

COMMENTARY: SCOTT BURNS

In Florida, the recession already is a reality

By Scott Burns
Sunday, January 27, 2008

FORT MYERS, Fla. — In Florida, people don't ask whether we are headed for a recession. They know a recession is here. For those who live in the area, the questions narrow down to two.

How much worse will it get? How long will it last?

For residents, virtually everything hangs in the balance. And I mean everything.

A doctor friend once told me of an eerie feeling that came along with medical practice. Tending a dying patient, he would look out the hospital room window for a moment. Outside, life went on without a pause. The automobile traffic never stopped. People were still in a hurry.

I feel the same way as I drive down Route 41, the highway that connects Cape Coral, Fort Myers, Bonita Springs and Naples. The roads are still busy. The cars are still shiny. Massive new shopping centers greet the snowbirds, the early retirees setting up house, and vacationers escaping the cold of Minnesota, Michigan, Massachusetts and Maine.

At the sales and information office for the Colony Golf and Bay Club in Bonita Springs, I meet Robert Burdett. I ask the former photojournalist if he'll bring me up to date on what has happened since I visited in 2004. He tells me all the condos at La Scala, a very upscale tower I had visited and admired then, were sold.

But everything seemed to stop last summer, he adds. At the Florencia, the newest luxury tower, few purchases were completed when the project was finished last fall. Only a handful of units were sold in the past quarter.

But on Jan. 8, WCI Communities, the embattled developer, lowered prices dramatically. A spectacular penthouse unit that was priced at \$1.7 million on Jan. 1 can now be had for \$1.3 million, a 24 percent drop. Discounts on other units range up to 40 percent as WCI struggles to survive.

Now, buyers have appeared and units are under contract.

That this can happen to WCI is striking. WCI is a primo developer, a company that understands how to create the experience that upscale buyers seek. The company takes its slogan, "Every element for the perfect life," very seriously. If this can happen to WCI, it's terrifying to imagine what can happen to the average developer — or anyone who needs to sell a house.

According to the Fort Myers Realtors group, it would take 44.5 months — nearly four years — to work off the current inventory of homes for sale. That doesn't count the discouraged sellers who have taken their houses off the market but still want to sell. Foreclosures numbered 1,441 in December and 7,324 for the year, about 4 percent of the single-family homes in Lee County. And most of those foreclosures were after August.

The situation is not getting better. Hank Fishkind, an Orlando-based economist, estimates that it might take four years for the housing market to recover.

The local News-Press regularly advertises auctions of homes built to sell for \$250,000. The minimum bid: \$50,000. Small condos are offered with opening bids of \$25,000.

Over lunch, another real estate agent says those \$250,000 houses are selling for \$100,000, when they sell at all. She said most of the properties that are selling are "short" sales; the debt and closing costs exceed the sale value of the house.

The agent fears becoming a victim.

She is spirited, hardworking and resilient. But the blunt reality is that she owes more on her house than it would sell for. Worse, she depends on scarce real estate sales for the income to pay the mortgage.

Sadly, she is in the same position as the Texas "condo slaves" of the late 1980s. When new buyers take over distressed houses and condos on the Florida Gulf Coast, they will be able to do what buyers did in the Texas bust: rent the property for less than the original owners paid on the mortgage.

Some of the bust effects are more subtle. The couple I am visiting, friends in their early 80s, take me to a dinner party at Eagles Nest, a large and luxurious continuing-care community with a golf course, tennis courts and marina at Shell Point. After years of long waiting lists, the resident guests tell me, Eagles Nest now has a small number of vacant units. People who want to move there can't because they need to sell their house or condo first. As a consequence, some elderly people who need the support of a continuing-care community are at risk, trapped in homes they can't sell.

However universal the decline, this isn't bad news for everyone. It might mean a half-empty glass for sellers. But it can also mean a half-full glass for buyers. For about \$800,000, for instance, it is possible to buy a large and essentially new house with a pool in a gated community with deeded boat dockage and direct access to the Caloosahatchee River and the Gulf of Mexico. In another gated development, a three-bedroom home with a courtyard pool, boat dockage and lovely canal views is available for less than \$400,000.

According to www.realtor.com, there are more than 12,000 listings in Fort Myers alone, with nearly 2,000 available at \$125,000 to \$175,000. Many cost less than \$100 a square foot.

Will prices go lower? No one knows. What's clear, however, is that a sellers' disaster might be a buyers' opportunity. A Florida retirement might now represent an opportunity to exchange a high-priced home elsewhere for a bargain-priced home in sunny Florida.

Courtesy of JB Goodwin