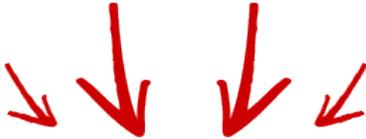




Market Forces Propel Home Values Higher

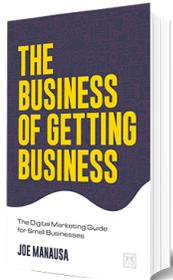


**See What The Market
Thinks About Pools**

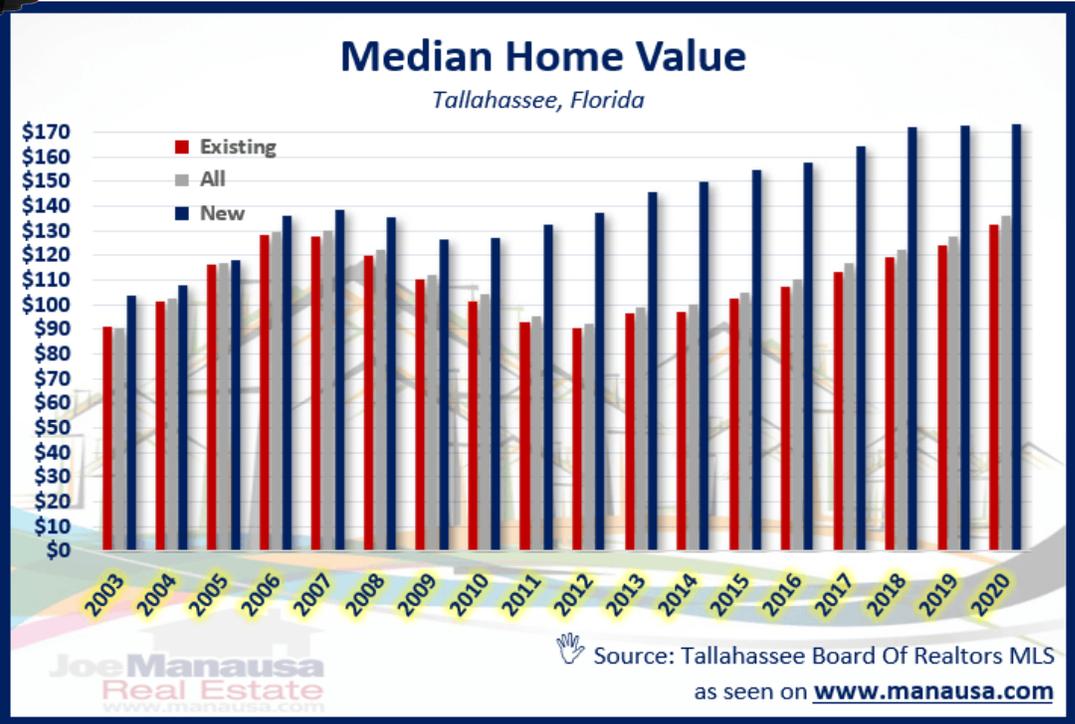


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Natural market forces are working as expected during these unnatural times. Home values are rising much faster than the historically normal rate of 3.2% per year.

Here are the major contributing factors causing home values to rise so fast:

Low Supply: The increased cost of permitting, land, sticks, bricks, and mortar have made the starting price for new construction so high that Leon County is losing much of the new construction market to surrounding counties. Once we consume the remaining lot supply created 15 years ago, expect to see new homes in Tallahassee start at \$500K and higher (this is not far off from

happening).

Strong Demand: Demand for homes is healthy due to low mortgage interest rates. We are not seeing speculative demand like we saw in 2004-2006, but demand for personal use homes is very strong.

Minimum Wage: The State minimum wage has risen 55% since the last housing expansion phase ended in 2006. Back then, the average new construction home sold for \$136 per square foot, today that number is \$173 per square foot, a 27% rise. New homes will continue to cost more.

I expect to see the value growth rate accelerate as rising costs of new homes pull up the resale market.