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## In Florida, a Home Market Still in Flux

By ERNEST BECK

FOR several years, the defining images of Florida's frenzied real estate boom were crowded open houses and speculators flipping preconstruction condominiums. But since the market sputtered in mid-2005, as sales fell and inventories soared, property auctions and price cutting have become commonplace.

Today, as the gavel comes down on everything from vacant lots to multimillion-dollar estates, sales are still off and foreclosure and mortgage delinquency rates are rising. Yet a closer look at different parts of the state, and at a wide range of properties, reveals a more complex picture of a market in flux.

In Miami, once the epicenter of giddy buying and selling, the inventory of unsold homes in April was up 58 percent over the same period last year, but real estate brokers and agents say there are some properties that are still attracting buyers.

Smaller condo units in prime locations and large luxury condos are in demand, they say, especially those designed by a star architect and loaded with hotel services. Prices for homes on prime waterfront lots, including exclusive islands like Hibiscus and Sunset, which are favored by celebrities, are also stable.

Diane Lieberman, a broker and owner of South Beach Investment Realty, says that although there are fewer buyers, both buyers and sellers have become more pragmatic. "Those who sat on the sidelines during the boom and thought they lost out are now saying, 'It's my turn,'" Ms. Lieberman said. "They are more cautious, but they understand that there is no place like Miami Beach."

For bargain hunters, it is a chance not only to cherry-pick properties at good prices, but to lay plans to cash out in the future. "Right now, you can steal houses," said Chris Castellanos, a real estate investor who recently bought several studio apartments in a renovated building on Collins Avenue in Miami's South Beach.

Although small, the 400-square-foot units that Mr. Castellanos acquired are one block from

the beach and come with high-end fixtures and appliances. Mr. Castellanos figures that the \$250,000 price tag for each unit is about \$100,000 lower than it would have been during the boom. His plan is to rent the properties, and perhaps live in one, until the market recovers. "When there's an upswing, this will be a wonderful place to have," he said.

For some sellers in Miami, discounting is the best way to close a deal.

In April, David Holtzman sold his 4,200-square-foot house in Bayside, an enclave wedged between Biscayne Bay and Biscayne Boulevard, but only after knocking more than \$100,000 off the list price.

Built in 1925 and recently renovated, the house had languished on the market for six months. At one point, Mr. Holtzman removed auction signs from neighbors' lawns, fearing they would discourage prospective buyers.

"It was just bad luck to be caught in the tail end of what used to be the strongest housing boom in history," said Mr. Holtzman, the vice president of the Dacra Companies, a real estate company in Miami.

In Naples, a sedate resort area in southwest Florida that is popular with retirees, the market has developed a split personality.

Prices are generally holding for more desirable properties on golf courses or with waterfront access costing \$500,000 and more. But bargains are available for houses below \$500,000 because of a bloated inventory of standard two-bedroom, two-bath condos. "We have a ton of similar properties out there, so what is going to make the decision? Price," said Spencer Haynes, a broker at John R. Wood Realtors in Naples. "You are going to get a better deal."

The slump is also putting pressure on house prices in New Urbanist communities like Celebration in Orlando, which offer traditional architecture in planned neighborhoods. Real estate brokers selling existing homes are competing with developers who are adding generous incentives to sell newly built New Urbanist-style houses. "Some builders are offering \$25,000 worth of upgrades, and it is hard to compete with that," said Randy Martin, a broker with Re/Max 200 Realty in Winter Park, Fla.

Statewide, condo sales fell 32 percent in March and single-family existing homes were off 28 percent, compared with the same period a year ago, according to the Florida Association of Realtors.

Yet some smaller cities are faring better than large ones.

Jacksonville and Gainesville in the north, for example, which did not experience rampant overdevelopment, have not felt the impact of the downturn as much as in South Florida, where high-rise condo construction was largely fueled by speculators.

That is why R. Donahue Peebles, the chief executive of the Peebles Corporation, a developer based in Coral Gables, Fla., sees more opportunity in a place like the Florida Keys, where there is a shortage of available land and new construction is restricted. "There is too much risk, too much supply in South Florida," Mr. Peebles said, noting that his company has stopped investing in residential real estate there.

Instead, Mr. Peebles is spending \$90 million to build 72 luxury villas on Marathon Key, halfway between Miami and Key West. He is betting that residents of South Florida and elsewhere will be willing to pay at least \$2 million for an exclusive second home with features like an outdoor kitchen area and a roof terrace with a hot tub.

Property auctions may provide a way for sellers to recoup some, but usually not all, of their investment. Yet it is unclear what types of houses will sell at auctions in such a soft market.

When Marsha Wolak, a real estate agent-turned-auctioneer in Sarasota, on the Gulf Coast, held an auction in the city last month, 26 properties of the 90 being offered found buyers, including vacant lots for under \$30,000 and condos in the \$300,000 range. But high-end properties, like a \$4 million gulf-front home, went unsold.

Ms. Wolak reasons that investors are willing to take a risk at the lower end because they can eventually build on a lot or rent out a house. But, she said, "it is tough for someone to speculate on a multimillion-dollar house because they don't know if the value will go up or down — and there's a chance of it going down."

Still, John Barry, the chief executive of the online brokerage firm [bonds.com](http://bonds.com), hopes to sell his 12,000-square-foot Mediterranean-style house outside Sarasota at an auction this month held by SKY Sotheby's International Realty and the J. P. King Auction Company.

The opening price for the 7-bedroom, 10-bathroom mansion on 14 acres is \$8.9 million — almost \$2 million less than Mr. Barry was asking when he listed the house last year. It sat on the market for nine months without finding a buyer.

He said that he believed the auction, to be held at the Ritz-Carlton hotel in Sarasota, "will

attract serious buyers who are not just browsing.” Mr. Barry, who is moving to another Florida city to start a business, said, “I could be here for another year, but I don’t want to wait that long.”

Chad Roffers, the president of SKY Sotheby’s, said the auction would focus on 25 lavish properties in Sarasota and Manatee Counties. This approach, Mr. Roffers said, “will separate them from the pack and provide sellers with a fair market value for their property.”

Although some condo projects in South Florida have faltered in the weak market, others are going ahead, especially in the top price range. These include Trump buildings in Hollywood and Palm Beach and the Viceroy South Beach in Miami Beach, where prices spiral upward to \$2 million. Developers are gambling that Florida’s weather, beaches and lifestyle will always attract high rollers if perks like spas and marinas are thrown in.

The question is for how long. The glut of high-priced condos in Miami will intensify this year with some 8,000 additional units expected to be completed and 12,000 more coming online in 2008, according to Jack McCabe of McCabe Research and Consulting in Deerfield Beach, Fla.

“To a certain degree, the upper crust hasn’t been affected,” Mr. McCabe said. “But that’s a lot of housing stock, and I question whether every multimillionaire in the world will want to buy a second or third residence in Miami.”

Nancy Riley, a broker in St. Petersburg and president of the Florida Association of Realtors, says the market is returning to preboom “normal conditions.” She is confident that sales would gain more ground if issues like Florida’s high property taxes and soaring post-hurricane home-insurance premiums are resolved. Then, “we will see another boom like we have never seen before,” Ms. Riley said.

Perhaps not so fast. Michael Larson, a real estate analyst at Weiss Research in Jupiter, says it could take up to three years, at the current sales rate, to deplete the huge inventory that accumulated after speculators jumped ship, new home buyers walked away from contracts and nervous sellers flooded the market.

“If you are looking for a long term place to live, Florida real estate is a reasonable investment,” Mr. Larson said, “but don’t expect to sell and make a killing any time soon.”