



## Key Economist Sees Upturn in Southwest Florida

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Florida economist Hank Fishkind -- whose predictions for the housing market fell considerably short of reality in 2008 -- is calling for a general recovery in Southwest Florida this year.

Fishkind sees sales of existing single-family homes rising by more than 25 percent in Charlotte and Manatee counties this year, and predicts average prices in both communities will rise by 2.5 percent to 5 percent.

In Sarasota County, Fishkind thinks sales and prices will move in opposite directions, with sales dropping by 6 percent and average prices rising 3.5 percent to \$302,886.

Though other Florida economists and market watchers say Fishkind is correct to predict increasing sales in Manatee, Charlotte and 20 other Florida counties in 2009, they think he is wrong about a sales drop in Sarasota and an upward movement of prices in 9 of the 33 counties included in his report.

"I think we're likely to see sales rise," said Wachovia economist Mark Vitner. "We may have seen bottom in terms of sales already. But foreclosures will continue pulling down prices."

Likewise, Jack McCabe, a real estate consultant based in Deerfield Beach, said sales in 2009 should outstrip last year's "disastrous total," but prices will continue dropping because of foreclosure sales, auction sales, bulk sales and short sales weighing the market.

"There were 1.5 million foreclosures across the country in 2007 and 2.25 million in 2008," McCabe said. "The Mortgage Bankers Association is predicting 3 million foreclosures in 2009, or double what they were two years ago."

Until the pace of foreclosures subsides, prices will continue downward, McCabe said.

### Getting it wrong

Fishkind's lengthy report includes a mea culpa about his 2008 call: "Overall the 2008 predictions for the performance of Florida's housing markets represented an overly optimistic view of the market," Fishkind wrote.

Fishkind predicted 320,608 to 368,569 new and existing single-family homes and condominiums would be sold. Only 225,810 sales took place, 30 percent fewer than Fishkind's low estimate and 39 percent below his more optimistic estimate.

In his report, Fishkind blames the economic downturn and the collapse of the collateralized mortgage-backed securities markets for his errors, saying he is unlikely to make the same mistakes again.

"Although the predictions were substantially more optimistic than actual market performance, the events of the past 12 months have yielded valuable economic information about the viability of new market instruments such as credit default swaps and no-document mortgages that were previously unavailable," Fishkind wrote. "Taking the new information into account, we are confident in our revised predictions for 2009 and 2010."

Those predictions include 790 more existing home sales in Charlotte and 768 more in Manatee this year than last, and an even more significant jump in new home sales.

Fishkind's report shows 3,514 new homes changing hands this year, more than double the 1,521 sales in 2008.

"For new single-family homes, the market bottomed out in 2008," he wrote.

### Opportunities and challenges

Most market watchers are predicting a bottoming out in new home sales in 2009 and the start of a modest recovery for home builders in 2010 and 2011, said Marvin Rose, a home building industry analyst based in Tarpon Springs.

"We don't really think there is anywhere to go other than up," Rose said. "After three years of slow sales, there is some pent-up demand."

The problem for home builders is that they have not been able to reduce their costs enough to compete with resales, especially with resales of foreclosed properties, Rose said.

Vitner, the Wachovia economist, added that many Florida builders are not going to live to see the recovery.

"We see bankruptcies among home builders around the bottom of every cycle," Vitner said. "We overbuilt by a large magnitude during the boom and the housing industry became much larger than it needed to be."

One thing that all observers agreed on was that the condominium market remains the softest part of the residential sector in Southwest Florida and across the state. Part of the problem with condos is that association fees are in arrears and buyers worry that if they buy too soon, they will have to pick up the tab for people who are not paying, Vitner said.

"There are also too many high-end condos on the market and not enough entry-level stock," Vitner said. "As a whole, the condo market will take years to recover and will still be recovering well into the early part of the next decade."

Fishkind sees it the same way: His projections show a steady drop of sales and prices of both newly constructed and existing condo units through 2012.

The good news, Vitner said, is that real estate prices are returning to where they should be.

"Florida boomed because it was affordable to retirees, but with the run-up, Florida was no longer affordable," Vitner said. "High property taxes and insurance became an issue and population growth dried up. But now we are nearing a turn, and things will begin to get less bad."

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