

# Naples Rises From Florida Housing Swamp as Wealthy Buyers Return

By Dan Levy - Mar 23, 2011

Joshua Bahoff bought a three- bedroom luxury condominium in Naples, [Florida](#), in December for \$235,000, about one-third of the price that the seller paid near the height of the U.S. housing boom.

“It was a great deal,” said Bahoff, 59, a Philadelphia dentist who plans to spend one week a month every winter in the 2,700-square-foot (250-square-meter) property in [Fiddler’s Creek](#), a residential and golf development south of the city’s downtown historic district on the Gulf of Mexico. “We can’t see this market going down any lower.”

While much of Florida’s real estate market remains depressed by foreclosures, buyers seeking a second home in the state’s affluent vacation enclaves are “finally getting off the fence,” [Karen Van Arsdale](#), an agent at Premier Sotheby’s International Realty in Naples, said in a telephone interview.

Sales in the Naples area last year rose 10 percent, the first annual increase in at least five years, while the median price for homes listed at \$300,000 or more gained 4 percent to \$544,000, according to data compiled by the Naples Area Board of Realtors. About half of the properties in the market are second homes, and discounts from 2006 peak prices average about 25 percent, said Brenda Fioretti, president of the group.

“Wealth determines housing, and the good places pick up first,” [Karl Case](#), 64, a professor emeritus in economics at [Wellesley College](#) in [Massachusetts](#) who has been visiting Naples since a family vacation took him there when he was 13, said in a telephone interview. “For people with deep pockets, it’s generally a flight to quality.”

## Atlantic Coast

Resort towns on Florida’s Atlantic coast are starting to follow the lead of Naples, said Patricia Fitzgerald, president of the Florida Realtors. Sales in [Boca Raton](#), Jupiter and [West Palm Beach](#) rose 32 percent for existing houses and 40 percent for condos in February from a year earlier, according to the group.

Rising stock prices and the decision by President [Barack Obama](#) and Congress not to increase tax rates in 2011 contributed to the surge in deals, according to Van Arsdale. Record cold temperatures in parts of the Midwest and Northeast this winter “nudged people” to make real estate purchases they’d been putting off, she said.

Home values in South Florida markets may show a “surprise upward” trend while U.S. prices remain flat this year, according to [Lawrence Yun](#), chief economist in [Washington](#) for the National Association of Realtors.

“Given that they are historical vacation destinations for the wealthy, and the stock market having risen so much, it’s possible that they get a nice snap back even though I’m calling for no change nationwide,” Yun said.

## International Buyers

The Standard & Poor’s 500 Index, a benchmark for U.S. equities, has risen 91 percent since reaching a 12-year low in March 2009.

International buyers seeking to protect their wealth with U.S. hard assets may also buoy South Florida, according to a June 2010 report by the Chicago-based Realtors association. Florida properties accounted for 22 percent of all purchases made by buyers from outside the U.S. in the 12 months ended in April, the most of any state, according to the report.

The surge in Naples luxury prices contrasts with much of Florida's housing market, where values are falling amid a glut of foreclosed properties. Loan servicers have been slow to resume home seizures as state attorneys general investigate mortgage-industry practices such as robo-signing, or using employees to sign affidavits and other documents, according to RealtyTrac Inc.

### Foreclosure Ranking

Florida's ranking of foreclosure filings per household fell to eighth among states last month from second in September, before the robo-signing controversy broke, the Irvine, California-based data seller said March 10. Florida ranked second in the number of filings sent to property owners with 18,760.

"The foreclosure market is completely dysfunctional," said [Michael Olenick](#), founder of LegalPrise Inc., a data seller based in [Palm Beach](#) that focuses on distressed properties. "People have given up finding a really cheap foreclosure."

WCI Communities Inc., a Florida homebuilder that emerged from bankruptcy in September 2009, has "aggressively" reduced peak prices by as much as 40 percent at nine of its developments around the state, including three in Naples, Chief Executive Officer David Fry said in an interview.

The Bonita Springs-based builder, which cut its staff from 4,000 to 600, expects to sell 300 units this year and almost double that number in 2012, he said.

### Land Prices

"The stock market has favorably affected confidence in recent months," Fry said as he sat on the back patio of the Ritz-Carlton Hotel and Golf Resort in Naples, which WCI developed in 2002 as part of its Tiburon community. The hotel hosts the Naples Winter Wine Festival, a charity auction and social event that raised \$12 million in January, 48 percent more than last year.

Land prices are rising as the real estate recovery takes hold, according to Steve Hagenbuckle, managing principal of real estate investment firm TerraCap Management Corp. in Cape Coral, Florida. Undeveloped land with zoning approvals in Estero, north of Naples, sold to a public builder he declined to name for \$40,000 per quarter-acre lot. Eight months ago, Toll Brothers Inc. (TOL) bought similar land for \$10,000, he said.

Premier Sotheby's International Realty sold 41 Naples residences priced at \$2 million or more this year through March 17, a gain of 14 percent over the same period in 2010, according to Lutgert Cos., a Naples property developer that owns the brokerage. There were 55 sales of homes priced between \$1 million and \$2 million, an increase of 17 percent, President Howard Gutman said in an e-mail.

### Closing the Deal

"The buyers are value-conscious, but they're making decisions," said Van Arsdale, who brokered four transactions for a combined \$27 million since Christmas. The properties sold for about 30 percent less than peak prices, she said.

Richard Azrael, 65, wanted to buy last year at WCI's Marquesa subdivision next to the Ritz-Carlton until the company bankruptcy delayed his purchase. Last month, he closed on a three-bedroom, 3,000-square-foot condo and golf membership for \$720,000, saving about \$80,000 over the 2010 price, he said.

"We've been thinking of this for several years, and we felt that if we were going to do it, we should do it now," said Azrael, a [real estate developer](#) from Columbia, [Maryland](#). "We've been spending a lot of time in Florida on both coasts, and we happen to like the pace and environment in Naples."

### Interstate Access

Naples, with a bay like its namesake Italian city, was developed in the late 1880s by John S. Williams, a U.S. senator from [Kentucky](#), and Walter Haldeman, publisher of the state's Louisville Courier-Journal. They built homes, a pier and a 16-room hotel, according to the Naples Historical Society [website](#).

The town, about 170 miles (270 kilometers) south of Tampa, remained “a small, lovely oasis along the [Gulf of Mexico](#)” until the 1950s, the website says.

After U.S. Interstate 75 was extended from Tampa to Naples and international service began at Southwest Florida Airport, Ritz-Carlton opened the first of its two hotels, a resort on Vanderbilt Beach near downtown, in 1985.

“That put Naples on the map,” Gutman said.

Midwest residents had always been the core vacation group, driving south on I-75, and now they were joined by air travelers and international visitors, Gutman said.

The office portion of the Mercato commercial development, a Lutgert joint venture with Barron Collier Cos. that opened in late 2008, is 83 percent leased with tenants including securities brokers Merrill Lynch & Co. and Wells Fargo Advisors, Gutman said.

### Hotels Fill Up

The oldest hotel in town, the [Naples Beach Hotel and Golf Club](#), is also feeling the upswing, said Mike Watkins, whose family has owned the property since 1946. Located on Gulf Shore Boulevard, which passes by the boutiques, sidewalk cafes and mansions of Old Naples, the hotel completed a \$40 million renovation this year that includes refurbished rooms and golf greens and two new pools.

Occupancy in March for the 317-room property may reach 90 percent, the highest for the month in a decade, after the recession pushed the rate to the “low 50s,” he said.

“We’re positive about the economy,” Watkins said.

Case, co-creator of a widely watched home-price index with [Yale University’s Robert Shiller](#), said a steady U.S. recovery bodes well for Naples and the national housing market. Private surveys they conduct every year show “consumer home sentiment is strengthening” after reaching a low in 2008.

“We’re not roaring out of this -- GDP is 3.5 percent to 4 percent and the stock market is around 12,000 -- but I believe we’ve hit a bottom,” Case, whose banker father first brought the family from [New York City](#) to Naples in 1959. He remembers his initial impressions of “a sleepy town that just took off.”

“If you look around the country at places that hold their value, there are not a lot of houses on Martha’s Vineyard or Aspen or Jackson Hole,” Case said. “Naples is one of those areas, kind of a special place.”

To contact the reporter on this story: Dan Levy in [San Francisco](#) at [dlevy13@bloomberg.net](mailto:dlevy13@bloomberg.net).

To contact the editor responsible for this story: Kara Wetzal at [kwetzel@bloomberg.net](mailto:kwetzel@bloomberg.net).