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South Florida Sun-Sentinel.com

Fast-rising home prices stir fears of another bubble

By [Paul Owers](#), Sun Sentinel

4:00 PM EST, March 3, 2013

South Florida's once-moribund housing market has rallied, with bidding wars pitting investors against first-time buyers in a chaotic race for a limited supply of homes.

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But amid the frenzy comes a concern: Are prices rising too fast?

For much of the past year, Broward and Palm Beach counties have seen double-digit median price increases for existing homes. The January medians jumped by more than 20 percent in both counties compared with a year ago. Traditionally, the typical home appreciates at about 4 percent annually.

If the trend continues, analysts say, the region could face another housing bubble, albeit less severe than the epic collapse that ran from 2006 through 2011.

Still, bursting bubbles of any size are not good.

"Certainly, it's something you want to keep an eye on," said Mike Larson, of Weiss Research in Jupiter. "There's a very real possibility that we could end up back in the soup."

Some potential buyers already see trouble on the horizon. Adam Smith says he's worried about rapidly rising prices as he tries to move from a condominium into a single-family home.

The 37-year-old information technology technician has been scouring neighborhoods in Margate, Lauderhill and Coral Springs for nearly a year, so far with no luck. Smith and his wife have made at least seven offers, but have been outbid each time.

Once, the couple arrived at what they thought was the perfect place in Lauderhill, only to face a line of 10 other prospective buyers. They made an offer, but it was turned down.

"It is intimidating and frustrating," Smith said. "We're hoping and praying something comes through. We're afraid we're going to have to settle for something less."

After six years of plummeting prices, housing finally bottomed in early 2012 across South Florida and other hard-hit areas nationwide. Investors poured money back into real estate, while other buyers were eager to capitalize on affordable prices and historically low mortgage rates.

Builders are ramping up construction again, and the strong demand for existing homes has depleted the

for-sale inventory. There were 4,517 available single-family homes in Broward at the end of January, down 27 percent from a year ago. In [Palm Beach County](#), the number of homes on the market fell 42 percent in January to 6,751.

Some of the more attractive properties are fielding dozens of offers, forcing bidders to exceed the asking price in hopes of being selected.

The fear is that the intense competition will keep prices moving upward, eventually shutting out young families and forcing others to pay more for starter homes than they should.

Adding to the concern: Income growth isn't driving the price increases.

South Florida's median household income dropped more than 14 percent in five years, according to the U.S. Census Bureau. In 2012, median incomes fell to \$48,880 in Broward and \$48,953 in [Palm Beach County](#).

"A one-year double-digit price bump I'm fine with," said Ken H. Johnson, a professor at Florida International University's Hollo School of Real Estate. "But incomes are not keeping up with home price increases, and that's when we start to work back toward a bubble again."

Johnson worries that repeated housing bubbles would create uncertainty in the market, pushing more consumers away from the cornerstone of home ownership.

But because values here plunged by roughly 50 percent during the downturn, there is room for price growth before the market would face any serious setbacks, said Svenja Maarit Gudell, a senior economist for Zillow.com.

Unlike before, when lending standards were loose, banks are scrutinizing prospective buyers more closely to make sure they can afford the homes. That likely will keep the market from getting out of control again, Gudell said.

She also expects a slow increase in mortgage rates will help put a damper on home price appreciation by reducing demand, which will alleviate the current shortage of homes for sale.

"When there's less demand, you don't need as much supply to fill it," Gudell said.

Zillow, a Seattle-based real estate website, forecasts prices in South Florida to mirror the traditional 4 percent annual appreciation over the next year, a more modest number that would benefit young buyers such as Kristine Marseco.

Last weekend, the 25-year-old mother of two pulled up to a four-bedroom Weston home and saw 15 cars parked along the street. A line of prospective buyers stretched out the front door.

Her real estate agent, Danielle DiLenge of Better Homes and Gardens, said the home listed for \$189,000 and drew about 40 bids. Marseco and her husband offered well above the asking price but still don't expect to get a deal done.

Marseco said something has to give soon.

"You have to have an agent available around the clock," she said. "The houses that come on the market are gone within days, if not hours."

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