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Housing is ... hot, hot, hot

Study suggests slowing of prices

BY DOUGLAS HANKS III
dhanks@herald.com

A new study lists the Miami area as one of the most overheated housing markets in the country, with homes selling for 30 percent above what the economy should support.

The findings suggest South Florida's soaring real estate prices can only go so much higher before stalling. That would mark a new era for the region's housing market, which has experienced one boom year after another since the late 1990s.

Since 1997, housing prices have risen 50 percent in Miami-Dade County and 68 percent in Broward. But those gains have mostly left economic fundamentals behind, according to the study by Fidelity National Information Solutions.

The study used mortgage rates, employment figures and household income data to predict housing prices, then compared them to actual sales figures. Of the 316 markets analyzed, Miami-Dade County showed the third-largest gap between its economic model and reality. Broward County finished 13th in the national rankings.

"Prices are stretched," said Michael Sklarz, creator of the Fidelity model.

He stopped short of declaring a pricing bubble, though. That

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occurs when a buying frenzy shoots prices up too rapidly, only to see the bubble burst and prices collapse.

"It doesn't necessarily mean that prices are going to crash," Sklarz said. ``It's more in line with a slowing or flattening of prices."

That hasn't happened yet: Resale prices for houses rose 21 percent in July from a year ago in Miami-Dade and 16 percent in Broward.

Developers, real estate brokers and some analysts say South Florida's dwindling land supply and popularity with out-of-town buyers will continue to generate steady growth in prices, even if the national housing market falters.

And they predict the region's greatest asset -- its weather -- will continue drawing new residents, regardless of the economy.

'The key thing is population,' said Michael Cannon, managing director of Integra Realty Resources, which tracks the South Florida real estate market. ``Then the demand is greater than supply."

But a slowdown in prices would mean a shock to many in the real estate business who have spent the last several years marveling at skyrocketing property values.

"In the last three years, Key Biscayne pretty much doubled," said Angela Ocampo, a Keyes Co. agent. ``Four years ago we had old homes going for \$300,000. They're going for the mid-600's now. Even little one-bedroom condos in small nonwaterfront buildings were going for about \$90,000. They're going for \$180,000 now."

Broward and Miami-Dade prices rarely strayed from Sklarz's models through the 1970s and 1980s, though the two measures departed sharply at the start of this decade.

That coincided with rock-bottom interest rates and a sagging stock market, both of which lured investors into South Florida real estate.

Sklarz said investor purchases may be skewing his analysis for South Florida, since their incomes wouldn't register with his local data. Analysts also see investors as most sensitive to flattening real estate prices, since many are counting on selling their property quickly at a profit.

"Because people have seen such a hot real estate market, we've seen a very steep pick-up in speculating buyers. That's always a concern to me," said Lewis Goodkin, a real estate consultant in Miami. ``They could walk."

Interest rates remain the top concern. Should they spike -- and they've been inching higher in the face of good economic news -- some would-be buyers will be priced out of the market.

Sklarz's model has expressed confidence in South Florida real estate before, listing it as one of the few coastal markets that could endure higher interest rates without seeing home prices dive. And while there is concern of a glut of luxury houses and condominiums in South Florida, analysts say demand should remain strong for moderately priced property.

If he was charting stocks or commodities, Sklarz said his model would portend a messy crash for South Florida.

But with real estate, he said, overheated prices have a tendency to cool off, not burst into flames.

"That gives fundamentals a chance to catch up to actual prices," he said.



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