 days.

“It is making it easier for peo-

ple,” she said. “If they know it in 30 days, they can sell it to an investor,” and banks must accept a short sale or a deed in lieu of sale, “if the loans were originally predatory.” (The law also requires the new owner to wait 90 days before reselling the premises.)

Pat Ammirati, the president of the Long Island Real Estate Report, said the number of distressed properties to choose from was leveling off more quickly in Nassau County than in Suffolk.

Last year in Nassau there were 7,290 foreclosure filings; the year before there were 4,988. Suffolk had 11,662 last year and 8,473 in 2008. This year so far, Nassau has had 1,421 and Suffolk has had 2,421.

It takes about two years from the initial foreclosure notice to the sale to an investor. Of properties whose owners are unable to arrange a short sale, Mr. Ammirati said 85 percent also failed to sell at a foreclosure auction and were taken back by the lenders. Because of the difficulty in financing, many contractors who used to buy such properties now stay away from them.

But investors like Mr. Sabharwal, who can pay cash, do not have the same aversion.

His real estate investments on the Island include commercial properties like shopping centers and stores. A year and half ago, as the foreclosure tsunami

washed over the Island, he concentrated on distressed properties, mostly in Suffolk communities like Central Islip, Mastic Beach and Bellport. Working with his sons, Gunit, 28, a lawyer, and Pavit, 23, he buys three or four homes a month and has an inventory of 30 to 40 homes, mostly in Suffolk County.

Because “sometimes you are not able to get them at the prices you are looking for,” he puts bids on 15 to 20 a month, mostly through listing agents.

“You can really buy houses at a tremendous discount,” he said. He aims to pay 50 percent of what he will ultimately recoup from the sale.

Last week, he bought a bank-owned three-bedroom two-bath home on a third of an acre in Mastic for \$85,000; he expects to invest \$12,000 to \$15,000 to have his construction crews fix it up, replacing the kitchen and upgrading the bathrooms. Eventually it should fetch \$140,000 to \$150,000, he surmised.

“I don’t buy small houses,” he said. “Pricewise it doesn’t justify it; rentwise it doesn’t justify it.”

To avoid the capital gains tax he would incur if he resold the houses too quickly, he often rents them out for a year, sometimes to low-income families using the federal government’s Section 8 stipend program, or even holds them vacant.