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In Florida, a Home Market Still in Flux

Jacksonville and Gainesville in the north, for example, which did not experience rampant overdevelopment, have not felt the impact of the downturn as much as in South Florida, where high-rise condo construction was largely fueled by speculators.



Barbara P. Fernandez for The New York Times

In the Florida Keys, where there is a shortage of available land and new construction is restricted, R. Donahue Peebles sees opportunity. He is spending \$90 million to build 72 luxury villas on this spot on Marathon Key.



Jose A. Gonzalez, Gonzalez Architects

That is why R. Donahue Peebles, the chief executive of the Peebles Corporation, a developer based in Coral Gables, Fla., sees more opportunity in a place like the Florida Keys, where there is a shortage of available land and new construction is

restricted. “There is too much risk, too much supply in South Florida,” Mr. Peebles said, noting that his company has stopped investing in residential real estate there.

Instead, Mr. Peebles is spending \$90 million to build 72 luxury villas on Marathon Key, halfway between Miami and Key West. He is betting that residents of South Florida and elsewhere will be willing to pay at least \$2 million for an exclusive second home with features like an outdoor kitchen area and a roof terrace with a hot tub.

Property auctions may provide a way for sellers to recoup some, but usually not all, of their investment. Yet it is unclear what types of houses will sell at auctions in such a soft market.

When Marsha Wolak, a real estate agent-turned-auctioneer in Sarasota, on the Gulf Coast, held an auction in the city last month, 26 properties of the 90 being offered found buyers, including vacant lots for under \$30,000 and condos in the \$300,000 range. But high-end properties, like a \$4 million gulf-front home, went unsold.

Ms. Wolak reasons that investors are willing to take a risk at the lower end because they can eventually build on a lot or rent out a house. But, she said, “it is tough for someone to speculate on a multimillion-dollar house because they don’t know if the value will go up or down — and there’s a chance of it going down.”

Still, John Barry, the chief executive of the online brokerage firm bonds.com, hopes to sell his 12,000-square-foot Mediterranean-style house outside Sarasota at an auction this month held by SKY Sotheby’s International Realty and the J. P. King Auction Company.

The opening price for the 7-bedroom, 10-bathroom mansion on 14 acres is \$8.9 million — almost \$2 million less than Mr. Barry

was asking when he listed the house last year. It sat on the market for nine months without finding a buyer.

He said that he believed the auction, to be held at the Ritz-Carlton hotel in Sarasota, “will attract serious buyers who are not just browsing.” Mr. Barry, who is moving to another Florida city to start a business, said, “I could be here for another year, but I don’t want to wait that long.”

Chad Roffers, the president of SKY Sotheby’s, said the auction would focus on 25 lavish properties in Sarasota and Manatee Counties. This approach, Mr. Roffers said, “will separate them from the pack and provide sellers with a fair market value for their property.”

Although some condo projects in South Florida have faltered in the weak market, others are going ahead, especially in the top price range. These include Trump buildings in Hollywood and Palm Beach and the Viceroy South Beach in Miami Beach, where prices spiral upward to \$2 million. Developers are gambling that Florida’s weather, beaches and lifestyle will always attract high rollers if perks like spas and marinas are thrown in.

The question is for how long. The glut of high-priced condos in Miami will intensify this year with some 8,000 additional units expected to be completed and 12,000 more coming online in 2008, according to Jack McCabe of McCabe Research and Consulting in Deerfield Beach, Fla.

“To a certain degree, the upper crust hasn’t been affected,” Mr. McCabe said. “But that’s a lot of housing stock, and I question whether every multimillionaire in the world will want to buy a second or third residence in Miami.”

Nancy Riley, a broker in St. Petersburg and president of the Florida Association of Realtors, says the market is returning to preboom “normal conditions.” She is confident that sales would

gain more ground if issues like Florida's high property taxes and soaring post-hurricane home-insurance premiums are resolved. Then, "we will see another boom like we have never seen before," Ms. Riley said.

Perhaps not so fast. Michael Larson, a real estate analyst at Weiss Research in Jupiter, says it could take up to three years, at the current sales rate, to deplete the huge inventory that accumulated after speculators jumped ship, new home buyers walked away from contracts and nervous sellers flooded the market.

"If you are looking for a long term place to live, Florida real estate is a reasonable investment," Mr. Larson said, "but don't expect to sell and make a killing any time soon."