

Home Foreclosures Surge for Second Consecutive Year

July 29, 2023 - According to data firm ATTOM, home foreclosures have surged by around 186,000 filings in the first six months of this year, with ten cities most affected by this distressing trend. The primary factors driving this surge are the uncertain housing market and soaring mortgage rates.

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The hardest hit city nationally has been Atlantic City, New Jersey: The city saw the biggest jump in foreclosures, likely due to its reliance on pandemic stimulus packages and its gaming and entertainment industries, which were hit hard during the lockdowns.

The remaining top-ten cities for foreclosures this year are:

- Florence, South Carolina
- New Haven, Connecticut
- Baltimore, Maryland
- Mobile, Alabama
- Orlando, Florida
- Macon, Georgia
- Philadelphia, Pennsylvania
- Peoria, Illinois
- Modesto, California

While these locations are taking the largest beating in the market, the foreclosure trend is national in scope and appears to be expanding. As consumers are being squeezed by higher prices on virtually everything, we expect to see areas of the country that are dependent upon travel and entertainment hit the hardest initially, as these are things that consumers

can cut back on pretty easily. With that said, there is little doubt that the trend will impact other industry segments too, as there will be ripple effects.

On the other hand, not all areas are facing the same level of activity. For instance, in the County of Los Angeles, as of this writing there is only one listed property that is in foreclosure and there are only 22 properties that are listed as short-sales (meaning they are being sold for less than what is owed on them). In total, there are only 86 properties in the entire county that are considered distressed listings. That's remarkable considering how densely populated the area is.

Rising inflation, reaching 9.1 percent last year prompted the Federal Reserve to increase interest rates, raising mortgage rates to nearly 7 percent from 2 percent in 2021. This has slowed buyer activity in many areas of the country, leaving homeowners feeling "locked into" their properties, thus impacting the overall property market.

Homeowners have lost considerable home equity, with an average decrease of \$5,400 in the first quarter of 2023 compared to the previous year. If property prices continue to fall, over 200,000 households in the ten cities on our list could face negative equity, where outstanding mortgage balances exceed the property's value.

The surge in home foreclosures is a concerning trend. Higher foreclosure rates, coupled with rising mortgage rates and property taxes, are creating financial challenges for homeowners. Effective policy measures and continued monitoring are needed to stabilize the housing market and protect vulnerable homeowners from having all of the equity in their properties drained away.

by Jim Malmberg

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