

Tallahassee Real Estate

An analytical view of the Tallahassee Housing Market

Volume 14, Number 5

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 May Housing Report has been completed and is posted at

[The Market Bulletin](#)



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Building Again In Tallahassee

Single family home permits record a three year high in April

The 57 building permits filed during the month of April was higher than every previous month, going back to January 2011 when 65 permits were filed.

While this pales in comparison to the 442 permits filed in the two-month period of April and May of 2005, it is nevertheless a sign that home builders are getting back to work in the single family homes market.

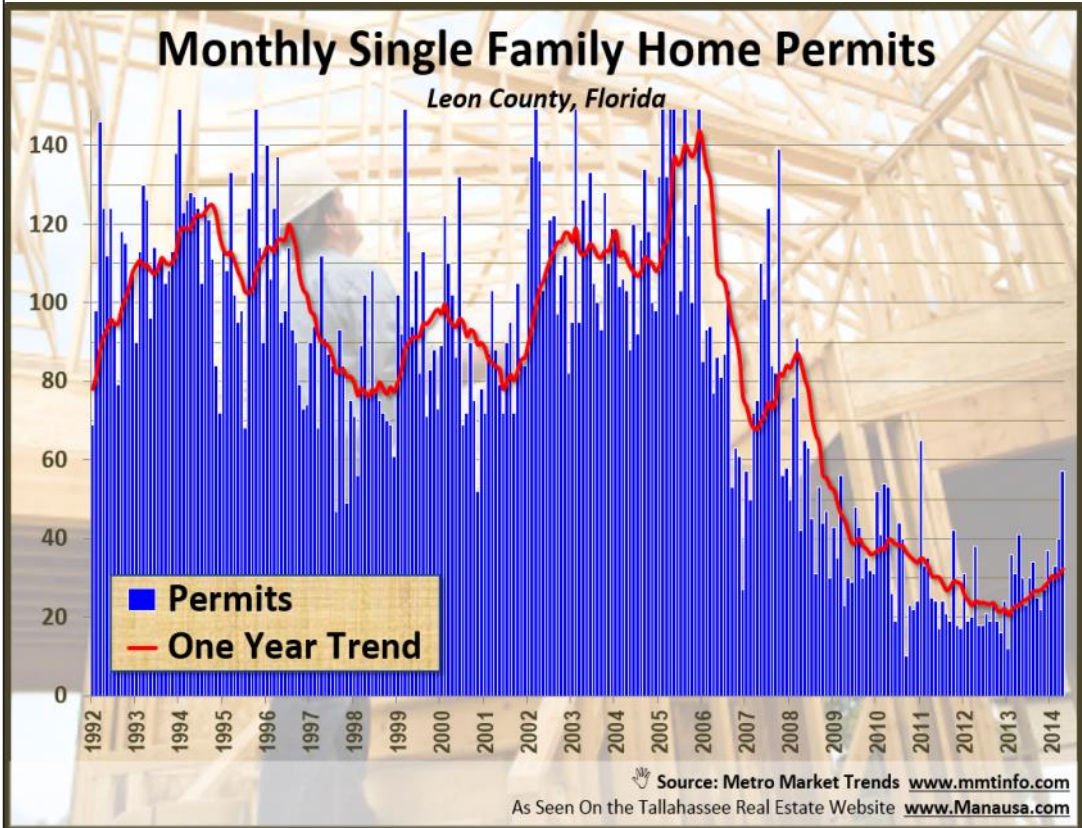
In the graph below, the number of permits filed each month are plotted as

a blue column, and the one-year average is shown as a red line.

The rebounding one-year trend might be more significant than it appears, as it has jumped 57% since hitting a market bottom in January of 2013.

Any builder will tell you that we are no where near "back to normal," and we know that market is far from recovered.

It is still good to see our builders be able to get back to work in some of the different neighborhoods in Tallahassee.



Free Report

Leon County Inventory Report
 Published Bi-Monthly, November 2013
 Go back to www.manusa.com

PROPERTY TYPE	NO. OF UNITS	NO. OF UNITS UNDER CONTRACT	NO. OF UNITS IN PROCESS	NO. OF UNITS AVAILABLE
CONDOMINIUMS				
APRIL 2013	104	10	10	84
APRIL 2014	104	10	10	84
TOWNHOUSES				
APRIL 2013	104	10	10	84
APRIL 2014	104	10	10	84
SINGLE-FAMILY DETACHED HOMES				
APRIL 2013	104	10	10	84
APRIL 2014	104	10	10	84
TOTAL	312	30	30	252

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6 Negative Trends

Unit sales, prices, values, new contracts all declined in April, while more sellers came to the market and more sellers left the market having failed to sell their homes.

TALLAHASSEE

April 2014 Housing Statistics



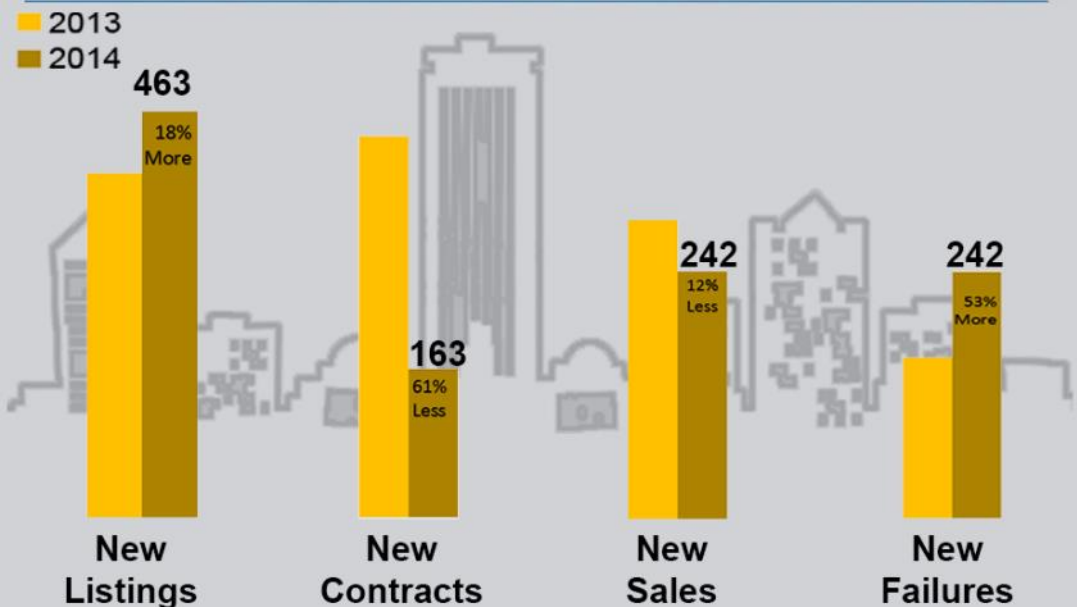
Homes Sold
242
 ↓ 12%



Median Home Price
\$148,375
 ↓ 4%



Median Home Value
\$94 PSFT
 ↓ 5%



Data is for condominiums, townhouses, and single family detached homes in Leon County, Florida. Percent change reflects a year-over-year comparison between April 2013 and April 2014. For a detailed report, please visit manusa.com/market-report

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Every month we produce an easy to read 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

Foreclosures: Continued Threat To Home Values

Distressed homes still rule the market in Tallahassee. The graph to the right shows that 20% of the homes listed for sale over the past year are foreclosures, short sales, or bank owned properties.



The graph below shows what buyers are buying right now. Roughly 30% of all closed single family homes, townhomes, and condominiums are distressed properties.

compete with the best deals on the market.

This is a very healthy part of the recovery process, but it is very painful for sellers with equity and homebuilders who cannot afford to slash their prices to

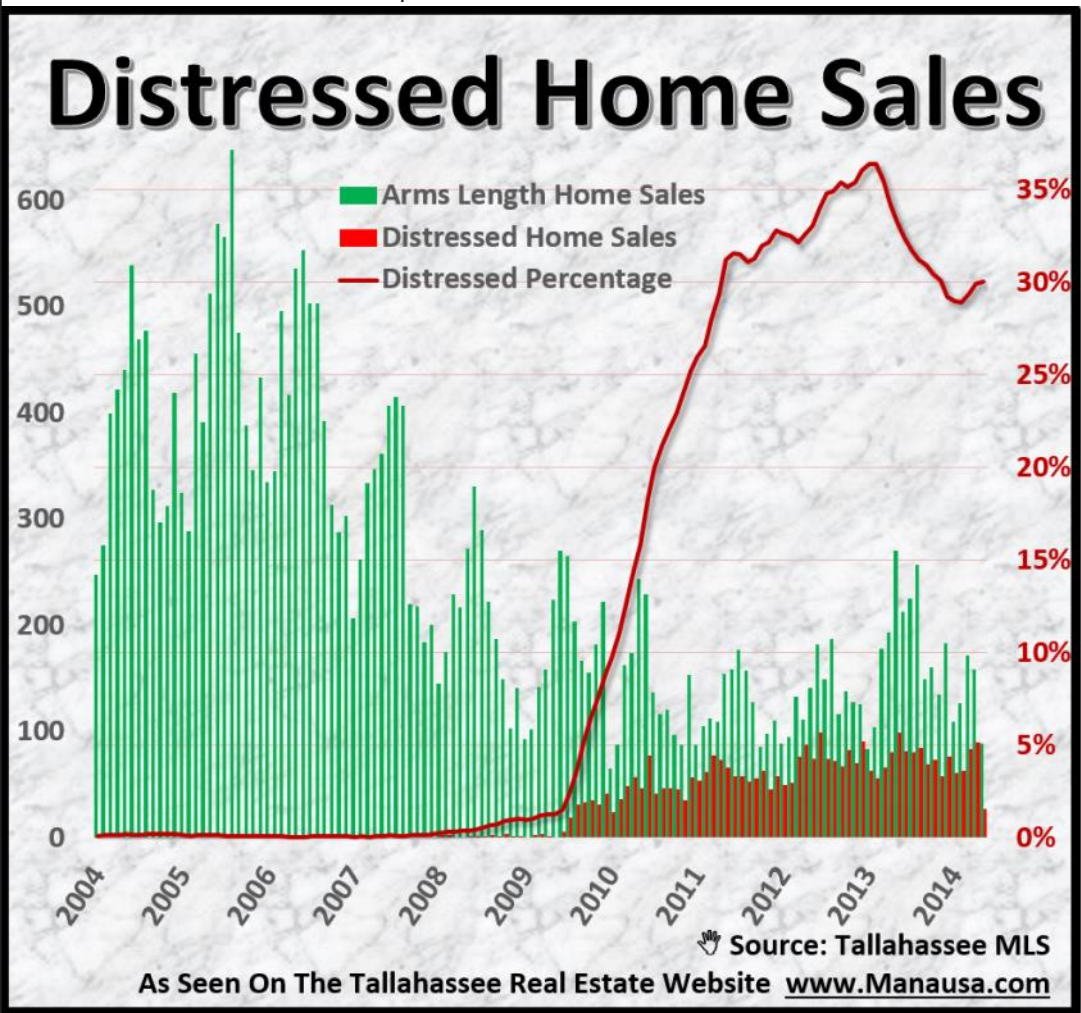
Don't expect distressed properties to disappear any time soon, as thousands more are waiting for supply to fall and prices to rise.

Lakefront



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.](#)





Lots Of Lots

The number of lots sold each month has rebounded to just over 100, up 253% since the beginning of 2010 when lot sales hit a market bottom.

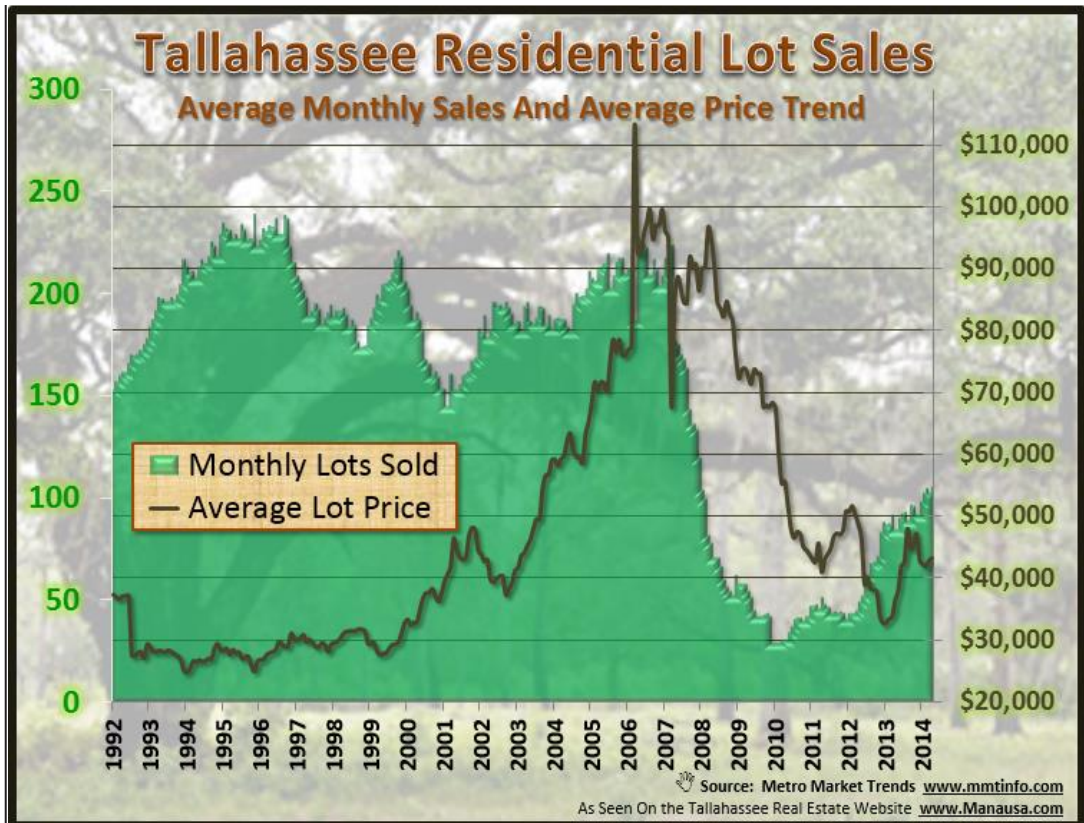
FREE LIST OF HOMES
 Distressed Property, short sales
 REOs, Foreclosures - Best Buy List



Buyers Wanted

The reduced demand for lots has been the major driver for market prices over the past 6 years

Lot Sales Up 253% Since Market Bottom



If builders are building more houses, it is logical to expect to see an increase in lot sales, both in unit sales as well as average prices.

The graph above shows the one-year trend of lot sales (average number of lots sold each month over the past year) and the trend of lot prices (average price of a lot sold over the past year).

Looking at the green vertical bars, we see that the number of lots sold each month has rebounded to just over 100, up 253% since the beginning of 2010 when lot sales hit a market bottom.

Lot prices are still recovering as well, with the current average lot price at just over \$43,000.

The cost to develop a new lot in Florida

has risen dramatically, both because of inflation (machinery, labor, etc.) as well as due to the new development costs associated new legislation passed in 2009.

Most of these new costs have not hit the market, as we are still liquidating the glut of lots developed during the peak of the housing market prior to 2008.

The over-supply of lots (truly the reduced demand for lots) has been the major driver for market prices over the past 6 years, thus we have not yet seen “cost” play an important role in land prices.

Expect to see developed lot prices soar when demand returns, with average prices topping the \$100K mark like they did during the peak in 2006, but this time without dropping back below.

New Contracts Down 61% Year Over Year

The big negative news in our infographic ([found on page 2 of this report](#)) is that new contracts were down 61% in April 2014 versus April 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.

Closings Begin To Slide Too

For the past 21 months, we have seen closed sales do nothing but rise, even lately as new contracts have taken a tumble.

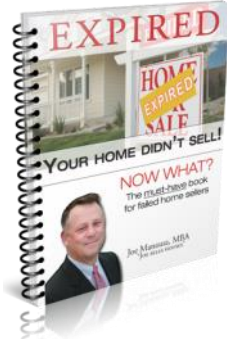
We can attribute some of the decline in new contracts to the fewer short sales available in the market, but not consistent decline that we have seen since February. Year over year new contracts



fell in February, March, and April, and the rate of decline is accelerating.

If you look at the graph above, you can see a small dip at the very end of the new closed home sales graph, and it is my belief that this is the start of a trend that must continue for several months, if not longer. It is not likely that we can see contracts decline and sales continue to rise (as all sales must come from contracts).

Home Not Sold?

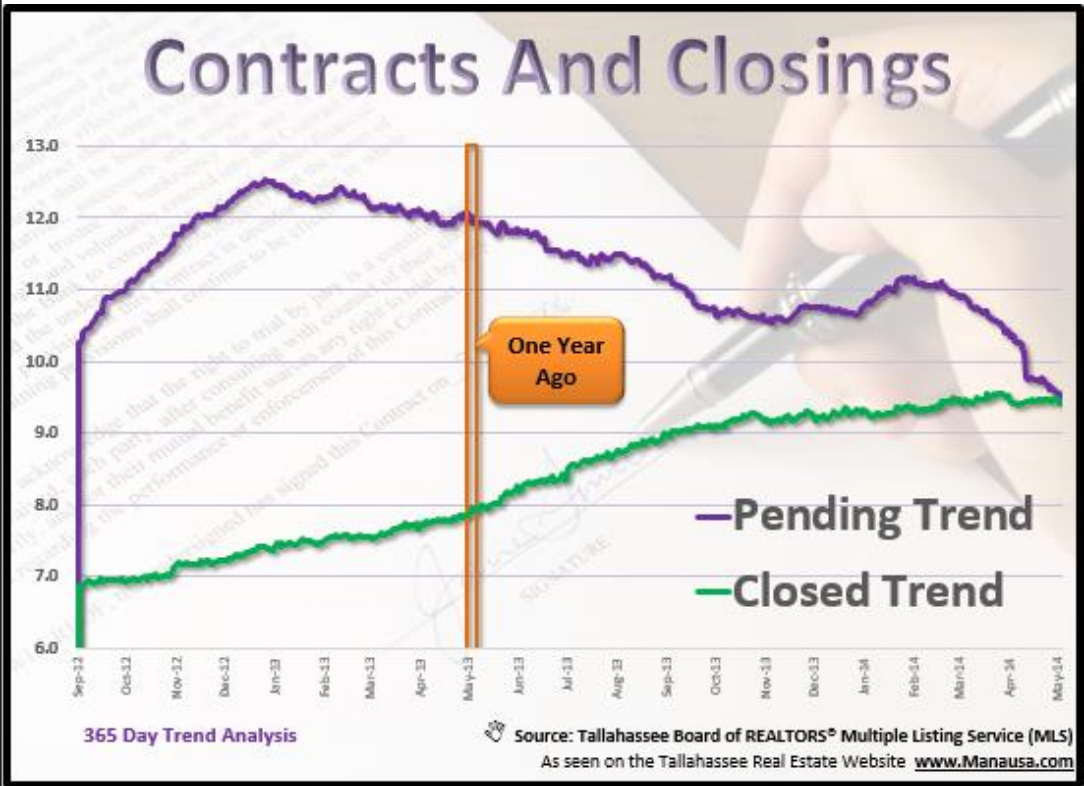


[Get Answers Now](#)



Buyer Activity Down

For the past 21 months, we have seen closed sales do nothing but rise, even lately as new contracts have taken a tumble.



Are Homes Selling?

Over the past year, roughly 57% 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.

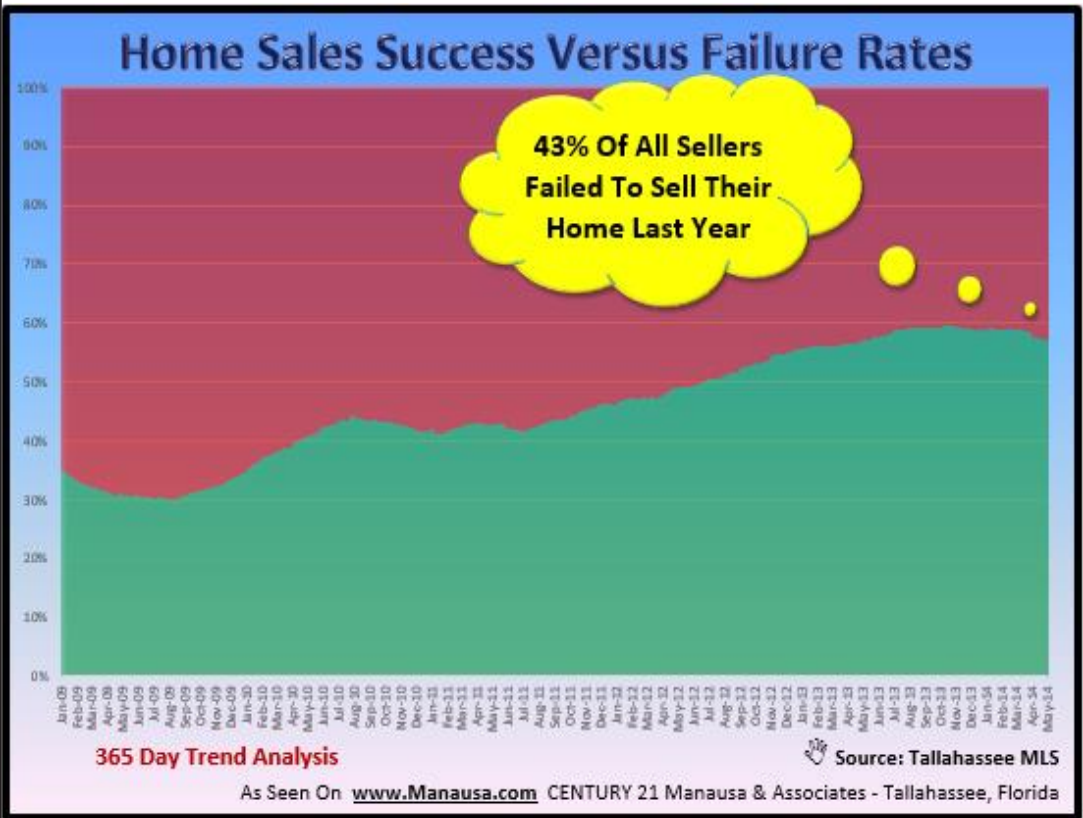
- Success: 57%
- Failure: 43%

Sales Success Rates Still Too Low

So, in simplified terms, we can say that over the past year, roughly 57% of the homes that were listed actually sold, and 43% 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 !



Well Supplied

The seasonal surge of homes on the market has made it so that each price range is in or moving towards a buyer's market

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 - May 2014

Chart Information	NE	NW	SE	SW	ALL
\$0-\$75,000	3.6	7.2	6.3	8.7	7.0
\$75,000-\$100,000	4.8	8.2	7.8	12.6	7.9
\$100,000-\$125,000	4.6	6.5	5.9	8.6	5.9
\$125,000-\$150,000	4.9	10.9	7.9	16.8	8.0
\$150,000-\$200,000	6.4	9.9	7.3	15.6	7.4
\$200,000-\$250,000	7.0	9.8	8.2	32.0	7.6
\$250,000-\$300,000	7.7	7.2	7.3	48.0	7.8
\$300,000-\$500,000	8.6	11.3	4.6	No Sales	8.4
\$500,000-\$750,000	14.2	15.0	12.0	No Sales	14.2
\$750,000+	26.5	No Sales	48.0	No Sales	29.4
All Price Ranges	7.2	8.4	6.9	11.3	7.7

Information in the report above shows relative home supply (months of supply based upon the current rate of sales). For example, there are 7.7 months of supply of homes priced between \$250K and \$300K in the Northeast, but 48.0 months of supply of the same priced homes in the Southwest.

Relative Supply Continues To Decline

Selling Homes

The current 7.7 months of supply is lower than the 8.9 months of supply reported this time last year.



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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 7.7 months of supply is lower than the 8.9 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?



Selling A Home?

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



Feedback Wanted

Links To Relevant Articles

How Credit Repair Put John Smith Into A New Home

Three years and two weeks ago, John Smith (not his real name) had to sell his home through a short sale, but thanks to a great credit repair plan, he was able to close on a new home yesterday.

Three years ago, his finances were a wreck and he couldn't qualify for a loan for a cup of coffee, but yesterday he closed on a \$350,000 home.

This article is the culmination of our case study on credit repair and how I think the credit repair industry is going to save the housing market. [\[Read More\]](#)

Shaun Donovan: Leave The Homeownership Rate Alone!

The national homeownership rate has hit a nineteen year low, and I am worried that our elected officials are going to misread what this means and therefore try to solve a problem that their predecessors created. [\[Read more\]](#)

How To Buy A Home In Pre-Foreclosure

In case you haven't heard the term before, pre-foreclosure merely means a homeowner who has been served foreclosure papers (lis pendens) but the bank has not yet taken back the home. So how does one go about seeing them? [\[Read More\]](#)

Mortgage Interest Rates Hit 2014 Low

Last week, mortgage interest rates hit a new low for 2014, meaning buyers can get "more home" without increasing their desired monthly

payment. With so many websites offering current interest rate updates, it's no wonder most buyers are numb to the changes, good or bad.

So let's take a look at how different interest rates will impact three different buyers in today's Tallahassee real estate market. [\[Read More\]](#)

How To Get Started In Real Estate As A Career

If you want to know how to get started in real estate as a career, you should first do a little self analysis to see if it is the type of work you will enjoy.

And yes, "work" is exactly what you will find if you want to help people when they need to buy a home and/or sell a home.

So what exactly does a real estate agent do, and what key steps should you take to start a real estate career? [\[Read More\]](#)

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