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McClatchy-Tribune 03/17/2013 5:38 AM ET

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Foreclosures may ease shortage of homes for sale [Sun Sentinel]

March 17--More than 56,000 homes in Palm Beach and Broward counties make up a so-called shadow inventory -- properties in some stage of foreclosure that have yet to hit the market, according to RealtyTrac Inc.

That's an increase of 55 percent from a year ago and offers hope to prospective buyers frustrated by a persistent shortage of homes for sale. Local Realtor boards say listings have dropped by about half from last year at this time.

"Every day, I look to see what homes come on the market, but I haven't found one I like," said Ryan Bivens, 33, a Broward resident who works for an aviation parts manufacturer. "The good ones get contracts within a day. I want to be in something as soon as possible, but the market will dictate that."

Although the pipeline of homes in foreclosure suggests that Bivens and other buyers eventually will have more to choose from, some analysts wonder how much of the shadow inventory the general public will actually see.

Large investment firms are committing millions of dollars to distressed real estate. They're outmuscling individual buyers with cash offers, in some cases before the properties even make it to multiple listing services.

"It used to be that Realtors handled 75 to 77 percent of the transactions in a normal marketplace," said Jack McCabe, a housing analyst in Deerfield Beach. "But now I think it's closer to 60 percent."

Initially, industry observers feared that the state's backlog of distressed homes would overwhelm the housing market and depress prices yet again.

So far, though, lenders have held back much of their inventory to encourage a recovery and keep prices stable, said Brian Korte, a foreclosure defense lawyer in West Palm Beach. Banks also have been slow to release their inventory because they don't have to take losses until the homes sell, he said.

Still, "they can't continue to hold onto this stuff forever," Korte said.

Ken H. Johnson, a professor at Florida International University's Hollo School of Real Estate, doesn't expect the shadow inventory to hurt prices because so many buyers are clamoring for properties. He also said investment firms gradually will lose interest in the housing market as discounts diminish.

"The banks aren't going to give their homes away," he said. "I think there will be more for the general public than there is now."

There still will be opportunities for individual buyers and investors, but they'll continue to face strong competition from firms buying in bulk, McCabe said.

Vulcan Investment Partners, a Miami firm led by a group of Mexican businessmen, said last year it was spending \$150 million to buy foreclosed properties in South Florida.

Other groups, including Waypoint Homes of California and Blackstone Group of New York, also are targeting the region. They're looking to buy three- and four-bedroom single-family homes and rent them for the next few years while the market recovers.

Dozens of firms bought more than 5,200 Florida properties in 2012 and are determined to buy more this year, said RealtyTrac, a foreclosure listing firm based in Irvine, Calif.

A separate report from RealtyTrac last week showed that Florida had the nation's highest foreclosure rate in February for the sixth consecutive month.

Although filings are far off their 2009 peak, one in every 282 homes in the Sunshine State was in the foreclosure process last month, more than three times the national average.

At year-end 2012, Florida still had more than 366,000 pending cases, up slightly from 2011, according to the state courts administrator at the Florida Supreme Court.

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Shadow inventory

The number of homes in the foreclosure process that aren't listed for sale

Jan. 2013; January 2012; Change

56,669; 36,557; +55%

Source: RealtyTrac Inc.

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