

# Positive Signs Start to Appear in Florida

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**By Teresa Burney**

Robins may be the harbingers of spring in northern climes, but snowbirds traditionally mark the beginning of the new-home spring selling season in Florida.

For the past few years, the flocks have been thin as many opted to stay perched on their own diminishing nest eggs in the Northeast and Midwest, keeping clear of the Sunshine State's plummeting home sales and values.

But market watchers in some Florida markets say they're back this year. In hard-hit southwest Florida, more than 1,000 shoppers showed up at one of Pulte's DiVosta communities in the Naples area on a recent weekend.

"More people than we could enter into our database system," said Valerie Dolenga, a Pulte spokeswoman. "They're coming from the Northeast, the Mid-Atlantic, Midwest. They're attracted to the lock-and-leave lifestyle."

Likewise, sales agents and builders in Fort Myers and farther north on Florida's West Coast in the Sarasota-Bradenton area are reporting high turnouts at their annual parade of homes events. And they're more than just tire-kickers, said David Wick, of Medallion Homes and president of the Home Builders Association of Manatee-Sarasota.

There's more than anecdotal evidence that things are improving in the Manatee market, said Wick. Manatee County issued 178 permits for new homes in the first two months of 2010, he said. That's more than twice the 71 that were issued in the same period of 2009.

There are some other concrete indicators that the selling world is on the verge of improving in Florida.

Consumer confidence among Floridians is higher this year than last by a point or two, according to a survey by the University of Florida's Research Center's Bureau of Economic and Business Research. That's despite the fact that the state's unemployment rate increased to 11.8%. And perceptions as to whether it is a good time to buy big-ticket consumer items actually rose a point.

"January's preliminary index of 75 seemed more optimistic than it should have been given the economic climate in Florida," said Chris McCarty, the survey director. "Following another week of data collection, the index was revised downward to 74, which still seemed high."

Another Bureau of Economic and Business Research report, which predicts the state's population, recently reported that the decrease in population it reported last year (the first since World War II) is expected to reverse to an increase in the coming year.

Florida's population is expected to increase by about 23,000 residents between April 1, 2009, and April 1, 2010, after losing almost 57,000 the previous year, the report said.

"Based on changes in electric customer data, we believe Florida's population has increased slightly over the past year," said bureau director Stan Smith, who led the research. "This may be an indication the state's economy is no longer declining at the rate it had been before."

Although the state's unemployment rate remains very high, there are signs that the housing market is starting to pick up in a number of places, he said. "It appears the state's population loss was a one-year occurrence. Even so, Florida's growth will be very slow during the early years of the new decade."

Not until 2014 or 2015 will the state return to annual population gains that are close to 300,000, the average annual increase over the past 30 to 40 years, Smith said. Population grew by more than 400,000 residents a year during the housing boom between 2003 and 2006, he added.

But home builders are betting that it will grow again, and they're not waiting until the market is in a full upswing to reinvest in the state. Lennar, particularly, has upped its ante in its home state, buying or optioning 2,700 Florida lots in 38 communities across Florida from the 5,499 lots Starwood Land purchased out of TOUSA's bankruptcy. It also recently gained access to more Florida land through its subsidiary Rialto's deal to partner with the FDIC to manage troubled real estate assets.

In the Orlando area, Lennar's buying spree is translating into the purchase of 500 home sites in 18 new communities. In Tampa, it will involve 200 home sites in 10 new communities, said Mark Metheny, Lennar's Central Florida division president, in a press release.

"We have been carefully monitoring economic conditions, and the timing of this announcement is no accident," Metheny said. "The residential real estate market was on the forefront of the economic downturn. Likewise, home building will be one of the first industries to experience recovery, and we are seeing those positive indicators now. Lennar is very bullish on Central Florida."

While not as bullish on Florida as Lennar or a number of other large public builders who are on a buying spree in the state, Standard Pacific has also decided to up its investment, land shopping in its Jacksonville and Miami markets where it had stopped buying last year.

"As we look at the whole country, our experience is that Florida still lags behind a little bit in some of the housing fundamentals," said Scott Stowell, Standard Pacific's COO, who is visiting the Florida markets this week. "Land prices are still difficult to justify based on where retail sales prices are. There is not a ton of stability in house prices across the state, but there is improvement, and that's why we are allocating capital toward divisions and asking to grow communities."

"But we are not buying aggressively in Florida like we might in other parts of the country," Stowell added.

Standard Pacific has closed some land buys in Tampa, has a few under contract in Orlando, and is negotiating some deals in Jacksonville. It's looking at new land in Miami as well, said David Pelletz, president of Standard Pacific's Florida operations.

But many of those deals are simply to refill the land pipe emptied by construction in the last few years rather than an aggressive buy to seriously bid heavily on Florida's recovery.

"Some of the other builders are very aggressive," Pelletz said. "They are banking on the turnaround that everybody believes is going to come."