

# Tallahassee Real Estate

*An analytical view of the Tallahassee Housing Market*

Volume 14, Number 3

Please forward this to everyone who has a stake in the Tallahassee real estate market.

Remind them they can [subscribe to it here](#)

## AT A GLANCE

### Inventory Report

The March Housing Report has been completed and is posted at

[The Market Bulletin](#)



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## Are Homes Undervalued In Tallahassee?

*Current home values fall below long-term expectations*

Tallahassee home values are currently lower than what we would expect, based upon the growth rates that was observed in the 1990s.

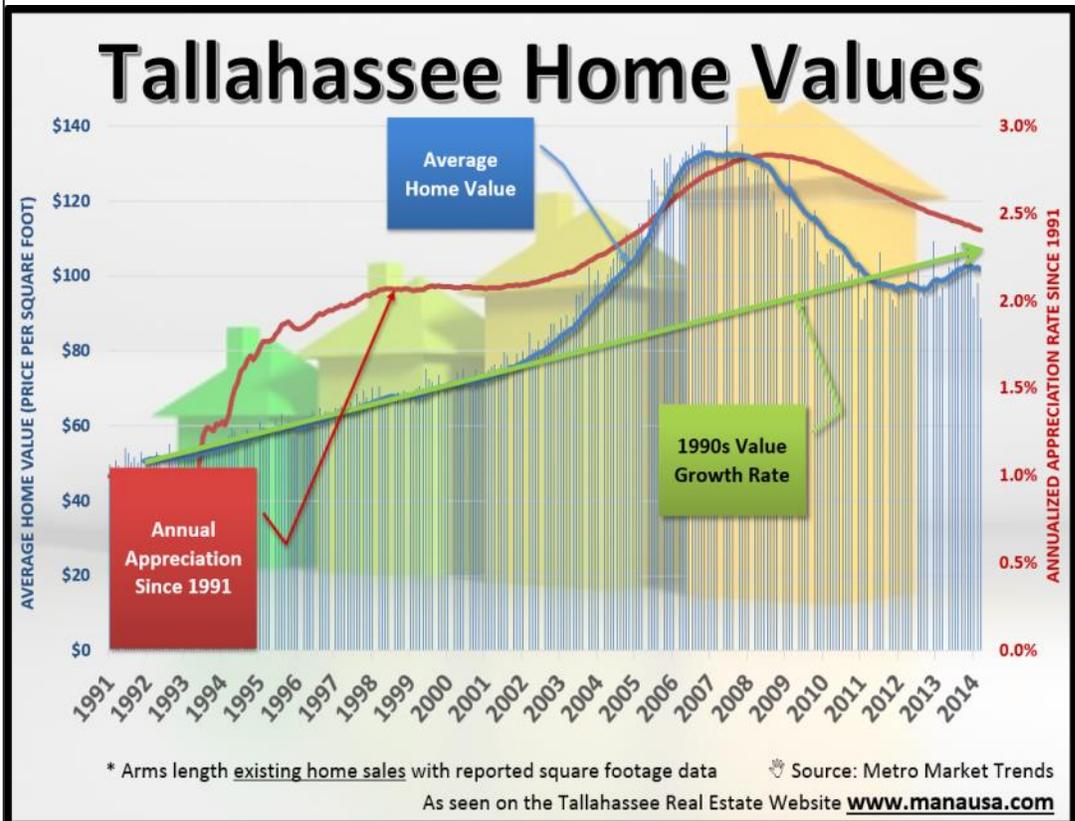
The blue line in the graph below measures average home values (one year trend) while the green line represents the average 1990s growth rate, extended through today.

Currently, homes are selling at values below this long term trend (blue line is below green line). This is a clear signal that the market is correcting and buyers

are getting a lot of value for their money.

The red line measures the annual appreciation rate since January of 1991, so had you purchased a home back then and sold it today, you would have enjoyed a 2.4% annual appreciation rate.

I think it is fair to say that long-term appreciation rates average between 2 to 3%, and investors should use a safe number in this range when determining whether or not to buy a long-term investment opportunity.



**Free Report**

**Leon County Inventory Report**  
 Published Biweekly, November 2013  
 Go back to [www.manusa.com](http://www.manusa.com)

PROPERTY TYPE	NO. OF LISTINGS	NO. OF CONTRACTS	NO. OF SALES	NO. OF FAILURES
<b>ALL</b>	1,100	189	189	169
Single Family Detached	750	125	125	115
Townhouse	150	25	25	20
Condominium	200	39	39	34

Source: Manusa and Associates, Inc. All rights reserved. This report is for informational purposes only. It is not intended to be used as a basis for investment or other financial decisions. The information is based on data provided to Manusa and Associates, Inc. by the Florida Multiple Listing Service, Inc. (FMLS). Manusa and Associates, Inc. is not responsible for any errors or omissions in this report. For more information, please contact Manusa and Associates, Inc. at (904) 499-1120.

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**Tallahassee Free Search**



**FULL MLS ACCESS**

[Search Homes](#)

**3 Green Arrows**

 Year over year gains in unit sales, median price and median value is a plus, though there is concern based upon a 25% reduction in new contracts

# TALLAHASSEE

## February 2014 Housing Statistics



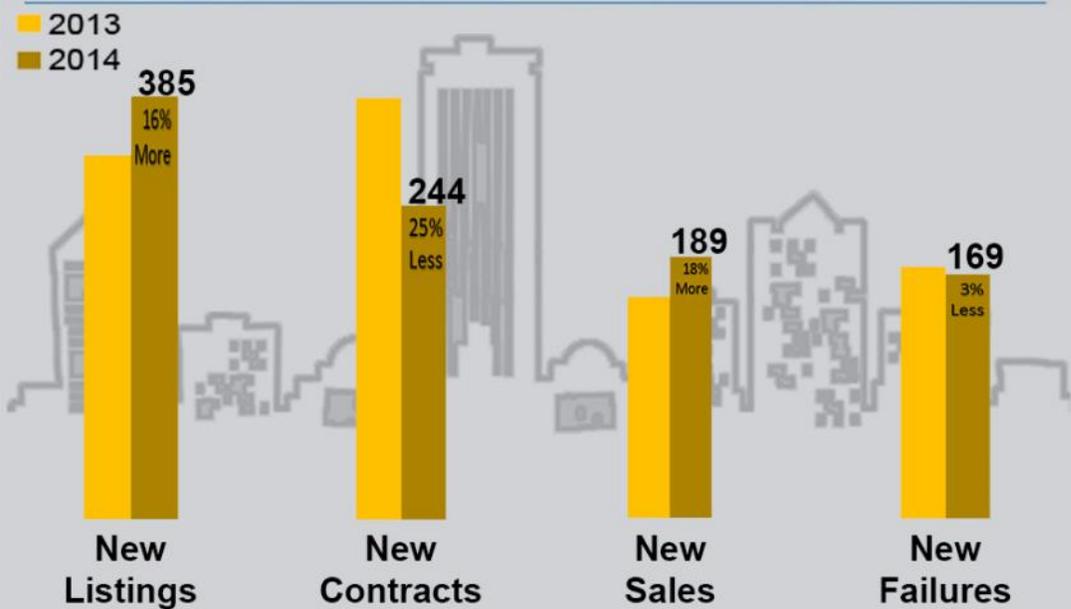
**Homes Sold**  
**189**  
 ↑ 18.1%



**Median Home Price**  
**\$150,000**  
 ↑ 0.3%



**Median Home Value**  
**\$93 PSFT**  
 ↑ 4.5%



Data is for condominiums, townhouses, and single family detached homes in Leon County, Florida. Percent change reflects a year-over-year comparison between February 2013 and February 2014.

For a detailed report, please visit [manusa.com/market-report](http://manusa.com/market-report).



MANAUSA AND ASSOCIATES

Take a look at our first attempt of creating an infographic to show the current trends in the Tallahassee real estate market. You can download your free copy of this image anytime you like.

[Download Tallahassee Infographic](#)



**The Competition**

The pace at which the final few thousand foreclosures clear the market will determine the rate at which home values recover



**For Sale By Owner**

With 94% of homebuyers using the internet, today's savvy home seller can now [get a home sold without using a real estate agent.](#)

**Foreclosures: Greatest Threat To Home Values**

If you have been paying attention to the state of the distressed homes market over the past five or so years, then you know there are a lot of problem properties to deal with.

The graph compares the number of foreclosures and lis pendens filed each month and then compares both of them to the number of sold properties (all of which are condominiums, townhouses, and single family detached homes). So in a simple sense, we are looking at how many new foreclosures are created for every home sale that occurs, as well as how many foreclosure sales occurred compared to all home sales.

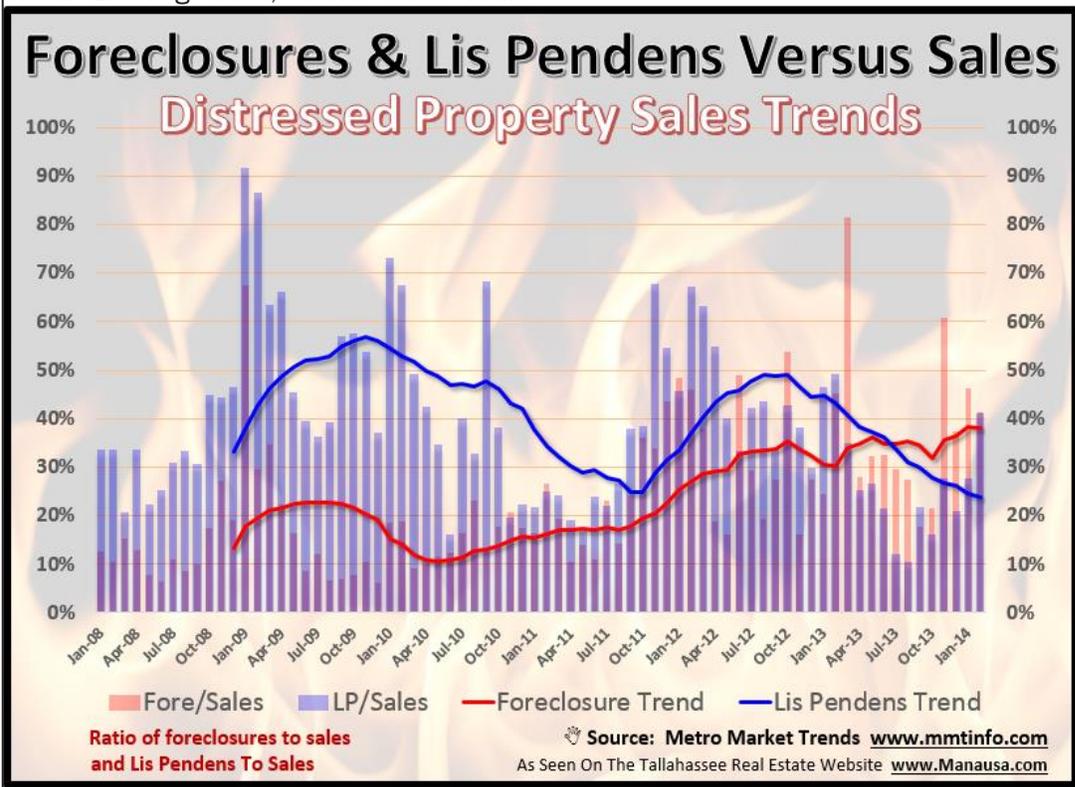
At the end of 2009, we saw the ratio crest above 50% for new filings! That means every time we sold two houses in Leon County, one new lis pendens was filed. Looking back, there were real

estate professionals (NAR) claiming the housing market was getting stronger (huh?).

The robo-signing scandal caused a slowdown of new filings, but once cleared we saw the market approach the 50% level again in 2012. But now the trend for new filings is declining.

The pace at which the final few thousand of these homes clears the market will determine the rate at which home values recover over the next few years.

We observe that pace by examining the growing foreclosure sales trend (approaching 40%), with the foresight to know that with declining lis pendens filings, foreclosures will eventually have to follow suit. Right now, we are clearly in the liquidation stage of the recovery.





**Can It Continue**

High end home sales are still up more than ten-fold from the early 1990s, and it is solely based upon the available supply of cheap money

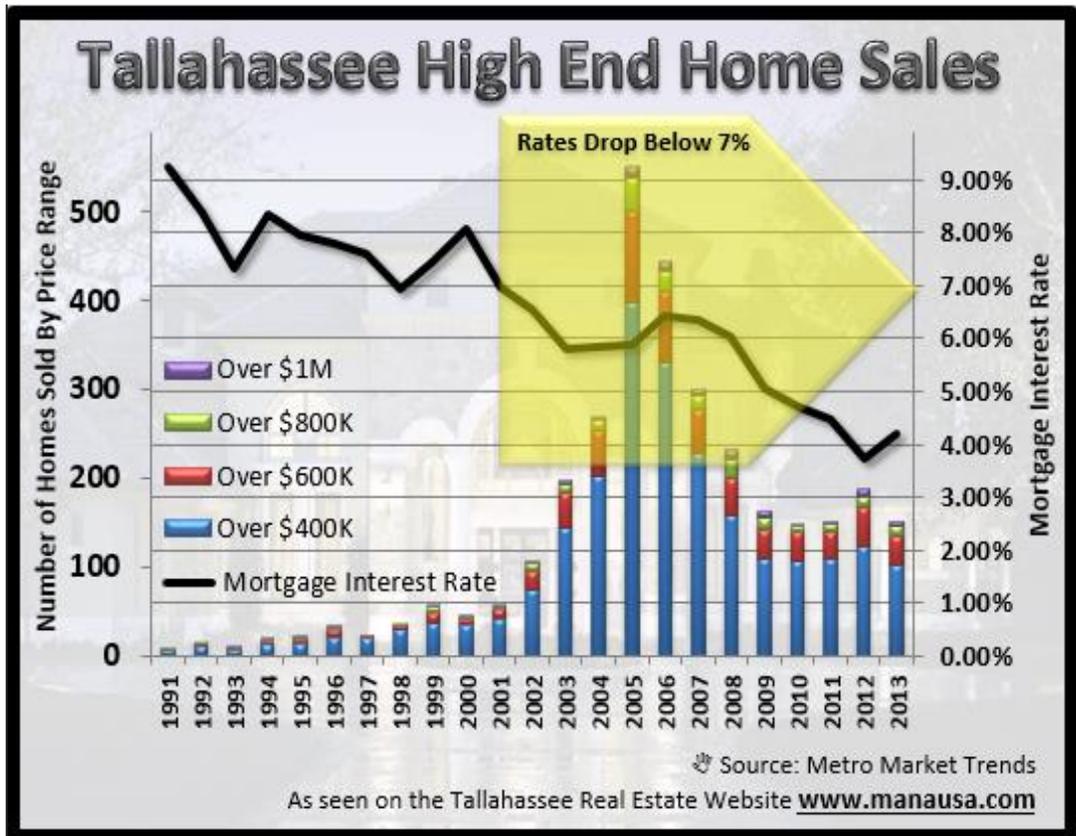
**FREE LIST OF HOMES**  
 Distressed Property, short sales  
 REOs, Foreclosures - Best Buy List



**Our Rich Uncle**

High end home sellers still enjoy a market that is artificially supported by the Fed

**High End Home Sellers Must Watch Interest Rates**



More so than any other graph in our collection, this image of the high end market in Tallahassee provides a clear picture of the perilous tie between home sales and low mortgage interest rates.

Our graph tracks all home sale in Leon County, Florida priced over \$400,000 since the beginning of 1991, and it is clear that we went from sales in the teens to more than 500 in a year at the height of the housing market bubble.

High end home sales are still up more than ten-fold from the early 1990s, and I believe it is solely based upon the available supply of cheap money. Sure, Tallahassee has grown ... about 30%, so wouldn't we expect the growth of these homes to account for population growth

plus inflation? If we were to calculate those two factors, annual high end home sales should still be well below their current rate.

**What This Means For Sellers**

High end home sellers still enjoy a market that is artificially supported by the Fed; low mortgage interest rates are allowing buyers to purchase these expensive homes, but when rates return to and above historical averages (nearly twice the current rates), we can expect sales of these homes to decline greatly.

I am greatly concerned about the likely impact of rising rates on the current over-supply of high end homes and what it will do to an already imbalanced supply and demand dynamic in Tallahassee.

## New Contracts Down 25% Year Over Year

The only negative news in our infographic ([found on page 2 of this report](#)) is that new contracts are down 25% in February 2014 versus February 2013.

In order to generate the data for the graph below, we count the number of new contingent contracts and new pending contracts each day in the Tallahassee MLS.

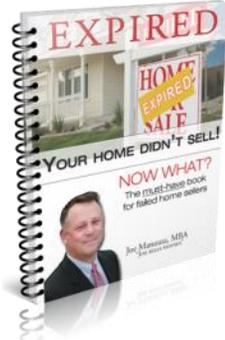
### When Bad Is Not Bad

Even though new contracts in the MLS have been on a near-continuous slide, we have seen closed sales do nothing but rise during that same period of time. One must wonder how we can see an increase in the number of closed home sales following a long period of declining contracts. Fortunately, I believe some good news provides the rest of the story.



The great decline of short sales in our market means that we are returning to “normal” conditions where buyers will rarely offer on more than one home at a time. With short sales, buyers were often waiting so long to hear from sellers’ banks that they often would offer on other homes. This increased the number of contracts in the MLS without increasing actual closed home sales. The decline of short sales should result in the rise of contract conversions.

## Home Not Sold?

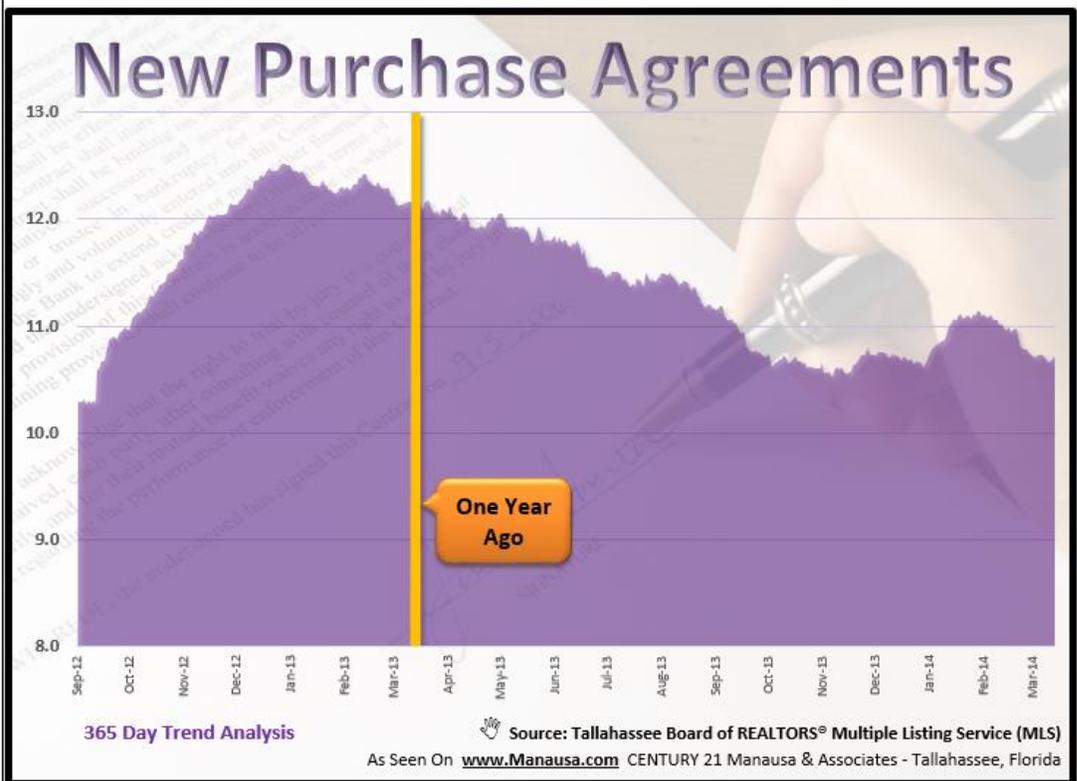


[Get Answers Now](#)



### Normal Is Back

The great decline of short sales in our market means that we are returning to “normal” conditions where buyers will rarely offer on more than one home at a time.



**Are Homes Selling?**

Over the past year, roughly 59% of the homes that were listed actually sold



**Odds Of Selling**

By dividing the total number of closed sales by the total number of new listings, over a specific time period, we get a percentage of roughly how many homes are actually selling.

**Sales Success Rate Growth Stalls**

One statistic that we have been maintaining at [The Market Bulletin](#) is a measurement that we refer to as the “Sales Success Rate.” Recently, the one-year trend has been on a steady rise, setting a three year high while finally reaching the 50% success level.

By dividing the total number of closed sales by the total number of new listings, over a specific time period, we can show a trend that gives a hint at how many homes (as a percentage of the total) are actually selling.

Conversely, we can measure the home sales failure rate as the total number of listings that failed to sell over the past 365 days divided by the total number of listings taken during that same period of time.

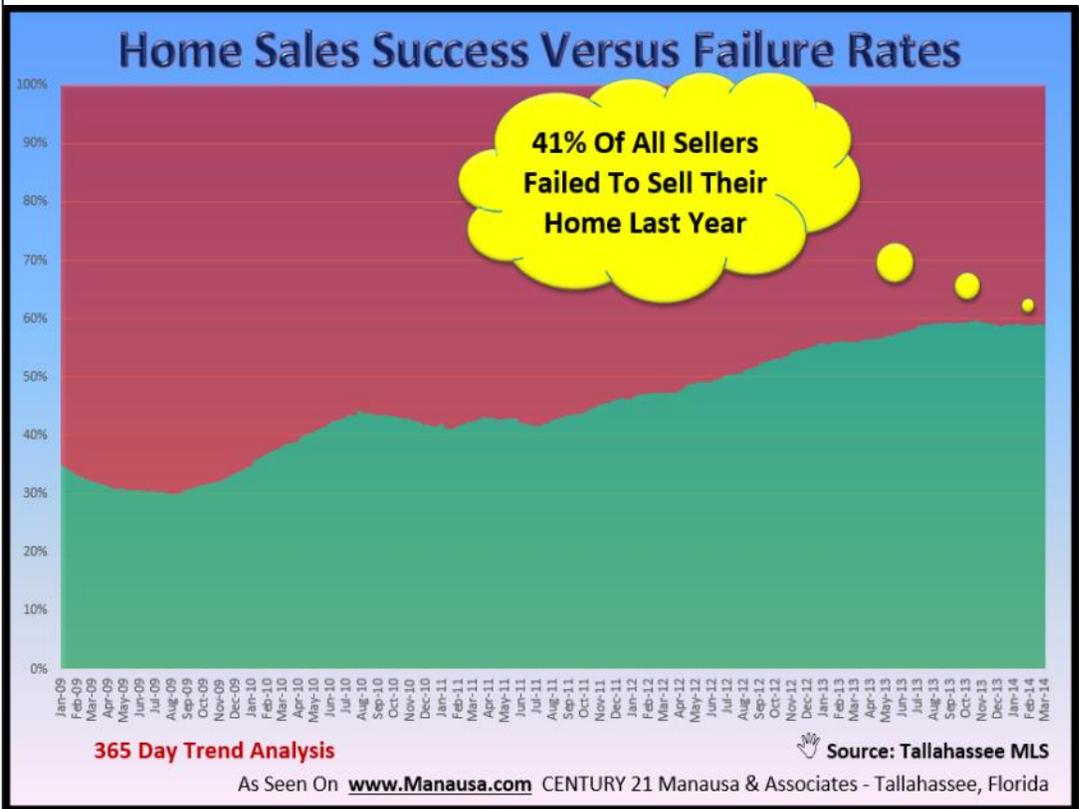
- Success: 59%
- Failure: 41%

**Sales Success Rates Still Too Low**

So, in simplified terms, we can say that over the past year, roughly 58% of the homes that were listed actually sold, and 41% of the listings taken failed to sell.

The success trend continues to be on the rise, though we are concerned that previously failed “wanna-be” home sellers will return to the market en masse when they realize values are still on the decline.

The failure trend once rose to 70% in June 2009 and it might be heading back to that level when these listings enter the market. We will keep a close eye on these activities because this trend analysis points the way to the speed in which the recovery will take.





**Market Forecast**

Knowing the five sequential phases in a market turn allows us to anticipate current and future market changes.

Now Hiring !



**Mixed Market**

The middle of the market is seeing inventory in balance, while the upper end and lower end are still dealing with an excess of supply

**Watch For Trend Changes**

If you want to know the beginning of the next phase of the market turn, just keep an eye on the relative home supply. You can always track supply levels at [The Market Bulletin](#).

The next phase you say....? Absolutely. I believe that the transition from a buyers' market to a sellers' market will follow this pattern:

1. Inventory changes from growth to reduction.
2. Home Values Fall At Accelerating Rate
3. Year over year sales increase?
4. Inventory levels reach 6 months of supply (balanced market).
5. Home Values Stop Falling/Start Rising.

**Market Equilibrium In Tallahassee**

When we look at the supply and demand of homes in Tallahassee, we find many price ranges that have found market equilibrium.

In the chart below, we see that there is under seven month's supply of homes on the market, with just the luxury end of the market continuing in a glut.

**Sales Must Continue To Increase**

Home sales have finally started to heat back up. Our current rate of sales is still slower than what we experienced in the 1990s though. It is going take a return of normal sales rates for our market to expel the glut of homes for sale, along with the excess supply of homes that exist above \$500,000.



**Leon County Home Inventory Report**

**Residential Home Supply - March 2014**

Chart Information	NE	NW	SE	SW	ALL
\$0-\$75,000	5.4	6.6	6.3	8.4	6.8
\$75,000-\$100,000	4.8	9.7	7.0	15.4	8.7
\$100,000-\$125,000	4.8	8.1	7.0	10.3	6.9
\$125,000-\$150,000	6.1	8.8	7.9	27.0	8.1
\$150,000-\$200,000	5.5	9.4	5.6	10.8	6.4
\$200,000-\$250,000	5.0	8.1	7.3	24.0	5.7
\$250,000-\$300,000	6.8	6.9	6.0	36.0	6.8
\$300,000-\$500,000	6.8	10.7	5.3	No Sales	7.0
\$500,000-\$750,000	11.2	21.0	10.5	No Sales	12.0
\$750,000+	17.7	No Sales	36.0	No Sales	19.6
All Price Ranges	6.1	8.2	6.6	11.8	7.1

Information in the report above shows relative home supply (months of supply based upon the current rate of sales). For example, there are 6.8 months of supply of homes priced between \$250K and \$300K in the Northeast, but 36.0 months of supply of the same priced homes in the Southwest.

## Relative Supply Continues To Decline

### Selling Homes

The current 7.1 months of supply is lower than the 8.7 months of supply reported this time last year.

## Home Search

[Bettan Homes](#)

[The "Bobbins"](#)

[Buckhead](#)

[Bull Run](#)

[Glen At Golden Eagle](#)

[Golden Eagle](#)

[Highgrove](#)

[Indian Head Acres](#)

[Killearn Acres](#)

[Killearn Estates](#)

[Killearn Lakes](#)

[Ox Bottom Manor](#)

[Piney-Z](#)

[Southwood](#)

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[Distressed Properties](#)

[Arms Length Homes](#)

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[Foreclosures](#)

[Waterfront Homes](#)



The graph above is very busy, but once you get accustomed to seeing supply and demand reported in this manner, you will quickly grasp the state of the Tallahassee housing market.

We use this graph to determine the relative supply of homes (meaning the current supply of homes for sale compared to the current rate of demand). We report relative supply as “months of supply of homes.” It is generally accepted that a balanced market (market equilibrium) is when the relative supply of homes is at 6 months of supply.

The blue bars in the graph above show the relative supply of homes (measured on the left vertical axis). Market equilibrium is plotted as an orange line, and we observe that the market has

been over-supplied since we began recording this information in 2008.

But the relative supply of homes has fallen. The current 7.1 months of supply is lower than the 8.7 months of supply reported this time last year.

Falling supply, both real and relative, are very good for a housing market that has been glutted with too many homes since the collapse of the market back in 2006. The growth in demand that is shown in the graph is just what the market has needed, and its continual rise will help us return to normal.

Soon, we are going to see home sellers emerge from the shadow inventory to fill in the growing demand. It is great to see the market handle this growth in the supply with an even greater growth in demand.

**Can We Help?****Homes For Sale****Selling A Home?**

Sell it now, sell it fast, and move to the home that you desire

**Feedback Wanted****Links To Relevant Articles****Value Buyers Choosing Homes In The 32308 Zip Code**

When the housing bubble burst back in 2006, homes in the 32308 zip code fell sharply in value.

As home values tumbled further for the entire Tallahassee real estate market, this long-time favorite area in Leon County could not escape unblemished.

Today, the resulting lower values makes the homes for sale in the 32308 zip code some of the most attractive Tallahassee has to offer. [\[Read More\]](#)

**How To Decide Between A 15 And 30 Year Fixed Rate Mortgage Loan**

With mortgage interest rates so low, many of the people buying a home in Tallahassee are wondering whether they should go with a 15 year mortgage or the more traditional 30 year fixed rate mortgage loan.

The answer to the question is unique to each person, but I have put together a methodology that will help you work through the problem yourself. It might seem a little complicated for people who haven't amortized a few thousand mortgage loans before, but hang in there, I think the logic will shine through. [\[Read More\]](#)

**4 Key Real Estate Trends For Home Sellers**

A slowing of the pace of growth is the latest observation to report among the most important Tallahassee real estate trends.

All across the Country we are hearing

about cooling markets, and it is also starting to happen here as well. Thus far, we have not seen year over year declines, but the rapid growth has definitely slowed. [\[Read more\]](#)

**Foreclosures Killing Home Values?**

The average value of condominiums and townhouses are both on the decline right now, with evidence that many more foreclosure sales must occur before we put this trend behind us. But what about single family homes? [\[Read more\]](#)

**What Babe Ruth Would Say About Selling A Home Today**

Babe Ruth has said a lot of things about baseball, but what would he say if asked about selling a home in 2014?

I thought it might be interesting to apply some of his most often quoted expressions, but use them in reference to selling a house. [\[Read more\]](#)

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