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**Ilyce Glink**

Real Estate  
Notebook

## When do we hit bottom?

With housing prices falling and mortgage interest rates rising, it's hard to say the housing market has bottomed out.

And, yet, there are some reasons for a more optimistic housing forecast, according to Mark Zandi, chief economist for Moody's Economy.com and author of "Financial Shock."

"The forecast of a housing market bottom is a reasonable one in that a bottom is coming into view," Zandi explained in a recent interview.

The first step in calling a bottom to the housing market is seeing more stable housing demand.

"The home sales data suggests that demand is stabilizing," he explains. "Since last year, new and existing home sales have stabilized. It's not going up, but it's not going down either. About half of the existing sales are distressed foreclosure or short sales, and that's part of finding a bottom. I view that as therapeutic."

Zandi said builders have gotten control of their inventory, which is down from the peak in earlier 2009.

The second step in calling a bottom to the housing market crisis is for property prices to stop falling. Zandi believes housing prices will fall another 5 to 10 percent, forming a bottom at about 40 percent below the high set several years ago. But it could take until spring to get there.

"Most of the price declines are occurring now. But we'll see a big decline this summer. We will see foreclosures surge this summer," which will bring housing prices down further, Zandi said.

Thanks to the decline in housing prices, housing affordability is at the low end of average right now. But a sudden jump in interest rates could turn that around.

"If fixed interest rates rise above 5 percent for very long, it will be a problem in terms of the housing market recovery," he said. "Hopefully, the Federal Reserve steps on the accelerator and gets rates back down."

But there is one area that worries Zandi: loan modifications.

"The key threat or risk to the economy is whether the policy efforts start to work to stem the rise in foreclosures. This is really important to finding the bottom to the housing market and also, more broadly, the end of the recession and the beginning of economic recovery. The president's loan modification plan has to kick in soon, otherwise all this optimism with regard to the end of the recession and housing market will be misplaced," he explained.

Zandi said policymakers are working on adjustments to the current loan modification plans, including adding cash incentives for second mortgage holders willing to modify loans and for borrowers who pay these new loans on time for a period of years.

"If you look at the administration's loan modification plan, it's lucrative for plan servicers. You'd think they would step up. They say they are, but we need to see it," Zandi said.

Zandi said one reason we're not seeing even more loan modifications is that servicers are "overwhelmed and don't want to invest."

"The key to the housing market bottom is this: The day the foreclosure and short sale share of total sales peaks is the day that housing prices will bottom."

He also said we may start to see the effects of the stimulus wear off early next year. While the U.S. may experience a double-dip recession (also known as the "W"), he thinks it's likely that Congress will approve another, smaller stimulus package to keep the country moving in the right direction.

"It won't be \$800 billion, but maybe the policy people will put up \$250 to \$300 billion to ensure we don't have double dip recession. We've had one double dip recession in the post-World War II era and that was when the Federal Reserve was monkeying around with efforts to stem inflation." ■

You can submit a question to Ilyce Glink at Real Estate Matters Syndicate; P.O. Box 366; Glencoe, IL 60022. You can e-mail her by following the links at [www.Thinkglink.com](http://www.Thinkglink.com).



Photos by Craig Bailey, FLORIDA TODAY

**On the list.** Sandi Forest and Larry Sietsma of Avtec Homes sit in the living room of their Gulfstream model in Palm Bay. The builder was recognized for the first time by 'Builder's Magazine' as one of the top 200 builders in the country.

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# Builder makes the cut

## Palm Bay-based Avtec Homes on magazine's list of top builders

BY ANNE STRAUB  
FOR FLORIDA TODAY

After three full years of business, Palm Bay-based Avtec Homes has made *Builder Magazine's* list of the top 200 home builders in the country.

Avtec came in at No. 172 for 2008, its first year on the list. The magazine ranks builders by number of homes sold.

"It's a great milestone. We haven't been in business for very long, and to make one of the top builders in the entire nation is quite an honor," said Sandi Forest, Avtec vice president.

She runs the company with her father, Larry Sietsma, who started Holiday Builders in Melbourne in 1983. He sold that company to its employees in 1999 and retired, only to come back and start Avtec Homes when he saw home prices spiraling out of reach.

At its inception, Avtec focused on building affordable homes and sold only to first-time buy-

ers. The company now sells to any qualified buyer, but remains focused on the first-time buyer market.

For Sietsma, landing on the *Builder* list beat his previous record. "It took five years to do it with Holiday," he said.

Sietsma and Forest attribute the company's success in part to its well-defined niche.

"We're the lowest-cost builder in Palm Bay and most of our communities," Forest said. The company has worked to negotiate with subcontractors and suppliers to keep costs low.

"Of course, they all knew my dad," Forest said. "They were on board when we started Avtec."

The company offers floor plans measuring from 1,256 square feet to 2,100 square feet under air conditioning. That upper limit is likely as large as the company will build. "If you get any larger than that, it doesn't stay affordable," Forest said.

That largest model, the Gulfstream, sells for \$149,900, including a Palm Bay home site. The floor plan includes three

### Where they stand

Three builders on *Builder Magazine's* list of the top 200 home builders are based in Brevard County.

■ Avtec Homes  
Rank: 172

2007 rank: N/A  
Closings in 2008: 102  
Change: Up 32 percent  
Revenue: \$14 million

■ Mercedes Homes  
Rank: 27

2007 rank: 30  
Closings: 1,625  
Change: Down 31 percent  
Revenue: N/A

■ Holiday Builders  
Rank: 44

2007 rank: 50  
Closings in 2008: 735  
Change: Down 36 percent  
Revenue: \$130 million

that the company has turned a profit each year. "We don't make a lot," said Sietsma, who doesn't draw a salary for his work at Avtec. "Even with what we're doing, trying to help others, we were able to turn a small profit," he said.

Other Brevard County builders on the list include Mercedes Homes, which was ranked at No. 27, up from No. 30 in 2007. The company closed on 1,625 sales last year, down 31 percent from the year before. Mercedes, which is undergoing Chapter 11 bankruptcy reorganization, declined to provide revenue figures to the magazine.

Melbourne-based Holiday Builders was at No. 44, up from No. 50. Holiday built 735 homes in 2008, down 36 percent. Revenue last year totaled \$130 million, a 45 percent drop from the year before.

Avtec saw its numbers rise, closing 102 homes last year, a 32 percent increase over 2007. Revenue was \$14 million, up 45 percent.

"I believe everyone deserves their own home, and our pledge is to help them do it," Sietsma said. ■

bedrooms, two bathrooms, a study and a two-car garage. Energy-efficient features include a 14-SEER air conditioner, low-e windows and R30 insulation.

Avtec operates divisions in Deltona and Port St. Lucie and employs 16 people, including three part-time workers.

Sietsma is proud of the fact



**Model style.** The Gulfstream is Avtec Home's largest model, selling for \$149,900. The home has three bedrooms and two bathrooms.



**Living space.** The living room is spacious in the Gulfstream model. The floor plan measures 2,100 square feet.

# Square footage can be a shocker

**QUESTION:** In December 2007, I took title to a condominium unit that was listed as being 1,017 square feet, according to the public records. Recently, I was going through a real estate handbook that I own, and it suggested that I have a copy of the appraisal in my files.

Since I didn't have one, I requested a copy from my bank. I was shocked to find that the bank found the square footage to be 864 square feet, not 1,017.

Before I took title, my real estate agent met the appraiser at the condo unit and said that I didn't have to be there. The day after the appraisal, I called my real estate agent to ask if everything went OK and she said yes.

Did my real estate agent have legal responsibility to point out the discrepancy? And can title insurance help me claim anything financially at this point?

**ANSWER:** There is an old expression that when there are two lawyers, there will be three opin-



**Benny Kass**

Mailbag

ions. In real estate, when you are trying to analyze square footage, you may actually get four or five opinions.

Measuring square footage has become a hotly debated topic to which there is no real answer. Although there are industry standards when measuring single-family houses and office and apartment buildings, to the best of my knowledge there are no such standards for condos.

The American National Standards Institute has published a document titled "Square Footage — Method for Calculating." However, it applies only to single-family houses. For attached properties, ANSI states that "the finished square footage of each level is the sum of the finished areas on

that level measured at floor level to the exterior finished surfaces of the outside wall or from the centerlines between houses, where appropriate."

In a condominium, there are two important legal records: the declaration and the bylaws. The former creates the condominium and contains basic concepts, including a definition of units, common elements and limited common elements.

However, many developers have opted to go the ANSI route — namely measuring from the centerline of the walls between the units. If, for example, the outside wall is 12 inches thick, that would add at least half a foot more to the overall area.

One calculates square footage by multiplying a room's length by its width. Thus, a room that is 12 feet by 18 feet will contain 216 square feet. However, if you add the 6 inches to our example, you get a little more than 231 square feet — but no more usable (livable) space in your unit.

Why do developers want to increase the square footage? There are two reasons: First, too many potential homebuyers are literally hung up on the amount of space they will get; using the centerline approach clearly makes the unit more attractive.

Second, adding more space will decrease the cost per square foot, which is yet another issue of major concern to a number of consumers.

So to answer your questions: No, title insurance will not assist you. As for the real estate agent, if she learned of the discrepancy before you took title and did not tell you about this, she may have breached her duty to you. But, as discussed above, it may very well be that both numbers are correct — depending on which formula you use. ■

Kass is a practicing attorney in Washington, D.C., and Maryland. No legal relationship is created by this column. Questions for this column can be submitted to [benny@inman.com](mailto:benny@inman.com).