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16

ECONOMY

Miami condos: "amazing turnaround" says Fed official

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Miami was the poster child for the national housing crash, but now its real-estate rebound is turning heads. That will end if prices take another dive.



Downtown Miami sparkles Thursday, October 20, 2011, viewed from the 34th floor sales center of Vizcayne, an 849-unit condominium. MARSHA HALPER / MIAMI HERALD STAFF

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Dennis Lockhart, president of the Federal Reserve's Atlanta division, expected far worse from Miami real estate.

"In 2008 and 2009, what I was hearing was condo towers essentially being empty" in downtown Miami, Lockhart told a Broward County business group Wednesday morning. A recent survey shows something far different: about 90 percent of downtown's condos are either rented or occupied by an owner.

"It's an amazing turnaround," Lockhart said.

Lockhart's comments to the Broward Workshop capture a recurring theme for one of the most

battered and bashed housing markets in the country. After years of national attention for an ill-fated condo boom and epic housing crash, South Florida's recovery has caught some people by surprise.

"When someone says something good about Miami, you get some head scratching," said Mark Vitner, who follows the Florida economy for Wells Fargo. "People are surprised at how quickly things have turned around in Miami."

Miami-Dade remains one of the most depressed housing markets in the country, with housing prices down 49 percent in six years compared to 33 percent for the nation as a whole. Unemployment only slipped below double digits in February after three years of being stuck above 10 percent, far worse than the national average.

But on many measures, South Florida's recovery is gaining attention.

This week, Moody's issued a report noting Miami-Dade led Florida's largest counties in posting the first yearly growth in property tax rolls since 2007. Miami-Dade saw its values increase 1.5 percent, followed by Broward's 1.2 percent gain, and a tiny .1 percent increase for Palm Beach.

In the last six months, only Phoenix saw a sharper rise in home values than the 4 percent gain posted by

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South Florida, according to the Case-Shiller index on residential real estate.

"Everybody knows how bad Miami was," said Chris Lafakis, a Moody's economist. "I think not as many people know about the strong increase in ... investor demand."

Cash buyers from Latin America and Europe get most of the credit for Miami's real-estate bounce. "Strengthening sales, mostly from cash buyers and investors, were noted by most Florida contacts," the Federal Reserve reported Wednesday in its latest Beige Book report on the national economy.

But those foreign ties could make this a rougher year in South Florida than elsewhere in the country, as Brazil's slowing economy and Europe's potential financial meltdown threatens to upend Miami's advantages.

South Florida also retains one of the country's biggest inventories of foreclosed homes, and that pipeline of distressed real estate could drag down the region's housing prices. Jack McCabe, a real-estate consultant in Deerfield Beach, said: "When people say we're at the bottom and things are on the upswing, I just don't think they're looking at all of the available information."

Moody's predicts a 9 percent decline in property values in South Florida this year, thanks to a growing pipeline of distressed real estate. Still, that's better than the 12 percent drop forecast at the start of the year. Lafakis said demand from foreign investors for Miami real estate prompted Moody's to upgrade the forecast.

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16

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