

Tallahassee Real Estate

An analytical view of the Tallahassee Housing Market

Volume 13, Number 11

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 November Housing Report has been completed and is posted at

[The Market Bulletin](#)



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Tallahassee Shows Gains 15 Months In A Row

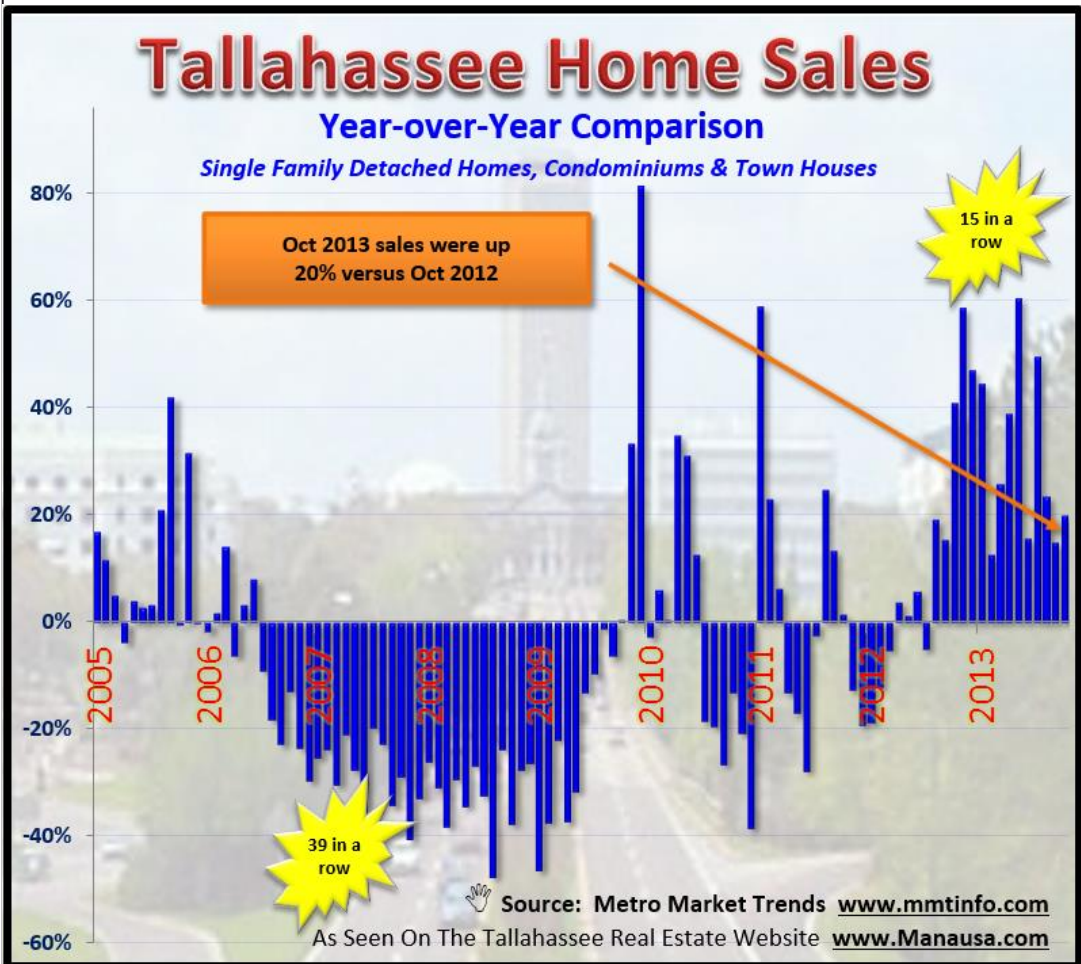
Year over year home sales continue to show consistent growth

Year over year home sales were up 20% in October, marking the fifteenth consecutive month of year over year gains for the Tallahassee real estate market.

This is more evidence of a recovering housing market and it is the kind of trend that has been long overdue since the 39 month streak that brought down the market from 2006 through 2009.

Expect more of this type of improvement, simply because home sales are still significantly fewer than our market has traditionally enjoyed.

Each month, there will be plenty of new buyers taking advantage of great values, coming forward as first time homebuyers and previous short-sellers who had to sit out of the market for several years while their credit was recovering.



Home Sales Activity Same As 1991

Free Report

Leon County Inventory Report
Residential Sales Report - November 2013
As Reported to the Florida Department of Banking & Finance

Year	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
SALES	10,200	11,500	12,500	13,500	14,500	15,500	16,500	17,500	18,500	19,500	20,500	21,500	22,500	23,500	24,500	25,500	26,500	27,500	28,500	29,500	30,500	31,500	32,500
INVENTORY	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

[Click Here For Free Download](#)

Growing Up

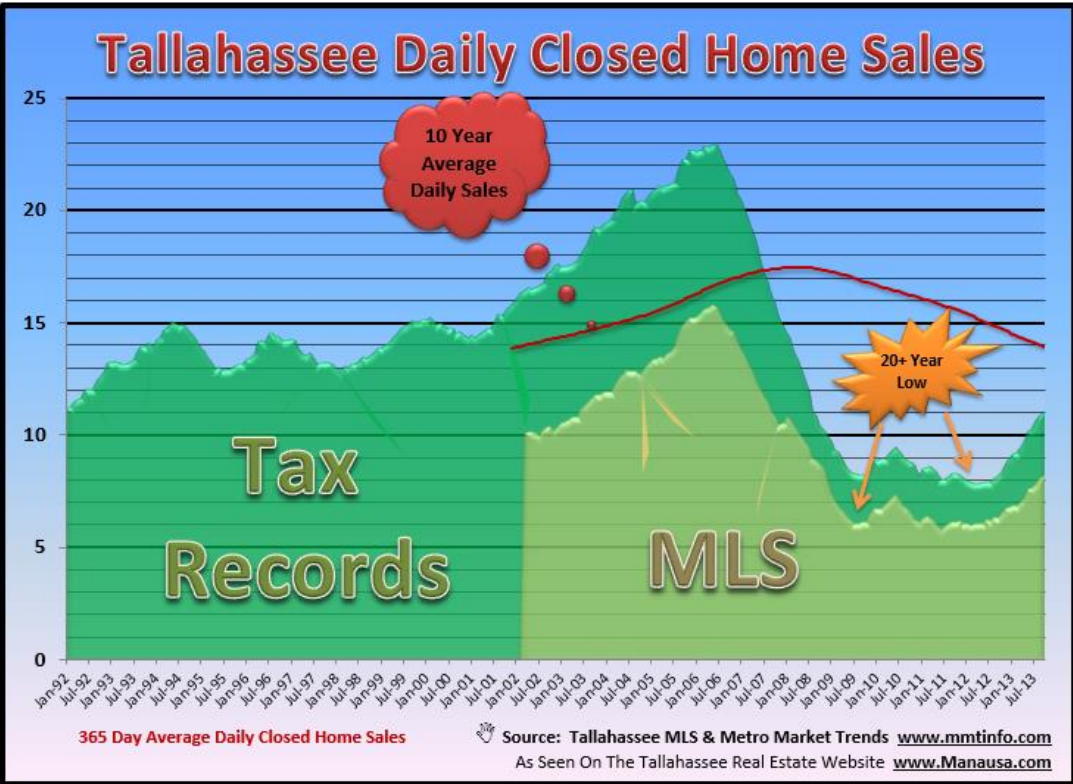
Leon County has roughly 40% more people living here today than it did in 1991

Tallahassee Free Search
FULL MLS ACCESS

[Search Homes](#)

Supply & Demand

The Tallahassee MLS is important because it allows us to compute supply and demand ratios



Does it feel like 1991 to you?

It certainly looks like it when we tally up the number of closed home sales that have occurred in Tallahassee.

We track closed home sales from two separate sources. First, we look at home sales recorded in Leon County. This is a great source because it likely contains all property transfers that have occurred, with very few exceptions.

We also track home sales through the Tallahassee MLS. This source is important because it allows us to compute supply and demand ratios. While not all sales are recorded in the MLS (currently about 73% of all recorded home sales are also recorded in the MLS), we must be able to compare what's for sale with what has sold in order to determine key trends and make

forecasts about the coming changes in the market.

The number of closed home sales over the past year is consistent with where they were in 1991.

Understanding that there is a correlation between population size and home sales (meaning more populated areas will most likely have more home sales than less populated areas), it is important to understand that Leon County has roughly 40% more people living here today than it did in 1991. The fact that home sales are rising now is very good, but our population growth suggests that there is still plenty of upside left in this housing market recovery, and we should expect to see more home sales in 2014 than we have in 2013 (which is the best year on record since 2007).

Daily Closed Home Sales Working Higher



Promising

The one-year trend of daily closed home sales has moved 32% higher in just the last year alone

In case the [previous page](#) did not convince you of continued growth in home sales due to population growth, perhaps a more analytical view of the market will help.

We can use charting techniques to forecast the future of home sales, based upon what has occurred in the past.

By using a “regression to the mean” analysis, our chart shows some important trends that point to a continuation of the housing market recovery.

In the chart below, yellow points show the total number of closed home sales

each month, going back to the beginning of 1991. These points are then used to calculate trends (averages) for one year, five year, and ten year intervals.

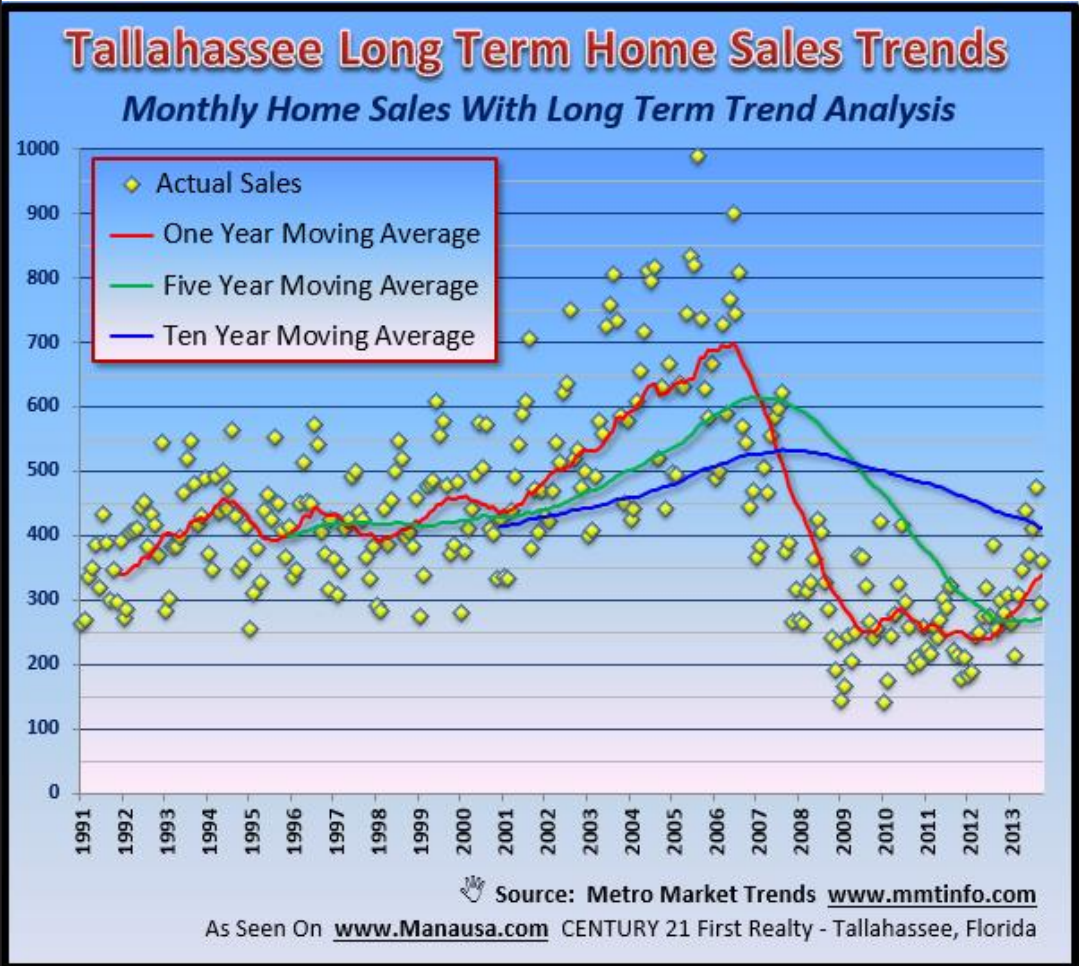
Currently, most of the yellow points are above the one year trend and five year trends, and this has caused the one year trend to soar high, and the five year trend has started to rise.

This means that the average number of homes sold today is greater than it was five years ago, and it appears as if the trend will continue. We need to see the one year trend cross over the ten year trend for the next major affirmation of the market returning to normal.



Getting Better

The chart shows some important trends that point to a continuation of the housing market recovery.



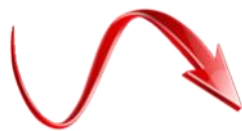
Condos And Townhouses Recovered?



Fully Recovered?

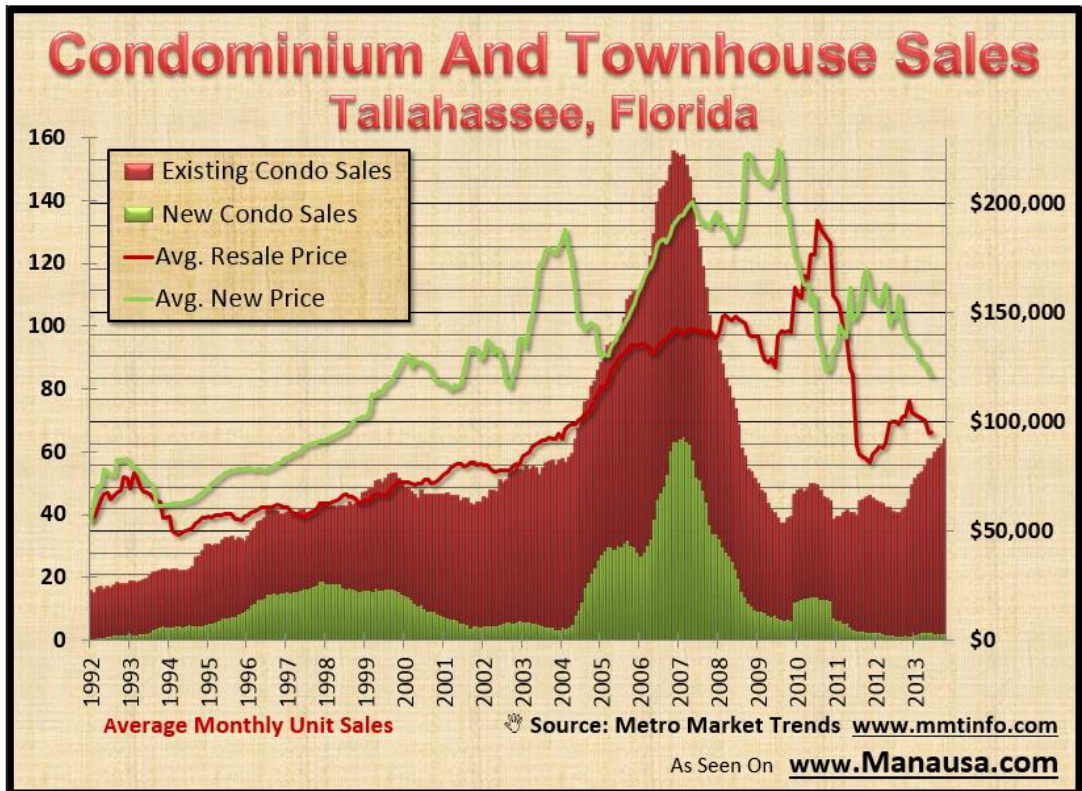
Condo and townhouse sales are selling at levels consistent with 2004

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



Student Housing

Condominium and townhouse sales are getting pressure from the growth in multi-family sales near the schools



With more than 8.5 months of supply of condominiums and townhouses remaining for sale in Tallahassee, it is definitely a buyer's market for attached homes.

While this is not news in and of itself, our graph above shows that the "attached homes" segment of the market might have some troubles that are not being mentioned in the news.

In the graph above, the red columns show the average number of existing condo and townhouse sales each month, while the green columns shows the same for new construction.

Unlike the overall market in general, the number of attached homes sold each month is now higher than at any time in the past (with the exception of the

housing market bubble years). So while the whole market is selling at levels last seen in 1991, condo and townhouse sales are selling at levels consistent with 2004. So why the concern?

Unless we expect attached home sales to begin selling at levels consistent with the peak of the housing market, when will it be possible for market equilibrium to return to this segment of home sales?

The fact is that condominium and townhouse sales are getting pressure from the growth in multi-family sales, especially when you consider the student housing offerings that are being brought to the market.

These units compete for the tenants that occupy much of the condos and townhouses around our schools, which could add years to the recovery.

New Home Sales Leave Market Bottom Behind

When you look at the graph below, you can see that both single family permits and new home sales are rising up from a market bottom established in 2012. Needless to say, this is great news for Tallahassee home builders.

To put some context on the dramatic changes that have occurred in the new construction market, consider that our current rate of new homes sold (up 30% from last year) is still down more than 80% since the peak of the construction boom in 2005.

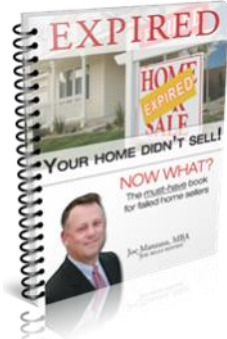
With our market still over-supplied in many of the price ranges, I don't expect to see new construction return to "normal levels" in the immediate future. The graph above shows that just under 9% of all current home sales are new



construction, which is far below the 22% norm that we had come to expect in the 1990s.

The glut of homes priced above \$300K will make it hard for builders to commit to heavy production of new homes. However, so long as low interest rates remain, we can expect to see some buyers choose to build new instead of taking advantage of the values to be found in the existing home sales market.

Home Not Sold?

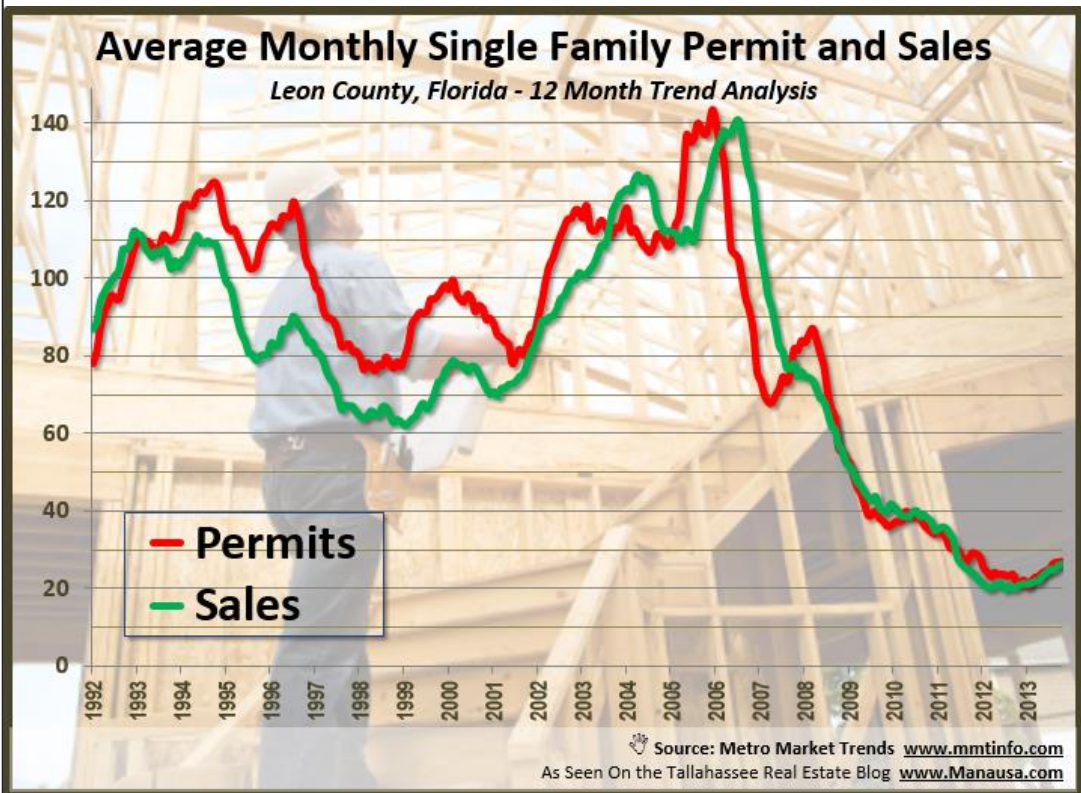


[Get Answers Now](#)



Appreciation Rate

The current rate of new homes sold is up 30% from last year, though still down more than 80% since the peak of the construction boom in 2005



Source: Metro Market Trends www.mmtinfo.com
As Seen On the Tallahassee Real Estate Blog www.Manausa.com

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.

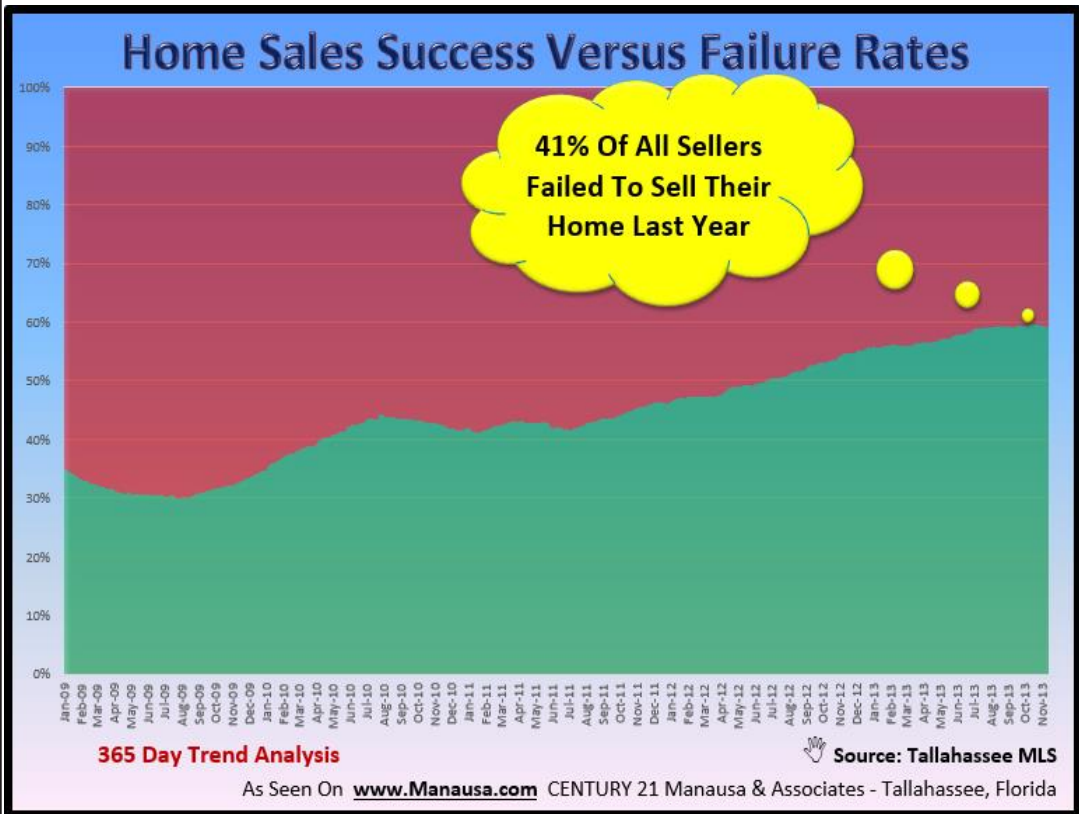
- Success: 59%
- Failure: 41%

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.

Glut Of Homes In Tallahassee

When we look at the supply and demand of homes in Tallahassee, it becomes readily apparent that the supply side is awash with too much inventory.

In the chart below, we see that there is over seven month's supply of homes on the market, but many of the lower price ranges are coming into balance.

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 \$300,000.



Leon County Home Inventory Report

Residential Home Supply - November 2013

Chart Information	NE	NW	SE	SW	ALL
\$0-\$75,000	6.6	5.0	6.2	7.2	5.8
\$75,000-\$100,000	5.4	11.1	10.0	13.5	9.9
\$100,000-\$125,000	6.1	8.0	7.6	13.4	7.6
\$125,000-\$150,000	7.6	8.8	5.3	36.0	8.6
\$150,000-\$200,000	4.8	12.3	6.9	5.5	6.3
\$200,000-\$250,000	6.1	11.5	3.9	10.3	6.3
\$250,000-\$300,000	6.1	9.2	5.9	6.0	6.2
\$300,000-\$500,000	7.8	14.3	6.7	No Sales	8.2
\$500,000-\$750,000	10.8	14.4	21.6	No Sales	12.2
\$750,000+	20.4	No Sales	No Sales	No Sales	24.0
All Price Ranges	6.5	8.3	6.9	10.8	7.3

Information in the report above shows relative home supply (months of supply based upon the current rate of sales). For example, there are 6.1 months of supply of homes priced between \$250K and \$300K in the Northeast, but 9.2 months of supply of the same priced homes in the Northwest.

Relative Supply Continues To Decline

Selling Homes

The current 7.3 months of supply is lower than the 9.4 months of supply reported this time last year.

Home Search

[Betton Homes](#)

[The "Bobbins"](#)

[Buckhead](#)

[Bull Run](#)

[Glen At Golden Eagle](#)

[Golden Eagle](#)

[Highgrove](#)

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[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 is falling. The current 7.3 months of supply is lower than the 9.4 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****What Will Happen When Mortgage Interest Rates Rise**

We all know that it is not a matter of “if,” but “when?” So what do you think will happen to home values when mortgage interest rates rise? I have assembled some basic information to share with our readers and it shows that the housing market might be poised for a shift even more dramatic than what occurred when the bubble burst in 2006. [[Read more](#)]

The Top New Construction Neighborhoods In Tallahassee

Coming off a historic-slow 2012, the top new construction neighborhoods in Tallahassee have really heated up in 2013.

Even though existing homes are still selling below replacement cost, some buyers are just drawn to owning a new home. Not unlike the car industry, you get value when you buy “used,” but some just love that new car (home) smell. [[Read more](#)]:

The Top Resale Neighborhoods In Tallahassee

While it is always important to know about new homes being built, if you have a home for sale in a particular subdivision, the best home value estimator comes from the existing home sales market.

So we have assembled the top selling neighborhoods in Tallahassee for your review. [[Read more](#)]

Condo And Townhouse Prices Offer Affordability

We have written for years about the glut of homes for sale in Tallahassee, and the fact that we over-produced from 2002 through 2006. As a result, we see a large value opportunity that buyers will have a hard time over-looking. [[Read more](#)]

Foreclosure Sales And Filings Fall

New lis pendens filings in Tallahassee fell 52% in October when compared to October 2012, and foreclosures also fell 52%. [[Read more](#)]

Bottom These Neighborhoods Continue Positive Growth Trends

As we release our newest Bottom home sales report, I can't help but think these NE Tallahassee neighborhoods might be the “housing market recovery leaders” for all subdivisions in town. Demand has recovered completely, home sales are at higher levels than were recorded during the boom of the housing market, and home values are on the rise. [[Read more](#)]

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