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## Real estate experts face off -- again

By MATTHEW HAGGMAN

Last year we invited local housing market analysts Michael Cannon and Jack McCabe to The Miami Herald to discuss the housing boom's fizzle. The bull and the bear of South Florida's real estate market didn't agree on when things would start to turn around -- or much of anything else.

In this week's cover story we brought the pair together for another face-off after a year of unprecedented upheaval in the housing and credit markets. The fur flew, and once again Cannon and McCabe didn't agree about much of anything.

Here's a look at what they predicted last year:

**McCabe:** Prices will drop 10 percent to 15 percent each year into 2010. Few buildings and areas will be insulated from the down draft. Foreclosures will spike. Not until the decade is over will prices start to stabilize. These problems will send the area into a recession in the third quarter of 2008.

**Cannon:** Prices are rolling back to around 2004 levels -- where they would have been anyway if the boom hadn't produced unusual, and unsustainable, price gains. Few will lose real money. A readjustment to normal market conditions -- a better balance between buyers and sellers -- will continue for the next 18 months. But, so far, this relatively orderly transition has not produced panic sales.

**What has happened since last year:** Home prices rolled back to 2004 levels. Lower prices -- driven by banks unloading foreclosed properties, short sales and individuals sellers slashing prices -- resulted in a pick-up in stagnant home sales starting this past summer. That, in turn, led to the outsized inventories of unsold homes beginning to shrink slightly. There's still an enormous excess of homes for sale locally -- both single-family and condominiums.

The National Bureau of Economic Research declared earlier this month that the economy was in recession and had been since December 2007. The big problem undermining the economy: a collapsing credit market. Lenders funded way too many risky mortgages that went bust, resulting not only in a spike in foreclosures but in a historic meltdown among large banks and Wall Street investors who lent or invested in home loans.

The economic fallout included the biggest bank failure in U.S. history -- that of Washington Mutual -- and the largest bankruptcy -- that of Lehman Brothers. The financial distress spread into all sectors of the U.S. economy, prompting massive intervention by the federal government including bailouts of big U.S. banks, investment firms, and an insurance giant.

Locally, builders like TOUSA in Hollywood and WCI Communities in Bonita Springs filed for bankruptcy protection. Levitt & Sons in Fort Lauderdale was liquidated. South Florida city and county governments received \$161 million in federal funding to purchase and rehab foreclosed homes.

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