

Tallahassee Real Estate

An analytical view of the Tallahassee Housing Market

Volume 13, 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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It's Unanimous, Home Sales Are Rising

All data sources point to a market rising up from the bottom

The number of homes selling each day in Tallahassee is definitely on the rise.

The graph below shows the 365 day trend of daily closed home sales (average number of closed home sales each day) from two separate sources.

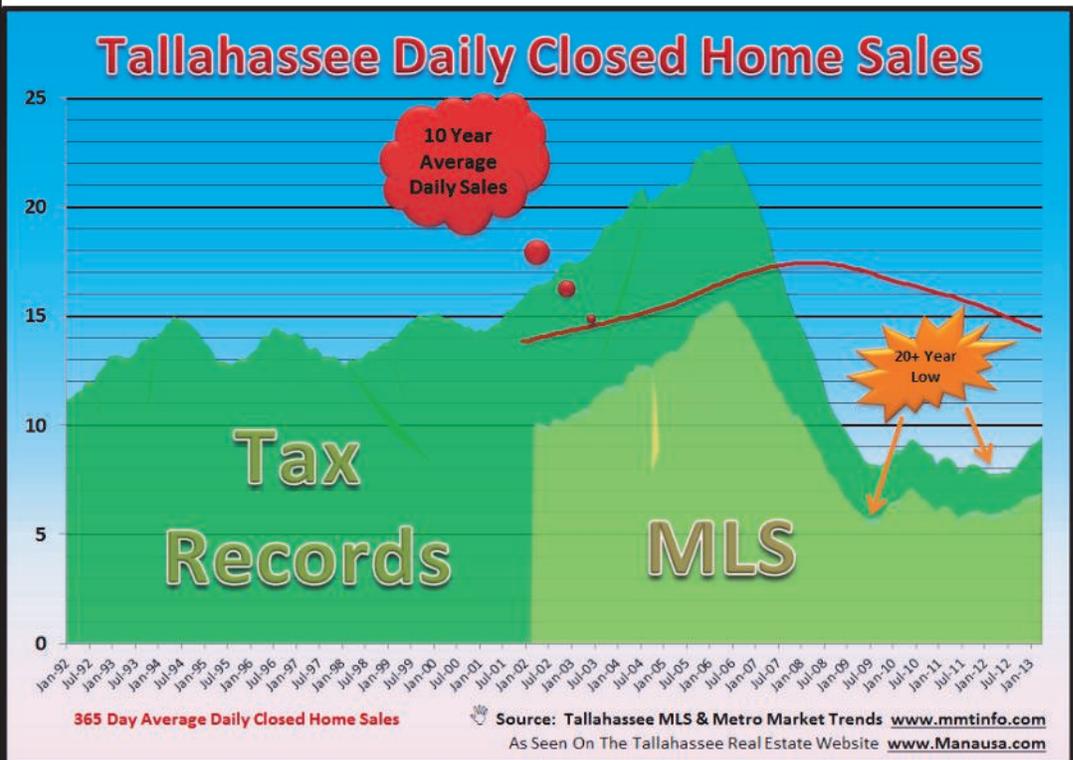
The dark green area shows recorded home sales in Leon County, while the light green area measures closed home sales for Leon County in the Tallahassee MLS.

I like to track each source, as the MLS is not a complete record of what is selling.

Most local and national real estate reports only reflect activity in the MLS systems, but as you can see below, MLS sales account for roughly 2/3rds to 3/4s of the sales in the area.

Something else interesting to note is that the market bottom in the MLS appeared two years before the real market bottom.

The red line on the graph shows the ten year average of daily closed home sales in Tallahassee, which means the current market is still well below average and has plenty more upside potential.



Existing Home Sale Prices

Free Report

Leon County Inventory Report
 Residential Sales Report - November 2013
 For information on this report, please contact:

| Category | Nov 2013 | Oct 2013 | Nov 2012 | Oct 2012 | Nov 2011 | Oct 2011 | Nov 2010 | Oct 2010 | Nov 2009 | Oct 2009 |
|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Active | 1,234 | 1,189 | 1,145 | 1,100 | 1,056 | 1,011 | 967 | 922 | 878 | 833 |
| Under Contract | 567 | 543 | 519 | 495 | 471 | 447 | 423 | 399 | 375 | 351 |
| Sold | 345 | 321 | 297 | 273 | 249 | 225 | 201 | 177 | 153 | 129 |
| Inventory | 667 | 646 | 626 | 605 | 585 | 566 | 544 | 524 | 503 | 482 |
| Days on Market | 45 | 48 | 51 | 54 | 57 | 60 | 63 | 66 | 69 | 72 |

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Interest Rates & Jobs

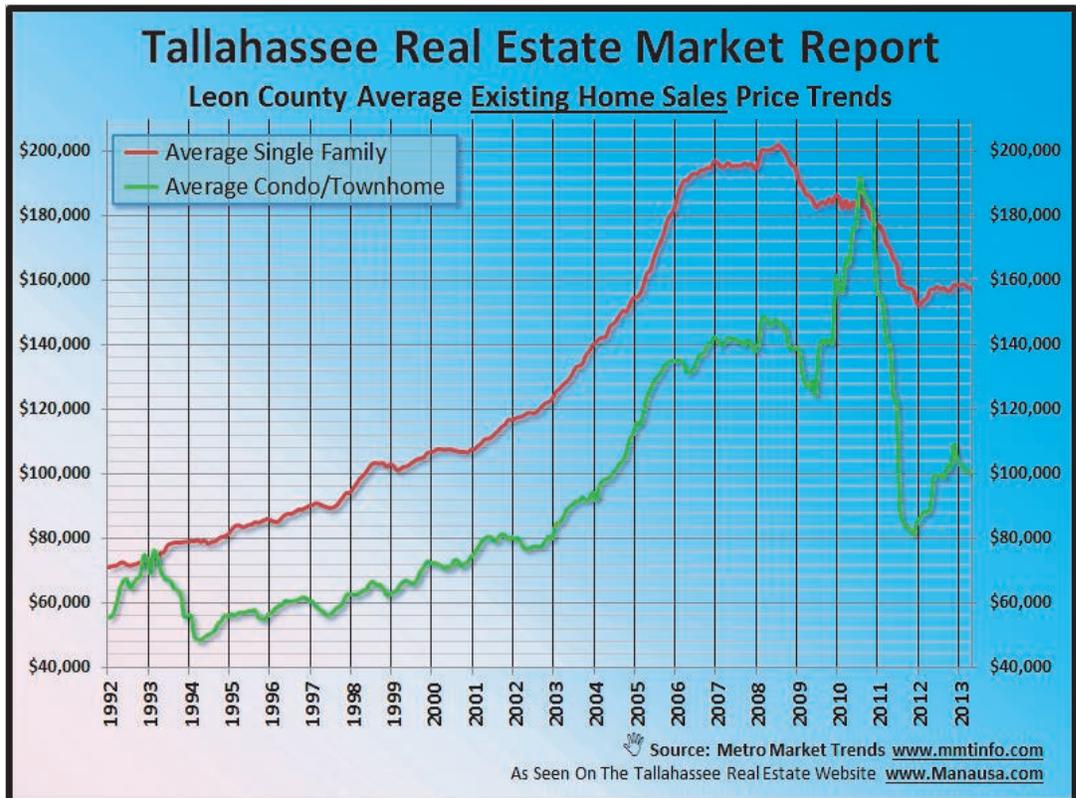
Average home prices are highly dependent upon the current economy and the cost of money



[Search Homes](#)

Higher Prices

Average prices for single family detached homes are consistent with values last seen eight years ago



If you own a home in Tallahassee and you are considering selling, you probably want to know how average prices are doing and what buyers are buying.

While this is not a report showing home value movement, it still is a snapshot in time for homebuyer activity.

The red line in the graph above shows the average price of existing single family detached homes over time. This means that all new home sales have been removed and only resales were considered.

The green line measures existing condominium and townhouses prices for the same period of time, and it reveals a market that is not committed yet to direction of movement.

Current prices for single family detached homes are consistent with values last seen eight years ago at the start of 2005, while condominium and townhouse prices are similar to 2004 prices.

It is important to remember that average prices are highly dependent upon the current economy and the cost of money. Mortgage interest rates are at an all-time low, and the economy is as strong or stronger than it has been in many years.

This means that average prices are being bolstered for the real estate market, and we have to be vigilant in our monitoring for a shift in either (or both) the economy and mortgage interest rates. If rates go higher, expect average home prices to be driven down again, as affordability becomes challenged.

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.

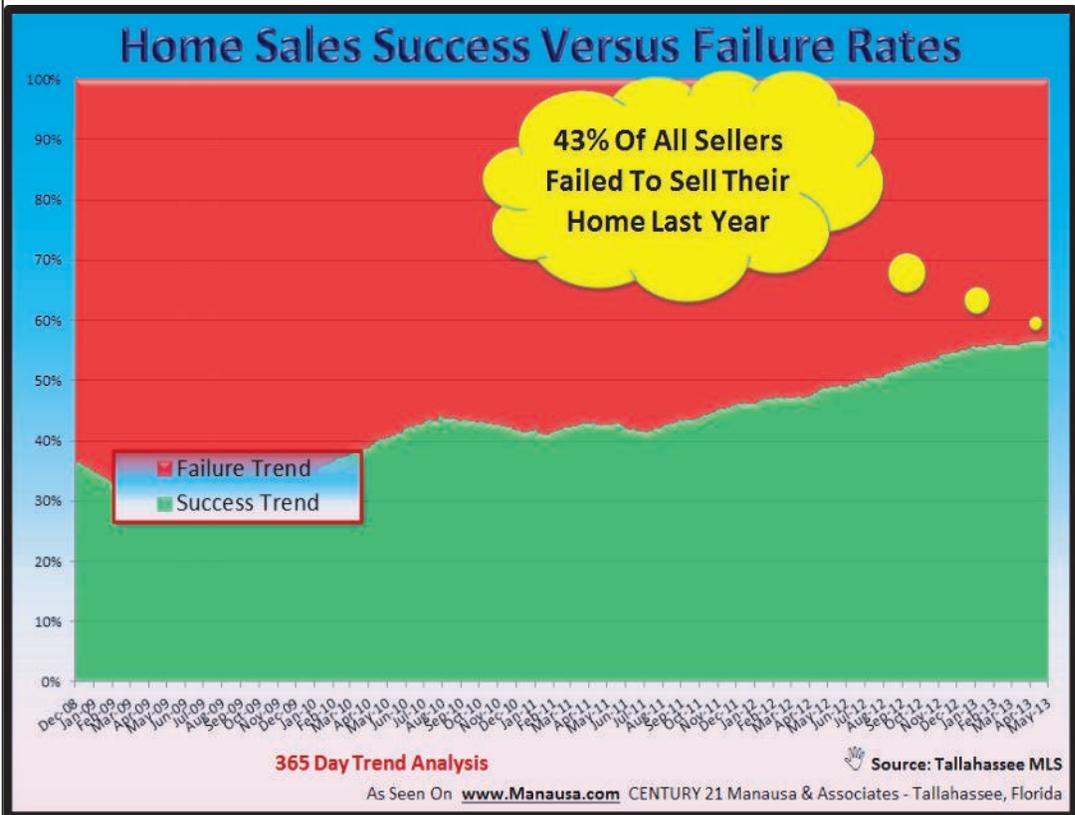
- Success: 57%
- Failure: 43%

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.

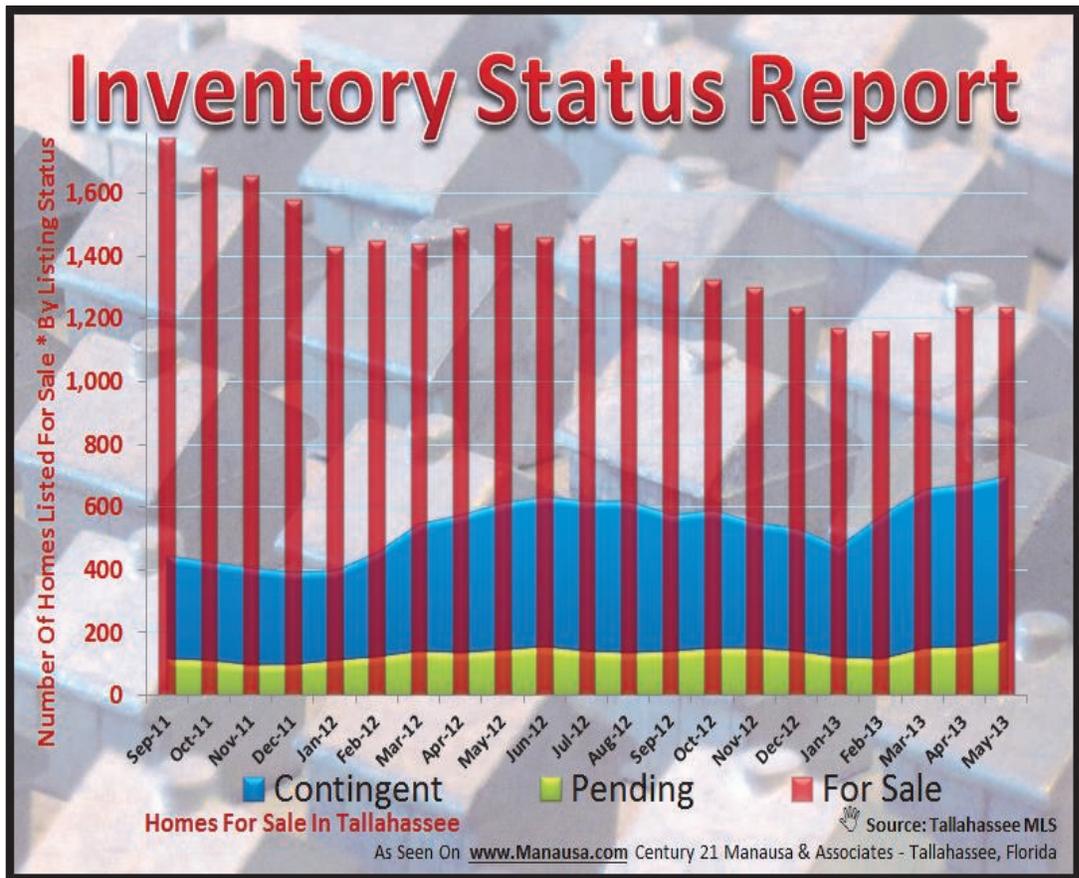


Rise In Inventory Hidden In The Contracts



Long Short Sale

It is not uncommon to see a short sale go under contract for 6 months, then fall apart once a seller's lender provides terms for closing.



No Certainty

36% of contracts that are marked as “contingent” or “pending” actually make it to closing

Every month we track the inventory of homes for sale in Tallahassee.

As has been the case historically, inventory levels rise in the Spring as many people try to sell their homes to coincide with the end of the school year (or perhaps the beginning of the next).

This year however, the extra homes for sale in Tallahassee are not so easy to find. The red bars in the graph above show the number of homes for sale in Tallahassee that are not under contract, while those that are shown in green are showing in the Tallahassee MLS as “Pending.” Additionally, the blue area shows the listings that are categorized as “Contingent” in the MLS.

Notice that the number of contingent contracts and pending contracts are up 50% from two years ago.

I believe this is a sign of short sales that are clogging the traditionally flow of sales that close roughly 60 days after they are written.

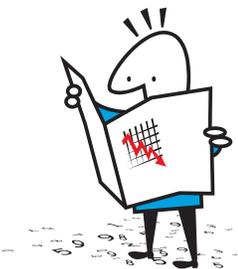
Right now, it is not uncommon to see a short sale go under contract for 6 months, then fall apart once a seller's lender provides terms for closing.

Currently, 36% of contracts that are marked as “contingent” or “pending” actually make it to closing, so our inventory is all mired up awaiting the word from seller's lenders who are hoping to wait-out a market recovery.



Average Prices

There has been a short term rise in the average price of a lot sold over the past five or six months.



Up From Here?

The number of lot sales each month appears to be on a rise from a bottom found in 2010

Has Land Found The Bottom Of The Market?

Just as we track home sales over time in Tallahassee, we also track the sale of lots and land.

In the graph below, the green area (measured on the left vertical axis) shows the average number of lots sold each month, while the brown line (measured on the right vertical axis) shows the average lot price.

It is important to note that the data in the graph below reflects all residential land sales in Tallahassee (Leon County) going back to 1990. We can see that in the 1990s, about 175 lots sold in a typical month.

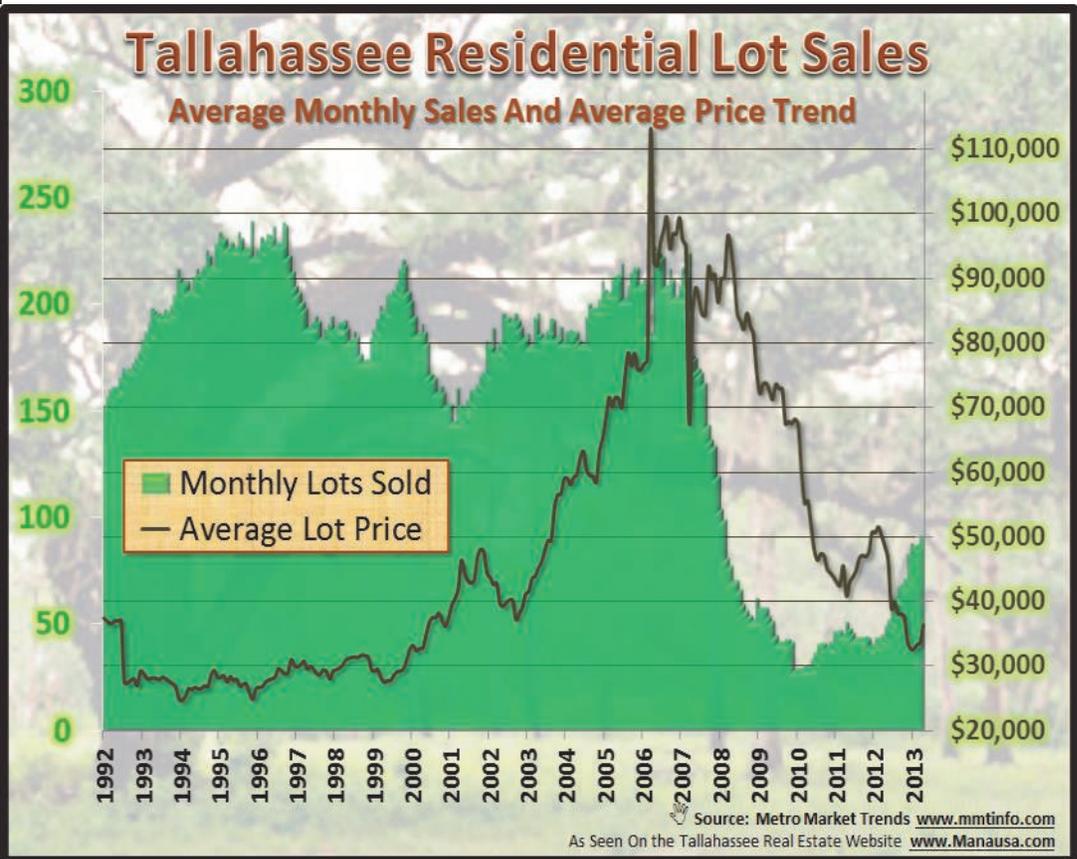
But the market has not been so kind to developers and land owners. The market peaked in 2006 and we have

experienced both a decline in the number of lots sold each month, as well as a decline in the average price for a developed lot.

Falling values seem to have stirred the market, as the number of lot sales each month appears to be on a rise from a bottom found in 2010.

It is too early to declare values on the mend, though we do see a short term rise in the average price of a lot sold over the past five or six months.

With average prices consistent with where they were in 2000, it is not surprising that the few remaining healthy builders are starting to load up on inventory in the hopes of a resurgent new construction market.



Have We Seen The Worst From Short Sales?

New Foreclosures

There were roughly 2,000 lis pendens (new foreclosure lawsuits) filed in the previous 12 months

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[Distressed Properties](#)

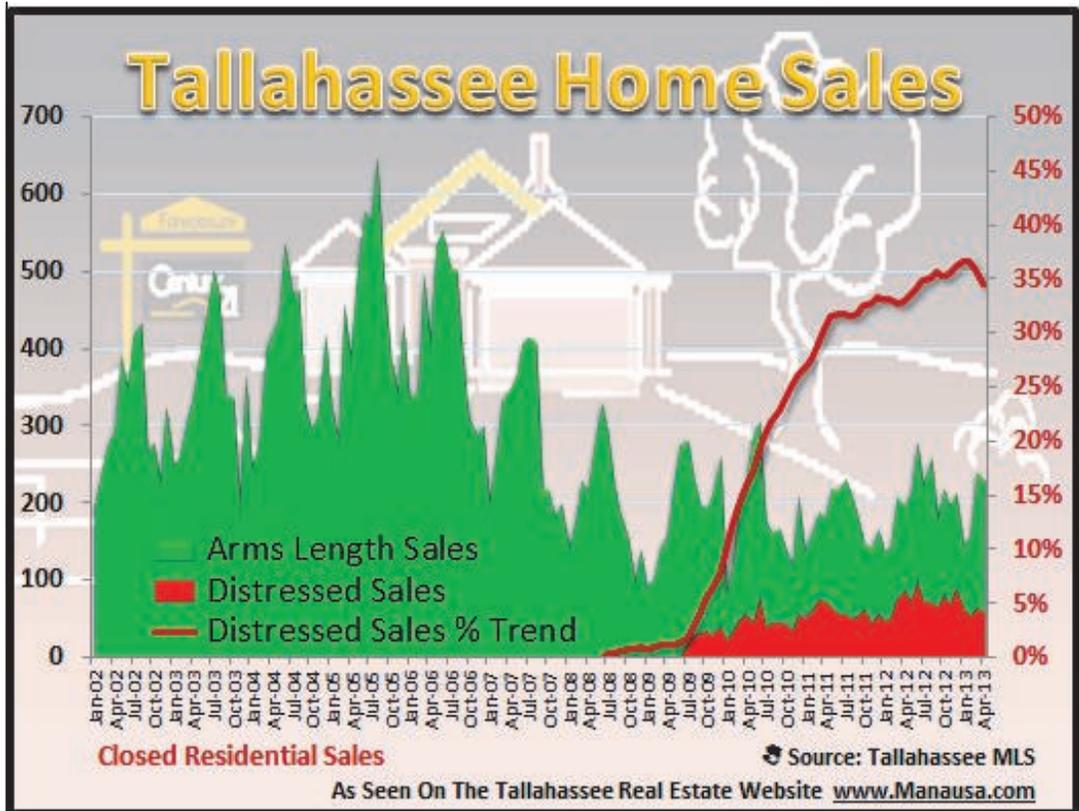
[High End Homes](#)

[Median Home Price](#)

[Short Sales](#)

[\\$250K—\\$300K](#)

[\\$300K—\\$500K](#)



With several thousand distressed properties still remaining in the Tallahassee community, I am surprised to see a decline in the percentage of these homes as a part of the overall market.

In the graph above, arms-length home sales are shown in green, while distressed home sales are shown in red. The resulting ratio of distressed home sales versus the overall market is shown with a red line and tracked on the right vertical axis.

Sure, the number of overall sales is one the rise and distorts the fact that distressed homes still represent more than 1 in every 3 properties.

But there is a major disconnect with the number of lis pendens filed over the past

year with the number of closed home sales that come from short sales, pre-foreclosures, and foreclosures.

Leon County will record roughly 4,000 home sales this year.

There were roughly 2,000 lis pendens (new foreclosure lawsuits) filed in the previous 12 months, and there is a strong backlog of foreclosed homes and filings from the past.

Are the banks holding back to control the flow of distressed properties onto the market? Or are homeowners refinancing their homes to hold onto them?

Time will tell, but I suspect this trend will not be heading directly downward, as there are too many others out there.



Market Forecast

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

Now Hiring !



Go Back 1 Phase

Slowing sales have actually pushed us back 1 phase in the past, but has this trend recently changed again?

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 ten month's supply of homes on the market, and we know of more "waiting in the wings."

Sales Must Speed Up

Home sales have slowed since the end of the Homebuyer's Tax Credit Program. It is going take a return to "normal" sales rates for our market to expel the current glut of homes as well as the mounting supply of homes that exist in the Shadow Inventory. Sales have increased slightly, but we need much, much more.



Leon County Home Inventory Report

Residential Home Supply - May 2013

| Chart Information | NE | NW | SE | SW | ALL |
|---------------------|------|------|----------|----------|------|
| \$0-\$75,000 | 7.8 | 7.0 | 7.9 | No Sales | 9.7 |
| \$75,000-\$100,000 | 8.1 | 12.8 | 12.0 | No Sales | 12.7 |
| \$100,000-\$125,000 | 9.9 | 9.9 | 6.5 | No Sales | 10.0 |
| \$125,000-\$150,000 | 6.2 | 11.3 | 5.1 | No Sales | 8.4 |
| \$150,000-\$200,000 | 5.2 | 9.8 | 6.1 | No Sales | 6.4 |
| \$200,000-\$250,000 | 6.2 | 16.2 | 8.3 | No Sales | 7.2 |
| \$250,000-\$300,000 | 9.1 | 21.0 | 5.8 | No Sales | 9.3 |
| \$300,000-\$500,000 | 11.6 | 19.2 | 8.2 | No Sales | 11.6 |
| \$500,000-\$750,000 | 20.1 | 30.0 | 48.0 | No Sales | 22.9 |
| \$750,000+ | 28.6 | 60.0 | No Sales | No Sales | 35.1 |
| All Price Ranges | 8.1 | 10.2 | 7.8 | No Sales | 9.4 |

Information in the report above shows relative home supply (months of supply based upon the current rate of sales). For example, there are 9.1 months of supply of homes priced between \$250K and \$300K in the Northeast, but 21.0 months of supply of the same priced homes in the Northwest.

Nine In A Row For Year Over Year Home Sales



Positive Trend

12 of the past 13 months have shown gains in year over year home sales in Tallahassee

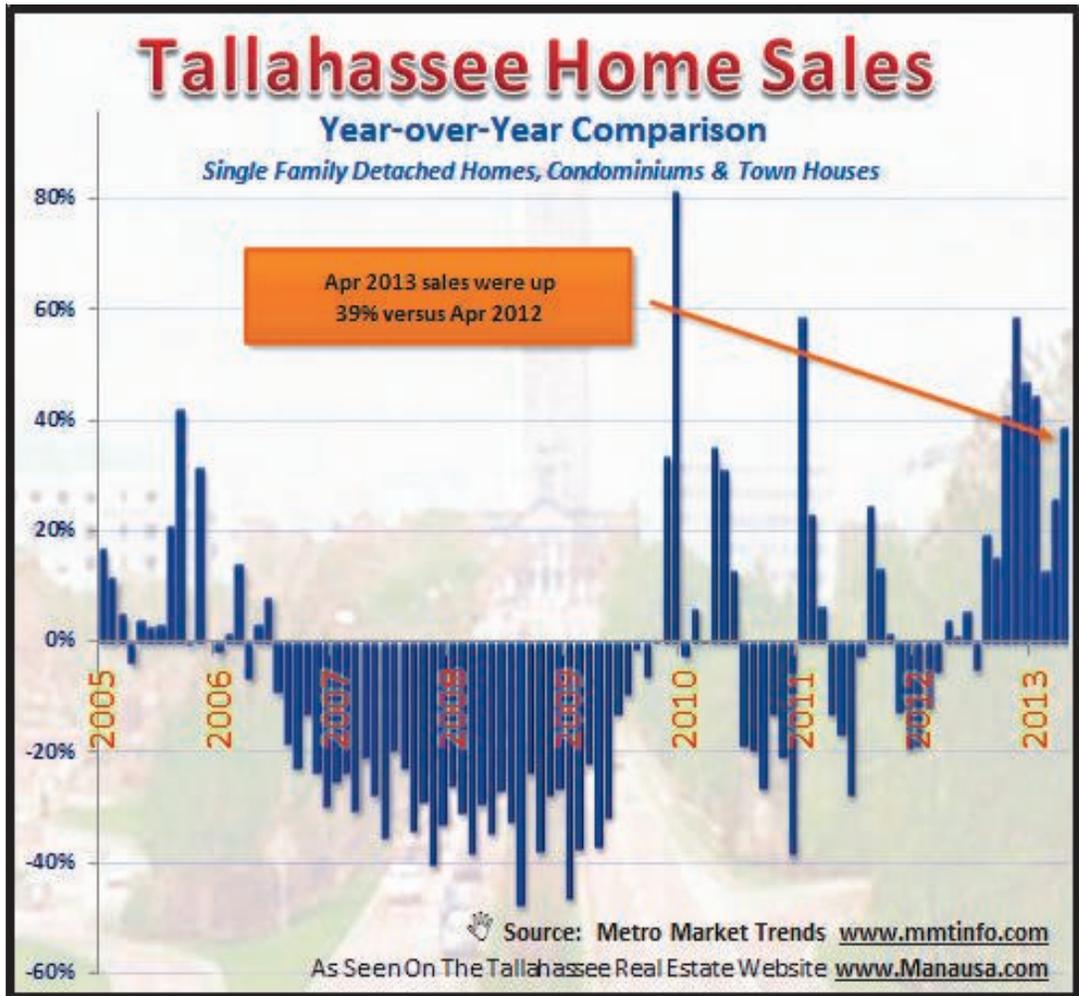


Upward Move

Home sales in April were 39% higher than they were in April of last year.

FREE LIST OF HOMES

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



One of my favorite reports to pull each month is the Year Over Year Home Sales Report.

It is very simple, it compares the current month with the corresponding month from a year ago in order to see changes in the real estate market.

Well, year over year home sales have been putting a smile on my face for nine straight months now!

The graph above shows the April 2013 Year Over Year Home Sales Report for the Tallahassee real estate market. It is important to note that all price ranges

are lumped together, from starter homes to high end homes in Tallahassee.

Home sales in April were 39% higher than they were in April of last year.

Moreover, every month for 9 months our market has moved higher than it had been in the prior year. In fact, 12 of the past 13 months have shown gains in year over year home sales in Tallahassee.

The strong run in the year over year home sales began in August of 2012, and hopefully we will see it run on for many more months and years.

Can We Help?**Selling A Home?**

Sell it now, sell it fast, or plan on dropping your expectations.

**Feedback Wanted****Links To Relevant Articles****Faster Credit Repair For Homebuyers**

With the thousands of closings of short sales in Tallahassee over the past few years, there is a huge back-log of people who historically had great credit but now are dealing with below-average credit scores. The Tallahassee real estate market needs solutions, and I get a lot of questions these days about how to fix a poor credit score. [\[Read more\]](#)

What Is My House Worth Now?

As the real estate market starts to move in an upwards direction, we will start to see some trapped homeowners anxious to enter the market.

They have been trapped with mortgages that outweigh the encumbered homes, so it's only natural that they start asking "what is my home worth" as news of improvement is reported. [\[Read more\]](#)

Tallahassee Condo Sales On The Mend

The "attached" housing market is beginning to recover nicely, and since the market bottom is likely behind us for good, homebuyers should be scouring the market for some great deals. [\[Read more\]](#)

Real Estate Market Cycles Revealed

Real estate market cycles come, and real estate market cycles go, but are you curious at all about how to use an understanding of current market conditions to make money in real estate investing? Long term real estate investors use their understanding of long-term market cycles to invest safely for generations. [\[Read more\]](#)

A Crystal Ball For High End Home Sales In Tallahassee

If you are keeping an eye on the market for Tallahassee high end homes, you'll be happy to know that there is no sign of weakening for the most expensive homes in town.

Though there still exists a glut of high end homes for sale in the Tallahassee MLS, sales have actually grown fractionally over the same period from last year. In fact, **2013 has seen more Tallahassee high end homes sold than any year since 2008.** [\[Read More\]](#)

Zillow Real Estate Value – Fact Or Fiction?

Have you recently used the Zillow Zestimate Tool and find yourself curious about its accuracy?

I recently discussed some of the benefits and pitfalls of using an online home valuation tool, but readers wanted to know more.

Specifically, they asked about whether the Zillow real estate value of their home was more or less than its current market value. [\[Read more\]](#)

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