

A home-sale frenzy at downhill prices

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Strong condo sales in December helped close the chapter on a rough, but improved year for South Florida's real estate market, and analysts expect the industry to continue its long road to recovery in 2011.

In Miami-Dade and Broward counties, 2010 was characterized by still-sliding home prices, a surge in distressed sales and a lingering foreclosure problem that threatens to prolong the housing recovery even further.

When all was said and done, more homes traded hands in 2010 than at the height of the booming sales market in 2006, but at a fraction of the price, a report released Thursday by the Miami Association of Realtors shows.

So what's on the horizon for 2011?

"I think you'll see a lot of good [sales] volume," said William Hardin, professor of finance and real estate at Florida International University. "But there's not much upward pressure on prices in 2011. We still have this overhang of foreclosures that has basically been kicked over until 2011."

Newly released existing sales figures from December may be a harbinger of things to come.

Condominium sales reached 985 in Miami-Dade County, an increase of 29 percent over December of 2009, although down slightly from November's year-topping 1,039 sales, according to data from the Miami Association of Realtors. In Broward County, 1,011 condo sales signaled an increase of 7 percent of 2009, and a 29 percent boost versus the November of 2010.

Sales of existing single-family homes reached 734 in Miami-Dade County, up 18 percent for the year, and up 8.1 percent for the month. In Broward, single-family home sales slipped 14 percent year-over-year to 673, but were up month-over-month by 26.2 percent.

Prices continued their descent in December, falling across the board compared to the previous year.

In Miami-Dade, median prices for condos fell 33 percent to \$99,100, and single-family home prices fell 15 percent to \$173,600. In Broward, median condo prices decreased 12 percent to \$70,700 and single-family home prices slipped 4 percent to \$203,700.

PRICE PREDICTIONS

With a glut of distressed properties on the market, foreclosure cases stalled in courts and high unemployment, there's still a possibility that prices could slip further this year. Market research firm Clear Capital is predicting another 6.5 percent drop in South Florida home values in 2011.

In 2010, foreclosures and short sales -- transactions where a home is sold for less than the outstanding mortgage -- made up more than half of all home purchases. Those distressed sales drag down the overall market, and because the consequences of the housing bust are still playing out, they are likely to be a staple of South Florida real estate for years to come.

Economists predict that the market may be reaching a bottom, but probably will settle there for a while before achieving any substantial upward motion.

One positive trend on the pricing side is a steadily declining inventory of homes on the market. South Florida's glut of homes listed for sale has been whittling down since the recession began, falling from about 75,000 homes in mid-2008 to about 40,000 now.

"One factor that influences prices is the months of inventory -- and that's trending in a favorable direction" said Charles Richardson, Coldwell Banker's regional vice president of Southeast Florida.

Months of inventory is calculated by dividing the total number of homes for sale by the average number of monthly sales. A healthy real estate market has about six months worth of inventory. South Florida's inventory stands at nearly twice that, but is down drastically from the height of the recession, when some markets had more than three years worth of homes to sell.

The size of the region's so called shadow inventory -- distressed homes not yet put on the market -- remains unknown.

MORE SALES

While national home sales fell to a decade-low level in 2010 -- 4.91 million units -- South Florida buyers and investors purchased more homes last year than during the sales rush at the height of the housing boom.

The 35,856 sales of homes and condos in Miami-Dade and Broward counties in 2010 represented an increase of 10.1 percent over 2009.

International buyers and cash investors were responsible for much of that increase, and the magnets that drew them to the South Florida market -- strong currency overseas combined with heavily reduced prices -- are still very much at play, Hardin said.

Movement in the credit markets could also push sales this year. Historically low interest rates are threatening to rise, and banks may finally be loosening up access to credit, two trends that might help buyers ease back into the market.

"Banks are ready to make loans -- they've gone through their healing process," said Richardson. "You do have to have some skin in the game. They're looking for borrowers with down payments and good credit scores."

In South Florida, Fannie Mae has rapidly approved more than 40 condo towers for financing in the last 12 months, opening up buying opportunities to people like 38-year-old Derek Castillo.

"I've lived in Miami for about four years and part of my five-year plan was to actually buy one of these new condos," said Castillo, who closed on a 1-bedroom at the ICON Brickell in Miami last month. "I felt like the time was right."

Castillo used a Fannie Mae loan to buy into the building, which was approved for financing by

the government-owned agency just a few weeks ago.

But even with new financing availability and low prices, it will take a turnaround in the broader economy to spur a rebound, Hardin said.

“We still have 12.5 percent unemployment rate, we still have the same weak employment prospects,” he said. “In the end, people buy a house because they feel comfortable and they have the job prospects to make that work.”