

Keeping the Faith MS&C

According to the latest Los Angeles Times/Bloomberg Poll, consumers steadfastly shrug off the prophets of doom, who insist on painting a bleak picture of the nation's real estate market.

As explained by respected L.A. Times reporter David Streitfeld himself an expert in real estate he poll indicates Americans are somewhat concerned about the overall economy. Their faith in real estate, on the other hand, remains "fierce." Their word, not ours.

That being the case, if the market for homes and property is as bad as the cynics would have you believe, why is real estate one of the few components of the nation's economy that the average American doesn't fret over?

DÉJÀ VU ALL OVER AGAIN Easy answer. People of a certain age which could be anyone old enough to remember the late '70s or early '90s can respond without hesitation. They've seen the highs and lows of at least one and probably more real estate cycles, have seen their own homes appreciate sharply in value, and understand the periodic ebb and flow of the market.

Moreover, the savviest investors among us love real estate. Tangible property held over the long term three years or more will not only turn a tidy profit, but is also yours to enjoy for the duration of ownership. When was the last time you spent a long weekend lounging inside your stock portfolio?

COOL, CALM & CORRECTED

Our Gulf Coast residents have an even better reason to remain unmoved by the vast amount of doom and gloom that pervades the media. Not only has this market corrected itself as reflected in four months of solid sales results reported by the Florida Association of Realtors but Sarasota-Bradenton is leading the state, and quite possibly the nation, in a major comeback. According to the Sarasota Herald-Tribune (May 26, 2007 edition), Sarasota-Bradenton turned in the Sunshine State's best results for April, with existing home sales climbing 16 percent versus a year ago. Every other Florida market posted sharp declines, with all but one being in double digits. We were the ONLY market in the state to show positive growth in April, which was preceded by similar gains in March, which were themselves the best sales figures in 10 months. April was the fourth month in a row that Sarasota-Bradenton outperformed the rest of the Florida, showing significant unit gains while the balance of the state declined significantly. Unit sales of condominiums were also up by 11 percent, one of just a handful of Florida markets showing similar progress.

That Sarasota-Bradenton is the only Florida market in much better shape than a year ago is not a coincidence; not by a long shot. We were among the first markets in the state where a unified real estate community counseled sellers to price realistically and to not expect the windfall profits we saw during 2004 and 2005. Sellers heeded that advice and now Sarasota is the only market in the state that consistently sees increased unit sales versus a year ago. As well, the decline in Sarasota's median price has slowed to a crawl, suggesting that it has finally leveled off. Through the end of May 2007, we have closed on \$658 million in sales at Michael Saunders & Company the equivalent of \$4.4 million each day.

CROSSING THE THRESHOLD

What all this means is that buyers and sellers have put aside stubborn cases of "threshold resistance," a term coined in the retail business to describe the psychological barrier that stands between a buyer and a seller, preventing both from achieving their ideal goals. Sellers were reluctant to shed the expectation that last year's super-heated pricing still applied. Buyers, by the same token, opted to bide their time until they saw evidence that the market correction had gained significant traction. In a serendipitous turn of events, the resistance faded when sellers began to price in accordance with the new realities of the marketplace. Buyers, as a result, are shedding their wait-and-see attitude, are comfortable that prices are finally correct and are supremely confident that now is truly the right time to buy.

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