

Luxury home sales on the rise again in South Florida

MIAMI – Aug. 4, 2009 – Jose Garcia looks over the contract for his Gables Estates home with Realtor Audrey Ross, who deals with the ultra-luxury housing market. The price of Garcia's home: Just under \$20 million.

Elite Realty. "Now, we're getting five, six, 10 families coming through. I'm really praying and keeping my fingers crossed this is a permanent thing."

Confidence seems to be returning, as well as a rising tide of money from outside the country, positive signs for both the high-end housing market, and the real estate market in general. Demand fed by foreign money has always been a critical piece of the real estate puzzle in South Florida.

"We're on our way out of the worst (of the economic downturn)" said Manny Mesa, a Doral-based trial lawyer who is hunting for a bigger home for his wife and four children.

On Thursday, he toured the digs of former Miami Heat point guard Tim Hardaway. Hardaway is asking \$3.9 million for the five-bedroom, five-bath home on almost two acres in the Pinecrest area. It boasts a six-foot coral rock wall for privacy and a closet the size of a very large bedroom.

"People are confident that the world is not ending," said Adam Greenberg, a managing director for BayBridge, a Miami-based brokerage and mortgage banking firm. "They were so concerned it was ending and that our financial system could falter."

When the global economy took a dive last year, real estate prices plummeted, including prices for South Florida's toniest properties, priced at \$1 million or more.

And then things got worse. As the calendar year turned, fear that the global financial system was heading off a cliff brought South Florida's luxury home market – largely dependent on foreign wealth – to a standstill. In January, just nine houses priced over \$1 million sold in Miami-Dade and seven in Broward.

But now brokers and some analysts are sensing a collective, if tentative, sigh of relief among the very wealthy, as evidenced by the recent uptick in luxury home sales. In June, the last full month of available data, 25 were sold in Broward and 41 in Miami-Dade.

The figures are still significantly off from the market's peak, when about twice as many were selling on a monthly basis. And prices are still droopy.

Nonetheless, real estate brokers say it is evident that foreign buyers are returning to South Florida as news spreads globally that many of the region's tropical, waterfront palaces are on sale. Among the bargains: Shaquille O'Neal's 2.45 acre estate on Star Island, which sold recently for \$16 million, about \$2 million less than he paid for it in 2004.

Marketing a really ritzy home can involve having a robust website devoted just to that one property, color spreads in the Robb Report (billed as "The Global Luxury Source") and advertising spots on shows like Extra and Power Lunch on CNBC. But in other ways it's not that different from selling a two-bedroom CBS in South Miami. Delinois recommends having scented candles burning and a loaf of bread baking in the oven.

"Smell is very, very important," said Delinois, who must know something, having sold Hulk Hogan's home on North Bay Road in Miami Beach for a whopping \$17.9 million.

Alas, despite Delinois' recommendation, Hardaway didn't have any candles burning or bread baking when Mesa stopped by. He didn't get the sale either.

Mesa said he was going to keep on looking.

Brokers and analysts say the renewed activity in high-end real estate is at least partly because of a revived interest among lenders in making very large loans, called jumbo loans.

Banks' appetite for jumbo loans – defined as more than \$423,750 in South Florida – had all but evaporated as lenders hunkered down to weather the storm.

"They are marketing, inviting us to their offices to meet with them to tell us what they can do," said Tere Bernace, a broker specializing in waterfront properties in Coral Gables and a former banker with Barclays Capital. "They say they are trying to increase their profile again in our market."

Added Delinois: "I have never had a bank calling before to say they were lending." BayBridge's Greenberg said banks are interested in the rich and famous because they are looking for safety.

"They see values as very depressed and borrowers in the super luxury home market as a very unlikely default candidates," he said.

In the past 30 days, BayBridge has closed three loans that were over \$5 million.

"I've never had a client that has defaulted on a loan over \$5 million in the nine years I've been doing this," Greenberg said.

Spokesmen for Ocean Bank and BBU Bank in Coral Gables acknowledged they are actively seeking the business of luxury home buyers.

That doesn't mean the loans are easy to get. Large loans require much heftier down payments – up to 50 percent of the purchase price – and stringent verification of income and assets.

Those who buy in the ultra-luxury category (homes priced at \$5 million or more) often aren't looking for loans.

"Most of the people who buy at this price point don't finance, and if they do, it's a matter of convenience," said Audrey Ross, a senior vice president of Esslinger Wooten Maxwell.

In the past three months, Ross brokered three sales in Gables Estates – each for more than \$5 million, she said. Two were all-cash transactions.

Ross, who has specialized in high-end real estate for 25 years, said typically the ultra-luxury sector takes less of a hit in real estate downturns and is usually the first to recover.

Luxury prices have held up significantly better in the current slump than the market as a whole, according to Coral Gables-based real estate analyst David Dabby.

For homes selling for more than \$1 million, the price per square foot has fallen about 14 percent in Miami-Dade and 20 percent in Broward from the 2006 peak.

That compares to a 50 percent decline in the market as a whole, Dabby said.

Jill Hertzberg, a broker with Coldwell Banker, who along with her partner Jill Eber was ranked eighth nationwide in sales volume last year by The Wall Street Journal and LORE Magazine, said unheard of deals on luxury properties are driving interest.

Hertzberg cooed over a fully renovated home in Miami Beach with a stunning wide-water vista of Miami's skyline that "screamed out to anyone wanting a downtown view and a beautiful home."

Originally listed for \$4.1 million, the property was dropped to \$3.2 million and quickly drew multiple offers. It is now under contract and a closing date has been set.

"These are great properties," Hertzberg said. "They aren't second-rate properties. They are adjusting down to prices that are incredible, that no one has see before and people are buying them."



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