

UF survey: Florida's housing market suffers setback

GAINESVILLE, Fla. – June 19, 2007 – Florida's housing market, thought to be stabilizing earlier this year, deteriorated in the latest quarterly survey conducted by the University of Florida (UF), a situation likely brought on by uneasiness about lending practices, insurance rates and the state's property tax structure, according to UF analysts.

"Like the graying skies over the state tainted by drought-driven brush fires, the mood for Florida real estate has grown more somber since January," says Wayne Archer, director of UF's Bergstrom Center for Real Estate Studies. "Perhaps the implications of the subprime 'meltdown' are creating a disquieting haze; perhaps anxiety over property taxes and high insurance rates are shrouding Florida's otherwise sunny outlook. In any case, there are few signs of improvement."

Following the January survey results, Archer advised Florida's hopeful homebuyers to act immediately in buying single-family residential housing; but that has changed. Archer now says he could offer positive encouragement only to buyers of newly-built homes. His outlook for existing single-family housing is more pessimistic, and things look even worse for condos. The survey, conducted in April, gauged the opinions of 306 industry executives, real estate lawyers, market analysts, title insurers, financial advisers, market research economists, appraisers and other experts in real estate.

But Archer also cautioned that unforeseen circumstances sometimes cause the market to improve. "Those of us who have watched markets for a long time realize the picture can change rather dramatically in a short period of time if something allows people to sell their house more quickly, such as a change in the property tax situation or a sudden improvement in the economy," he says.

"If someone is considering buying a brand-new home, I don't see risk of the value going down, particularly if they plan to keep it for at least several years and live in it themselves," Archer says. The same cannot be said for existing single-family homes, where there is a large inventory of supply compared with the rate of sale, Archer adds. In addition, this type of housing may be overpriced for current market conditions.

"There is strong opinion among many thoughtful people that, with

existing homes, many sellers are still expecting the kind of premium that they saw happen between 2003 and 2005 and they haven't come to terms with the fact that price increases have cooled off," he says. "So you may find people asking for more than their houses are worth."

Prices are shakiest for condominiums, which are in the worst shape, Archer says.

"Condominiums have always been the most volatile component of the housing market," he said. "They're the play things of the amateur investors and they seem to invite misjudgments and high-risk behavior."

Would-be condo buyers are best advised to look for property with a "monopoly location," in that there is something unique about its physical characteristics, Archer said. Most condominiums along the coast, for example, are likely to be good prospects because coastal property is disappearing, he says.

If condominiums are well designed and well placed and purchased as an owner-occupied investment rather than a speculative one, their value will probably hold, he says.

The study found some regional variations. In Gainesville and Tallahassee, the housing market is pretty stable, even for condominiums, while the picture is more precarious for southwest Florida and the Miami, Fort Lauderdale and Palm Beach areas.

Ironically, though, international capital could revive some of these markets as the southeast coast is popular with South American and European investors, Archer says.

In terms of the overall housing picture, economists have remained divided about whether so-called subprime loans have had ill effects beyond borderline homebuyers, Archer says. Such loans allow homeowners with less-than-sterling credit to get mortgages at higher interest rates, and they have resulted in large numbers of foreclosures. Although these irregular practices have led to more conservative lending policies, most homebuyers who want standard home loans will still be able to get them.