



JUNE 2009

HAVE WE HIT BOTTOM?

It seems to depend on who you listen to.

At the Real Estate Congress held in Miami this month, Lawrence Yun stated to the audience that "South Florida home prices have hit bottom". But Lawrence is the chief economist for the National Association of Realtors, so maybe a more impartial voice is required.

Also this month, the research professionals Gerson Lehman Group reported that international buyers believe "the Florida housing market is now poised for recovery". The report says their international buyers view homes in Florida as "desirable, profitable and secure" investments. The report's author, Howard Liggett, cites data from the Florida Association of Realtors indicating that 25% of international buyers are Canadian, 21% are British, and 21% are Western European.

But the Wachovia Economics Group is not quite in agreement. In their "Florida Economic Outlook" circular published June 11, they believe Florida will continue to face a difficult road to a housing recovery, Citing the Sarasota-Bradenton area specifically, they claim that "prices soared here more than 88% from 2002 to 2006 and have tumbled roughly 35% since then. Sarasota's housing market is extremely diverse with higher priced properties tending to be closer to Sarasota proper and the area's beaches. Much more affordable product can be found in Bradenton and Southern Sarasota County. Many of these traditionally affordable areas saw the biggest price swings". They close by saying "Sarasota's recovery will take longer to get going, because its imbalances are larger and still have a ways to play out".

So who do you believe? Our take is that there is no doubt that the three-year-old downturn in our region's real estate market is easing. That's simply in the numbers. Sales are up, pending sales are up, and the number of available homes is gradually being reduced. Local home prices bucked the national trend by rebounding 9.5% from March to April. This may come as a shock to those of you reading and listening to national news. But those of us active in the business know that all real estate is local. The Sarasota-Bradenton-Venice area was among the first markets in the U.S. to experience the trending-down in prices, and now we are among the first to begin stabilizing. But are we at bottom?

There are four remaining challenges to our market that simply make it too difficult for us to call at this time.

1) Foreclosures...the number of foreclosure filings continue to rise in most Florida counties.

2) Rising Mortgage Rates...the average rate for a 30-year mortgage rose from 5.29% last week to 5.59% this week. Even Lawrence Yun acknowledged that rates above 6% would slow our recovery, but he predicted "rates will fall to 5.2% later this year" which would allow us to remain at historical lows.

3) High Inventories...The number of homes and condominiums for sale have fallen over the past year, but numbers are still abnormally high. Additionally, many potential sellers may be sitting on the sidelines in anticipation of a better market.

4) A Sluggish High End Market...In Sarasota County the under \$300,000 price bracket is positively percolating with activity---but not the high-end market. Properties in the million dollar and up range are stagnant. This is due in part because of the high rates for jumbo loans, but also the recession has hit this sector straight on. Sarasota County has one of the highest per capita incomes of any county in the country. At present, Sarasota residents receive 42 percent of their income from interest, dividends and rents...one and a half times the national average. So the typical high-end buyer we use to attract so easily to our area, has substantially dropped in numbers.

So we remain a buyers market... still a terrific time for friends and family to look at a second property. But we will continue to track these four factors and will report back to you when things change.

SHARE OUR WEBSITE

All of our newsletters, new and old, continue to be posted on our website. Search all listings in the Sarasota, Manatee area without having to provide a password or any personal information. Simply log onto www.jamesdohertyrealestate.com. View Patrick's golf blog including his picks for the Top 5 golf course communities and read Maureen's blogs on local condominium news and current Sarasota waterfront real estate news.

HAVE YOU SEEN LIDO BEACH LATELY?

Lido Beach has just completed its much anticipated beach renourishment project. And, in a word, it's **unbelievable**. Portions of Lido Beach are now 150 to 200 feet wider! Efforts began in February and concluded in late April, before sea turtle nesting season. The project pumped more than 600,000 tons of pristine white sand from nearby New Pass on to Lido Key, restoring the beach to the condition it was prior to 2004 and 2005.

Funding for the project came from a Federal grant (\$2.34 million) a state of Florida grant (\$1 million) and Sarasota County Tourist Development tax dollars (\$1.27 million.). In order to get the funding, the City of Sarasota had to provide economic justification. The cost of \$4.6 million will apparently translate into a potential tourist economic impact of some \$21 to \$37 million...quite a hefty return.

So impressive was the project that the American Shore and Beach Preservation Association recognized it as one of the Best Restored Beaches for 2009.

And let's not fail to mention Siesta Beach. In his 2009 ranking, Stephen Leatherman, - aka "Dr. Beach" - has named Siesta Beach the best beach in the contiguous 48 states. Only Hanalei Bay in far off Hawaii received a better rating.



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