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Economist: Real estate rebound imminent

Economist and VP of research at the National Association of Realtors predicts market will reverse by early next year

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The downturn in the Southwest Florida real estate market should reverse itself by next year, a national economist told a gathering of Naples area Realtors and brokers Thursday.

“The recovery will not be a robust recovery ... but nonetheless it will be an improvement,” said Lawrence Yun, senior economist and vice president of research at the National Association of Realtors. “What people experienced back during the (real estate) boom was a once-in-a-lifetime situation,” he added.

Yun expects that by early 2008, the decline in the local real estate market will reverse, however, not to the peak levels that had the Naples market aflutter in recent years.

He said the impact on the local real estate market was “due to a lack of confidence, not necessarily due to the lack of financial wherewithal. But with the pent-up demand accumulating, it’s just a matter of time before it’s unleashed onto the market”

Some local brokers who attended Yun’s talk blamed the media for giving the perception that the market is bad, which in turn hurts foreign investment who base real estate choices on media input.

Others attributed the market downturn to the overzealous mortgage firms and the bottoming-out of subprime lending.

More stringent U.S. visa restrictions have also affected the number of foreigners investing in Naples real estate, according to Yun.

Brenda Talbert, executive vice president of the Collier Building Industry Association, said the adjustment in the real estate industry “seems to be landing where the normal market would be.”

This may be a tough pill to swallow for those in construction. According to Talbert, middle management in the industry has taken the hardest hit during the real estate downturn. According to a statement released last month by the Agency for Workforce Innovation, statewide the number of employees working in the construction industry fell 2.8 percent to 610,000 from July 2006 to that same period this year.

“There’ve been a lot of layoffs,” said Talbert. “Workers with transferable skills have been able to go into commercial construction and remodeling, it’s middle management that is taking it on the chin.”

Relocation is costly, but often the only solution for those who are laid off from the industry.

According to local real estate associate broker Birgit Wolf, “it was a good time to bring (Yun) in and give Realtors a bit more confidence.”

Foreign real estate investors are holding off on local investments now “because of the media” according to Wolf, who has been an area Realtor for six years.

Other Realtors said that investors were the ones who needed the reassurance, not their real estate agents.

“Everybody is sort of not knowing what is going to happen next and how far we’re going to have to wait until the market turns,” said Hilda Díaz-Perera, a local broker who attended Yun’s speech.

“I think we have the subprime rate that really killed us, because investors don’t have any confidence at all,” she added. “There is no confidence. They don’t want to put their money in real estate.”

For Díaz-Perera the key is “to clean up the mortgage business ... so that the people are offered products that are going to be good, not porous...”

Yun was quick to point out, however, that the Naples real estate market is not like most others in the country.

“The current real estate cycle is very unique in that nearly all past local real estate market cycles have been associated with prolonged job losses. Yet jobs are continuing to be added to the local economy.”

The next step, according to the economist, “is to construct more affordable homes”, which he says would require the collaboration of the local government and permit boards to expedite the process and get those hit by the downturn in construction back in the real estate market.

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