

Cash Buyers Lift Housing Bargain Hunting Boosts Prices in Depressed Cities; Broader Asset Rebound Spreads

By **S. MITRA KALITA**

Buyers in markets around the U.S. are snapping up homes in all-cash deals, betting that prices are at or near bottom and breathing life into some of the nation's most battered housing markets.

Cash buyers represented more than half of all transactions in the Miami-Fort Lauderdale area last year, according to an analysis from real-estate portal Zillow.com. In the fourth quarter of 2006, they represented just 13% of deals. Meanwhile, downtown Miami prices rose 15% in 2010 from a year earlier, according to the Miami Downtown Development Authority.

[View Full Image](#)

Jason Henry for The Wall Street Journal



Richard Stoker, with wife, Jane, is buying three Miami Beach condos.

The percentage of buyers in Phoenix paying cash hit 42% in 2010—more than triple the rate in 2008, according

to Raymond James's equity research division.

Nationally, 28% of sales were all-cash transactions last year, according to the National Association of Realtors. The rate was 14% in October 2008, when the trade group began tracking the measure.

The jump in real-estate purchases made with cash is another sign of the revival of animal spirits in the U.S. economy.

The Dow Jones Industrial Average rose 69.48 points Monday, or 0.6%, to 12161.63, and the Standard & Poor's 500-stock index rose 8.18 points, or 0.6%, to 1319.05.

Monday's announcements of \$13 billion in acquisitions lifted stocks on hopes of more deals, share buybacks and dividends as companies regain momentum in an improving economy.

The two stock indexes have soared more than 80% since early March 2009.

The Federal Reserve reported that Americans increased their use of credit cards in December for the first time since August 2008, showing that consumers are getting less skittish about opening their wallets. Investors also were soothed Monday by encouraging signs in Egypt, including last weekend's reopening of banks.

Residential real estate has been slower to bounce back than stocks, but the presence of apparent bargains is luring in newly confident buyers.

Richard Stoker, a retired sales executive, recently plunked down cash for two condominiums in Miami Beach, and plans to close on one more in coming days. He loves the complex's ocean views, four swimming pools and activities such as yoga and Pilates.

But what also motivated the purchase, said the 73-year-old, was that "the prices were just irresistible. Florida's been hit pretty hard." To pay the \$1.8 million, \$1.2 million and \$1 million prices on the condos, Mr. Stoker and his wife, Jane, cashed out of some financial investments and sold a Roy Lichtenstein painting and an Alexander Calder mobile.

Mr. Stoker could have taken out mortgages, but decided to pay cash. "It was a good time to lighten up in the art market and take on real estate at a favorable price," he said.

The harder a market has been hit, say economists, the higher the percentage of cash deals. Last summer, piano teacher Virginia Hall-Busch told a real-estate agent she met through the Rotary Club to keep her posted on deals on historic houses in Stone Mountain, Ga.

A few days later, Ms. Hall-Busch, 62, got a call about a 1918 bungalow with three bedrooms and one bathroom listed for "short sale," which in the real-estate world means at a price lower than what's owed on it. The home had been on the market for \$159,000, then dropped to \$129,000 and then to \$79,900.

"I offered them 50," she said. "I figured, it wasn't like I needed a place to live. I can afford to be a little cocky here."

Ms. Hall-Busch closed in October for \$52,500 and began renovations within weeks.

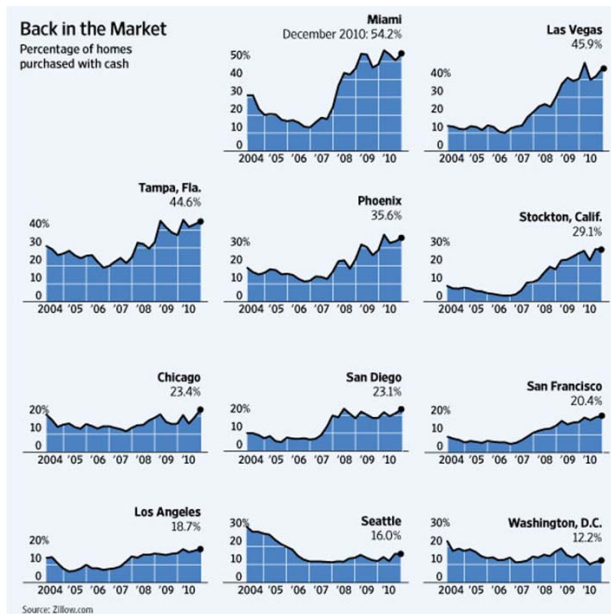
"When you have a bad economy, it's hard on lots of people," she said. "But right now if you've got the money to put down on a house, long term it's going to be good thing."

Some of the cash purchases reflect a tight lending environment, where even people with good credit and ample down payments are sometimes turned away for conventional borrowing.

"The rates are great but the underwriting is brutal," said Henry Schlagen, an agent with real-estate firm Pacific Union International who buys and sells for clients, mainly in Napa Valley, Calif.

"They hang these people upside down and shake them till they see what falls out of their pockets. So people are buying with cash and maybe they'll 'refi' later."

Mr. Schlangen, who deals in higher-end properties such as vineyard estates, estimated that 95% of his deals last year were all-cash, up from about half in previous years. "The deals that are consummating, these are buyers who feel they got a great deal," he said, noting a surge of buyers from China.



Cash buyers can often command 5% to 10% more off the asking price than a potential buyer using a mortgage, said Mohammed Siddiq, a real-estate professional in Fort Lauderdale, Fla. Sellers prefer cash deals since they close more quickly and avoid risks such as a buyer's job loss or a bank's changing its mind.

And while many buyers making low-ball offers dig their heels, Mr. Siddiq said he has started to see bidding wars and slightly increasing prices.

Nationally, it isn't clear whether prices have bottomed. The Case-Shiller index of housing prices in 20 cities showed a steep

decline in prices until 2009, when they appeared to bottom and began to trend upward. But in the second half of last year, prices began falling again. A Zillow index, meanwhile, never noted the uptick.

Since mid-October, Canyon Ranch in Miami Beach, the development Mr. Stoker bought into, has sold 35 units, with a third of the buyers from overseas and many others retiring from the Northeast.

The Stokers have a home in Potomac, Md., but spend most of the year in Florida. Mr. Stoker doesn't plan to rent out any of his new properties, saying he and his wife will live in one with two dogs, his son might live in another and the third will house an older dog and guests.