

Tallahassee Real Estate

An analytical view of the Tallahassee Housing Market

Volume 16, 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

February Housing Reports have been completed and are posted at

[Recent Housing Reports](#)



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New Construction Evolves To The “New Normal”

Economic Climate Creates Great Challenge For Tallahassee Builders

The Tallahassee housing market has been improving for more than four years, and the number of homes selling now is similar to what was recorded at the end of the 1990s.

I believe there is still significant upside remaining in the housing market recovery. The population in Leon County has grown 27% since 1997, thus we would expect our market (were it not for cycles) to have moved higher too.

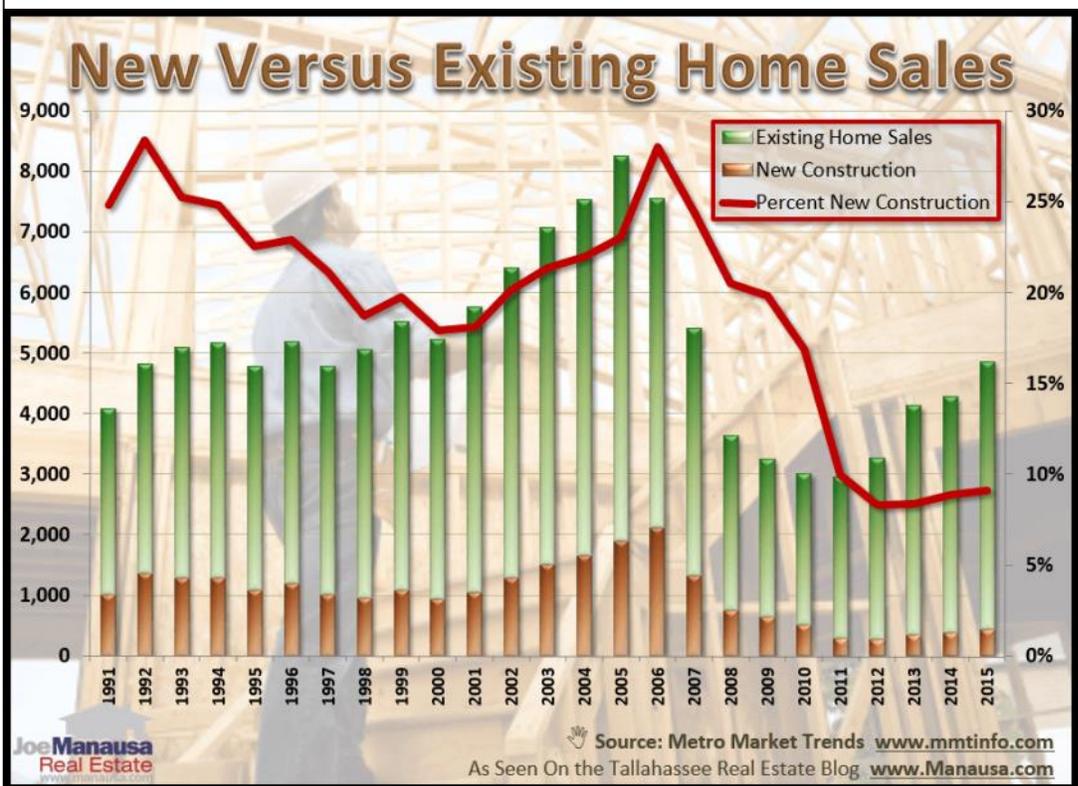
The graph below demonstrates the recovery in the market, and it is very clear the recovery has been far better for

existing homeowners than it has been for the homebuilders in Tallahassee.

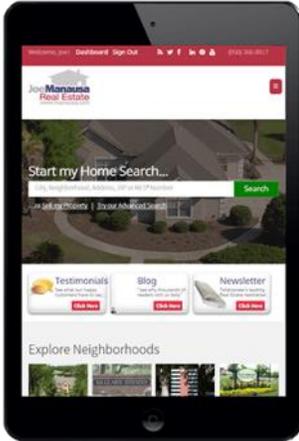
During the 1990s, the sale of newly built homes represented nearly a quarter of all home sales, but that has not been the case lately.

The red line in the graph below shows that for the past five years, new construction has represented fewer than ten percent of the homes sold.

The rest of report will show that this “new normal” of a lower percentage of new home sales is not likely to change.



BEST SEARCH

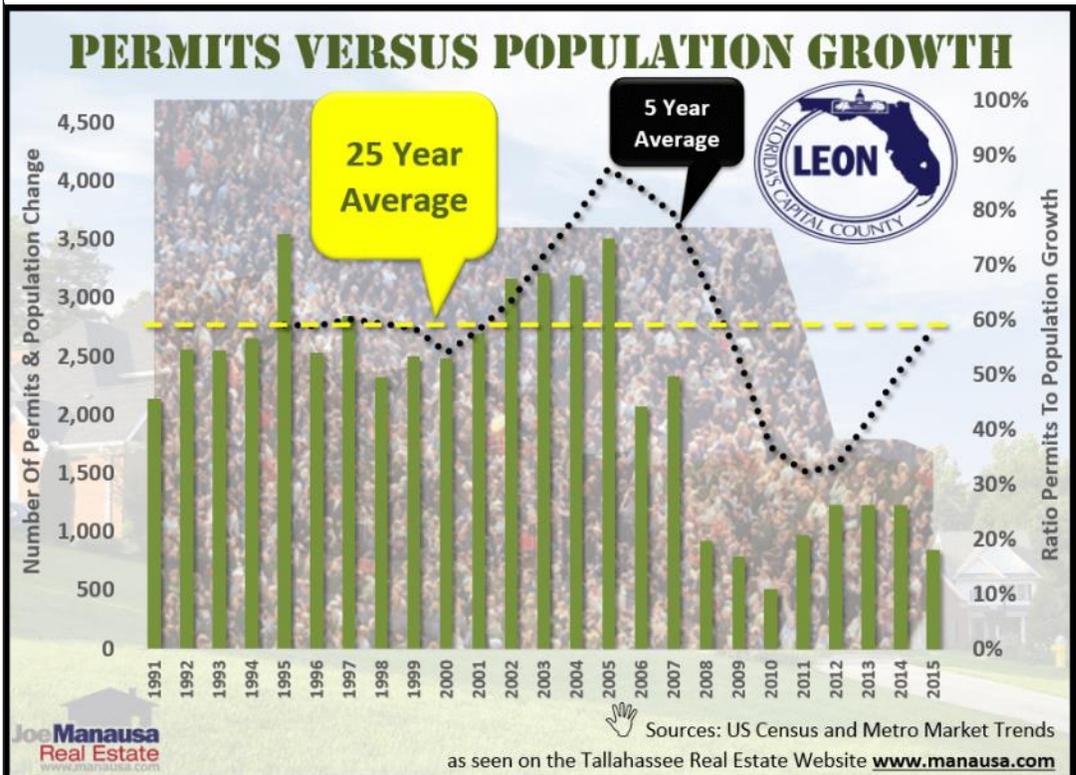


www.manausa.com
[Seller Resource](#)

BALANCED

The trend for new permits is fully in line with the trend of population growth,

Permit Levels Are At Expected Levels



If you study the permitting of housing units, you get a pretty decent feel for the coming supply of new construction in the market.

When you study the change in population, you get a feel for what the demand for homes could be.

While this is overly simplistic when you drill-down to a single year, over time, the trends tend to be good tools for determining market movement.

For the purpose of the graph above, we consider total housing units as the group of homes that include detached single family homes, attached single family homes, multi-family housing and mobile homes.

The green bars show the number of total housing units permitted each year.

Behind the green bars is the field of people which is the estimated growth in population each year (US Census data averaged over reporting periods).

The black dashed line is the five-year average of the ratio of new permits to new residents of Leon County.

The yellow line measures the average ratio of permits to new residents over the entire 25 year reporting period.

Note that the rate of population growth has fallen, thus the reduction in housing permits makes a lot of sense (fewer new people means lower demand for more housing units).

Right now, it appears as if the trend for new permits is fully in line with the trend of population growth, meaning don't expect a major permitting change in '16.

Multifamily Homes Are Taking Market Share

The report on the previous page showed a decline in the rate of growth of Leon County's population and how it impacted building permits. Unfortunately, a slower rate of growth is not the only threat to homebuilders in our area.

The US homeownership rate is on the decline since the peak of the housing market, and this is not likely just a part of the correction.

The younger generations are not (as of yet) showing the same desire to own homes as those that have come before them, and the trend towards multifamily housing appears to support this.

When we look at new housing permits

over the past 45 years, we can see a definite shift in Leon County by property type.

Since 1998, it appears as if multi-family is grabbing a larger share of the total housing market. In fact, over the past 18 years, multi-family has more than doubled its position in the market, going from 20% of all permits to roughly 45% in 2014.

The addition of any unit, whether single family or multi-family, requires a unit of demand before more supply is needed.

This means that multi-family construction is not only competition for single family home builders, but perhaps the biggest threat to their business.

Free Report

Century 21 Leon County Inventory Report
 For Sale/Lease/Under Contract - November 2015
 @ www.manausa.com

Category	Count	Count	Count	Count	Count	Count	Count	Count	Count
Single Family	123	456	789	1012	1345	1678	2012	2345	2678
Multi-Family	15	30	45	60	75	90	105	120	135
Total	138	486	834	1072	1420	1768	2117	2465	2813

[Click Here For Free Download](#)

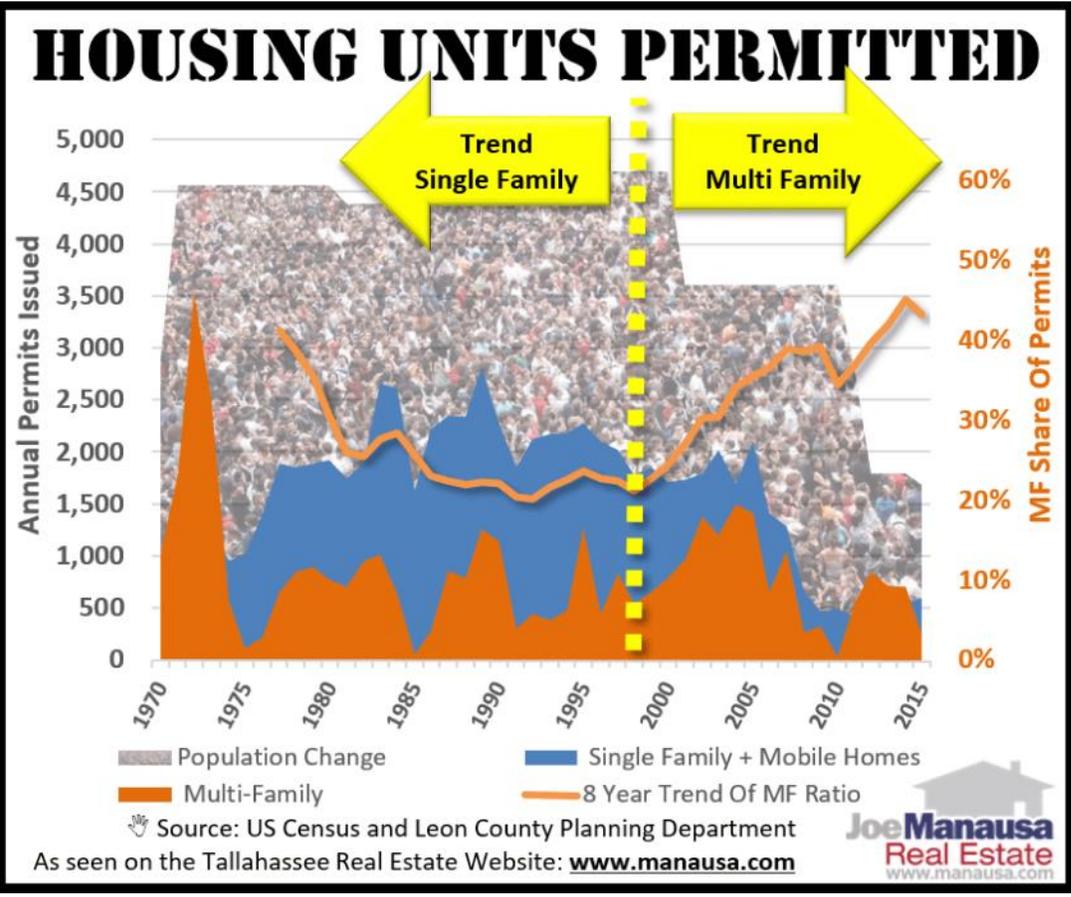
Tallahassee Free Search

FULL MLS ACCESS

[Search Homes](#)

SF versus MF

The addition of any unit, whether single family or multi-family, requires a unit of demand before more supply is needed



Construction Costs Burden Single Family Builders

DOUBLE WHAMMY

The cost of building homes is rising and will only continue to rise, while future mortgage interest rates will likely reduce affordability

Home Search

[Betton Homes](#)

[The "Bobbins"](#)

[Buckhead](#)

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[Highgrove](#)

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[Southwood](#)

[Summerbrooke](#)

[Weems Plantation](#)

[Woodland Drives](#)

[Distressed Properties](#)

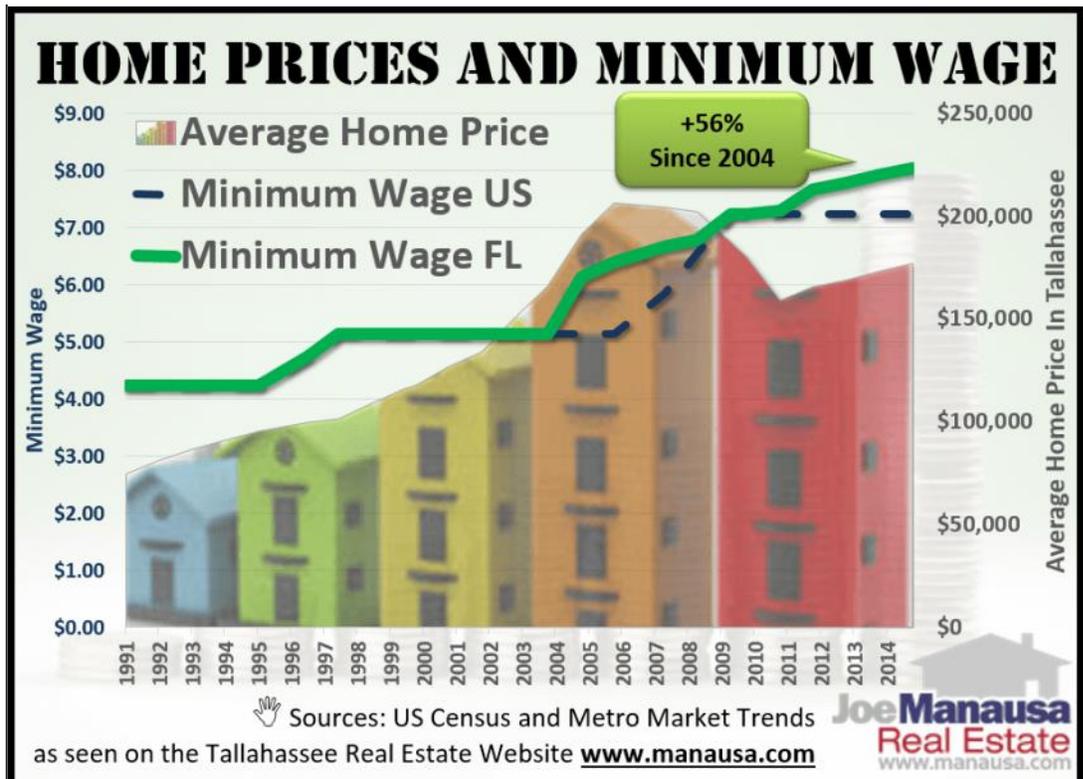
[Arms Length Homes](#)

[Golf Course Homes](#)

[Short Sales](#)

[Foreclosures](#)

[Waterfront Homes](#)



Beware the double-whammy facing the single family home construction market in the present and future.

The current market is fueled by low interest rates that are allowing home buyers to purchase nearly double the home than what historical rates would normally allow. Put simply, home buyers can spend twice as much today as they could have (for the same payment) over the past 60 years.

As mortgage interest rates rise in the future, homebuyer spending power will decline. This is the first "whammy" that awaits our future market.

The second "whammy" is shown in the graph above. The cost of building homes is rising and will only continue to rise. Ultimately, the cost of labor will be the most significant factor in future

construction costs, and wages are on the rise.

Minimum wage has risen 56% since the beginning of the last housing market expansion phase. During the recovery, the new construction costs have risen slowly, mostly due to the fact that lot prices were greatly reduced from previous levels.

This second whammy will eventually bring higher construction costs and more expensive lots. The days of building a new single family detached home for less than \$350,000 are nearly over, yet rising mortgage interest rates will likely reduce demand to below \$200,000.

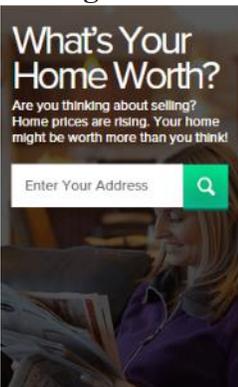
This is why the shift to multifamily construction seems irreversible; the reduction in affordability will make single family homes too expensive

Home Not Sold?



[Get Answers Now](#)

Selling A Home?



GOT JOBS?

For the new construction market to pick up any real steam, we need to see Tallahassee's rate of growth return

Declining Population Growth Brings Fewer Buyers

When we compare home sales to the overall population, we find that Tallahassee, on average, sells an amount of homes equal to about 2.1% of the size of Leon County's population.

This measurement serves as a good rule of thumb for what our non-cyclical expectations should be, so when large variances occur, we should look for causation.

The graph below contains some telling information.

The black vertical bars measure annual home sales, while the field of people shows the population growth average each year.

The green line measures the ratio of homes sales to the whole population, and the dashed line shows the 2.1%

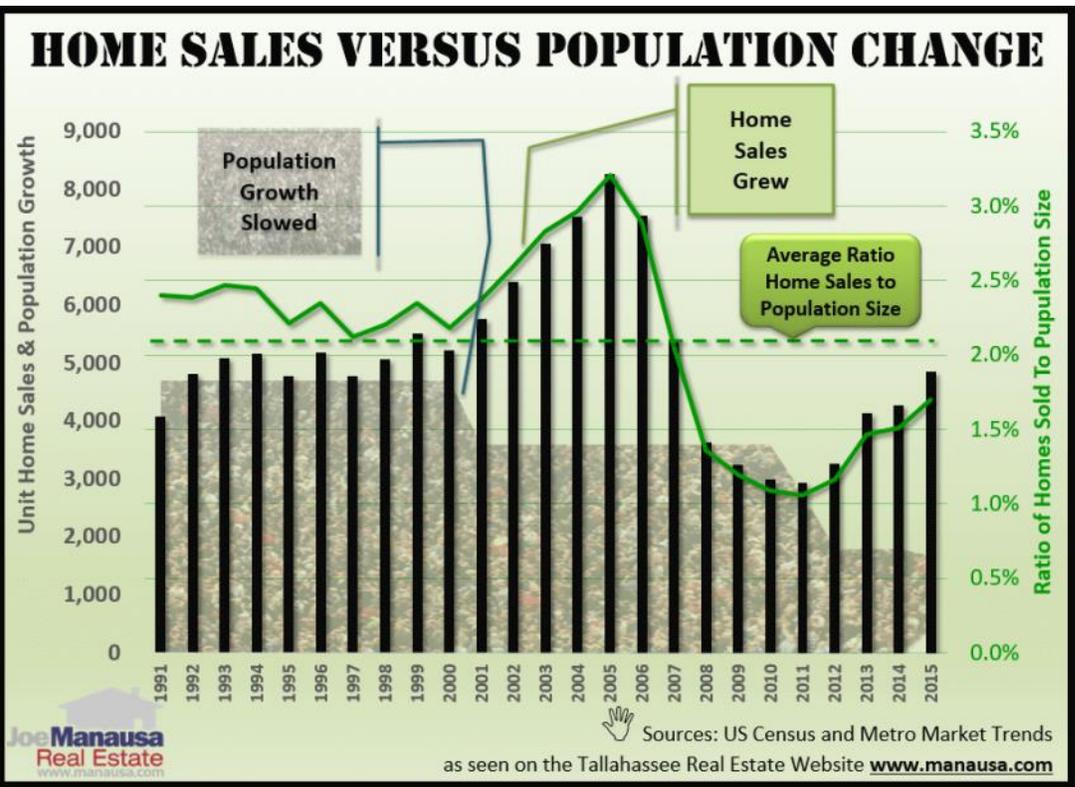
average over the past 25 years.

The biggest takeaway from this graph is that home sales surged at the same time that our population growth began to decline in 2001, and this partly helps to explain the glut of homes in our market.

Construction slowed as Tallahassee worked through the glut of homes available, only to find population growth slowing even further.

For the new construction market to pick up any real steam, we need to see Tallahassee's rate of growth return.

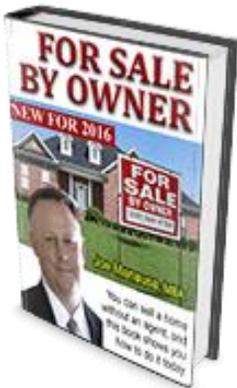
Many people here believe that our reliance on the State and Federal Government jobs needs to shift to the private sector. Regardless of the source, it takes more people (population growth) to fuel the construction industry.





GOOD NEWS

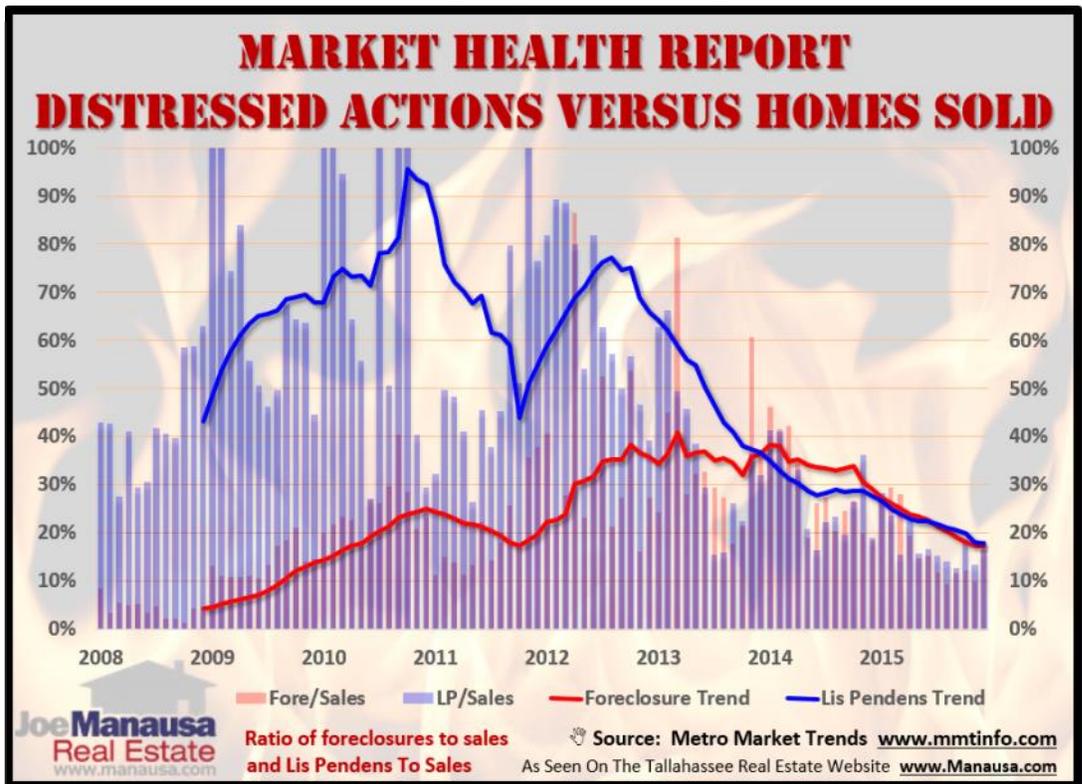
The Mortgage Forgiveness Debt Relief Act has been extended proactively through 2016
[\[Read more\]](#)



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.](#)

Distressed Becoming Smaller Segment Of Market



While the inventory of homes for sale in Tallahassee still contains many distressed properties, it appears as if these will become a smaller and smaller segment of the homes sold in the coming years.

Distressed properties have hurt the new construction industry greatly in two different ways.

First of all, distressed properties have been hitting the market at very low prices, meaning value buyers were often times picking up properties at twenty to thirty cents on the dollar (versus the cost of new construction).

Secondly, distressed properties were being sold and not returning the sellers to the market as buyers. This decrease in the buyer pool has been felt in both the new construction market as well as

the resale market, but when combined with declining values, the sting has certainly been felt by builders.

The graph above is a clear sign that the health of the real estate market in Tallahassee is improving.

It is not an absolute measurement of distressed activities, rather it compares new lis pendens filings (new foreclosures) to all home sales (blue line) and foreclosure sales to all home sales (red line).

Right now, we can observe that about 16% of sales are foreclosures. We can also see that every time six homes are sold, a new lis pendens is filed. While this is high, it sure beats October of 2010 though ... for every 100 homes that sold, 234 homeowners were served with new foreclosure papers!



Market Forecast

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

Now Hiring !



Well Supplied

For the most part, the market below \$350,000 is looking healthy. Unfortunately, the market above \$350,000 still has a long way to go in the recovery [\[Full Report\]](#)

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 over six month's supply of homes on the market, with just homes priced above \$300,000 continuing in a glut.

Sales Must Continue To Increase

Home sales have picked up again, though the current rate of sales is still slower than what we experienced until the late 1990s. It is going take a return of normal sales rates for our market to fully 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 - February 2016

Chart Information	NE	NW	SE	SW	ALL
\$0 - \$100,000	2.2	6.6	6.0	6.2	5.8
\$100,000 - \$150,000	3.9	6.2	7.5	4.7	5.6
\$150,000 - \$200,000	3.1	6.6	5.1	7.6	4.2
\$200,000 - \$250,000	4.2	9.0	4.2	18.0	4.9
\$250,000 - \$300,000	5.4	7.9	6.0	16.0	5.8
\$300,000 - \$350,000	5.5	6.6	3.6	No Sales	5.3
\$350,000 - \$400,000	6.9	3.7	10.8	No Sales	7.1
\$400,000 - \$450,000	5.4	2.4	8.0	No Sales	5.3
\$450,000 - \$500,000	11.3	6.0	8.0	No Sales	10.9
\$500,000 - \$550,000	4.9	0.0	24.0	No Sales	5.4
\$550,000 - \$600,000	9.6	No Sales	42.0	No Sales	12.5
\$600,000 +	13.6	42.0	24.0	No Sales	15.0
All Price Ranges	4.7	6.7	6.2	6.8	5.6

Information in the report above shows relative home supply (months of supply based upon the current rate of sales). For example, there are 4.2 months of supply of homes priced between \$200K and \$250K in the Northeast, but 9.0 months of supply of the same priced homes in the Northwest.

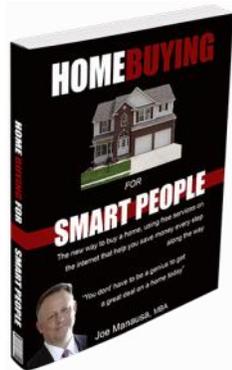
Sell A Home



Buyers Welcome

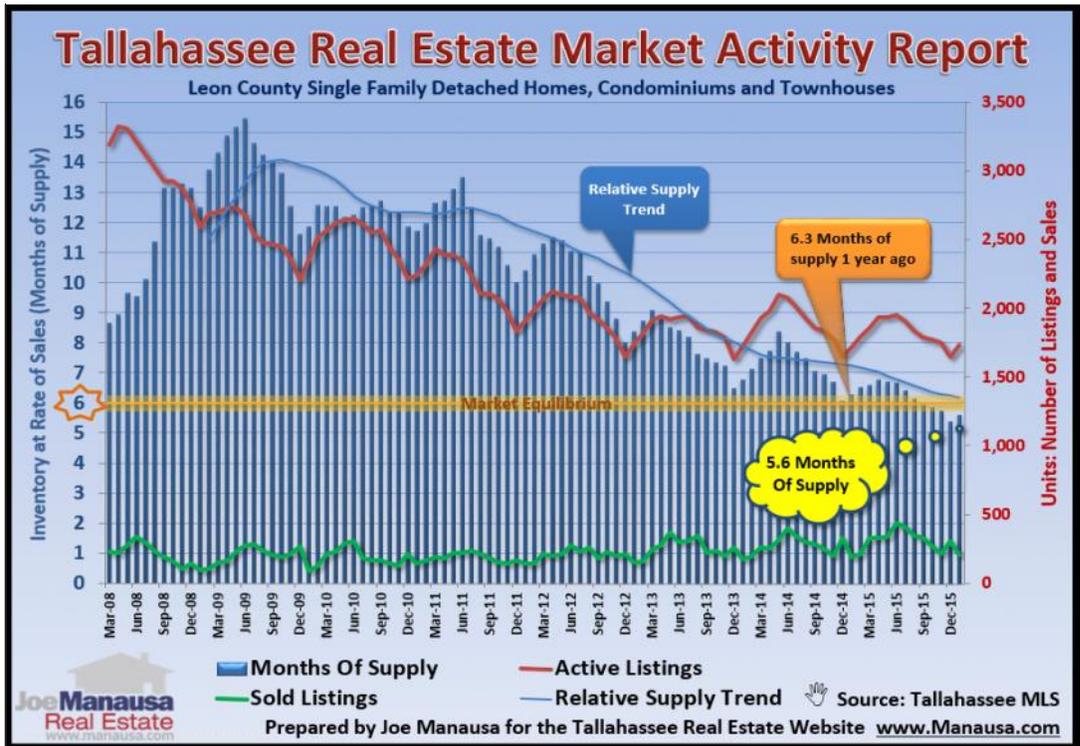
We consider a market with 6.0 months of supply of homes a balanced market, so we're about to see market equilibrium

A Smarter Way



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

Relative Supply Of Homes On Steady Decline



Each month we look at this graph of the overall relative supply of homes in Tallahassee, and happily we continue to report improvement.

The previous pages showed that each area in Tallahassee has its own strengths and weaknesses, but as time unfolds we will begin to see some of the demand move away from higher prices to the values that can be found in areas where imbalances create great deals.

The value of this graph above is that it reflects the entire Tallahassee housing market, and we can use it to gauge the actual strengths of each area, quadrant, and neighborhood against the whole of the market.

In the graph above, we track the total number of homes for sale (red line measured on the right vertical axis) and the total number of homes sold each

month (also measured on the right vertical axis).

We then divide the current inventory by the annual rate of sales to produce the relative supply of homes, shown as a blue column and measured on the left vertical axis).

The blue line measures the one-year trend of the relative supply of homes, and this trend has dropped just below 6.1 months of supply.

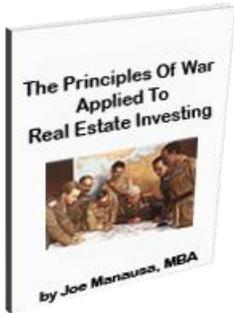
We consider a market with 6.0 months of supply of homes a balanced market, so we can pretty much declare that the overall market is finally back in balance.

Of course, most people have just one home that they want to sell, so overall market conditions are not nearly as important as are the conditions specific to the home that one is trying to sell.

Can We Help?



INVESTORS



Selling A Home?

Sell it now, use low mortgage interest rates (while they last) to get into your dream home



Feedback Wanted

Links To Relevant Articles

The 1 Flaw That Stops Online Home Valuation Tools From Working

I'm a big believer that online home valuation tools will one day be accurate enough to provide a better valuation than the majority of real estate agents are capable of providing.

But today is not that day, because there remains one big flaw that is holding them back. [\[Read About The Flaw Here\]](#)

Waverly Hills Home Sales Report

Waverly Hills finished strong in 2015 to record what one could describe as an average year when looking back over 25 years of home sales records.

Having experienced a complete collapse of the market ten years ago, "average" is well received today. [\[Read more\]](#)

Lakeshore Estates Housing Report

Lakeshore Estates is another NW Tallahassee neighborhood that is barely over the dividing line between East and West Tallahassee.

Just as we saw in yesterday's report on Pine Tip Hills, centrally located NW neighborhoods are getting missed by many buyers who are focusing purely on NE Tallahassee.

I believe this is a mistake. [\[See why\]](#)

Pine Tip Hills Real Estate Report

Pine Tip Hills is a highly desirable neighborhood that is mostly known by people who already live in Tallahassee.

For our readers from outside of our market area, pay attention to why you

might want to add this one to your shopping list. [\[Here's why\]](#)

You Could Learn A Lot From Uncle Mike About Selling A Home

Uncle Mike is a good fisherman. Perhaps not a great fisherman, or even the best fisherman in our family, but you could learn a lot from Uncle Mike about selling a home by observing how he prepares for fishing. [\[See Uncle Mike's Fishing Secret\]](#)

Should You Hire A Content Marketer To Sell Your Home?

Home sellers who take advantage of a top content marketing plan will have their home exposed to more local buyers than they could achieve through a less-progressive home selling process.

The larger the size of a seller's buyer pool, the greater the likelihood of achieving a higher price. So what exactly is content marketing? [\[Read more\]](#)

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