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Residential Real Estate

All-cash deals still dominate, but financing inching back

More foreign buyers now ask help to close

By LAURA STACE

All-cash deals have dominated Miami's residential real estate market since the economic downturn, and while industry experts say this is a continuing trend, they also anticipate more buyers requiring financing entering the market and being able to secure a loan.

There are still many cash buyers in this market, driven by opportunity and timing, said Edgardo Defortuna, CEO of Fortune International Realty. "The ones with the cash can take advantage of pricing opportunities at much greater velocity than those who see leverage as time-consuming and tedious," he said.

However, Mr. Defortuna said, a growing number of foreign buyers see the historically low rates and want to take advantage of the leverage.

"I think the number of cash buyers will still be substantial and dominate the majority of transactions, but there are a growing group of foreigners that might not have the same deep pockets to go all cash and will need financing to complete sales," Mr. Defortuna said.

"Domestic buyers are still faced with difficulty in terms of financing because there are higher credit standards and qualification guidelines."



Photos by Maxine Usdan

"There are a growing group of foreigners that might not have the same deep pockets": Edgardo Defortuna.

For one project they needed 38 different lenders to do 50 or so loans.

"Today, we have more lenders coming to us and offering financing options," he said.

"Banks are eager to lend, especially for high net worth foreign nationals, and the competition has become noticeable."

While some buyers are still finding it difficult to get financing for condos, all-cash deals have started to slow down, said Fernando I. Martinez, Miami Association of Realtors 2013 residential president.

In the single-family home arena, he said, more all-cash buy-

already on track to surpass last year's residential lending volume.

Home Financing Center – the largest independently owned and operated mortgage lender in South Florida – is anticipating ending the first quarter of 2013 closing 20% more residential loans than the first quarter of 2012.

Government agencies are more willing to lend, he said, adding that a lot of buyers who have been sitting on the sidelines waiting for the market to pick up are now able to put at least 20% of the purchase price down, avoiding the need for private mortgage insurance.

Those who lost homes to foreclosure or sold them as short sales at the start of the economic downturn are becoming eligible to purchase property again, he said.

One must wait seven years after a foreclosure (three years if there are extenuating circumstances) or selling a home as a short sale up to four years (two years if there are extenuating circumstances) before applying for financing.

Funds are becoming more readily available through Fannie Mae and Freddie Mac, he said, and interest rates remain

historically low.

Mr. Allen said while foreign investors continue the trend of buying condos in all-cash deals, more local buyers are applying for loans to buy single-family homes.

Lending standards, he said, have returned to those of the pre-boom era where "more common sense prevailed."

He advises those wishing to secure financing for a home to get a pre-approval letter from their lender to find out how much they are approved for before making any offers.

Cash is still king in two major condo projects – one in Midtown and one in Aventura – which both report good sales, with the lion's share being all-cash deals.

At 4 Midtown, launched last September, 166 units valued at \$63 million have sold, said David Staples, director of sales at 4 Midtown in Midtown Miami.

Mr. Staples said 74% of the transactions have been all cash.

"Foreign buyers are accustomed to paying upfront, and it has proven to be advantageous for buyers who desire to streamline their purchases," he said.

Mr. Staples said he is still seeing significant activity from foreigners, but there has been a slight shift recently as more Americans, especially locals, get back into the market.

"More deals are being financed at 4 Midtown as the project matures," he said.

He said he is expecting even more traffic in coming months as

Condos that don't conform to conventional guidelines, he said, still require larger down payments that might not be feasible to the average domestic buyer.

Mr. Defortuna noted that the rise in all-cash sales in Miami's residential market started in 2007 to 2008 during the "mortgage meltdown."

This, he said, put unprecedented strain on available financing options.

He said buyers under contract to purchase homes either had the available cash to close on their legal obligation or had to default on their contracts.

"The resulting distressed market created a wave of foreign buyers that looked at [the] depressed South Florida real estate market as an amazing opportunity," Mr. Defortuna said.

"However, their perception of financing after the crash was either non-existent or very difficult to obtain, so their primary option was cash."

During the downturn, he said, Fortune hired an end loan specialist to help open up financing for its projects and clients.

When the specialist first started, banks would only commit to a few loans per project, he said.

ers are entering the market.

Banks are lending to homebuyers but requiring higher credit scores than before the downturn, Mr. Martinez said.

Before, he said, a Beacon Score of 620 or higher would be workable, but now banks are asking for scores of 720 to 740 or higher.

And while the Federal Housing Administration does not technically have a credit score requirement, Mr. Martinez said, it "has to make sense."

Previously, a potential homebuyer who made money, had a deposit, was employed yet had a credit score of 600 would be approved for an FHA loan.

That standard, he said, has been raised.

"I believe as time goes by, little by little certain restrictions are being opened up," Mr. Martinez said, giving the economy a better chance to recover with a balance in lending restrictions.

And while he said some of his clients were approved for mortgages, whether FHA or conventional, they were very well qualified.

John R. Allen, Home Financing Center's vice president of operations, said the firm had an outstanding year last year and is



The government agencies are more willing to lend, said John Allen.

the 4 Midtown lobby and common areas are being renovated to elevate the tower's luxury feel.

4 Midtown units range from 686 to 1,842 square feet, with penthouses up to 3,557 square feet. Prices range from \$227,900 to \$2,367,900.

In the Aventura residential development Bellini Williams Island, sales are exceeding expectations, said Shannon Selby, chief operating officer.

"All our buyers at Bellini Williams Island are cash buyers. The contracts call for all-cash closings," she said.

"The trend that we are seeing in the market, particularly at this level of sale, are all-cash transactions."

Bellini Williams Island, a Marty Z. Margulies development, recently recorded Aventura's highest condo sale per square foot since 2008.

The 2,600-square-foot unit on the top floor sold for more than \$760 per square foot.

The 23-story tower overlooking the intracoastal and Atlantic Ocean features 70 residences ranging from 2,235 to 4,996 square feet.

The project is scheduled for completion in May.