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PALM BEACH COUNTY

Home sales plunged 37% as market stalled in '06

Dip in median sale price reinforces buyer's market

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Palm Beach County's existing home sales ended 2006 with a thud, but the condominium market showed new life in December.

Home sales last year plummeted 37 percent — the second-largest slide in the state after Naples, the Florida Association of Realtors reported Thursday. There were 8,640 sales, compared with 13,679 in 2005.

The county's median price for homes retreated last year, too, but by a much smaller margin. The median in 2006 was \$384,700, a slight drop from \$390,100 the year before.

Sellers accustomed to huge price increases saw those narrow at the start of last year as the market cooled, and outright price declines followed in the summer and have continued through 2006.

The county's beleaguered condominium market saw a glimmer of hope last month, when sales increased and the median price rose minimally. Experts think that's because condos generally are more affordable for people than single-family homes.

Still, Mike Larson, an analyst with Weiss Research in Jupiter, says the housing market will remain soft in 2007.

Interest rates are creeping up

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Jeff Roberts
Investor who bought and sold a home near Lake Worth last year

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again, and he expects the inventory of homes to keep growing as frustrated sellers who took their properties off the market late last year try again this spring.

"Sellers shouldn't expect sunshine and roses in 2007," Larson said. "If you're a buyer, I expect you'll be in the driver's seat, and you should negotiate like it." Analysts agree it will take months to sell all the properties on the market. Palm Beach County now has 34,433 homes and condos for sale, up from nearly 20,000 at this time last year, according to Keyes Co. Realtors.

But Mike Pappas, president of Keyes, said he expects sales to pick up as buyers try to beat looming interest-rate increases.

What's more, legislators decided to pass a measure expected to lower Floridians' property insurance costs. Gov. Charlie Crist signed the bill Thursday.

"That definitely brings some stability and a calmness to the market," Pappas said.

West Palm Beach housing analyst Brad Hunter also was optimistic.

"We're not out of the woods yet," he said. "But we're starting to see some signs of a return to equilibrium very slowly."

Hunter said he was surprised to see Palm Beach County's existing condos fared better than single-family homes in December.

The median price was \$215,700, an increase of \$3,200 from \$212,500. There were 508 condo sales last month, compared with 410 in December 2005, a 24 percent increase. For 2006, condo prices rose 14 percent to \$220,400, but sales dropped 28 percent.

After a five-year boom, the county's housing market faded last year. Sellers who were accustomed to multiple full-price offers and fast deals waited months just for someone to look at their homes.

To attract interest, sellers resorted to offering cars, cruises, bonuses and other perks to buyers and their agents, often

to no avail. Some desperate sellers held auctions, while others inquired about swapping homes.

Investor Jeff Roberts bought a home near Lake Worth for \$200,000 last spring. He spent \$10,000 on upgrades and put it back on the market for sale by owner.

In December, after about seven months, Roberts agreed to sell the three-bedroom home in Lake Osborne Estates for \$275,000 — \$24,000 less than the listing price.

"You need to be reasonable on price," Roberts said. "People are accustomed to being unreasonable. We're in a correction."

As the market sagged, foreclosures became a major concern.

Residents stretched to buy homes and struggled to pay rising property taxes and insurance premiums, leading to a rise in mortgage defaults.

Palm Beach County had one foreclosure for every 51 households in 2006, which ranks No. 23 out of the nation's top 100 metropolitan areas, RealtyTrac of Irvine, Calif., said in a report released Thursday.

The county had nearly 11,000 foreclosures in 2006, up 29 percent from the year before.

RealtyTrac figures include properties in pre-foreclosure, when a lender files a notice of intention to take back the property. Many of those homeowners resolve their debts before losing their properties.

"I think we'll probably see more people falling behind in 2007," said Louis Spagnuolo, a senior mortgage banker with Home 123 in Boca Raton.

Statewide, there were 180,037 existing home sales last year, down 28 percent from 2005. The median price of \$248,300 was up 6 percent.

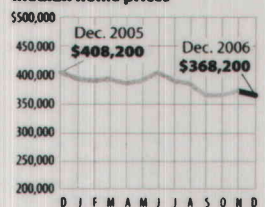
The median means half the homes sold for more, half for less.

Nationwide, sales of existing homes were down 0.8 percent last month, a bigger decline than had been expected, the National Association of Realtors said. For the year, sales fell by 8.4 percent, the biggest annual decline since 1982.

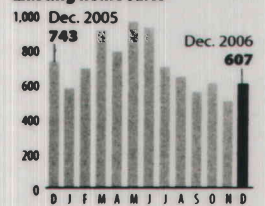
Existing home prices and sales

The median price of existing homes in Palm Beach County dropped 10 percent last month from \$408,200 in December 2005. Home sales countywide plunged 18 percent last month from the previous year.

Median home prices



Existing home sales



SOURCE: Florida Association of Realtors
Staff graphic/Karsten Ivey

HOME FORECLOSURES

Top metro markets for 2006 foreclosures

1. Detroit: 40,219; one in every 21 households
2. Atlanta: 63,737; one in every 23 households
3. Indianapolis: 27,598; one in every 23 households
4. Denver: 37,412; one in every 24 households
5. Dallas: 51,730; one in every 26 households
9. Broward County: 21,113; one in every 35 households
23. Palm Beach County: 10,914; one in every 51 households

SOURCE: REALTYTRAC