



WHAT'S UP CHICKEN LITTLE?

Apparently, it's property values that are up in Naples, and somehow, that's still a bad thing.

After our initial Special Report comparing recent real estate "bubble" articles to the classic children's story of Chicken Little and his "sky is falling" theory, we're dismayed to announce that the little bird is still at it.

Citing a recent study by Global Insight, and economical, financial and political forecasting company, and National City, a financial holding company, on the first quarter 2006 national housing market, US News & World Report states that, "The frothiest region in the country, according to the study, is Naples, Fla., where home prices are said to be 103 percent overvalued".

Which begs the question, why is it okay for markets like New York, San Francisco and Los Angeles to have extremely high property values, but it's not okay for Naples, Florida? Global Insight/National City base their findings on studying house prices, interest rates, household incomes and population densities.

Isn't it feasible to say that value determination should really be based not only on these things but also on what else a market has to offer an owner, and more importantly, what prices the market will bear?

Other claims US News & World Report make include, "Under normal circumstances, the fact that housing prices are continuing to rise would be something to cheer. But the housing boom has been going for most of this decade. And housing markets can't be overvalued for too long, as imbalances in residential real estate prices will eventually lead workers to relocate to more affordable cities."

It just seems to us that these statements do not take into account everything that Naples has going for it. No offense, but Naples is not Cleveland.

Consider these findings by the National Association of REALTORS® (NAR) –

- 1 Million new residents come to Florida each year,
- Florida is the Number One job creation state,
- There is a 3 - 4% annual Job Growth Rate in Florida,
- Florida has the best demographic trends in the country,
- 78 million baby-boomers are currently buying 2nd homes, downsizing, and/or investing – many in Florida,
- 75,000 legal immigrants came to Florida in 2005,
- International money is the “X-Factor”. Florida gets a significant amount of funding from Latin America - \$21 Billion so far in 2006,
- 15% of real estate sales in Florida last year involved foreign money

The NAR, a worldwide association of professional real estate agents, also predicts that although sales of single-family homes and condos are down from last year, Florida’s local economies are healthy so our market will most likely experience a “soft landing” – not a burst or a crash.

The US News & World Report article goes on to say, “The bottom line: Real estate prices eventually correct themselves. And unfortunately for homeowners, it often takes years before home prices start to rise again...”

But then they go on to quote Richard DeKaser, chief economist for National City as follows, " 'And the average duration of these adjustments is 3.5 years,' says DeKaser."

Whew! When they originally said, "it often takes years..." I almost lost my lunch. I was thinking 10, 15, 20 years! But 3 and a half years? Well, I guess for flipping homes, that's not great news. But for the person who wants to live here permanently or part time, buy a rental property or a vacation home, 3 and half years is pretty reasonable. Additionally, the NAR sees normalization of the market happening within 1 year or even less, not the 3.5 years reported by National City.

The *coup de grace* of US News & World Report's article comes in the form of a little emotional manipulation, if they didn't get you with their "study", they'll go for the guilt. Their parting paragraph is as follows: "So what about families who recently bought into one of these "extremely overvalued" markets in hopes of turning a fast buck? ' I extend them my deepest sympathies,' says DeKaser."

Let's take a moment to analyze this. Note the use of the word "families" and the phrase "fast buck". They don't seem to belong in the same sentence, but you felt bad when you read that passage right? Especially with the expert extending a dramatic "deepest sympathies" gesture. In our experience, families are most interested in buying homes near good schools, good hospitals, in a good neighborhood so their kids can grow up safe and sound. Sure they want value too, but making a "fast buck" is not among their highest motivations.

So who are you going to believe? Seems to us that there is a great deal of logic in the NAR's stance and a great deal of melodrama in news articles. The fact of the matter is, Naples is rising in the ranks of America's greatest cities. With that sort of rise, come higher property values. This is something that the media and the reporting agencies are going to have to come to terms with.

We all agree that there will be a period of equalization, but the media's "sky is falling" scenario is just a fairy tale...a dark, scary fairy tale, that buyers and sellers need to take with a grain of salt.

If you want to know the most accurate information about the Florida Real Estate Market and what it means for you, call The Parlante Group at 1-800-562-0233, email us at info@NoSnowNaples.com or visit our web site: www.NoSnowNaples.com