Cash home sales dominate market

By KIMBERLY MILLER

Palm Beach Post Staff Writer

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The reign of cut-rate mortgages and easy home loans is over in South Florida, making way for the return of the king - cash.

About 54 percent of home purchases in Palm Beach, Broward and Miami-Dade counties were cash buys in the final quarter of 2010. That's about 7,530 homes and condominiums between October and December that were paid for with Benjamins instead of borrowing, according to real estate analysts at Zillow.

In South Florida's real estate zenith of 2006, just 13 percent of sales were in cash. In pre-boom 1997, cash buys made up 31 percent of the market.

Of 11 major metropolitan areas in the country studied by Zillow, South Florida had the highest percentage of cash buys in the fourth quarter of last year.

"I haven't pulled a mortgage in six months," said Corcoran Group agent Anthony Pizzarelli, who specializes in downtown West Palm Beach condos. "You just have a lot of people with a lot of cash running around."

Many of those financially gifted consumers, however, are not South Floridians buying a homestead.

Investors and international buyers are driving the cash deals, including Canadians who get loans in their own country to buy winter escapes here with ready money.

Stricter lending standards also are contributing to the plethora of cash buys, as well as snowbirds Bill and Clara Marie Jessup.

Spring Hill, Tenn.-residents during the summer, the Jessups typically rent a place in South Florida through the fall and winter.

This year, with bargain-basement home prices, the couple decided to buy. They shopped for about two weeks before getting a $149,000 cash contract on a three-bedroom, two-bathroom pool home in Palm Beach Gardens that is bank-owned.

Clara Marie Jessup said they decided to pay cash because they believe a home will bring a better return on their money than a CD or other investment.

"Any kind of interest income is so low right now, we might as well put it into a house," she said. "If prices go down any more, they're not likely to go down appreciably."
Ally Bank was offering 1.84 percent interest last week on a three-year CD. Nationwide Bank offered 1.85 percent.

Sales of existing homes jumped nationally and in Florida in January, according to reports released last week by Realtor groups. Statewide, sales were up 14 percent compared with January last year. They rose 36 percent in Palm Beach County.

The National Association of Realtors said the increases were fueled by cash purchases, which accounted for 32 percent of January home buys nationwide. That's the highest level since the group started measuring cash deals in Oct. 2008 when they accounted for 15 percent of the market.

In Palm Beach County, 2,039 cash deals were done in the last few months of 2010, up 45 percent compared with the same time in 2009, according to Kent Clothier, CEO of REI Marketing, LLC in Boca Raton.

"Hopefully it's a good sign that the economy is turning around," said the Jessups' Realtor Shannon Brink, of Re/Max Prestige Realty in West Palm Beach. "People are spending money again on Florida real estate."

William Stronge, a professor emeritus in economics at Florida Atlantic University, said the cash buys are indicative of how far the market has fallen, and will have both a negative and positive effect on South Florida.

While cash is helping sell homes to international investors, it's not helping create financial sector jobs in the mortgage industry.

"In that sense, there might be a slight negative," Stronge said. "But on the other hand, you're attracting people into the market who might not have come otherwise."

A cash deal is a necessity for Paul Advani. A Toronto Realtor looking to buy a place in South Florida, Advani said he wouldn't qualify for a U.S. loan.

"That doesn't mean I have cash, cash, cash in my pocket," Advani said. "But I can borrow here and pay cash there."

Plus, Advani said he thinks he'll get a lower price with cash.

"They know the deal is done when it's cash, there's no waiting" he said. "Cash has power, cash is king."