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Impact fees, slew of storms challenge housing market

Experts optimistic Brevard will rebound once debris is cleared

BY BRIAN MONROE
FLORIDA TODAY

Brevard County's new home market faces a range of challenges in the form of new impact fees about to take effect on home construction, coupled with the hurricanes that battered Florida during the past two months, bruising the state's image as a warm, beachfront paradise.

With many areas desperate to rebuild, the strain on an already tight supply of construction labor and building materials -- especially concrete -- could worsen, lengthening the time it takes to build a house by six months and adding more expenses for builders who have to pass those costs to consumers.

But experts say the local housing industry is likely to recover quickly from an expected downturn during the next few months. That's a relief to local residents, since home construction has been one of the major strengths of Brevard's economy.

Locally, the new home market supports thousands of jobs for Brevard residents -- and more than \$1.3 billion worth of construction activity so far this year. A strong housing market will keep property values rising, giving homeowners a high-performing investment.

The housing outlook for Brevard "will continue to be strong, even with the hurricanes . . . and higher impact fees," said Jack McCabe, chief executive and market analyst for Deerfield Beach-based McCabe Research and Consulting.

"Some people may reconsider buying a home in Florida after the state got hit with three hurricanes in a row," he said. "But there is still a tremendous demand for housing, and Brevard is at the forefront of being the most-desirable place to live in the state of Florida."

Even with the new impact fees to fund school construction -- fees that will add \$4,445.40 to the price of a new single-family home, \$2,794.25 to the price of a condo and \$2,667.24 to a new mobile home -- Brevard remains an attractive place to build, McCabe and others say.

The reason: Even if they have to pay a few thousand dollars more to live here, home-buyers are paying much less than they would pay for the same-sized house in Miami, Orlando and West Palm Beach, or in such high-priced Northeast



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housing markets such as New York City/Long Island and Boston.

The Space Coast simply has too much going for it for any housing bubble to burst, Realtors and homebuyers say, with Brevard boasting great weather -- outside of hurricane season; top-notch schools; miles of beaches; and a location close to Orlando-area theme parks and other entertainment without the traffic headaches for those living there.

That would be why Garry Neal of Okemos, Mich., still is planning to buy a beachside house in Brevard, even after hurricanes Charley, Frances and Ivan crisscrossed the state and caused billions of dollars in damages.

"They don't scare me," said Neal, 59, who has spent six months looking for his retirement home. He said the market for coastal real estate is so hot, "I have been to three houses, and I got beat or I was too late on all of them. If I find something I like, I have to move quickly."

He said the recent spate of hurricanes "might change the perspectives of some people, but not me. I have no fear of them. The only thing that would change my perspective to live in Brevard is that I can't find the place I want."

Impact of fees

Arlene Iannaccone, who is buying a new home in the Bayside Lakes community of Palm Bay, said, while she and her builder will have all the permit documentation in place to avoid the \$4,445.40 impact fee, she would have bought the new home anyway, even if the new fees were tacked on.

"Even if I had to pay, it wouldn't have stopped me from buying the house," she said, adding her current three-bedroom, two-bath house elsewhere in Palm Bay simply didn't have enough room for a family of four and in-laws.

"In this life, there are dues to pay," she said.

Iannaccone said she is staying in Palm Bay because "I love this area," and believes it is ideal for families, the residents are friendly and help one another, and schools are close by.

Where the impact fees will be felt most is for first-time home-buyers, who may be scrounging to put together a down payment for their home, and might have trouble paying the impact fee on top of that.

The fee will "seriously hurt the first-time home-buyer," said Kathy Harter, division president of Lennar Homes' Space Coast Division, based in Rockledge.

"They are the most affected and most important, because they are just starting their family," she said. "Now, about 5 percent of the market won't be able to buy a house. We agree that help is needed by the schools, but targeting only new-home construction is not going to solve the problem."

Project delays

One way hurricane damage will impact the construction industry, McCabe said, is the time it may take to build a single-family house.

"There was already a shortage of building supplies in Florida," McCabe said. "Obviously, there is now going to be an even-larger demand for supplies to rebuild homes."

Those taut supply lines could result in "strong increases in pricing for building materials and labor. These construction guys can now make a lot more money rebuilding storm-damaged homes than they were doing home-construction work," McCabe said. "Taken together, those factors could double the time it takes to build a typical house from seven months to 14 months."

Just-released data from the Home Builders and Contractors Association of Brevard showed no letup in construction activity last month, with 853 permits for new homes, condos and apartment units with a value of more than \$151 million issued in August. That made August the third-strongest month of the year for number of permits and the second-strongest for the dollar value of the projects.

Last month was the "biggest August we can remember on record," said Franck Kaiser, executive vice president of the Home Builders and Contractors Association of Brevard.

Figures for September likely will show a drop-off, partly due to hurricane activity cutting into home-sales activity.

Kaiser said, in the short term, housing starts could be cut in half because permits for home repairs and reinspections related to hurricane damages are being given priority for processing.

But, after a few months, Kaiser expects the industry to have recovered.

One local Realtor agreed the housing market might be down for a few months, but will again soar when memories of hurricanes begin to fade and normalcy returns.

"People tend to have a 90-day mentality toward disasters," said Tony Ayala, a Realtor with Pruitt Real Estate in Melbourne. "If 9-11 slowed us down for 90 days -- and you can't get any worse than 9-11 -- the hurricanes will take the same path. We don't stay victims for long."

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Home-building permits

853 permits issued in Brevard County for single-family homes, condos and apartment units -- projects total \$151.58 million. 5,956 permits issued year-to-date though August, 160 units short of the total for all of 2003. The value of the projects totals \$1.33 billion, higher than any previous full year on record. The previous record was \$1.08 billion in 2003. Source: Home Builders & Contractors Association of Brevard.

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