

Brisk home sales don't stop decline in prices

By TOLUSE OLORUNNIPA

tolorunnipa@MiamiHerald.com

Although South Florida home sales are chugging along at a boom-time pace and outperforming the national real estate market on a volume basis, home values continue to experience far more turmoil than the national market, a new report from real estate firm Zillow shows.

South Florida home values shed another 1.8 percent in the first quarter of the year, slipping to levels that are on par with 2002.

In the first three months of 2011, Zillow's home value index for Miami-Dade, Broward and Palm Beach counties dipped to \$137,300, a 12.8 percent decrease from the same quarter last year. The national home value index was \$169,600, down 8.2 percent.

Sales of single-family home and condos rose each month during the first quarter, but the increases were propelled by all-cash deals to buy cheap foreclosures.

"We are going to have the sales volume because at the low-end prices are going to continue to be [low]," said William Hardin, professor of finance and real estate at Florida International University. "In the end, those distressed sales are going to bring down values in the neighborhood."

Home values have fallen 55.4 percent from their peaks in June 2006, back down to April 2002 levels. Nationwide, home values have fallen 29.5 percent from 2006 peaks.

The problem of negative equity remains an especially staggering one in South Florida: 47.7 percent of all single-family homes with a mortgage are underwater, up from 43.5 percent last year. Nationally, the negative equity rate is 28.4 percent.

The proportion of South Florida homes selling for a loss is down slightly to 48 percent, from 49.8 percent last year. But that figure still trails the national rate of 37.7 percent.

The steepest value declines are taking place in the condo market, where an oversupply of available units continues to negatively impact values. Condo sales represent more than half of all home sales in South Florida, and values are down about 21.8 percent in the last year, according to Zillow.

Home values are also falling more steeply in South Florida's "bottom-tier" market, the sector of the housing industry which is dominated by bargain basement foreclosure sales and low-priced bulk deals.

In the "bottom tier" market, values have plunged 32.6 percent in the last year to an average of \$64,100.

In the high-end market, where the average home price is \$235,000, values are up about 0.2

percent since last year.

Another telling statistic: Values for homes and condos with more than four bedrooms are about flat at \$367,500, while one-bedroom properties have lost 41.5 percent of their value since last year.

Home sellers are continuing to slash prices in order to compete for buyers. Nearly one-in-five properties had a price cut during the first quarter, with an average discount of 8.8 percent.

With large metropolitan areas like South Florida still experiencing double-digit value declines, Zillow researchers have joined the list of housing experts predicting that 2011 will not be the year of the real estate market's rebound.

“With accelerating declines during the first quarter, it is unreasonable to expect home values to return to stability by the end of 2011,” said Zillow Chief Economist Dr. Stan Humphries, in a statement. “Underlying demand post-tax credit, as well as rising foreclosures and high negative equity rates, make it almost certain that we won't see a bottom in home values until 2012 or later.”