



Expert Opinion: Naples Real Estate Market: What Happens Now?

**Past, present and future of a market that has seen
incredible highs and crushing lows.**

Now that the season is over, anyone with a property still on the market has some heavy decisions to make. Everyone you ask has an opinion about the state of the current market, where it will go, and how long it will take to get there.

We decided to ask a true expert, Larry LaCroix, property appraiser with The Appraisal Shoppe in Naples. As an appraiser for nearly 30 years, Larry has seen Naples grow from a sleepy beach town to a bustling resort city. He's seen ups and he's seen downs in the home market and he's confident that Naples is on the upstroke. But how it all happened and who was more affected by it, may surprise you.

Location: The Question & The Answer

According to Mr. LaCroix, everything begins and ends with location. When valuing any property, location is the primary consideration. And location plays a big part in whether you'll end up winning or losing in this market.

Mr. LaCroix says that depending on the community and the lot within that community, buyers and sellers are experiencing many different market conditions. The current conditions for marketability for each are strikingly different as well.

In addition to location, Mr. LaCroix advises "the value of the land should be directly proportional to the value of the home on that land." But there is a sliding scale from community to community. Older neighborhoods have seen land values increase and home values decrease - for original homes. Teardowns and remodeled homes in these areas have somewhat evened out the proportion. In newer communities, it is quite normal to see homes worth 3, 4, or even 5 times the value of the lots they're built on.

However, Larry goes on to say, "in communities that were highly speculative during the boom, some people paid premium prices for land, say \$130,000 and built a \$300,000 house on it. Now that the market is leveling, not only has the lot lost value, but the frenzy that drove construction costs up has died off too. It's a double hit."

In fact, Mr. LaCroix says that the most dramatic price shifts are seen in communities that had heavy investor speculation during the boom.

Golden Gate Estates & Marco Island

The Naples communities of Golden Gate Estates and Marco Island are experiencing some of the most striking shifts in value. "People were not buying based on what they thought it (the property) was

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worth to them as a user, but based on what they thought they could resell it for. That's a formula for disaster," says Mr. LaCroix.

If you were one of those that speculated in Golden Gate Estates or Marco Island, you may be feeling the pinch now. During the peak the 75 foot so-called "band-aid" lots (because of their long, narrow shape) in Golden Gate were going for well over \$100,000. Today, those same lots are valued around \$60 or \$70,000.

In Marco Island, a basic canal lot couldn't be had for less than \$800,000 during the boom. Now they are worth closer to \$400-450,000, a tremendous loss of value.

True, if you were an investor in these areas and you got in at the beginning or even the middle, you probably made a tidy profit. According to Mr. LaCroix, "the people that really feel it are those that came in at the very end as investors."

End Users Will Be the Victors

In areas where there was less investor activity and more people just buying homes to live in, shifts in price are less painful. If past history is any indication, end users who will still be here in 2-3 years can take comfort that the value of their property is fairly safe.

Park Shore and Moorings are two such examples that Mr. LaCroix gives where "current price value is comparable to prices somewhat before the 2005 peak. There has been a significant drop, but if you look at the prices back in '02 and '03, values have still come up a good amount."

Other interesting places to examine the market are in the high-end communities, which Mr. LaCroix says in many cases have hardly lost any value at all. These areas are special; people buy here because they want to live on the beach or in a luxury home.

Port Royal for instance, has seen some falling off of value on less desirable properties – ordinary canal lots, narrow water views, and smaller lots. But Mr. LaCroix sees "the prices for premium lots or better lots are holding, and may even be rising a little."

Near Future

Mr. LaCroix feels the market will see some significant action as the summer unfolds. The season is over and most sellers are accepting the reality of current prices.

But changing that asking price takes more than just a pen-stroke. Mr. LaCroix says it's emotional. "Everyone knows the highest priced listing on their street, and no one wants to admit to having the one that's lower. The one that's lower is perceived as the bad guy because he is thought to be lowering the value of the neighborhood."

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Still, sellers who just don't want to wait any more will lower their prices. Many buyers will get some pretty good deals this summer. Other sellers are in "wait and see" mode, which is fine if they have some time to spare.

Mr. LaCroix estimates that the market could take about 3 years to level out. "The sheer number of properties on the market will have to be much more reduced before the higher priced homes sell. Once supply shrinks, the market will creep up again."

The Never-Ending Cycle

Now that the dust is settling, observers may see the Naples real estate market over the past few years as somewhat more elliptical than circular, but it is a cycle nonetheless.

With all his years in the appraisal business Mr. LaCroix has seen ups and downs many times before – possibly none this dramatic – but his knowledge, experience and insight tells him that the market will level out, even in the hardest hit communities.

Mr. LaCroix also has a gut feeling about Naples. It is a special place, incomparable to any other city in the nation. Naples is more than land and homes - it is a lifestyle. Investors will come and go, but those who simply love the water, the beach, the city, the weather – they are here for the long run. And that just about ensures a continually healthy real estate market.

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For more information on Naples and current market conditions, contact Larry LaCroix at The Appraisal Shoppe, (239) 435-1111 / www.TheAppraisalShoppeInc.com

To find properties for sale and learn about Naples communities, please visit our comprehensive web site: www.NoSnowNaples.com or call on our team of real estate experts at (239) 261-9050 / toll-free (800) 562-0233.

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