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Local real estate market brighter than national

National Realtor group expects greater downward momentum, but Sarasota market may be bright spot

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Economist Lawrence Yun is said to credit the figures to softer sales and tighter credit.

A real estate trade group revised its industry forecast Wednesday, predicting that the downward momentum of the national market will quicken before the year ends.

The National Association of Realtors now expects sales of existing homes to drop 4.6 percent this year to 6.2 million. Two months ago, the group predicted a 2.2 percent decline.

Sales of new homes are forecast to drop 18.2 percent to 860,000 compared with an earlier estimate of a 14.2 percent decline, and the median price of existing homes will fall in 2007 for the first time since the 1960s, when the group began keeping records.

The revisions surprised some local players.

Kathy Roberts, chief executive of the Sarasota Association of Realtors, said she contacted Lawrence Yun, senior economist of the National Association of Realtors, to determine "why the sudden change in their forecast of two months ago."

She said Yun credited the new numbers to softer national sales in the past two months, as well as tightened credit for subprime borrowers.

He did say he expects a short-lived disruption, with "a notable rise in sales by the fourth quarter, continuing into 2008."

SAR President Joe Hembree said preliminary sales numbers for May, which will be released June 25, indicate sales in the Sarasota Multiple Listing Service were very close to April's, and pending sales numbers continue to reflect a market in strong recovery.

The Sarasota-Bradenton market turned in the Sunshine State's best results for April, with existing home sales activity up 16 percent compared with a year earlier, the same percentage increase recorded in March.

"Dr. Yun emphasized in his release that all real estate is local, and that many markets are expected to have higher sales and strengthening prices during the second half of this year," Hembree said. "We believe Sarasota is already showing that trend."

Bob DeCecco, the Sarasota-based Florida Regional manager for mortgage lender Opteum Financial, says Sarasota-Bradenton was one of the fastest growing markets nationwide in the past few years and conversely this past year saw one of the largest drops in volume with "both periods showing irrational exuberance."

DeCecco said the market is showing increase in sales from last year's numbers based on sales data that dropped faster and harder than they should have, so the increase in sales from prior periods was somewhat expected and not surprising -- basically "correcting back to normal."

But, he added, "the recent meltdown in the lending arena in the secondary markets and Wall Street's appetite for risk has dramatically tightened lending standards literally overnight."

DeCecco said pressure on the local real estate market will continue.

"Between the factors of tightened lending standards, coupled with inflationary fears leading to increased rates and the unknown of the rise in inventory due to expected foreclosures, we could see these sales numbers begin to reverse," he said.

Penny Hill, a Sarasota based mortgage banker for JP Morgan Chase Bank, says the growth that Sarasota has been experiencing the last few years is "an inexorable reality and that long-term market momentum has a life of its own.

Hill said she "is seeing an increase in purchase activity in our local office. It appears to be a combination of buyers afraid to miss the bottom of the market, those that have already decided that Sarasota is their choice and those that are visiting Sarasota" and have decided "that this is the place for them."

Jack McCabe of McCabe Consulting in Deerfield Beach took a decidedly bearish view, saying that "during the five-year boom and current market correction cycle, The NAR's 'market analysis' and business forecast accuracy has bounced somewhere between Aesop's Fables and Tokyo Rose."

McCabe thinks that out of all real estate related trade organizations, the NAR has been "last to the dance" to admit what's truly going on in the "real" real estate world.

"It's hard for them to admit the declines in many U.S. markets, including most in Florida, especially when the association is in the midst of a $40 million publicity campaign to convince the American public that it's "Time2buy," he said, referring to a recent promotional push by Realtors.

He said "2007 could ... be one of the five or so best years from a unit perspective. If that's the measure, we're dancing in the streets."

"It's our opinion this was due to an anticipated increase in sales to snowbirds this year, sharp reductions in asking prices since the beginning of 2006, and builders' concessionary incentives in the tens of thousands of dollars that are not considered in closing statements and overlooked by appraisers. Anyone that sees this as a bottoming out and return to a healthy market is shortsighted and eagerly optimistic."

The NAR expects the median price for existing homes to drop 1.3 percent to $219,000 this year, lower than the group's April forecast of a 0.7 decline.

The predicted decline comes after a 1 percent gain in home prices last year and an increase of more than 12 percent in 2005. Next year, though, the NAR predicts the market will rebound and existing home prices will rise 1.7 percent.

Al Horrigan, CEO and broker of Bradenton's RSVP Associates, says that "inventory is down from its peak" but he wonders how much of that is people just letting listings expire or switching to FSBO," or For Sale By Owner.

Information from The Associated Press was used in this report.