

# Economic Perspectives

## Sales volume declines but local existing home prices stable in August September 28, 2009

Existing single family home sale volume slipped both nationally and in most Seacoast markets in August from volumes reported in July. Sales volumes had been rising steadily for most of the last 12 months. Prices were stable or up fractionally. The volume decline was widespread and although there is no readily apparent cause, we do not consider a one month decline in volume to be a reversal of trend. The national median price for an existing single family home was \$178,300 in August. That was down 1.8% from July when it was \$181,600. Median existing home prices in Seacoast served Metropolitan Statistical Areas (MSA) are generally lower ranging \$113,000 in the Ft. Pierce | Port St. Lucie MSA to \$144,200 in Orlando. Palm Beach and Broward counties are higher at \$245,700 and \$217,000 respectively.

Florida and Seacoast served metros continued a trend begun about eight months ago when existing home prices began to stabilize after an extraordinary fall that began in 2007. Historically low interest rates, a tax credit and renewed affordability have drawn buyers off the sidelines. In Florida, 13,850 existing homes traded in August. That was 28% more than a year earlier but down nearly 13% from July. The decline breaks a nearly year long trend of increase. There is no truly plausible explanation for the decline — only speculative assumptions. A one month volume decline however,

is not particularly worrisome. All the widely watched indices such as Case-Shiller, FHFA (Federal Housing Finance Agency, and Realtor associations tell a similar story — that is that housing has reached bottom and is now exhibiting clear signs of stability.

Median price nationally was down slightly in August, declining from \$181,600 to \$178,300. The median price in Florida was \$147,400 which was virtually unchanged from a month earlier but down 22% from a year earlier when it was \$188,500. Median prices in Seacoast markets were lower except for Palm Beach and Broward counties which have historically been, and continue to be higher.

### Existing Single Family Home Sales In Metropolitan Statistical Areas (MSA) Served by Seacoast National Bank

MSA		Aug '08	Sept '08	Oct '08	Nov '08	Dec '08	Jan 09	Feb '09	Mar '09	Apr '09	May '09	Jun '09	July '09	Aug '09
Ft. Pierce Port St. Lucie	Sales Volume	339	374	383	318	421	361	372	493	490	511	573	561	539
	Change /Month	-18.1%	+10.32%	+2.41%	-16.97%	+32.39	-14.25%	+3.05%	+32.53%	-0.61%	+4.29%	+12.13%	-2.09%	-3.92%
	Median Price	153,900	138,000	134,600	130,500	131,800	114,900	122,100	118,000	116,400	110,000	109,900	110,100	113,000
	Change over month	-3.39%	-10.33%	-2.46%	-3.05%	+1.00%	-12.82%	+6.27%	-3.36%	-1.36%	-5.50%	Flat	Flat	+2.63%
Melbourne Titusville Palm Bay	Sales Volume	494	430	423	328	438	377	429	539	564	584	541	534	492
	Change over month	+3.35%	-12.96%	-1.63%	-22.46%	+33.54%	-13.93	+13.79%	+25.64%	+4.64%	+3.55%	-7.36%	-1.29%	-7.87%
	Median Price	155,500	143,900	152,200	126,700	125,200	118,300	115,400	123,700	113,600	123,700	117,300	117,700	119,500
	Change over month	+1.90%	-7.46%	+5.77%	-16.75%	-1.18%	-5.51%	-2.45%	+7.19%	-8.16%	+8.89%	-5.17	Flat	+1.53%
Orlando	Sales Volume	1,445	1,588	1,445	1,277	1,525	1,127	1,352	1,828	1,859	1,949	2,266	2,343	2,134
	Change over month	-12.74%	+9.90%	-9.01%	-11.63%	+19.42%	-26.11%	+19.96%	+35.21%	+1.70%	+4.84	+16.66%	+3.40%	-8.92%
	Median Price	204,400	182,700	177,900	167,900	167,800	150,500	153,200	151,500	141,800	142,400	149,000	148,400	144,200
	Change over month	-2.25%	-10.62%	-2.63%	-5.62%	Flat	-10.31%	+1.79%	-1.11%	-6.40%	+0.42%	+4.63%	Flat	-2.83%
W. Palm Bch Boca Raton	Sales Volume	623	522	618	450	638	408	532	685	681	737	859	859	754
	Change over month	-4.45%	-16.21%	+18.39%	-27.18%	+41.78%	-36.05%	+30.39%	+28.76%	-0.58%	+8.82%	+16.55%	Flat	-12.22%
	Median Price	323,300	292,200	264,200	247,400	246,000	232,100	228,100	228,100	234,400	232,900	\$250,300	245,200	245,700
	Change over month	+10.99%	-9.62%	-9.58%	-6.36%	-0.57%	-5.65%	-1.72%	-0-	+2.76%	-0.85%	+7.47%	-2.04%	+0.20%
Ft. Lauderdale	Sales Volume	604	611	625	507	632	467	500	680	690	780	862	907	816
	Change over month	+3.96%	+1.16%	+2.29%	-18.88%	+24.65%	-26.22	+7.07%	+36.00%	+1.47%	+13.04%	+10.51%	+5.22%	-10.03
	Median Price	269,800	259,300	252,500	229,100	217,700	191,000	214,400	219,500	191,300	190,000	204,800	219,000	217,000
	Change over month	-11.13%	-3.89%	-2.62%	-9.27%	-4.98%	-12.26%	+12.25%	+2.38%	-12.85%	-0.68%	+7.79%	+6.93%	-0.91%
STATE	Sales Volume	10,847	10,817	10,443	8,571	11,053	8,450	9,858	13,085	13,111	13,921	15,850	15,882	13,850
	Change over month	-5.56%	-0.28%	-3.43%	-17.93%	+28.96%	-23.55	+16.66%	+32.73%	+0.20%	+6.18%	+13.86%	+0.20%	-12.79%
	Median Price	186,900	175,100	169,700	158,300	155,500	139,500	141,900	141,300	138,500	144,400	148,000	147,600	147,400
	Change over month	-3.46%	-6.31%	-3.08%	-6.72%	-1.77%	-10.89	+1.72	-0.42%	-1.98%	+3.97%	+2.49%	Flat	Flat

A 13 month history of both volume and price trends for each Seacoast served MSA appears at the bottom of the previous page.

**New home sales** volume, nationally, inched up a modest 0.7% in August to a 429,000 seasonally adjusted annual rate. The rate of change was statistically insignificant in every region of the country. The number of unsold new homes fell to 262,000 units marking the 28th straight monthly decline. The months of supply at the current sales pace fell from 7.6 to 7.3 months. At the same time, the median time period to sell a new home rose to 12.9 months. That is the longest time period recorded since tracking began in 1963.

**Construction starts and permits.** Housing starts nationally increased 1.5% in August from an all time reported in July. Tracking that data series began in 1960. Starts totaled 598,000 units annualized. Of the total, 479,000 were single family starts and 119,000 were multifamily. Both figures are annualized. On a percentage basis, single family starts declined 3.0% while multifamily surged upward 25.3%. The multifamily surge is deceiving as it was based on a record low of only 95,000 units in July. The multifamily sector remains in a deep slump and the short term outlook is grim.

Building permits were up 2.7% nationally. Single family permits were flat and most of the increase was attributable to the multifamily sector. Permits are an important metric as they tell a story of expected construction starts in the short term future. Permits in August imply lackluster performance in September and October. Nevertheless, both starts and permits are consistent with a housing market that is beginning to turn positive but is still remarkably fragile and could turn negative again with even modest economic shock.

Starts and permits are at exceptionally low levels in all Seacoast served markets as well. According to Metrostudy, annualized construction starts as of the second quarter of 2009 totaled 254 in Indian River County; 112 in St. Lucie County; 60 in Martin County and 758 in Palm Beach County. The volume of construction starts is not likely to improve as long as prices remain below the cost to build. Most permits issued in Seacoast markets recently have been for remodeling or new construction on behalf of owners. There has been virtually no proposed speculative construction by builders.

New home inventory also remains high locally. By Metrostudy's second quarter census, Indian River County still had 501 new homes for a 10.7 month supply while St. Lucie County had 830 for a significantly elevated 16.9 month supply. Martin County had 225 homes available for a 9.9 month supply and Palm Beach County had 1,188 new homes available for an 8.5 month supply. All months of supply are based on the current rate of absorption.

The median price of a new home is roughly 20% higher than the median price of an existing home and existing homes are now

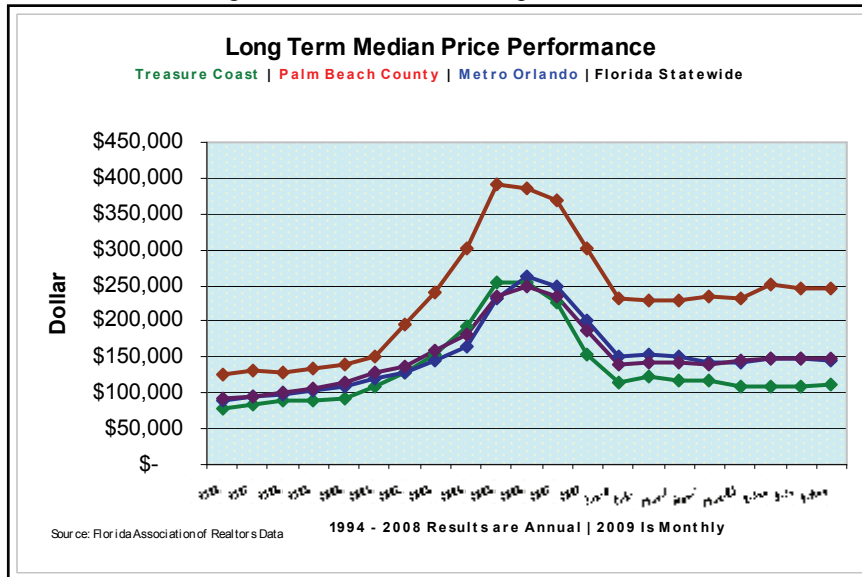
outselling new homes at a rate of roughly nine-to-one both nationally and locally.

**Tax Credit.** The \$8,000 tax credit available to some first time home buyers clearly boosted sales. While the final number will not be known for some time, the credit was probably responsible for 350,000 to 400,000 sales that might not otherwise have occurred. To receive the credit, purchases must be closed by the end of November. Due to the successful and significant stimulative effect, Congress is being lobbied hard to renew the credit and possibly increase it to \$15,000. An increase is unlikely due to its cost. At this writing, it is unclear if the credit will be renewed at \$8,000. If it is not, sales volume will almost certainly decline by early 2010. In our view, the credit did not create or stimulate new demand. Rather it shifted future demand earlier in the recovery.

The tax credit is expensive and will probably subtract upwards of \$4.0 Billion from tax revenue at a time when revenues are already down and spending is up due to stimulus spending.

**Median price trends.** As the chart to the left shows, existing home prices statewide and in most Seacoast markets have stabilized

after a dramatic rise and an equally dramatic fall. While relative stability and renewed affordability both exist, prices are skewed to the downside as a result of foreclosure and short sales and fear in the marketplace built on employment concerns and still low, but modestly rising, consumer confidence. The overwhelming number of transactions in recent months have been in the low to mid \$100,000 price range with comparatively few over \$400,000.



**The outlook.** While relative stability has returned to the existing home market, it remains fragile. In our view the best that can be expected over the next two to three years is for home prices and volumes to bounce along the bottom with little or no change. There is no leading indicator to suggest that housing will return to robust growth anytime soon. Foreclosures are still problematic and are likely to remain that way well into 2011. Employment is a deep concern and will affect home purchases and foreclosures over the short term. New construction is not economically feasible and will not likely become feasible until the sales pace pick up and prices rise enough to justify new construction. These factors, together with a broader economy that is likely to recover very slowly, will keep a lid on home sales and curtail price increases in the foreseeable future.

After the last major downturn in the early 1990's, it took the single family housing market about seven years to return to robust growth. It took the condominium market 13 years. Recovery from "The Great Recession" will likely be similar.

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