

Sales of distressed homes declining Rising values mean fewer foreclosures, short sales

By Paul Owers Staff writer

Distressed home sales accounted for a smaller portion of the market across South Florida in 2013 — helping to normalize the local housing industry while at the same time putting more of a squeeze on already-burdened buyers.

“The bargain days are gone,” said John Tuccillo, chief economist for the Florida Realtors trade group. “That’s the bottom line in all of this.” Broward County posted 4,640 transactions involving a short sale or foreclosure last year, representing 31 percent of all single-family home sales, according to data from the Greater Fort Lauderdale Realtors. That’s down from 44 percent in 2012. In the condominium sector, 29 percent of sales involved a troubled mortgage in 2013, compared with 42 percent in the prior year.

Distressed sales have been slowly shrinking for the past three years. In 2009, near the height of the housing bust, more than half of all home and condo sales in Broward involved a short sale or a foreclosure. The properties typically were sold for below market value to ready and willing buyers. But rising home prices over the past year turned South Florida into a seller’s market. Short sales and foreclosures now are selling for list price and above.

“People used to think the word ‘foreclosure’ means a deal, and it doesn’t anymore,” said Dean Ehrlich, a broker in Broward and Palm Beach counties. Thousands of owners who were “underwater” on their mortgages now have equity. They don’t have to let the homes fall into foreclosure or need permission from their lenders to sell for less than they owe on the mortgage.

“There’s less distress in the market, and those who are in distress have the escape hatch of equity,” said Daren Blomquist, a vice president of RealtyTrac Inc., an Irvine, Calif.-based foreclosure listing firm. South Florida real estate lawyer Adam Seligman said some of his clients are postponing short sales — and holding out for the market to improve even more — to avoid potentially huge tax bills. Federal lawmakers allowed the Mortgage Forgiveness Debt Relief Act to expire this year. That means the amount of debt forgiven in the short sale of a primary residence is considered income and taxable. An owner with \$100,000 in debt wiped away could face taxes of \$25,000 or more.

Another lawyer, Roy Oppenheim, said the decline in distressed sales is linked to the job market. “The unemployment rate is down locally and nationally,” he said. “There’s more money for people to buy homes and for others to pay their mortgages. As values rise, the inclination is for people not to fall behind on their mortgages.”

The Realtor board defines a short sale as a property sold for less than the mortgage prior to the lender filing a lawsuit to repossess. A foreclosure sale is any home sold after the lawsuit was filed. The figures include only properties that were marketed on a multiple listing service. While the improved market is good for sellers, it’s a challenge for buyers, who complain they don’t have enough choices. Gina Mattila, a real estate agent in Palm Beach and Broward counties, said she’s finding far fewer short sales to list. When she does get one, the response is overwhelming. “I put a couple of properties on the market over the weekend, and my phone was blowing up,” she said. South Florida investor Mike Mondelli said foreclosures and short sales once were plentiful, but no more. He said novice investors are flooding the market, often overpaying and depleting the supply of homes. “It’s definitely difficult to find the bargains that work,” Mondelli said. “The deals are few and far between, and you have to be a lot more savvy with the deals that are presented to you.”