

South Florida home values show ‘dramatic’ increase, but rollercoaster may not be over

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South Florida’s home values were up 6.4 percent during the second quarter of the year compared to the same time in 2011, and are forecast to make another 6 percent leap by mid-2013, according to a Zillow report to be released today.

The increases, which one Florida International University economist called “dramatic,” make South Florida the second highest achiever among more than 150 metro areas measured nationally by the online real estate database.

Phoenix topped the Zillow Home Value Index with an annual increase of 12 percent during the second quarter. The Arizona capital is predicted to go up another 9.9 percent by this time next year.

Zillow analysts said home values hit bottom in South Florida, which includes Palm Beach, Broward and Miami-Dade counties, in late 2011, but they were still taken aback by the rebound reflected in today’s report.

“We’ve been saying that Phoenix and South Florida have surprised us because they hit a bottom and shot right back up,” said Svenja Gudell, a senior economist for the Seattle-based Zillow. “It was a V-shaped recovery.”

Zillow’s index considers the value of all homes, not just those that sold during the measurement period.

The index puts the median value of single-family homes, condominiums and townhomes in Palm Beach County at \$145,000 during the second quarter, a nearly 3 percent increase from earlier in the year and 1.8 percent higher than the same time in 2011.

While that’s lower than Broward’s 7.9 percent annual gain and Miami-Dade’s 6.4 jump, June was the sixth consecutive month of home value appreciation in Palm Beach County, according to Zillow.

Jupiter’s median home value increased 5.4 percent in the second quarter from last year to \$226,600. Palm Beach Gardens was up 5.1 percent to \$226,300, and Boynton Beach saw a 0.4 percent increase. West Palm Beach’s home value was down on an annual measure by 0.9 percent, but was up 1.1 percent from the first quarter of 2012.

Nationally, median home values have risen for four consecutive months. An annual 0.2 percent rise during the second quarter of this year to \$149,300 marked the first year-over-year increase since 2007.

“The housing recovery is holding together despite lower-than-expected job growth, indicating that it has some organic strength of its own,” said Zillow Chief Economist Stan Humphries. “After four months with rising home values and increasingly positive forecast data, it seems clear that the country has hit a bottom.”

Florida International University real estate economist Ken H. Johnson said he’s not surprised by the increases in South Florida because property is “significantly undervalued in the county at present.”

But he warned that 6 percent increases are unlikely to become the norm. If value increases outpace income growth, Johnson fears there will be another real estate crash.

“Housing values need to be supported by the underlying annual incomes of a community,” Johnson said. “When housing appreciation outstrips income growth as it did in the early to mid-2000s, a real estate bubble will occur followed by a subsequent popping of that bubble and consumer confidence in housing is again diminished.”

Gudell agreed South Florida’s values won’t keep shooting up at the same rate, but she’s not concerned about another bubble.

“We’re in the midst of a recovery,” she said. “We’re not going to hit a new bottom.”

Even the ever-present shadow market of foreclosures and delinquent mortgages seemed less of a concern to experts Monday.

Bill Hardin, director of the Jerome Bain Real Estate Institute at Florida International University, said banks are reducing the shadow inventory before it hits the market by allowing more short sales and loan modifications.

Still, he’s not as confident as Gudell that the value roller coaster is over.

“We have the right trajectory, but I wouldn’t say we’re definitely in a V-style recovery,” Hardin said. “I would say we may look more like a W.”