

## UF study: The price is right, so buy now

GAINESVILLE, Fla. – March 9, 2007 – Hopeful homebuyers in Florida should act now: The price is right as the state's single-family residential housing market bottoms out, according to a University of Florida study released today.

"If you're thinking of buying a house, there's probably not much to be gained by holding out at this point," says Wayne Archer, director of UF's Bergstrom Center for Real Estate Studies. "It doesn't look like prices are going to fall anymore."

The quarterly survey of experts in the real estate industry completed in January shows that the share of respondents observing a drop in single-family housing prices has dipped, while a growing number find prices staying even with inflation, Archer says.

"We see that as a benchmark," he says. "When prices maintain the same level as inflation, then we're probably in some kind of equilibrium. It indicates the market is stabilizing."

The exception is condominiums, which are overbuilt and prone to speculative and naïve investors, he says.

This is the first time in the UF survey's five-quarter history that the buyers' investment outlook for residential development has brightened. It declined for the first three surveys and remained flat for the fourth survey at the end of October, starting to rise only in this latest survey.

Because of the dominance of single-family housing, the findings have far-reaching and potentially optimistic implications for the state's real estate industry, Archer says.

"You can't get away from the fact that the single-family housing market is the single largest driver of the real estate market," he says. "Most brokers and real estate agents are dealing with single-family housing. Most lending is for single-family housing. And single-family housing drives home furnishings. So when it stabilizes, that's important."

One possible explanation for the housing market turning the corner is a restricted supply of land for residential development, Archer says. The shortage meant there was less overbuilding than there might otherwise have been, he says.

Condos did not have this land restraint, which is one reason they are overbuilt, Archer says. At the same time, condos are prone to strong speculative swings because they are considered a relatively easy commodity to exchange; it's not difficult to acquire them in multiple units or to buy contracts on them, he says.

The stabilization of the single-family housing market came earlier than anticipated and is not expected to affect all parts of the state equally, Archer says. The quieter markets likely will take longer to rebound than those in Central and South Florida, where growth has been explosive.

Jacksonville typically has been a slower and steadier market than Orlando, Tampa-St. Petersburg, Miami and other cities in South Florida, but that is changing, Archer says. Recently, the Jacksonville housing market has picked up momentum.

Even with a turnaround, Archer says he does not believe Florida's real estate market is likely to reach the same level that it did at its peak in 2005-06. "I don't think any thoughtful person would expect sales to go back to where they were a year or so ago," he says. "That was probably an overheated condition and it was extraordinary."

On a positive note, nearly all other markets, including apartments and commercial rental markets, appear to be remaining steady or even experiencing robust growth. "They did not experience a downturn in the same sense that the single-family development market did and they're continuing to be strong," Archer says.

Optimism about Florida real estate seems to be particularly apparent among foreign investors. Many respondents commented that foreign investors and lenders are aggressively trying to invest more capital in the state's rental markets.

"They apparently have no fears about the future of these markets, despite what we perceive as our problems with hurricanes, taxes and other concerns," Archer says.

For the survey, UF's Survey Research Center asked a series of questions of 318 industry executives, real estate lawyers, market analysts, title insurers, financial advisers, market research economists, real estate scholars and other experts in the field, an increase over the 183 respondents in the last survey.