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Latest Housing Market Indicator: More Siblings Sharing Rooms

APRIL 14, 2009, 9:50 AM ET

The Foreclosed Are 'Target Market' for Some Landlords

Article

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By Dawn Wotapka

In the rental world, losing a home to foreclosure is no longer a deal breaker.

"In the old days, we wouldn't even rent to someone who had a foreclosure on their record," says Jeffrey I. Friedman, president and chief executive of apartment company Associated Estates Realty Corp. Today, they're "actually a targeted market."

That company redesigned its applicant screening process, which used to exclude foreclosures. These days, losing a house doesn't even require an additional security deposit if the applicant pays other bills on time and doesn't have a history of rental evictions.

Camden Property Trust, whose markets include hard-hit Las Vegas, even buys lists of those about to lose their residences. Colonial Properties Trust isn't that aggressive, but it will consider blemished-but-strong applicants.

In better times, landlords could be more selective. But mounting unemployment has depressed occupancy averages to their lowest in years, making rent increases nearly impossible. Too woo tenants, many landlords are throwing in freebies, dragging down the bottom line.

Companies excluding foreclosures would miss plenty of potential tenants. New foreclosures started this year are estimated by Barclays Capital at 2.8 million, with 3 million predicted in 2010.

Plenty of homeowners caught in the crash were good renters before being lured away by creative financing—tempting low payments and even no-money-down deals—that fed the foreclosure crisis.

These days, some potential tenants are even visiting apartments before losing the home, says Eric Hartz, the chief executive and president of RentBureau, which collects rental payment histories.

"People," he says, "are literally preparing themselves to be back in an apartment."

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5:04 pm April 14, 2009

Akex wrote:

Banks do not care and never have about their past marks.

1:52 pm April 14, 2009

mike m. wrote:

I truly have a problem with the fact that foreclosure lists can be bought and used to market products, services, apartments. This is not the original purpose of foreclosure public notices.

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