

Economist sees daylight in state housing market

Residential housing will rebound in '08 and '09, but condos will still lag

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LAKEWOOD RANCH -- Hank Fishkind, Florida's premier economist, believes that the downturn in the residential real estate market is over.

That does not mean that Southwest Floridians will see much improvement in the months ahead. But barring a sharp increase in oil prices or some other earth-shattering event, market conditions are not likely to deteriorate.

"I argue that housing has stopped going down," Fishkind said. "It is weak. It is painful, but it is not going to get any worse."

For the several hundred builders, developers, Realtors, mortgage brokers and other members of Southwest Florida's real estate industry who packed Lakewood Ranch Country Club's grand dining room Thursday night, Fishkind's comments came as a welcome relief after two of the the toughest years in more than a decade.

Since the height of the boom in 2005, new home closings in Sarasota and Manatee counties have fallen from 530 per month to 220 per month, while existing home closings have dropped from more than 2,050 per month to less than 550 per month, according to Fishkind's statistics.

But with the sharp decline in housing starts -- from around 14,000 in 2005 to 4,500 projected for 2007 -- Sarasota and Manatee counties have stopped adding to inventory.

"Housing starts have fallen below new home closings, which means we are starting to eat into inventory," Fishkind said. "We are at the bottom, but this bottom is going to take a number of months to get better."

He predicted that Sarasota and Manatee will burn off excess inventory this year, and that sales will improve in 2008 and 2009.

New construction will also begin to pick up. But prices are not likely to move upward for another 24 to 36 months.

When it comes to the region's condo market and sales of raw land, however, Fishkind was not nearly as ebullient.

"Ugly, ugly," was how the economist referred to the condo market, in which sales have plunged to about 120 per month from about 600 per month during the boom.

"Volume is really low," said Fishkind, during an earlier presentation before the Sarasota County Commission.

"People who are closing on condos now and thinking of reselling them are going to find that there is no liquidity."

Prospects for land sellers are even worse.

"Land prices were bid up in the expectation of rising home prices," Fishkind said.

"We all know that didn't happen. Prices have not returned to equilibrium. It is a dangerous place to be."

With regard to the overall economy, Fishkind said he is surprised that it has remained as strong as it has, especially given the sharp increase in energy prices and the collapse of the national housing market.

Gross Domestic Product, or GDP, has dropped from about 4 percent to 2 percent, but Fishkind does not forecast a descent into recession.

"If consumer spending stays strong, we can have a strong economy," Fishkind said.

Of course, some areas in the country are faring worse than others, and one area that has been particularly hard hit is the Midwest.

That is bad news for the Sarasota-Bradenton metro area because so many of its transplants come from that part of the country, Fishkind said.

Nevertheless, people around the country are still able to sell their homes and are still coming to Sarasota and Manatee counties.

The rate may have dropped from 20,000 a year to 17,000 a year, but growth is growth.

As for the biggest problems facing Florida's Legislature -- insurance and tax reform, Fishkind said more work needs to be done.

"Did we get insurance reform?" Fishkind asked.

"We got a short-term reduction in rates and short-term stabilization of the reinsurance market, but we still have long-run problems."

Fishkind added that he is glad the Legislature has not done anything foolish with regard to taxes yet. He said that the only way Floridians can get real relief is if legislators cut school and law enforcement funding.

That is because those two areas have soaked up most of the tax increases in recent years.