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# Housing price drops made worse by property tax uncertainty

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Published: Friday, October 26, 2007 at 2:53 a.m.

Would-be Florida home sellers have been slashing prices in recent months, trying to find the sweet spot in a sour market.

To some degree, the price-cutting seems to be working in Southwest Florida, with the Sarasota-Bradenton area moving more properties in September than either Fort Lauderdale or Miami, where median prices last month remained at close to their pre-boom peaks.

But a sticky mortgage market and the uncertainty about legislative maneuvering over property tax reform are taking a toll on an already beat-up market, and there is no immediate end in sight, market observers say.

The median price for a home in the Sarasota-Bradenton market has dropped \$109,200 since the beginning of 2006, based on the September sales report by the Florida Association of Realtors. Back in January 2006, the median was \$353,500. Now it is 31 percent less.

But sellers and their agents have been rewarded for their price cutting with better sales volume than markets where cuts have not occurred.

In September, Sarasota-Bradenton Realtors managed to move 500 single-family homes.

Meanwhile, in the much bigger Miami market, where the \$372,300 median is just 1 percent less than the beginning of 2006, agents only recorded 360 sales in last month. Similarly, in Fort Lauderdale, where the median stands at \$345,200 -- 7 percent lower than in early 2006 -- only 401 deals closed in September.

"The metros across the state definitely have different sets of conditions, and some are in better shape than others," said Stan Geberer, an economist with the influential Fishkind & Associates. "Miami and Fort Myers are among the worst. Orlando is among the best.

"The rest are pretty much in between."

## Getting the bank to go along

Starting early this year, Matthew Augustyniak figured out a way to move some houses.

He had decided that his Horizon Group, a Bradenton real estate firm, needed to adapt to a stagnant market. Leveraging internal talent in mortgage-writing and title work, he began training agents to convince banks to write off portions of their mortgages in order to move property.

The technique, which the industry calls the short sale, is paying off in a big way for south Manatee County-based Horizon.

"This month alone, I have 150 sales of new homes that aren't put in the MLS," Augustyniak said.

He also is getting individual clients into homes. One woman is buying a Palm-Aire home for \$270,000 that originally sold for \$400,000 and carried a bank mortgage of \$360,000.

"The bank took the hit on \$90,000. So I look at that as a positive effect on my buyer," he said.

What Augustyniak is accomplishing is useful for clearing inventory, but there is a lot more to clear.

In the Sarasota Multiple Listing Service, there are now 7,967 homes for sale, and the current selling rate is 70 homes a week, representing a 114-week supply, according to Team Dutoit at Keller-Williams Realty.

The 4,673 condo units for sale in mid-October represent a 156-week supply given the current sales rate of 30 per week.

## Buildup to the slowdown

Experts blame a number of factors for the crippling slowdown in sales.

To a large degree, the problem was the boom itself, which took the market to excesses both in pricing and in mortgage terms.

"The biggest reason is the unwinding of the housing bubble, the hangover effect, if you will," said Geberer, the economist with Orlando-based Fishkind & Associates. "We had three years of record growth in new home sales and existing home sales, and three years of record prices. Much of that activity was investor-driven and speculative, for which there is no end user and no end demand."

Geberer ticked off a number of other background elements playing backup to the real estate blues.

"We had a national downturn in the fourth quarter '06 and first quarter '07 -- not a recession,

but near recession levels," he said.

Job creation in Florida, while still happening, has slowed down by about 30 percent year-to-date when compared with 2006, he said.

"Then add to that the fact that home prices have gone up about 100 percent over the past five, six years," Geberer said. "Home prices at high levels and wages that have not kept pace with the increase in home prices -- that is going to depress sales."

The proverbial straw that broke the camel's back was "the tightening of credit and the availability of mortgage money."

"So if you are not a prime candidate for a mortgage, with a long job history and impeccable credit and no credit issues, you are going to have a much more difficult time getting credit today than you might have had two years ago," he said.

Geberer, working on a fresh set of economic forecasts for the state, just finished calculating the statewide picture on building permits. They are down 50 percent year to date when compared with last year.

Roughly speaking, the state's hotter markets experienced 100 percent increases in building permits each year from 2004 to 2006, Geberer said.

It is going to take time to work off all that inventory: "So I don't think we are going to see much dramatic improvement in the next three to six months."

### Amendment uncertainty

As if coming off the boom and a credit crunch were not enough, Florida's residential market also has been impeded by uncertainty.

Most potential buyers are wondering what the Legislature is going to do with property taxes, says Nancy Riley, this year's president of the Florida Association of Realtors.

Lawmakers met in special session during the summer and came up with a proposed amendment that would have given some portability to the property tax savings now enjoyed by homeowners who claim their Florida house as their primary residence.

But a court shot that amendment down because of its confusing wording.

So the Legislature is now up against a Halloween deadline to hash out an amendment or amendment to put onto the January presidential preference ballot.

Whatever the amendment says -- if there is one -- it still must be approved by 60 percent of voters to become law.

"The sellers have reduced their pricing; they've done the drama pricing. The fact of the matter

is people are waiting to see what will happen," Riley said. "Because if the Legislature passes portability, will it be retroactive to 2007, or will it start in 2008?"

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