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Miami Tops U.S. Foreclosures as Banks Selling in Boom

By Dan Levy - Jul 11, 2013

Miami's foreclosure rate ranked at the top of major U.S. metropolitan areas last month as auctions more than tripled, signaling lenders are preparing to sell a backlog of distressed properties amid rising home prices.

One in 236 housing units in the area that includes Miami, [Fort Lauderdale](#) and [Pompano Beach](#) received a foreclosure filing in June, more than four times the national average, RealtyTrac Inc. said in a report today. The jump was led by notices of scheduled auctions -- the step before a bank-owned property sale -- which rose 283 percent from a year earlier to 5,172 homes, according to the real estate data company.

The surge in auctions in states such as [Florida](#), where courts oversee repossessions, reflects lenders pushing properties through [foreclosure](#) after years of judicial delays lengthened the process, said [Daren Blomquist](#), vice president at [Irvine](#), California-based RealtyTrac. That's clearing the inventory of distressed homes at a time when surging demand from investors and international buyers is fueling price gains in the Miami area.

"There's no question that the Miami market is back," Mike Pappas, president of Keyes Real Estate residential brokerage, said in a telephone interview. "We saw a devaluation of 50 to 60 percent in the recession, and now we're seeing a return."

Prices for single-family homes in the Miami metro area climbed 13 percent in April from a year earlier, the biggest gain among East Coast cities in the S&P/Case-Shiller index of 20 major markets. They're still 43 percent lower than the peak reached in December 2006. Miami values reached their low in April 2011.

Condo Surge

In the condominium [market](#), the median price of a unit sold in May jumped 20 percent from a year earlier to \$180,000, according to the Miami Association of Realtors. Condos formed the bulk of the city's unsold inventory after about 14,000 high-rise units were constructed near downtown as prices began falling, Pappas said.

Buyers from [South America](#) are viewing south Florida real estate as a safe investment, driving demand even after two years of increases, said Steven Hagenbuckle, co-managing principal at TerraCap Partners LP, a real-estate investment firm. The supply of available homes in Miami has been cut to less than three months from 15, boosting prices and giving banks reason to bring their backlog of foreclosures to market, Pappas said.

"There's a real supply crunch," Hagenbuckle, founder of [Bonita Springs](#), Florida-based TerraCap, said in a phone interview. "We're inundated by buyers from [Brazil](#), [Argentina](#) and [Venezuela](#). The market is rising and Miami is built out."

Blackstone Buying

Homes in the area also are being acquired by private-equity firms buying houses in bulk to turn them into rentals. [Blackstone Group LP \(BX\)](#), the biggest company in the industry, has been accumulating properties in the Miami area, as has [Tom Barrack's Colony Capital LLC](#).

Distressed homes in the Miami area sold for an average \$108,200 in May, up 20 percent from \$90,000 a year earlier, according to RealtyTrac's most recent sales data. Properties not in the foreclosure process sold for a median \$163,150, up 18 percent from May 2012.

Banks are accelerating home auctions across the U.S. as [prices](#) rise at the fastest pace since 2006, with the gains pronounced in the 26 judicial states. Auctions last month were up 103 percent in [New Jersey](#), 100 percent in Florida, 94 percent in [Maryland](#) and 65 percent in [Illinois](#), RealtyTrac data show.

Sellers' Market

"Home prices are rising and inventory is in short supply, making it a good sellers' market, particularly for distressed property sellers -- the lenders," Blomquist said.

Lenders will profit from "timed releases" of distressed homes through 2014 because they will still sell at discounts to new construction, while job growth brings new residents to Miami and boosts demand, Hagenbuckle said.

Florida's foreclosure inventory was 8.8 percent of its mortgaged homes in May, the highest share of any state and more than double the 4 percent share of second-place Illinois and more than triple the U.S. average of 2.6 percent, CoreLogic Inc. said in a July 9 report.

"We've got another year-and-a-half of price appreciation," Hagenbuckle said in the interview.

Total U.S. foreclosure [filings](#) -- which also include notices of default and bank seizures -- fell 35 percent in the month to 127,790, the fewest since December 2006, according to RealtyTrac. The decline was led by a 45 percent plunge in foreclosure starts, reflecting declining mortgage [delinquencies](#) as [home prices](#) climb.

In the first half of the year, Florida cities accounted for the top five foreclosure rates in areas with more than 200,000 people. Miami ranked first, with 2.35 percent of households getting a notice, followed by Orlando, Jacksonville, Ocala and Tampa.

New Condos

In Miami, the prospect of moving past the foreclosure crisis has developers proposing new condo projects, which would have been unheard of three years ago, according to Pappas. His brokerage, which helps private-equity funds find discount deals, handled sales worth \$918 million through May, a 36 percent increase from \$677 million last year.

"Historically, this is a boom-bust market, and we had a tremendous amount of foreclosures and vacant buildings from 2007 to 2009," Pappas said. "Now we're running out of land and going vertical again."

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