

New Construction Premium On Significant Decline



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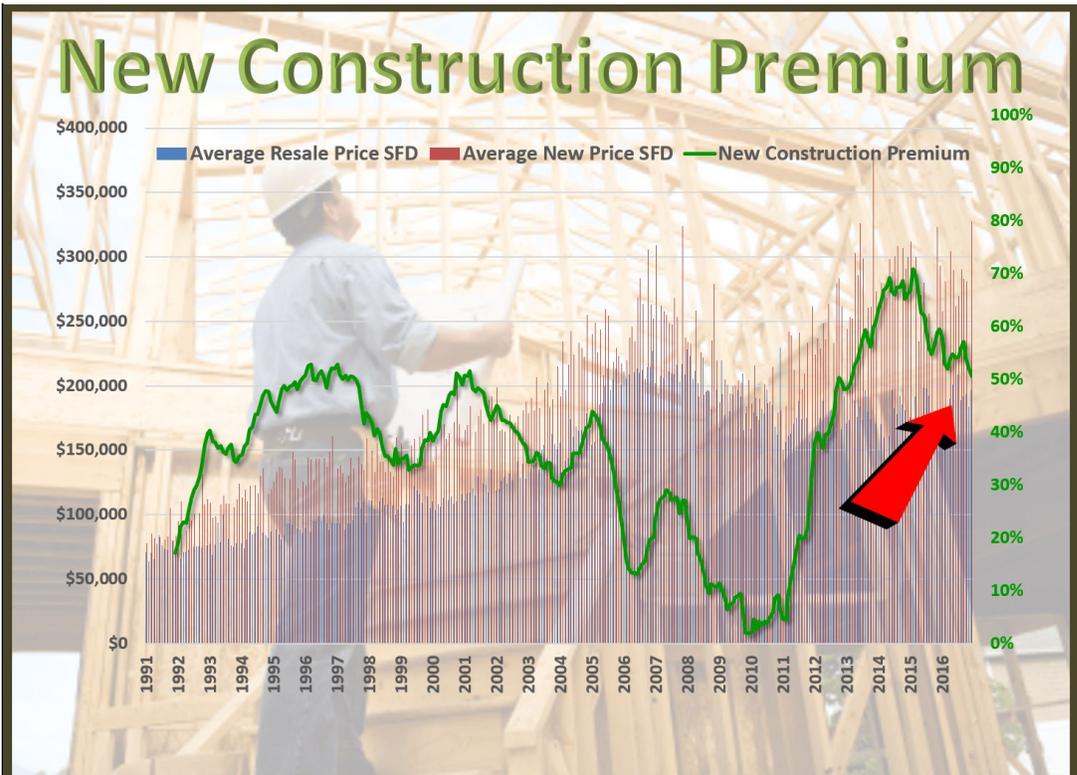
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Existing home values are rising in Tallahassee, and that means that the "premium" which buyers must pay for new construction is falling.

After many years of limited new home sales, Tallahassee is finally moving towards growth for the battered home building industry.

In the graph above, we measure the monthly difference in home values (new home sales versus existing home sales) and calculate the "premium" for new construction. It is merely the additional price per square foot that the average new home buyer has paid versus that which the average existing home buyer has paid.

Of course, we're not exactly comparing apples to apples, as the typical existing home is sitting on a much nicer lot than

the average new home, whereas the average new home has far more of the interior features that buyers love versus those of the typical existing home sold.

The graph shows that the exorbitant cost of new homes has dropped from nearly 70% more than resales to now just 50% more.

As our existing home sales appreciate and move-up in value, they will make new homes more appealing as the divide between the two closes.

Based upon the information in the graph above, I would expect new home sales to grow significantly as the new home premium descends below the 40% level.

As more of our inventory is consumed and demand continues to rise, expect new home product to be very popular.