When will local real estate bubble burst?

BY MICHAEL WEBER
Keynoter Contributer

As with any speculative market -- whether people are buying stocks or real estate -- most investors want to know how to spot the top. Since the Keys' housing market has also become an investment opportunity, homeowners and speculators wonder how much higher prices can become and, of even more concern, wonder if the bubble might just burst.

Predictions are just that and may be no more accurate than those about where a hurricane might strike. However, optimism -- at least on the part of sellers and Realtors -- reigns supreme. No one sees the market peaking or taking a backward step.

James Chaplin, who owns Florida Keys Certified Appraisers in Marathon, has been assessing the value of homes that people have refinanced as well as ones they have purchased.

So far this year, he does not see any slowdown.

"I have appraised some homes two or three times each in the last two years and they have doubled in value," he said.

"I'd go out thinking they've upgraded the property -- put in a new kitchen with Corian countertops or custom Mexican tile -- and when I get there, it's the same old house -- except now it's worth twice as much."

Chaplin said that the Keys had a big jump in housing values from 1995-99 and everyone expected everything to level off.

"It didn't."

While he feels that prices aren't going up as fast as they were, they are still increasing steadily.

"When you're looking at paying $375,000 for a trailer on a dry lot, it's unbelievable.

Homes in the Village of Islamorada continue to go up -- as do real estate values throughout the Florida Keys. Photo: Jackie Handler

---

Scott Beskin
Owner-Broker
(800) 859-7642 • (305) 872-2258
Home: (305) 651-2844 • Cell: (305) 651-7857
Web site: www.eralowerkeysrealty.com • Email: eralowerkeysrealty.com

View every multiple listing at www.ERALowerKeysrealty.com

Large Boating Duplex

Full seawall, including metal roof.
Great rental history.
Easy commute to Key West.
Investment or live in half and rent other.

Cudjoe Gardens

2BR/2BA home on one of the best big boat 50- foot wide canals in the upper Keys. Split floor plan tons of seawall, dockage, oversized corner lot.

New Listing

Very large 2BR/2BA home with great privacy. Three in a full seawall, docked and walled. Must see for the larger boating family. This move-in condition home is offered for $795,000.

New Listing — Little Torch Key

Large 2BR/2BA plus den possible third bedroom. Seawall, one lot in front open value. Great seawall and great boating.

$875,000

Experience Plus Ambition
(The Father & Daughter Team)

Lea Van Stry
Broker
741-8589

Kelli Van Stry
Realtor
305-2804

Website: www.teamvanstry.com
Email: vanstry@bellsouth.net

Big Pine Key — Eden Pines Colony

Beautiful 3 bedroom, 2 bath on canal featuring upstairs master suite. Large waterfront and tile bath with Jacuzzi tub. Spacious screened porch, 60 feet concrete seawall with docks. Large downstairs enclosed area. Above-ground pool. Fenced yard in quiet neighborhood setting.

Sellers very motivated. Call Kelli or Lea.

Priced to sell at $720,000.
When will local real estate bubble burst?

BUBBLE • from 88

able," he added.
What signs would indicate any kind of slowdown?
According to John Zdanowicz, director of the Jerome Bain Real Estate Institute at Florida International University, keep an eye on interest rates, the length of time real estate is on the market, and the ratio of the asking price to the actual selling price.
White prices continue to increase in the Keys, some of the signs of a slowing market already exist, according to Brian Schmitt, owner of Coastal Banker Schmitt Real Estate with offices throughout the island chain.

"Right now we’re looking at 10 percent more product on the market, but only a 16 percent increase in sales," he said.

"The average sale price is up 36 percent and still climbing," he said, "but the houses are staying on the market longer and there’s a decrease in the ratio of list price and sale price."
Schmitt added that the prices of homes are the last to see a change.

So are these continuing higher prices a bubble?
Most of those who have lived in the Keys for a long time say no.
One of those — First State Bank Regional President Bette Brown, who has lived in the Keys for 27 years — agreed with most observers who say they’ve never seen real estate prices here go backward.

"Back in the 80s in Key West, the market was very stagnant, with many homes on the market and yet prices didn’t drop," she said.

"The place where I worry about a bubble is Homestead."
Loria Rhyme, a Realtor with Marr Properties in Key Largo, said that she sees a strong movement toward buying property in Homestead.

"People live here because they want to, not because they have to," she said. "I see a lot of the traditional buyers — teachers, police officers, or firefighters — buying in Homestead."

"For what you’d spend for a mobile home here, you can find a decent house in Florida City."
Zdanowicz commented that much of the energy behind the price run-up comes from baby boomers who are now purchasing second homes.

And investors are pouring cash into what are often very high priced properties.

So what does the future hold?
No one really knows.
"If I could tell you with certainty what’s going to happen, I’d be sitting on an 80-foot yacht right now," Zdanowicz joked.