

## Have housing prices hit bottom?

Florida's best known economist says market in region has stabilized

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Florida's best known economist says the Sarasota-Manatee residential property market bottomed out in September-October and has now stabilized in both price and volume.

Hank Fishkind predicts flat prices for both counties through 2010, as the region chews through excess inventories of new houses and condominiums.

His findings jibe with what some Southwest Florida real estate observers have been saying and with what statistics from the Florida Association of Realtors have shown during the final months of 2007.

In November, for example, Sarasota-Bradenton Realtors sold twice as many homes as their Miami counterparts. The median price in November -- the most recent sales reports available -- was \$267,700, down 4 percent from a year earlier, but an improvement from \$244,300 in September and \$263,900 in October.

Fishkind made his own predictions for this region as part of a 33-county economic report prepared on behalf of Attorney's Title Insurance Fund Inc., a leading title insurance underwriter.

His report painted Miami-Dade and Lee County as the state's most problematic areas, because of excessive condo building in South Florida and a proportionately higher level of home building during the boom in Fort Myers.

Orlando has the strongest market in Florida, followed by the Tampa Bay area and Interstate 4 corridor, Fishkind said.

"But both Manatee County and Sarasota County are still in considerably better shape than many other areas," he said.

Fishkind said that Charlotte County continues to shake off some of the vestiges of 2004's Hurricane Charley, but that the market is in far better shape than its neighbors to the south, where speculation on investment properties was rampant during the housing run-up.

"We are starting to see more normal activity," Fishkind said. "I am much more concerned about Lee County than I am about Punta Gorda."

Fishkind projects moderate rates of growth for population and employment in Manatee and Sarasota counties between now and 2010.

"In regard to housing growth and starts, speculative investing in the real estate market occurred in the area between 2003 and 2006 and resulted in an excessive amount of new homes in both markets," Fishkind said in his report. "This is expected to temporarily slow down the area's housing markets in the next few years, and result in household growth exceeding housing starts in both counties in the next several years. A recovery in housing starts for both counties, however, is expected to begin in 2008," he wrote.

The Sarasota market appeared to bottom out in the spring at 470 to 480 closings per month. But then a national liquidity crisis sprang to life in August, prompted by defaults on subprime mortgages issued during the feverish markets of 2003-05 and continuing into 2006.

For a month or so, mortgage makers froze. As a result, sales fell to 310 in September and stayed flat at 319 in October.

"It seems to me that is the new bottom," Fishkind said, referring to sales in more recent months. "So I'm not seeing any major price declines, and I think volume has stabilized."

Fishkind looked at average prices for all closed residential sales in both counties, taking into account for-sale-by-owner deals as well as builder sales.

In Sarasota, the average price for existing homes in Sarasota during 2007 was \$330,042, a 12 percent drop from the peak of \$374,107 in 2006, Fishkind reported.

In Manatee County, the decline in average prices has been more severe, coming down 24 percent to \$280,622 in 2007 from a peak \$370,200 in 2006.

The economist's forecast is predicated on the assumption that the national economy, while definitely in slow motion, will narrowly avert a full-blown recession.

"We have had a significant slowing to basically zero growth in the fourth quarter," he said. "The U.S. economy isn't going to start improving until the second half of '08 and into 2009."

That national assumption is critically important because Florida depends on the Midwest and Northeast United States for a supply of residential real estate buyers, Fishkind acknowledged.

When they suffer, Southwest Florida suffers, too, on a lagging basis, he said.

"Almost everybody who moves to Florida in 2008 made a decision to move in 2007," Fishkind said. Because of that national slowdown, "we will see Florida's economy slowing in 2008 and not improving until 2009."

Other economists have a more pessimistic view, leading to predictions for a more drawn-out recovery for Florida. But Fishkind maintains that the Sunshine State's historical

drivers will lift it above other states in the Southeast.

"Florida tends to generate more jobs and population growth than any other state in the Southeastern United States, so turnaround for some parts of Florida ... will take place ahead of many other states in the Southeast," Fishkind said in a statement.

"Other parts of Florida, namely Miami-Dade County and Fort Myers, will not recover until later."