

## Grab a second-home bargain

By Paul Sullivan, contributor

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**FORTUNE** -- People selling second homes in sunny locations couldn't have asked for a better marketing pitch than the winter of 2011. With snow turning Northern roads into ice rinks and closing airports and schools, the Sunbelt would seem to be more desirable than ever. The only glitch is the real estate hangover from the Great Recession.

But new data from Florida suggest that this may be the year when buyers and sellers come together. "We've outperformed January 2010 by 85%," says Judy Green, chief executive officer of Premier Sotheby's International Realty in Naples. "It's almost as if someone just turned on a faucet and the people are out there. They're making deals."

Before leaping in, though, you need to ask yourself two questions: Why is this happening now? And how can I take advantage of it?

The "why" is a function of both the market and of sentiment about Florida. Interest rates remain historically low -- the average 30-year fixed-rate mortgage in Florida was recently 4.9%, according to Bankrate.com -- and banks are lending again, if cautiously. Now that rental prices in the coastal areas are rising, people who have dreamed about owning a second home in (or relocating to)

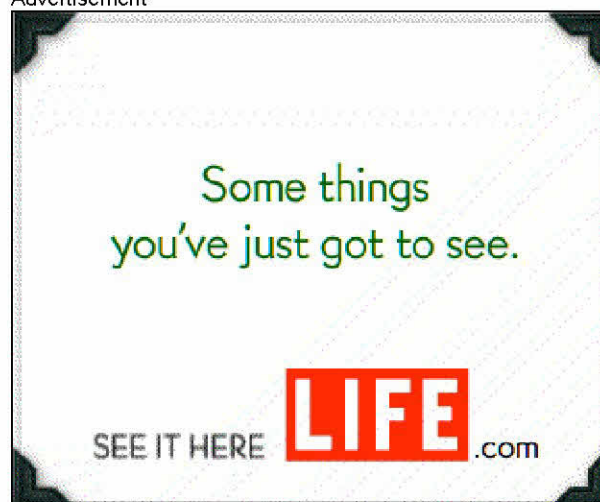
the state see this as their moment to act -- while sale prices remain off their highs.

Indeed, the uptick in sales hasn't yet translated directly into pricing power for sellers. According to Florida Realtors, sales were up statewide in 2010 by 29% for condominiums and by 5% for homes, but prices were down 15% and 4%, respectively. (This is better than last year, when prices were down 24% for homes and 34% for condos.) A January report from Moody's Analytics said home prices in Naples will not return to their pre-recession peak until 2038.

Those numbers mean that there are plenty of bargains to be found, and even an occasional steal. Allison Turk, an associate at EWM Realtors, just sold a house on the exclusive North Bay Road in Miami Beach for the second time in five years. In 2005 the home fetched \$1.3 million; this time it went for \$690,000.

There are caveats when it comes to how one should take advantage of the opportunities in Florida. Cash buyers are going to have an

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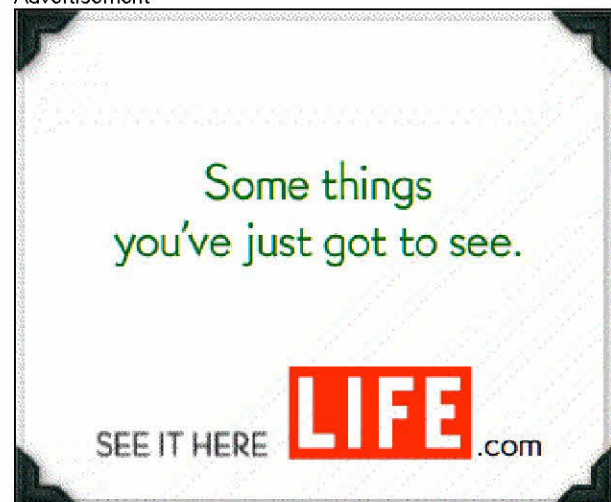
easier time negotiating a deal, particularly if they are using the place as a second home. Banks want to see a down payment of 20% to 25% or sterling credit for those financing. Rates are also incrementally higher for people who will use the property as a second home or a rental.

Single-family homes are where prices are firming up the quickest. "They're easier to finance," says Michael Timmerman, senior associate at Fishkind & Associates, an Orlando real estate consulting company. "Many condominium associations did the same thing individuals did [during the boom] -- they said, 'We don't need to fund these reserves.' Now buyers are worried about special assessments."

The real estate recovery in Florida isn't complete by any means. But in a decade smart shoppers will be boasting about the deals they got in 2011 -- preferably by the pool.

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