

Tallahassee Real Estate

An analytical view of the Tallahassee Housing Market

Volume 14, Number 2

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 February Housing Report has been completed and is posted at

[The Market Bulletin](#)



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A Rebirth For Homebuilders

After 7 long years of dwindling demand, new construction is back

Tallahassee homebuilders have been waiting seven long years to get back into business, so 2014 will represent their first real opportunity to dust off their equipment and get back to work.

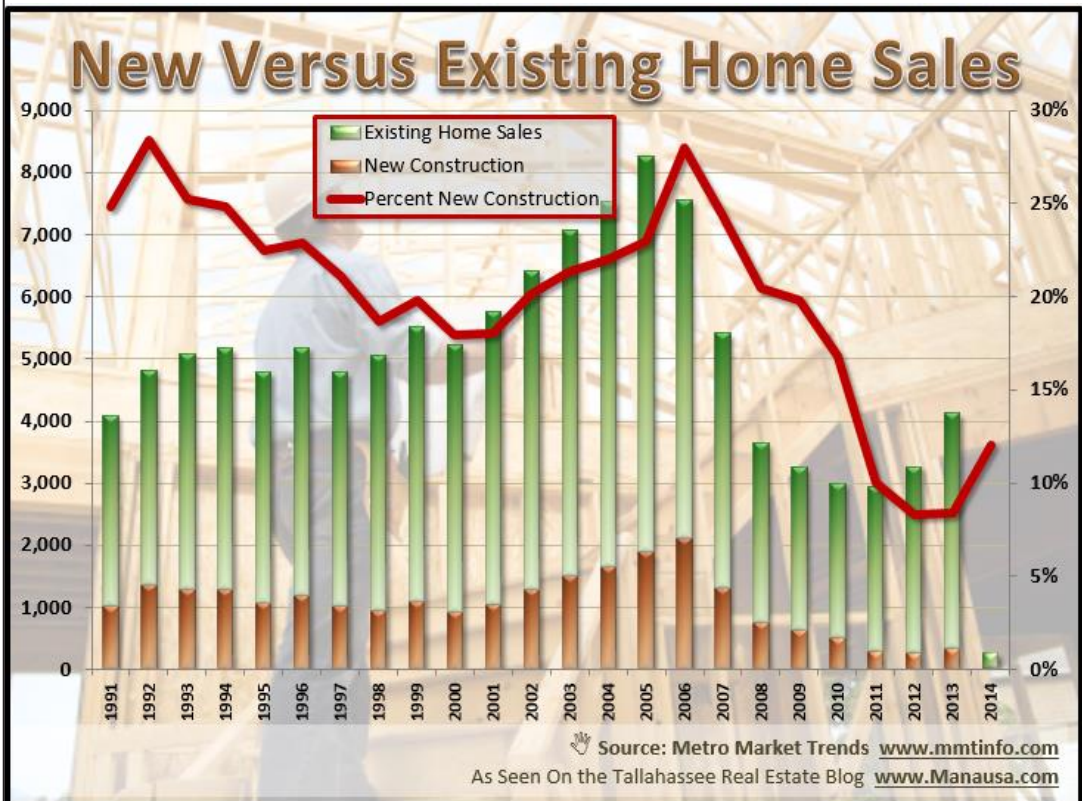
As we start our 24th year of tracking home sales in Tallahassee, the graph below shows you the feasts and famines endured by homebuilders, but none has been so severe as the previous three years.

The red bars measure the number of new home sales each year, while the

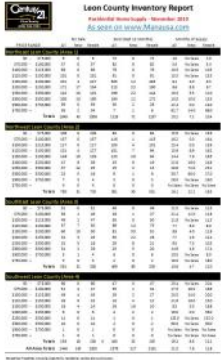
green bars stacked upon them show the number of existing home sales for the same years, and measured on the left vertical axis.

The red line measures the ratio of new home sales to all home sales, and is measured on the right vertical axis. We typically see this ratio just above 21% on average, so the past three years of sub 10% new construction sales has been brutal for homebuilders.

While the market is still glutted above \$500K, builders will find opportunities around Tallahassee below that level.



Free Report



[Click Here For Free Download](#)

Building Growth

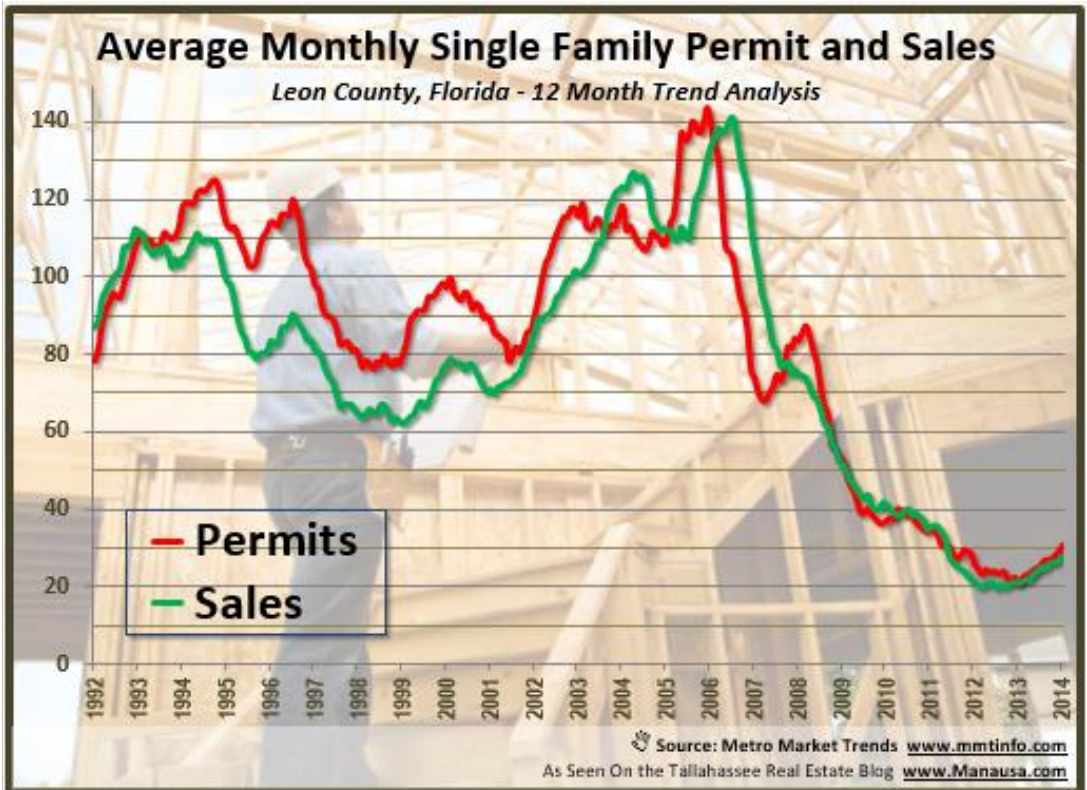
By 2016 we should see the divide between permits and sales look very similar to how they interacted back in the 1990s



[Search Homes](#)

Westward Expansion

The West side of Tallahassee is finding single family home sales heavily influenced by the construction of multifamily properties



Yes, 2014 will be the year of the renewed homebuilder, but it also could result in the production of too many homes for our fragile-recovering market to handle.

One way to know for sure is to track the number of new construction permits and compare them to new home construction sales, as we have done in the graph above for single family detached homes.

The red line measures the number of permits, while the green line measures the number of sales. Note that in healthier times, there was a fair difference between the two, and it represented the current inventory of new construction homes for sale.

But once the market tanked at the end

of 2006, this "delta" was tightened up, as new home inventory was entirely too risky for both homebuilders and banks as well.

I look to see this delta grow (slowly and methodically I hope) in 2014, and by 2016 we should see the divide between permits and sales look very similar to how they interacted back in the 1990s.

West Side Story

This graph does not track condominiums, townhouses, and multi-family permits and sales. The West side of Tallahassee is finding single family home sales heavily influenced by the construction of multifamily properties, which are consuming the tenants that often filled these West side homes.

Why We Look Beyond The MLS For Home Sales



Sellers Wanted

There are fewer homes on the market today than at any time in the past five years



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.](#)

Anybody who has who has subscribed to the Tallahassee Real Estate Newsletter over the past six years knows that we analyze the entire housing market for Leon County, Florida. We do not merely rely on the information in the Tallahassee Board of REALTORS Multiple Listing Service (MLS), as we know it represents only a (large) fraction of what is going on.

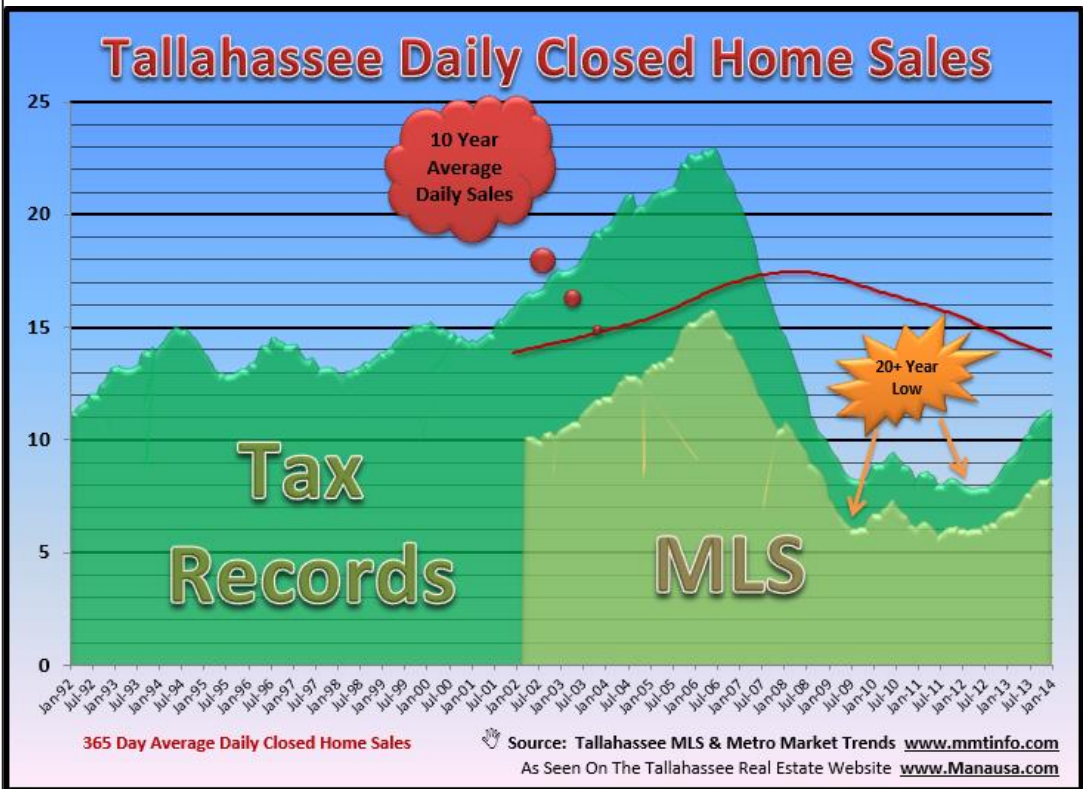
It is important we always remember to “consider the source.” Our MLS was created as a marketing channel, one that allows brokers to tell other brokers about the listings that they have for sale, and the level of compensation that is offered with each listing.

This means that the MLS does not contain all the home sales in Tallahassee. There are “For Sale By

Owners” and pre-sales by home builders, and even some speculative sales by builders that do not appear in the MLS. Why? Because they were not marketed by a Realtor when they were sold.

We use the MLS as a great source of information to measure supply and demand, as it is the only source of information on the supply side. But the Leon County Property Appraiser records the majority of all property transfers (sales) in Tallahassee, so it represents the best source of information on the demand side.

In the graph below, observe how the MLS is currently tracking about 80% of all the home sales in Tallahassee, and note that we typically see it run in the 60% to 85% range.



Is This The Final Run To Remove Foreclosures?



Still Recovering

The pace at which the final few thousand distressed homes clears the market will determine the rate at which home values recover

FREE LIST OF HOMES

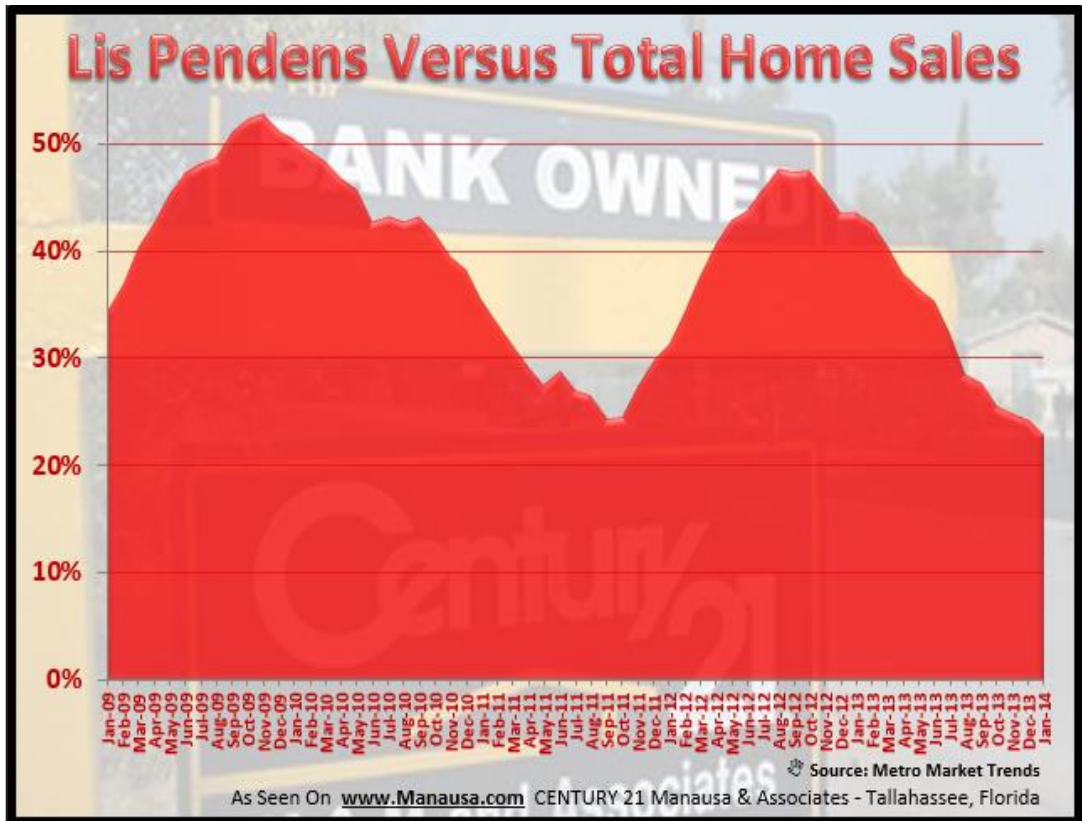
Distressed Property, short sales
REOs, Foreclosures - Best Buy List

Sell A Home



Better Ratios

Fewer than 1 new lis pendens is filed for every 4 homes sold. And the trend is declining



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 above measures the number of lis pendens filed each month and then compares 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.

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

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 is declining.

The creation of new lis pendens for condominiums, townhouses, and single family detached homes is at a 5+ year low, where fewer than 1 new lis pendens is filed for every 4 homes sold. And the trend 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, but this news clearly shows the housing market is getting stronger.

Short Term Trends Still Very Strong

Something interesting has recently happened (if you happen to be a chart-loving analytical fan of the Tallahassee real estate market).

By tracking long term trends, we can get a feel for where the market is heading at any given time.

The chart below shows the number of homes sold each month from January 1991 through January 2014 as blue vertical bars.

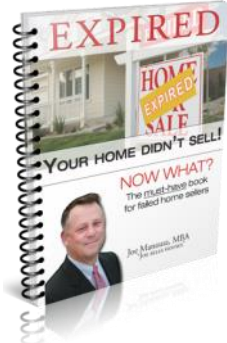
From this information, we have created three trend lines. The one year trend is shown in red, the eight year trend is blue, and finally the sixteen year trend is

shown in green.

When looking to the extreme right of the chart, we can say that the average number of homes sold each month over the past year is on the rise. The average number of homes sold each month over the past eight years though continues to decline as do the average number of homes sold each month over the past sixteen years.

With few of the blue bars extending above the eight year trend, it likely will be dropping for the rest of the year. But the shorter trend appears to be going higher, and eventually we should see the impact on the long term trends.

Home Not Sold?

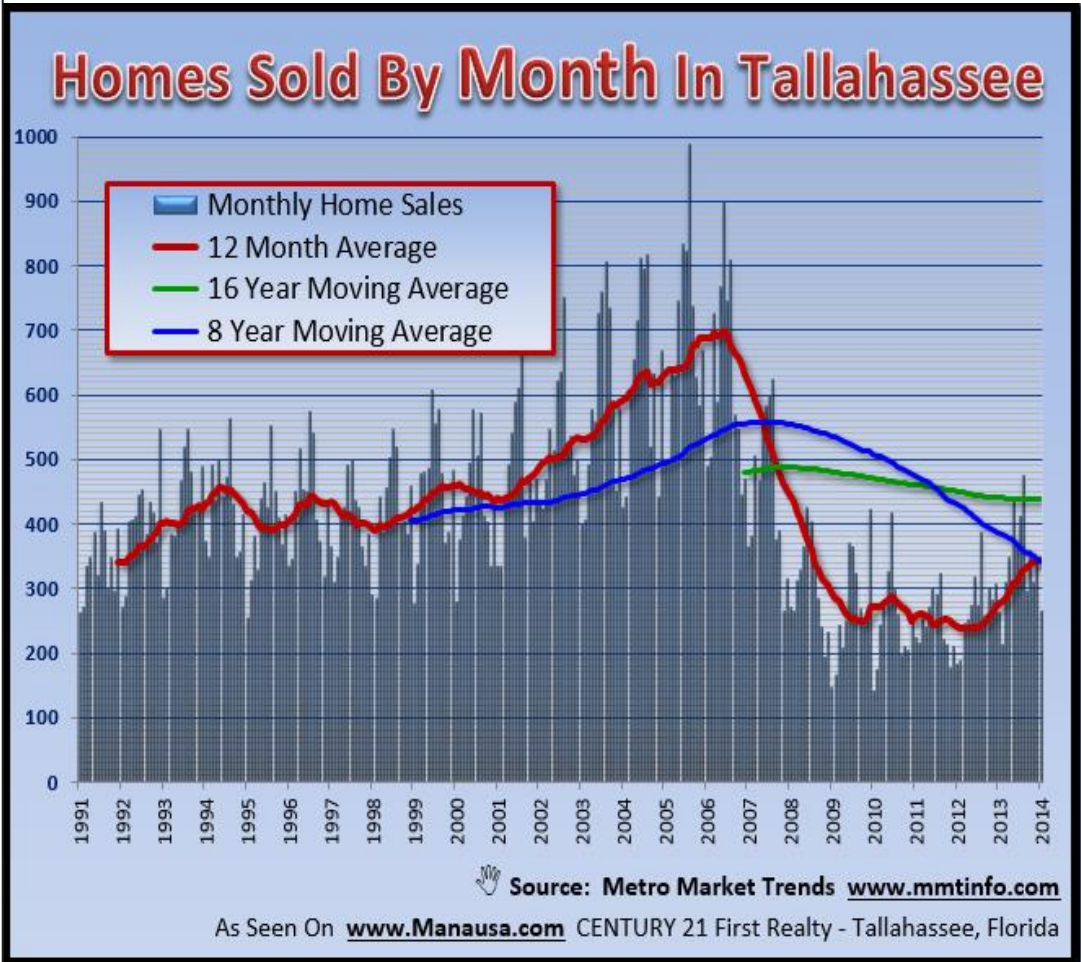


[Get Answers Now](#)



Monthly Sales

By tracking long term trends, we can get a feel for where the market is heading at any given 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.

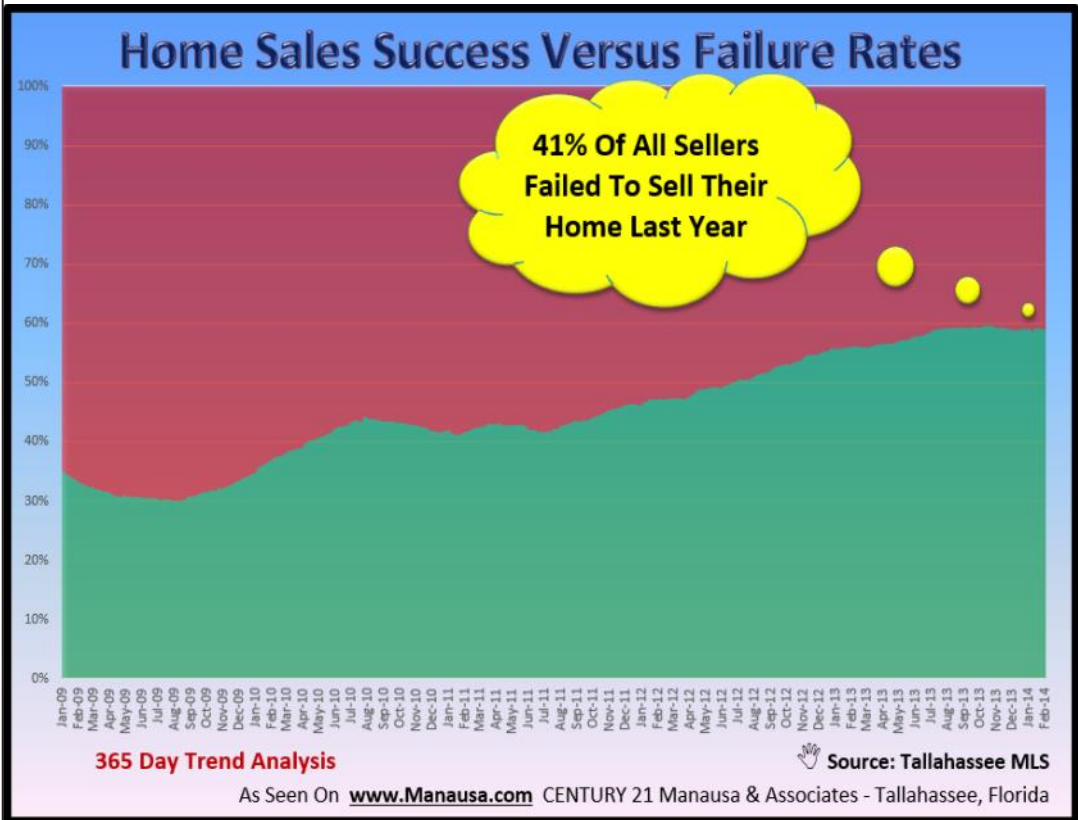
- Success: 59%
- Failure: 41%

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 - February 2014

Chart Information	NE	NW	SE	SW	ALL
\$0-\$75,000	5.4	5.6	6.0	7.9	6.1
\$75,000-\$100,000	5.5	9.7	7.7	13.2	8.8
\$100,000-\$125,000	4.3	7.4	6.1	8.2	6.2
\$125,000-\$150,000	5.8	9.4	8.0	22.8	8.3
\$150,000-\$200,000	5.1	10.3	6.1	7.6	6.3
\$200,000-\$250,000	4.8	7.8	7.0	19.2	5.5
\$250,000-\$300,000	5.9	5.2	6.3	36.0	6.0
\$300,000-\$500,000	6.1	10.2	4.9	No Sales	6.4
\$500,000-\$750,000	11.7	18.0	12.0	No Sales	12.4
\$750,000+	21.5	No Sales	48.0	No Sales	24.0
All Price Ranges	5.8	7.9	6.6	10.5	6.8

Information in the report above shows relative home supply (months of supply based upon the current rate of sales). For example, there are 5.9 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 6.8 months of supply is lower than the 8.4 months of supply reported this time last year.



Home Search

[Betton Homes](#)

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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 6.8 months of supply is lower than the 8.8 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****Fewer And Cheaper New Listings In Tallahassee**

Thus far in 2014, there have been about 5% fewer homes listed for sale in the Tallahassee MLS when compared to the same period in 2013, and for homes priced above \$100,000, the average price is about 5% lower as well. But that is not the most distressing trend. [\[Read more\]](#)

A New Direction For The Inventory Of Homes For Sale In Tallahassee

Most years, we see people start to pull their homes off the market (if they are not sold) as the holidays arrive in late November, only to reappear on the market in the middle of February and extending on through the Summer. [\[Read more\]](#)

All Types Are Now Enjoying A Career In Real Estate

There are not enough well trained real estate agents in Tallahassee to handle the work flow that is being generated by the housing market recovery. This means that there are job and career opportunities in real estate that must be filled, so my question is "are they right for you?" [\[Read More\]](#)

How We Use Drones In Real Estate

The use of drones by the US government has been causing controversy for many years, but did you know that we are now using drones to enhance the marketing of our Tallahassee homes with acreage? We use aerial photography on larger tracts of land to give prospective buyers the "lay of the land" so that they can tour the property from the comfort of their homes. [\[Read More\]](#)

A Layman's Guide To Real Estate Investment Terminology

I was recently analyzing a real estate investment with some of our agents and I realized I could produce an informative post about real estate investment terminology. I am combining a real world example of an apartment complex that is for sale with the structure of a "Real Estate Investing 101" type of post. [\[Read More\]](#)

Are You Letting A Cap Rate Rob You Of Your Investment Return?

If you have looked at commercial or large scale residential real estate as an investment, you probably have been schooled in using a cap rate analysis for the preliminary selection of property. If you haven't, then you might be curious about what the "big dogs" are doing, and you might want to know how to use this magical formula for yourself one day. [\[Read More\]](#)

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