

Residential Foreclosures

In a previous issue of “At a Glance”, published last year, we examined housing affordability as it was one of the most pressing concerns facing Miami-Dade County at the time. Home values had shot up by more than 170 percent between 2000 and 2006 and the share of homeowners with mortgages devoting more than 30 percent of their income to the payment of selected housing costs had reached 58 percent.

Clearly, homeownership was very expensive and not only were households stretching their budgets, but due to ease of mortgage lending, they were able to purchase housing considerably above their means. However, it turns out that for many, housing was in reality unaffordable.

In this issue of “At a Glance” we take a look at a consequence of this real lack of housing affordability and the recent downturn in the overall economy, in particular the loss of real estate properties by families and investors due to non-payment of mortgages. The primary factor that sheds light on those not being able to make their mortgage payments is that of foreclosures.

The foreclosure process is one that allows a lender to recover the amount owed on a defaulted loan by selling or taking possession of the property securing the loan. In the foreclosure process there are several steps: it begins once the borrower defaults on the mortgage and the lender files a public default notice, called a “Notice of Default” or “Lis Pendens”. This is the pre-foreclosure stage. If the loan is not reinstated by the end of the pre-foreclosure period the property is taken to a public auction where potential buyers can

submit their bids, and if the auction is unsuccessful the lender takes ownership of the property. Properties held by the lenders are called Real Estate Owned (REO) and are usually put up for sale on the open market.

To gauge the level of foreclosure activity we utilize three different sets of information, each with its strengths and weaknesses. First, we have the number of foreclosure cases filed in court (cases filed). This information is useful as it provides a trend in the volume of foreclosures, but is limited for other purposes because it includes filings related to all property types. Further, there is not necessarily a one-to-one relationship between cases and properties. Some cases might be related to multiple properties and in other instances there are properties that have several cases related to them such as foreclosure filings from a first, second and third mortgage.

Second, we have statistics on foreclosure auctions conducted by the court that also gives us a multi-year trend but also includes all property types.

Third, we examine a list of REOs that ended in the hands of the lenders between September 2008 and May 2009. This data is provided by the foreclosure monitoring firm Realty Trac, Inc. This dataset is superior for analytic purposes as it is composed solely of residential real estate with corresponding addresses that gives us a clear geographic image of where foreclosures occur. However, it does not provide us with useful data to establish trends.

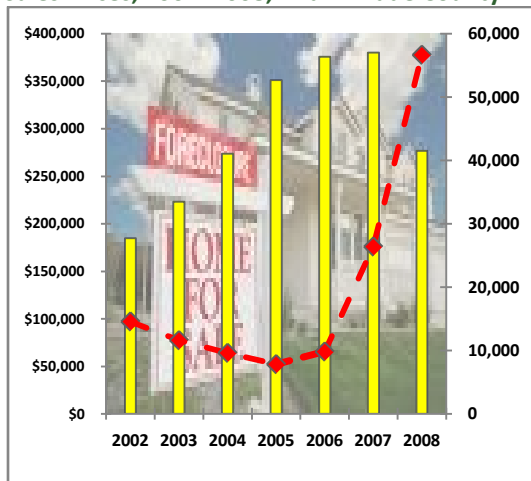
Miami-Dade At-A-Glance



In Miami-Dade County, foreclosures, and even fairly large numbers of foreclosures, are nothing new.

What is noteworthy is the rapid increase and sheer volume of foreclosures. According to the Clerk of Courts, the number of yearly foreclosure filings in the County between 2002 and 2006 averaged approximately 10,000. In 2006, there were 9,814 filings. For 2007 that number more than doubled to 26,391, while for 2008 it more than doubled again to 56,656. The 2008 pace has continued in 2009 with almost 24,000 foreclosure filings in the first five months of the year. The total numbers of yearly filings are graphically represented in Figure 1 together with the median sales price for single family homes.

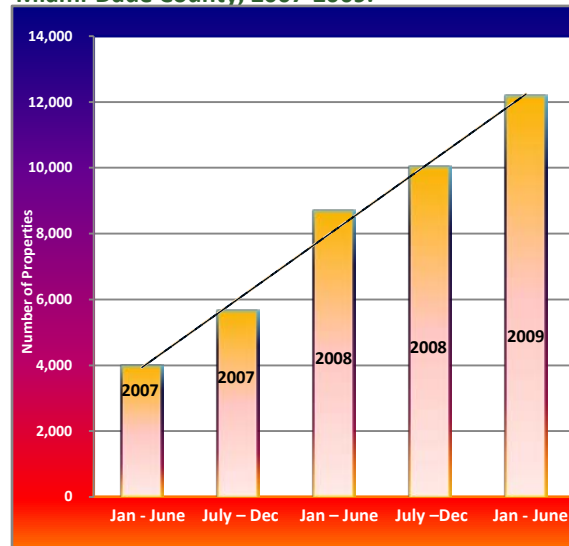
Figure 1. Foreclosure Case Filings and Home Sales Prices, 2002–2008, Miami-Dade County.



Source: Miami-Dade County Clerk of Courts, Florida Association of Realtors. Miami-Dade County, Department of Planning and Zoning, Research Section 2009.

The red dashed line represents the number of foreclosure case filings measured on the right vertical axis while the yellow bars represent the median home sale process measured on the left vertical axis

Figure 2. Properties Auctioned Semi-Annually, Miami-Dade County, 2007-2009.



Source: Miami-Dade County Clerk of Courts, Florida Association of Realtors. Miami-Dade County, Department of Planning and Zoning, Research Section 2009.

In terms of auctions of property at the courthouse, the numbers have gone up from a monthly average of 847 in 2007 to an average of 1,583 in 2008 and 1,916 for the first six months of 2009. The semi-annual figures are shown in Figure 2 above.

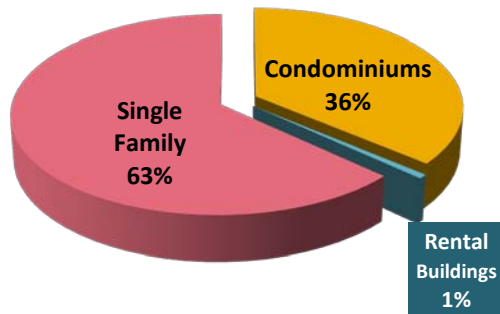
In order to analyze the number of foreclosures by housing characteristics and location we turn to our third dataset, the statistics related to the final stage of the foreclosure process, the REO numbers. In the nine month period ending May 2009, lenders had taken ownership of 6,995 residential properties countywide, representing an annual rate of 9,327 or roughly one percent of all residential properties. Of these REO properties, nearly one percent are rental buildings, 36 percent are condominium units and 63 percent are single-family type homes including attached, detached, townhouses and duplexes (See Figure 3).



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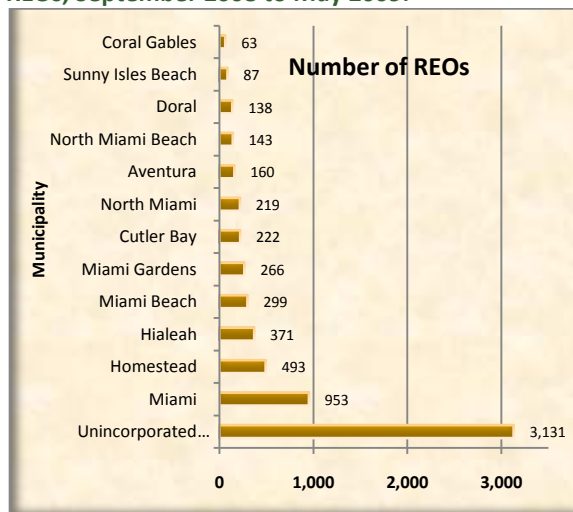
Figure 3. Percent of Residential REOs, By Type, Miami-Dade.



Source: Miami-Dade County Clerk of Courts, Florida Association of Realtors. Miami-Dade County, Department of Planning and Zoning, Research Section 2009.

In terms of location, the largest portion of REOs, 45 percent, are located in the unincorporated areas of the County, followed by 14 percent in the City of Miami, 7 percent in Homestead, 5 percent in Hialeah, 4 percent in both Miami Beach and Miami Gardens, 3 percent in Cutler Bay and North Miami, 2 percent in Aventura, North Miami Beach and Doral, with the rest of the municipalities each accounting for less than one percent of REOs (See Figure 4).

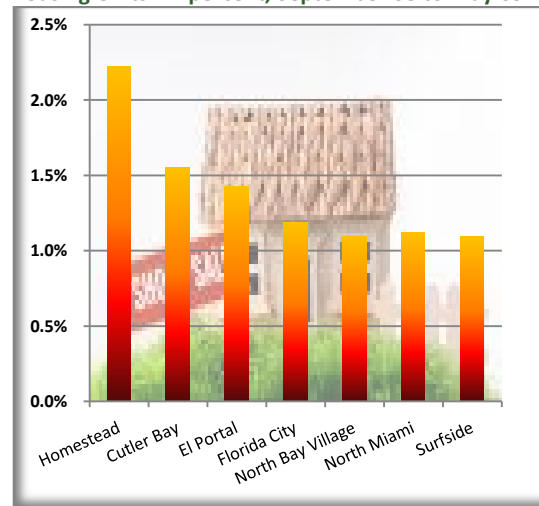
Figure 4. Municipalities with more than 50 REOs, September 2008 to May 2009.



Source: Miami-Dade County Clerk of Courts, Florida Association of Realtors. Miami-Dade County, Department of Planning and Zoning, Research Section 2009.

In relative terms, looking at number of REOs as a share of the existing housing units, the hardest hit area is Homestead with 2.2 percent, followed by Cutler Bay with 1.6 percent, El Portal at 1.4 percent and Florida City at 1.2 percent. The municipalities of Surfside, North Miami and North Bay Village followed with 1.1 percent each. In the unincorporated area the number of REOs represents 0.9 percent of the total housing units. The seven most affected municipalities are depicted in Figure 5.

Figure 5. Municipalities with REOs' Share of All Housing Units > 1 percent, September'08 to May'09.



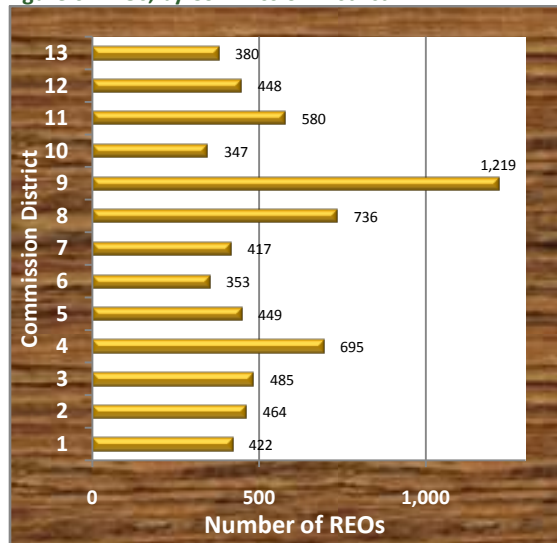
Source: Miami-Dade County Clerk of Courts, Florida Association of Realtors. Miami-Dade County, Department of Planning and Zoning, Research Section 2009.

If we examine the County by Commission Districts), the highest amount of REOs is in Commission District 9 with 17 percent, followed by 11 percent and 10 percent in Districts 8 and 4 respectively. In relative terms the same order holds as that there is not much disparity between Commission Districts in terms of total housing units. The actual numbers of REOs by Commission District are represented in Figure 6. The specific locations of REOs by Commission District are shown in Map 1 and by census tracts in Map 2.

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Figure 6. REOs, by Commission District.



Source: Miami-Dade County Clerk of Courts, Florida Association of Realtors.
Miami-Dade County, Department of Planning and Zoning, Research Section 2009.

Where we are in terms of residential foreclosures is unclear, certainly there have been a significant amount in the past two years and there are some indications that the number of foreclosures may be leveling off. The foreclosure filings in 2009 decreased from its highest level of 7,103, in March to 6,510 in April and 4,274 in May 2009. The decline in foreclosure case filings during the past two months is a positive sign.

It should be noted that, governments at the national and local level are taking important steps in terms of foreclosure prevention programs (see makinghomeaffordable.gov and miamidade.gov/foreclosure/). However, on the other side of the equation there were about 166,000 homes purchased at the height of the boom, between January 2005 and December 2006.

Home prices in the County have been falling ever since, dropping by 2 percent from March to April 2009, or 48 percent down from their peak level in December 2006. Meanwhile, the unemployment rate for the County in May 2009 stood at 9.6 percent, up from 5.3 percent a year ago.¹

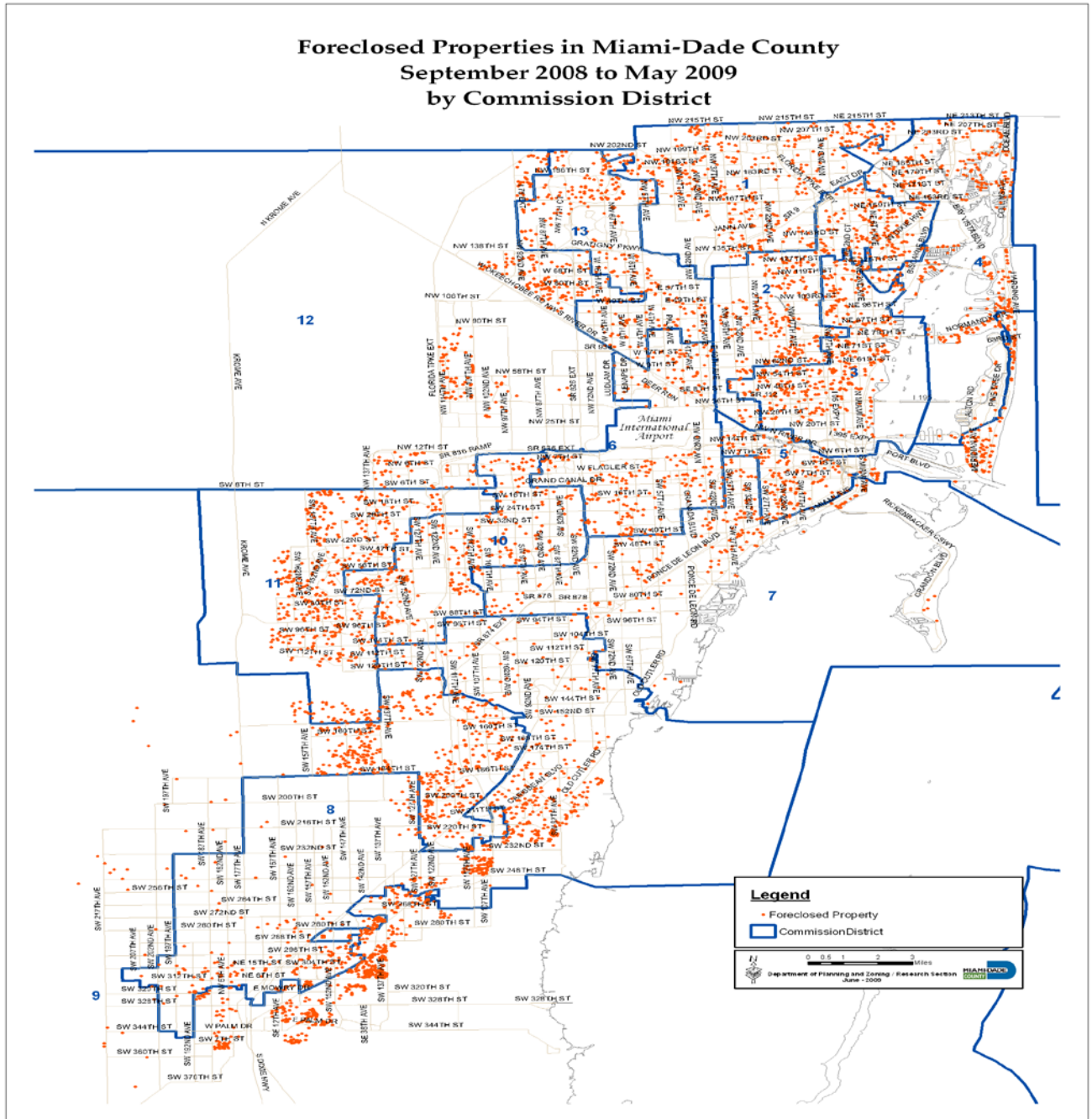
¹ Unemployment Rate Source: State of Florida Agency for Workforce Innovation - Local Area Unemployment Statistics. Home price data is based on Standard and Poor's Case-Shiller Home Price Index for the Miami-Ft. Lauderdale area.

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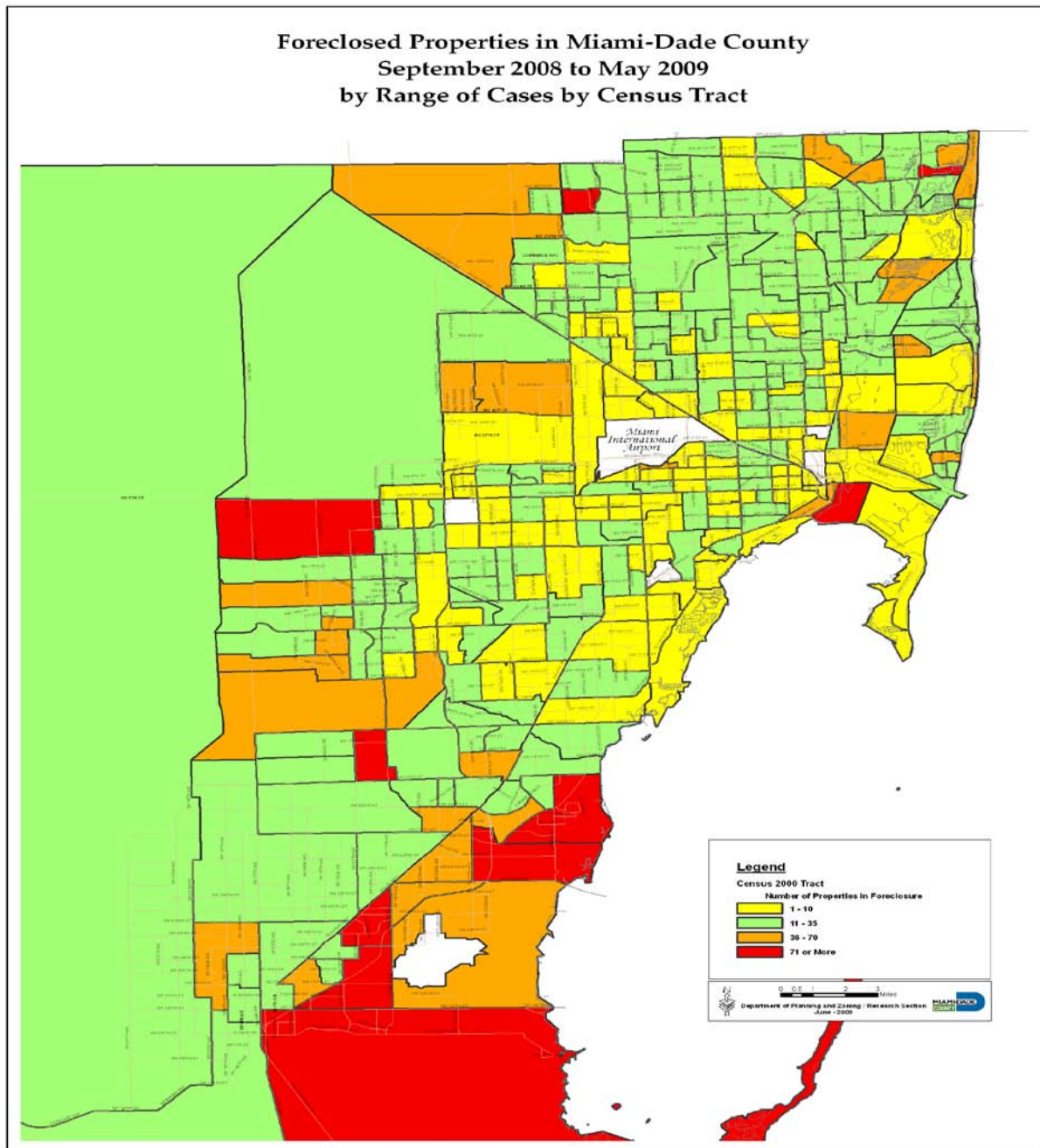


Map 1

Foreclosed Properties in Miami-Dade County September 2008 to May 2009 by Commission District



Map 2



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Table 1.
Mortgage Foreclosure Cases Filed
2002 – 2008, Miami-Dade.

Year	Cases Filed
2002	14,567
2003	11,605
2004	9,606
2005	7,829
2006	9,814
2007	26,391
2008	56,656
2009 YTD	23,829

Source: Miami-Dade County Clerk of Courts
(www.miami-dadeclerk.com/dadecoc/Mortgage-Statics.asp)

Prepared by: Miami-Dade County,
Department of Planning and Zoning, Research Section.

Table 2.
Properties Auctioned by the Court,
2007-2009, Miami-Dade.

Year	Six-Month Period	Properties Auctioned
2007	Jan - June	3,960
2007	July - Dec	5,633
2008	Jan - June	8,666
2008	July - Dec	10,021
2009	Jan - June	12,153

Source: Miami-Dade County Clerk of Courts
(www.miami-dadeclerk.com/dadecoc/Mortgage-Statics.asp)

Prepared by: Miami-Dade County,
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Table 3.
Properties that Reached Real Estate Owned (REO) Status
Between September 2008 and May 2009, by Type, Miami-Dade.

Commission District	Condominium	Rental Buildings	Single Family Type	Total
1	57	1	364	422
2	44	6	414	464
3	116	20	349	485
4	558	3	134	695
5	323	10	116	449
6	143	4	206	353
7	264	3	150	417
8	72	0	664	736
9	199	0	1,020	1,219
10	150	0	197	347
11	174	0	406	580
12	263	0	185	448
13	164	0	216	380
Total	2,527	47	4,421	6,995

Source: Realty Trac Inc.,
Prepared by Miami-Dade County, Department of Planning and Zoning, Research Section.



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Table 4.
Properties that Reached Real Estate Owned (REO) Status
between September 2008 and May 2009, by Type and Municipality, Miami-Dade

Municipality	Type			Total REO	As Percentage of Total Housing Units
	Condominium	Rental Buildings	Single Family type		
Aventura	155	0	5	160	0.6%
Bal Harbor	5	0	1	6	0.2%
Bay Harbor Islands	19	0	1	20	0.5%
Biscayne Park	0	0	11	11	0.8%
Coral Gables	20	0	43	63	0.3%
Cutler Bay	26	0	196	222	1.6%
Doral	84	0	54	138	0.8%
El Portal	0	0	11	11	1.4%
Florida City	0	0	42	42	1.2%
Hialeah	184	1	186	371	0.5%
Hialeah Gardens	19	0	21	40	0.7%
Homestead	132	0	361	493	2.2%
Key Biscayne	4	0	1	5	0.1%
Medley	0	0	1	1	0.0%
Miami	470	32	451	953	0.7%
Miami Beach	265	4	30	299	0.5%
Miami Gardens	20	0	246	266	0.8%
Miami Lakes	11	0	38	49	0.4%
Miami Shores	3	0	29	32	0.7%
Miami Springs	3	0	13	16	0.3%
North Bay Village	42	0	4	46	1.1%
North Miami	93	3	123	219	1.1%
North Miami Beach	57	2	84	143	0.9%
Opa-Locka	2	1	40	43	0.8%
Palmetto Bay	10	0	34	44	0.5%
Pinecrest	4	0	19	23	0.3%
South Miami	8	0	20	28	0.6%
Sunny Isles Beach	85	0	2	87	0.5%
Surfside	10	1	7	18	1.1%
Sweetwater	3	0	3	6	0.2%
Unincorporated Miami-Dade	792	3	2,336	3,131	0.9%
Virginia Gardens	1	0	0	1	0.1%
West Miami	0	0	8	8	0.4%
Total	2,527	47	4,421	6,995	0.8%

Source: Realty Trac Inc., Miami-Dade County Property Appraiser's Files. Prepared by Miami-Dade County, Department of Planning and Zoning, Research Section.

Note: Due to lack of REOs in Golden Beach and Indian Creek Village, these municipalities are not included in the above table.