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More Sarasota Real Estate News

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"No one wants to catch a falling knife."

As we drove around looking at property, this was the philosophy one Canadian shared with me regarding his take on the average buyer. "Once it clangs on the floor, everyone will know it has hit bottom and then everyone will scramble to buy." His own strategy was different. He was not about to wait. Even though he was unsure if further price declines were to come, he had a fantastic selection of homes to choose from and he knew he was getting a great price not seen since 2003. He bought. But there is another potent case for buying now.

Finance costs will rise as the economy recovers, so trying to time real estate might not pay off.

Consider this example. A \$500,000 Siesta Key condo purchased today, with 20% down, leaves \$400,000 financed at about 6% over 30 years. That's a monthly P&I payment of \$2,398. If prices drop an additional 10%, the cost of this condo next year is \$450,000. But when the recession ends and the Fed starts to raise rates to say, 7.5%, your monthly payment would be \$2,517. If you waited a year to buy, you would have saved nothing and spent one less year in your beach side condo.

When prices are falling, few people have the discipline to buy stocks, a house, art or any other asset. But those who do pull the trigger excel in the long run.

What's with all those headlines ?

Considering all of the negative press the housing market received in late 2007, it's more important than ever for people to separate fact from fiction when deciding on a time to buy or sell a home. The fact is, we were due for, and are now experiencing, a natural cyclical correction. The recent "housing boom" which lasted from 2001 until 2005, was caused by low interest rates and a rapid increase in property valuations. This combination prompted a high sense of urgency in home buying and selling. Poor lending practices, which caused many home buyers to secure loans that they ultimately couldn't afford, also fueled the fire. Finally, and possibly the biggest culprit here locally, speculative purchases of homes by investors hoping for a quick return on investment took us over the top.

But are these problems so deep that recovery is years away ? Actual facts and history say no.

Let's start with lending practices. Unlike the media's portrayal, the reality is that subprime loans comprise only 9% of total loans nationwide and of those 9%, less than 11% of those subprime ARM and fixed borrowers have defaulted on their loans. Problematic, yes. Of epidemic proportions, no.

As for speculators, like the dot-com bust, the housing market has begun to correct itself after a number of years of unwise purchasing. But unlike what the media would have us believe, a correction in the housing market doesn't equate to a crash. The ongoing negative news about the most troubled areas in the U.S. has caused a ripple effect, with home buyers and sellers on a national level exercising caution before making a decision.

What we are seeing now is a repeat of a housing cycle we've seen before. In the early 1980's and 1990's some areas of the country experienced the worst downturn they had seen in the last 25 years. It was caused by localized economic weaknesses and a loss of jobs. But on a nationwide average others, like the Pacific Northwest, were barely affected at all. Even those areas hit the hardest in the past experienced a historic uptick in prices, and then a continuing long term appreciation trend followed.

It is our belief that we in Sarasota are actually positioned quite nicely. According to the latest statistics - issued the last week of March by FAR - Sarasota-Manatee once again outsold such mega-markets as Miami and Ft. Lauderdale, building on a solid trend that held throughout every month of 2007 and continues thus far into 2008. We simply need our inventory of homes and condos to decline to more acceptable levels.

The avalanche of east coast baby boomers on the horizon may well be the cure for our local recovery.

Lawmakers will look at more tax cuts in 2008.

On January 29, 2008 Florida Voters approved Amendment 1, which made significant changes to the Florida Constitution regarding property tax laws. These include an additional \$25,000 Homestead exemption, and portability of the Save Our Homes benefit. (Although too detailed for this newsletter, feel free to e-mail us for a 3 page recap of the specifics of all changes.) Governor Charlie Crist, top lawmakers and other backers promised it would be just the start of property tax relief. Let's hope so. For non-homesteaded owners the government put a modest 10 percent cap on annual assessment increases. That's not enough to satisfy out of state owners who saw their tax bills increase the most due to sharp rises in property values in recent years. The Sarasota Association of Realtors (and all similar associations in Florida) will continue to press for true relief for the second home/vacation type owner. It will happen. We will keep you updated.

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