

## South Florida's economic albatross: Home values and losses not getting any better

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About 42 percent of South Florida homes with mortgages were underwater during the third quarter of the year, nearly double the national average and a "millstone around the neck" of real estate that could keep the market down indefinitely.

Analysts at the Seattle-based Zillow released housing data today that showed a 17th consecutive quarter of home value declines nationwide, including in Broward, Miami-Dade and Palm Beach counties, where values fell 15 percent compared with 2009.

In the same tri-county area, 46 percent of homes that sold in September did so at a loss, according to Zillow's report. Statewide, 48 percent of homes sold for a loss.

"The length and depth of the current housing recession is rivaling the Great Depression's real estate downturn, and, with encouraging signs fading, will easily eclipse it in the coming months," said Zillow Chief Economist Stan Humphries, who made the millstone comment. "The high percentage of homeowners in negative equity continues to be troubling, in that it represents a huge number of people who are not only more vulnerable to foreclosure, but who are essentially trapped in their current homes."

Nationwide, about 23 percent of homes with mortgages in the third quarter were in negative equity, or underwater, meaning more is owed on the loan than the property is worth. In the Treasure Coast, 52 percent of homes with mortgages were underwater, while 45 percent of home sales in September were for less than the previous transaction.

Zillow spokeswoman Katie Curnutte said the company had begun to see values inching up in some markets earlier this year, likely because of the first-time home buyer tax credit, so the third quarter tallies were a "disappointment."

"We didn't see the signs of stabilization we thought we would," Curnutte said. "It's getting closer to the bottom but we're not there yet."

While Zillow's home value estimates in South Florida are not always accurate, coming within 5 percent of the actual sales price only 17 percent of the time, there is no doubt that sales of foreclosed homes and discounted properties are dragging down prices.

The average third quarter home value for South Florida was \$143,300, a 53 percent decrease from the peak value in 2006. Nationally, the home value average was \$179,900. The Treasure Coast saw home values fall to \$111,400. Zillow considers all home values when determining its estimate, not just sales prices.

Bill Hardin, a professor and director of real estate programs at Florida International University in Miami, said he wasn't surprised by Zillow's bleak report.

A foreclosure backlog of 396,500 cases in Florida courts, combined with the recent moratoriums on foreclosure proceedings by banks as they review and resubmit flawed paperwork will only confuse things more, Hardin predicted.

If people fear buying foreclosures because they won't get a clear title, the market could be further stymied.

The banks' admission of paperwork problems has already led at least one former homeowner to challenge his foreclosure in Pinellas County.

The man's home, repossessed in 2008 by Bank of America, has since been sold to a family who has had to hire an attorney to defend their title to the property.

"It's delaying the inevitable correction in the market, and I don't see any quick resolution," Hardin said. "I think we'll be talking about this all through next year. We'll be floating around for a while."

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