



Keeping the Proper Perspective

A Brief History of South Florida Real
Estate Trends and How You Can Stay
Out of Trouble

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Florida Headlines

- “It is reasonable to suppose that every lot buyer...should make quick and large profits.”
 - Palm Beach Post, May 15, 1926
- **Cat 4 Hurricane September 18, 1926**
- **Stock Market Crash, 1929**



Florida Headlines

- “Development Boom in Southeast Florida Megalopolis”
 - New York Times, April 21, 1973
- “Condo Prices Cut, Slump in Sales Shows No Signs of Let Up”
 - New York Times, December 1, 1975
- “Recovery in Florida’s Real Estate Market”
 - New York Times, April 1, 1977



Florida Headlines

- **“Real Estate Boom Again Grips Florida”**
 - New York Times, August 20, 1979
- **“Florida Experiences Slump in Condominium Sales”**
 - New York Times, January 26, 1981
- **“Lenders, Buyers Bullish Again on Housing”**
 - Miami Herald, October 3, 1982



Florida Headlines

- “Let the Good Times Roll”
 - Miami Herald, November 18, 1983
- Savings & Loan Crisis, 1986



Who Listened...?

- “Housing Bubble Biggest in History”
 - The Economist, June 2005





Now...

- “Hillsborough Auctions Foreclosed Homes at Rate Never Seen”
 - Tampa Tribune, December 5, 2008
- “Miami Activist Moves Homeless into Foreclosed Homes”
 - Associated Press, December 1, 2008



History of Booms & Busts

- BOOM 1880s – Philadelphia financier Hamilton Disston acquires 4 million acres for \$1million and saves Florida from bankruptcy. Outside capital begins to flow into Florida from people such as Henry Flagler and Henry Plant.





BUST

- Panic of 1893 – Economic crisis hits United States causing bankruptcies of leading railroads and corporations.
- Severe freezes in 1894 and 1895 further devastate Florida real estate.
- Example – Disston's remaining 2million acres sold after his suicide for \$70,000!



BOOM

- 1920-1925 – “Binder Boys” debut in Miami
- 10% deposit buys “binder” and can be re-sold as many as 6-7 times per day!
- Even some Massachusetts banks fail when depositors withdrew funds to buy Florida land!





BUST

- September 18, 1926 – Cat 4 Hurricane hits, second Cat 4 hits in 1928!
- Florida goes into depression 3 years ahead of rest of country.
- 90% of all participants in boom lose out.
- Example: Population of Hollywood declines 86%. Fort Lauderdale declines 44%.
- Stock market crash of 1929 seals bust until early 1940's.



BOOM

- WWII – Florida gains over 170 military installations by 1945 including over 40 US Army airfields. Introduces countless vets to Florida.





BOOM

- Mid 1950s to early 1970s – “Florida’s Golden Age of Land Scams”
- 1954-1982 – 1/3 of Florida farm land lost to development
- 1960s – More Florida land subdivided into lots than rest of country combined.
- 1963 – Florida Statute Chapter 711 known as Condominium Act



BOOM

- The Great Florida Land Companies
 - AMREP
 - ARVIDA
 - DELTON
 - AVATAR
 - ITT Community Development
 - General Development Corporation
 - Gulf American
 - Others... **PIONEERED...**



BOOM

- They pioneered:
 - WATS lines
 - Centralized Sales
 - “Free” trips to Florida
 - Owned travel agencies
 - Even owned a 15 plane airline!!





BUST

- 1974 Recession – Miami has 5 year inventory of unsold units.
- 1000+ projects failed
- But!....Timeshares debut by French developer





BOOM

- 1981 – De-regulation of Savings & Loan industry coupled with Federal Tax Code changes create shelter-based real estate syndication.





BUST

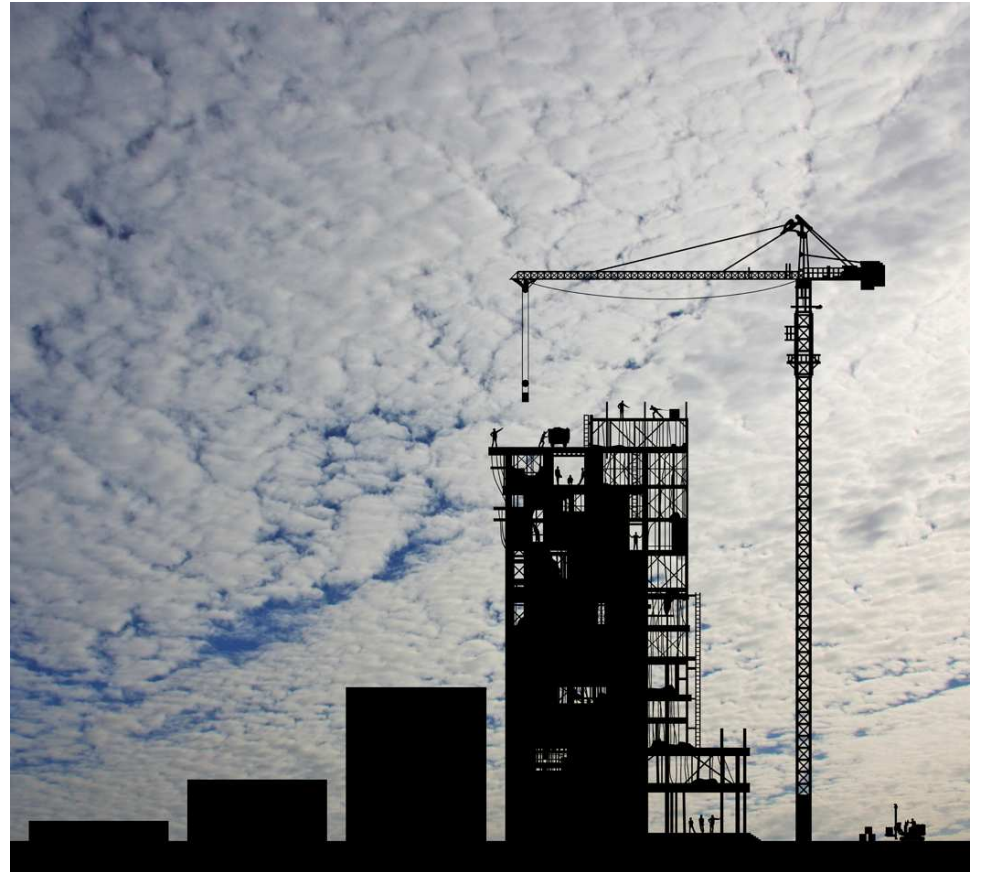
- 1986 – Tax code changes!





BOOM

- 1995 – Real estate recovery begins and begins sharp rise in 2002





BUST

- 2006 – Blame falls on everyone by everyone...





What Causes Busts?

- Price-to-rent ratio high (doesn't make sense)
- Oversupply of units
- Speculation and speculative financing
- Incredible appreciation in values
- Poor planning in developments
- Excessive leverage in assets
- Instability in national and world markets
- Unforeseen regulation
- Unforeseen natural phenomenon (hurricanes, freezes, etc.)
- Low consumer spending



What Causes Booms?

- Changes in technology
 - Railroads
 - Building techniques (pre-fab, dredge and fill)
- Population shifts (weather, war, etc.)
- Visionaries who changed paradigms
 - Disston - Ft. Myers to Tarpon Springs, Kissimmee to Okeechobee
 - Demens - railroads to St. Petersburg
 - Flagler and Plant - railroads and resort hotels
 - Mrs. Potter - Sarasota and Manatee County
 - Mizner, Curtis, Davis, Fisher, Merrick, Collier, DuPont, Disney, etc.



What Causes Booms? (continued)

- Favorable regulation or deregulation
- Unfavorable regulation which causes innovation



What Can REALTORS Affect?

- Understand what market you are in.
- Provide guidance to your client, be smart, and be an advocate for them.
- Know your part of the deal and communicate with the other professionals to help everyone succeed!





Q&A

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