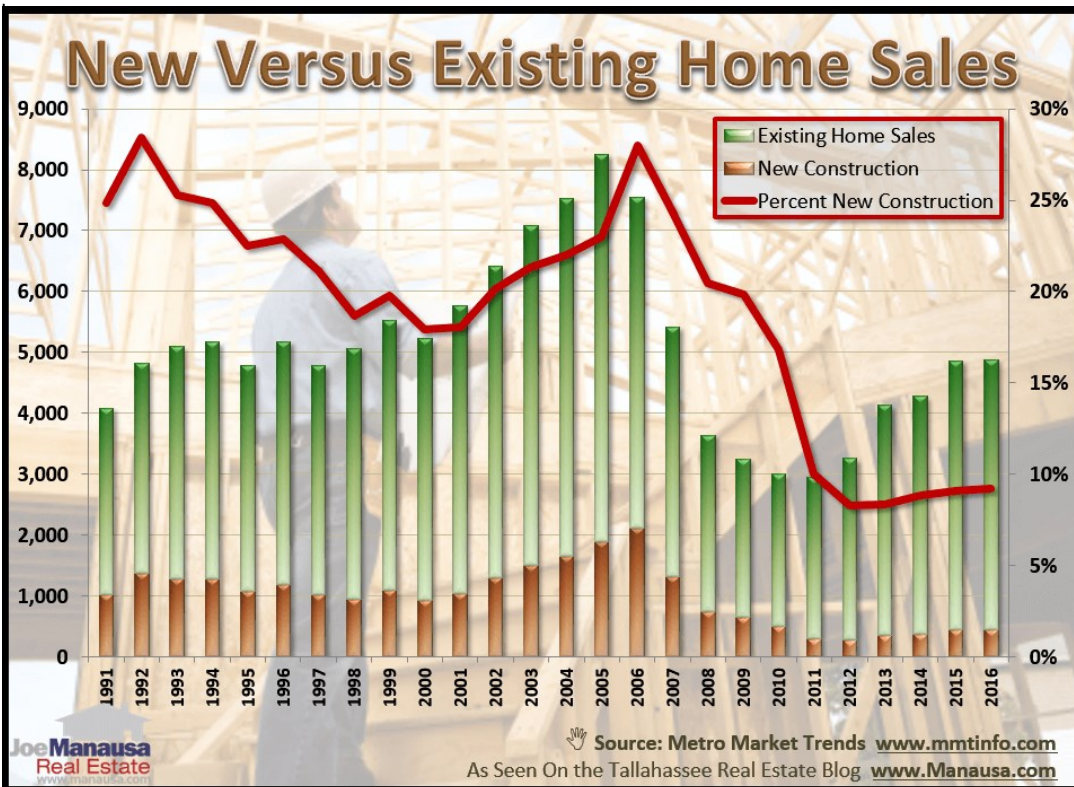


New Homes Market Is Evolving In Tallahassee



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The housing market recovery continues to strengthen both for existing home owners as well as for builders building new homes. In fact, new home sales are moving higher at a slightly faster rate.

The graph above shows existing home sales in green, and new construction sales in brown. The red line (reported on the right vertical axis) shows the percentage of the market filled by new home sales.

About 1 in every 11 homes sold in 2016 (through October) have been new construction sales meaning the other 10 were resales.

The ratio of new homes versus the overall market remains very low compared to what we recorded from 1991 through the collapse of the housing market.

Now that all of the glut of homes (below \$350,000) has been consumed, it will be interesting to see what transpires in the new

construction market moving forward.

The supply of available homes in the lower 90% of the market is not sufficient for the growth in demand. This would suggest opportunity for home builders.

Unfortunately, the cost of land, combined with the rising cost of materials and labor have pushed the total cost of new construction to where builders are not likely able to bring single family detached homes to the market at prices below \$300,000. And when the current supply of developed lots is extinguished, expect this number to be approaching \$400,000.

This suggests that we should begin to see significant growth in single-family attached and multi-family construction in Tallahassee. Look to see (finally) respectable appreciation in condominiums and townhouses and single family detached construction in the surrounding counties where land and governmental fees are less.