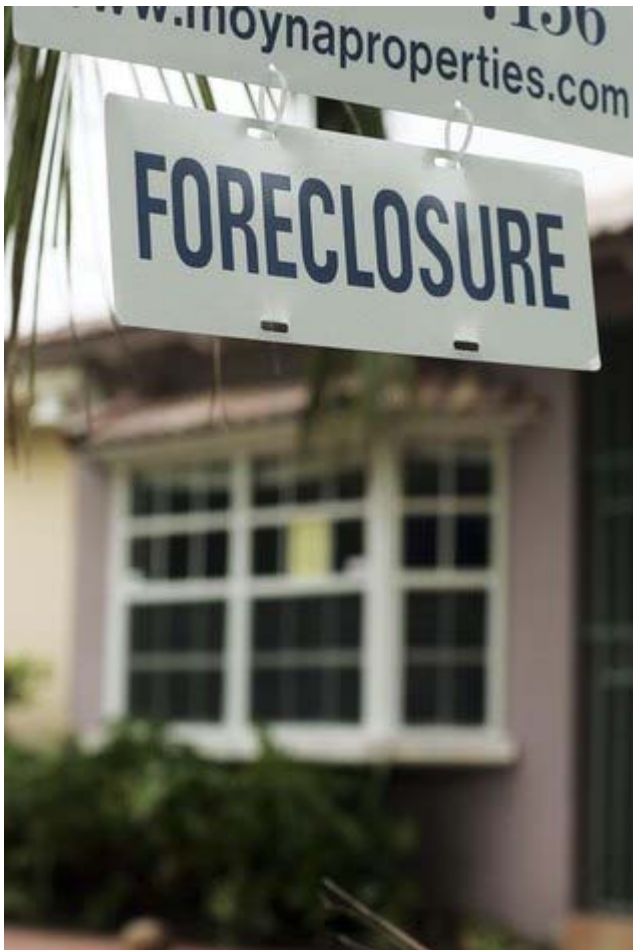


Good news, bad news on foreclosures

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JOE RAEDLE/GETTY IMAGES

A foreclosure sign hangs in front of a home December 14, 2006 in Miami, Florida.

Banks are repossessing distressed homes at an increasingly fast pace, but fewer homes are falling into delinquency, a sign that the region's foreclosure crisis has entered a new phase.

In August, lenders reclaimed 4,417 homes in South Florida, up 96.7 percent from the same month last year when banks took back 2,246 homes, according to a report released Thursday by RealtyTrac. At the same time, new foreclosure filings dropped 52 percent to 6,899.

As banks reclaim more homes in the final stage of the foreclosure process, they will eventually need to offload them onto the already crowded resale market. In the classic supply-demand equation, additional inventory puts downward pressure on prices and home values, a phenomenon that real estate analysts have predicted recently as local inventory levels have started to rise in the past four months.

Industry watchers discussed a potential double dip in the housing market during a Condo Vultures real estate panel in Miami this week, debating the likelihood of further price declines as well as the possibility that South Florida may have already hit bottom.

“The argument could go both ways,” said Peter Zalewski, principal of the BalHarbour-based consultancy Condo Vultures. “Is the market stabilizing? Are we headed for a double dip?”

The state of the market is difficult to decipher because good news and bad news often intermingle. For example, Thursday's foreclosure report showed that while bank repos are on the rise, new foreclosure filings have slowed considerably, and fewer homeowners are being hit with “notice of default” letters.

This could mean the first stage of the foreclosure process has reached a peak. Year-over-year, overall foreclosure activity across Miami-Dade, Broward and Palm Beach counties decreased 5.5 percent in August to 21,927 actions.

SKEWED RATIO

During the panel session, William Hardin, a professor of finance and real estate at Florida International University, pointed to data comparing the number of new foreclosure filings in a given month to the number of closed sales. In a normal market, he said, that ratio should be about two to 100.

“Today, in many markets in South Florida, it's nearly 100 percent -- for every sale, there's a new *lis pendens* filing,” he said.

Indeed, the 3,100 “notice of default” filings that went out in Miami-Dade in July dwarf the county's 1,430 existing home sales reported by the Florida Association of Realtors in that month.

On the other side of the debate, Miami Association of Realtors residential president Oliver Ruiz mentioned positive signs in the submarkets he's been watching.

“The lines outside our sales center are like the old times -- and no financing [needed],” said Ruiz, describing Fortune International Realty's summer sales rush at ICON Brickell towers in Miami. Most sales have been all-cash deals.

“We're getting calls and e-mails from all over the world from people who want to hear about Miami real estate,” he said.

International attention on South Florida real estate is part of another good news, bad news phenomenon.

While 12 percent unemployment, a widespread underwater-mortgage problem and strict lending practices make it difficult for many South Floridians to buy a home, international buyers and investors have filled much of the void by going on a cash-fueled shopping spree.

Ruiz said he's begun to see prices increase in the Brickell area, where inventory is being absorbed rapidly by all-cash investors.

OBSTACLE

Still, the foreclosure problem looms as a major obstacle to any kind of substantial, region-wide real estate rebound.

The RealtyTrac report found that South Florida had a rate of one foreclosure filing for every 111 houses in August, the fifth highest ratio in the country. The national average is one foreclosure for every 381 houses.

In such a market, it's hard to imagine prices rebounding any time soon, Hardin said.

“There's not much upward price pressure outside of a few select markets,” he said. “I think we're hovering somewhere near the bottom.”