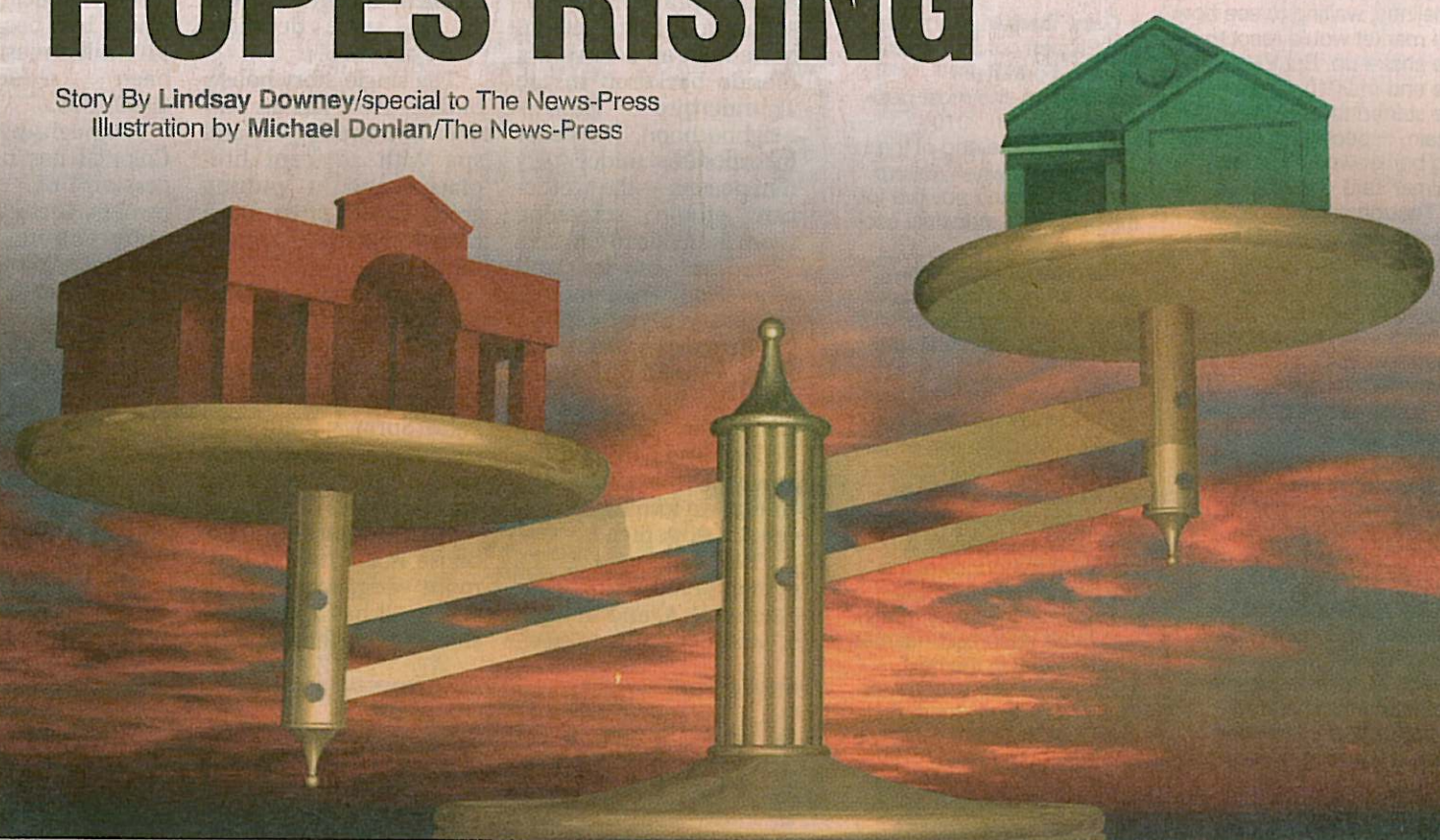


STRONGER HOUSING MARKET SEEN IN 2011 HOPES RISING

Story By **Lindsay Downey**/special to The News-Press
Illustration by **Michael Donlan**/The News-Press



Commercial lags residential; slow return to stability likely

Most Lee County real estate professionals found some glimmer of hope by the end of 2010.

For some, activity increased and positive signs pointed to a modest rebound. For others, the numbers appeared more dim, but there were indicators that if it hadn't yet begun, recovery could be on the horizon.

From residential to commercial, here's what local agents predict for the 2011 market.

COMMERCIAL MARKET

Mark Alexander,
SPERRY VAN NESS,
FORT MYERS

The commercial market generally lags behind residential, Alexander said, and could reach bottom by the end of this year or early 2012.



ALEXANDER

Alexander, a speaker at the 2010 Certified Commercial Investment Member Outlook Conference in Fort Myers, said he's concerned that, according to the National Association of Realtors, \$310 billion worth of commercial real estate mortgages came

due in 2010, and that number is estimated to rise to \$500 billion this year.

In 2012, the amount coming due in mortgages may then more than triple over the previous year, he said.

Property owners who don't have cash to put down could lose spaces to foreclosure, while landlords continue to drive down price as they attempt to lure tenants across town with lower rents.

The 2011 commercial market looks less promising than 2010 and 2012 could be worse, Alexander said. It's all part of the natural order of corrections.

"We got too overinflated and now it's time to pay the piper," he said.

See **COMMERCIAL G2**

RESIDENTIAL MARKET

Ryan Chiodo,
EXIT PLATINUM REALTY,
ESTERO

In 2010, residential real estate sales picked up as the year went on, Chiodo said.

Many buyers paid cash, and short sales, which were difficult procedurally in the past, have smoothed out, he said — all signs that point to a strong market in 2011.

"It seems to be very systematic now," Chiodo said of short sales. "There's always a discrepancy between price point — what the bank thinks it's worth and what the owner is willing to pay — but it seems like they somehow get the deal done."

Overall, prices should still be favorable for buyers over the next 12 months, and likely won't increase much this year, Chiodo said.

"You might see a slight uptick off the bottom because inventory's gotten soaked up pretty good," he said. "In most price ranges, there's only about a 12-month supply of inventory."

Brett Ellis,
REMAX REALTY GROUP,
FORT MYERS

This season, snowbirds began to purchase South-



CHIODO



ELLIS



TATE



TUMBARELLO

west Florida properties as early as October and November 2010.

"It was the first year in about three or four years where we saw that happen," Ellis said.

Harsh winter weather up North could continue seasonal purchases early this year, and, Ellis predicts, prices will begin to rise.

Overall, though, the market will hinge on larger trends. Homeowners who have stayed afloat the last few years but have now exhausted reserves could begin to default on their mortgages, Ellis said.

Foreclosures should continue this year as banks resume procedures, he said.

"How long this economy's recovery takes is going to determine how many people get caught up in this web," he said. "That's the wild card. I don't think anybody can predict how much longer we have to go on the foreclosures."

Gloria Tate,
RASO REALTY,
CAPE CORAL

The residential landscape should improve in 2011, thanks to an influx of international investors and those who are paying cash for properties, Tate said.

Though people are still struggling, Tate believes more jobs are becoming available and buyers are beginning to feel more comfortable in the market. Prices probably won't rise much this year and short sales will continue to dominate, she said.

In terms of physical signs of the foreclosure crisis, Cape Coral isn't plagued with as many abandoned properties and overgrown lawns as it was a few years ago, Tate said, which helps buyers feel optimistic.

"It doesn't look like everything is for sale anymore so you begin to realize the value of the waterfront property again," she said.

Jeff Tumbarello,
STEELBRIDGE REALTY,
FORT MYERS

The next 12 months will be a transition phase, Tumbarello said. As the first baby boomers turn 65 this year, they should be looking to take advantage of low prices in our area, said Tumbarello, director of the Southwest Florida Real Estate Investors Association.

There's 13 percent more depository money in this area than there was in 2005, he said, and about 69 percent of 2010 residential sales, including condos, were cash transactions.

"I don't know anywhere else in the country that has that percentage of cash sales," Tumbarello said.

While he believes the nation and most of Florida will see a second wave of foreclosures this year, Tumbarello doesn't think that will be the case for Lee County.

"We're going to benefit from the fact that we crashed first in the nation," he said.

But problems still lie in perception. Some in the industry focus on what used to be, instead of embracing the new market, Tumbarello said.

"If your first party was Mardis Gras, it's hard to be excited about a dinner party," he said.

COMMERCIAL

Continued from G1

Adam Palmer LANDQWEST COMMERCIAL, FORT MYERS

Stabilization will be the key to 2011, Palmer said.

With the bulk of layoffs in



PALMER

the past and new jobs on the way, the slow recovery should spread to the real estate market as well, he said.

During 2009 and early 2010, some commercial buyers, particularly investors, sat on the sidelines, waiting to see how the market would react to the shake-up. But toward the end of 2010, those people started to become active again, especially in purchasing bank-owned spaces, Palmer said.

Though sales numbers are still lackluster, positive absorption rates signal recovery and absorption should continue in 2011, helping values to stabilize, Palmer said. Continued stabilization this year should persuade banks to begin loaning again.

"Once the banks begin to loosen up on investment loans, that's going to be a good sign of the beginning of a recovery," Palmer said.

- **Lisa Sands**, Sands Commercial Group at VIP Commercial, Fort Myers

Sands expects the commercial market this year to improve slowly, with perhaps a bit more activity than 2010 as prices continue to skip along the bottom. Recovery is slow, Sands said, because people aren't letting go of boom-time market perceptions.

Ultimately, though, buyers and sellers will have to come closer in negotiations for the market to improve significantly.

"It's a matter of the sellers deciding how long they



SANDS



TASMAN

want to continue to bleed and if they just want to bleed a little or a lot," Sands said.

Retail is beginning to emerge above other commercial retail sectors, Sands said, while land acquisition is the slowest to bounce back.

"Land has really been hit the hardest but we've had a couple of land deals so maybe that's starting to break as well," she said.

- **Gary Tasman**, Commercial Property of Southwest Florida, Fort Myers

For Tasman, the most positive indicator in 2010 occurred at the end of the third quarter, when absorption rates turned positive for the office and industrial sectors.

"That was a critical milestone, in my opinion, in our steps in recovery because it was an indication that businesses generally rented more space than they gave up," Tasman said.

Retail absorption stayed flat, he said, but it never got as out of balance as the other two sectors to begin with.

This year, the market should continue to bounce along the bottom and become stronger as inventory continues to be absorbed. Tasman predicts that in the next three to five years, commercial rents will spike dramatically and the market will see a shortage of space.

It will likely also take a few years before new commercial construction hits the ground, he said.

"For construction to rebound, we have to see positive job growth," Tasman said. "We have to see a more friendly lending environment and we have to see a more optimistic outlook from developers and investors."