

# Economic Perspectives

## Florida existing home sales rise in December but decline nationally January 27, 2010

Sales of existing homes in Florida rose 4.31% in December, regaining part of what was lost the previous month and resuming a trend begun in early 2009. Sales volume increased most months throughout 2009. Median price stabilized in early 2009 and has since bounced up and down within a narrow range. November's data were a little inconsistent but that appears to be an aberration rather than a reversal of trend. While Florida's sales volume increased in December, sales nationally fell 16.7%. The decline appears to have been "payback" for the first tax credit that ended at the end of \$8,000. The decline was not a surprise.

**E**xisting home sales in Florida rose 4.31% in December month over month and nearly 33% year over year. At the same time, the median price remained essentially flat at \$140,400 in December as compared to November but down 9.71% compared to a year earlier. Sales rose for the last few months of the year in anticipation of the first time home buyer tax credit expiring at the end of November. As expected, sales volume fell in November but rebounded in December.

Local performance was similar. The Ft. Pierce, Port St. Lucie MSA, which also includes Martin County, was essentially flat. Palm Beach County, however, surged with a 16% increase in

volume and a 9% increase in median price. Metro Orlando, which includes Orange, Seminole, Lake and Osceola counties remained essentially flat while Brevard volume rose 11% after a 27% decline a month earlier. A 14 month history is presented on the table at the bottom of this page.

At the national level, sales volume declined 16.7% to 5.45 million units. Sales are up significantly from the 4.74 million units a year earlier but far short of the bubble era peak of over 7 million units in December 2005.

The months of supply remains at about 7.2 months, significantly less than a year earlier when it was 9.4 months.

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

MSA		Nov '08	Dec '08	Jan '09	Feb '09	Mar '09	Apr '09	May '09	Jun '09	July '09	Aug '09	Sep '09	Oct '09	Nov '09	Dec '09
Ft. Pierce Port St. Lucie	Sales Volume	318	421	361	372	493	490	511	573	561	539	572	558	567	564
	Change /Month	-16.97%	+32.39	-14.25%	+3.05%	+32.53%	-0.61%	+4.29%	+12.13%	-2.09%	-3.92%	+6.12%	-2.45%	+1.61	-0.53%
	Median Price	130,500	131,800	114,900	122,100	118,000	116,400	110,000	109,900	110,100	113,000	110,800	110,400	111,700	110,300
	Change over month	-3.05%	+1.00%	-12.82%	+6.27%	-3.36%	-1.36%	-5.50%	Flat	Flat	+2.63%	-1.95%	Flat	+1.18	-1.25%
Melbourne Titusville Palm Bay	Sales Volume	328	438	377	429	539	564	584	541	534	492	479	536	391	434
	Change over month	-22.46%	+33.54%	-13.93	+13.79%	+25.64%	+4.64%	+3.55%	-7.36%	-1.29%	-7.87%	-2.64%	+11.90%	-27.05%	+11.0%
	Median Price	126,700	125,200	118,300	115,400	123,700	113,600	123,700	117,300	117,700	119,500	114,700	115,800	105,000	104,100
	Change over month	-16.75%	-1.18%	-5.51%	-2.45%	+7.19%	-8.16%	+8.89%	-5.17	Flat	+1.53%	-4.02%	+0.96%	-9.33	-0.86%
Orlando	Sales Volume	1,277	1,525	1,127	1,352	1,828	1,859	1,949	2,266	2,343	2,134	2,247	2,297	2,292	2,300
	Change over month	-11.63%	+19.42%	-26.11%	+19.96%	+35.21%	+1.70%	+4.84	+16.66%	+3.40%	-8.92%	+5.30%	+2.23%	Flat	+0.35%
	Median Price	167,900	167,800	150,500	153,200	151,500	141,800	142,400	149,000	148,400	144,200	144,100	143,600	137,100	136,800
	Change over month	-5.62%	Flat	-10.31%	+1.79%	-1.11%	-6.40%	+0.42%	+4.63%	Flat	-2.83%	Flat	Flat	-4.53	-0.22%
W. Palm Bch Boca Raton	Sales Volume	450	638	408	532	685	681	737	859	859	754	746	841	733	849
	Change over month	-27.18%	+41.78%	-36.05%	+30.39%	+28.76%	-0.58%	+8.82%	+16.55%	Flat	-12.22%	-1.06	+12.73%	-12.84%	+15.83%
	Median Price	247,400	246,000	232,100	228,100	228,100	234,400	232,900	\$250,300	245,200	245,700	242,900	243,900	227,500	247,900
	Change over month	-6.36%	-0.57%	-5.65%	-1.72%	-0-	+2.76%	-0.85%	+7.47%	-2.04%	+0.20%	-1.14%	0.41%	-6.72%	+8.97%
Ft. Lauderdale	Sales Volume	507	632	467	500	680	690	780	862	907	816	800	826	707	781
	Change over month	-18.88%	+24.65%	-26.22	+7.07%	+36.00%	+1.47%	+13.04%	+10.51%	+5.22%	-10.03	-1.96%	+3.25%	-14.41%	+10.47%
	Median Price	229,100	217,700	191,000	214,400	219,500	191,300	190,000	204,800	219,000	217,000	200,000.	211,600	182,900	219,900
	Change over month	-9.27%	-4.98%	-12.26%	+12.25%	+2.38%	-12.85%	-0.68%	+7.79%	+6.93%	-0.91%	-7.83%	+5.80%	-13.56%	+20.23+
STATE	Sales Volume	8,571	11,053	8,450	9,858	13,085	13,111	13,921	15,850	15,882	13,850	14,419	15,160	14,026	14,630
	Change over month	-17.93%	+28.96%	-23.55	+16.66%	+32.73%	+0.20%	+6.18%	+13.86%	+0.20%	-12.79%	+4.11	+5.14%	-7.48%	+4.31%
	Median Price	158,300	155,500	139,500	141,900	141,300	138,500	144,400	148,000	147,600	147,400	142,000	140,300	139,000	140,400
	Change over month	-6.72%	-1.77%	-10.89	+1.72	-0.42%	-1.98%	+3.97%	+2.49%	Flat	Flat	-3.66%	-1.20%	-0.93%	+1.01%

The median price of an existing home nationally in December was \$177,500 — up from \$175,000 a year earlier and significantly higher than Florida’s December median of \$140,400.

December’s national decline in volume was expected. The National Association of Realtors, Pending Home Sales Index fell 16% in November. The index is a leading indicator of sales 30-60 days in the future. The 16.7% decline in December was consistent. We also expect to see another, but more modest, decline a month from now when January sales figures are released.

We believe the decline is largely payback for the first tax credit which moved sales likely to have occurred in 2010 into 2009. That tax credit has been renewed and expanded to include some existing homeowners. The key question is whether the new credit will jump start sales. At this time, the second tax credit appears to be off to a slow start and may very well simply time shift sales from the second half of 2010 into the first half. Nevertheless, we continue to forecast sales volume declining modestly throughout the remainder of the first quarter and again in the third quarter due to timing of the tax credit. Indeed, there are no leading indicators to suggest that there is any new demand to jump start sales.

Data are not yet available to show how broadly the first tax credit was used. The IRS will capture the data from 2009 tax returns. Based on Realtor surveys and anecdotal evidence, however, the credit was not as widely used in Florida as it was in other parts of the country. There could be several reasons for that including high unemployment which continues to rise as well as a pending wave of Payment Option ARM foreclosures which will eventually increase existing home inventory from its already bloated level and put even more downward pressure on prices.

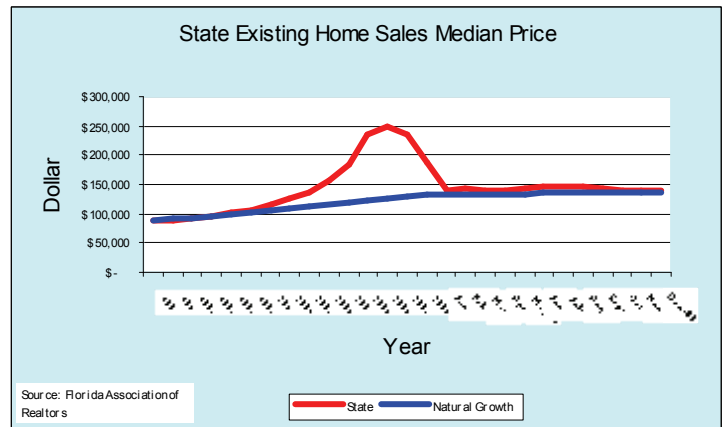
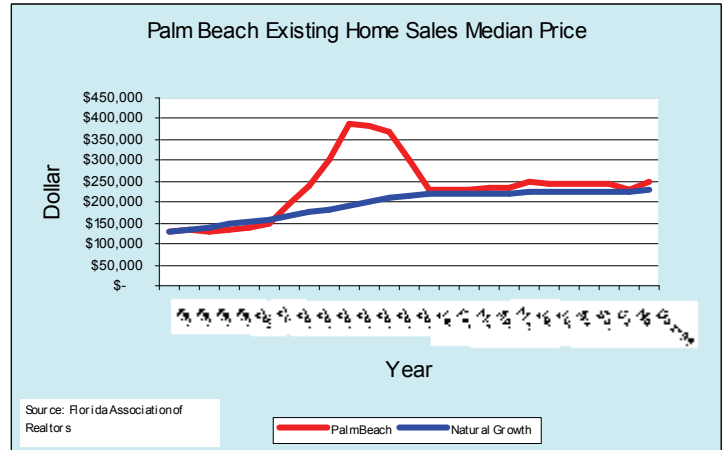
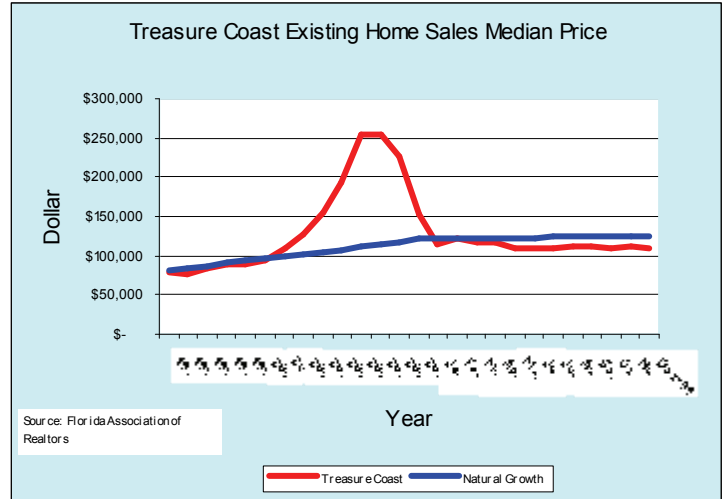
While the worst is over for single family detached housing at the lower end price points, the stress is now clearly evident in upper end housing. With greater financial resources, high end homeowners were able to wait out the market and postpone realization of price declines that were occurring in the lower end. As more and more high end owners are now being forced to sell, they too are experiencing significant price declines. That emerging trend is apparent in the S&P Case / Shiller data for the last few months. The highest tier in the Case / Shiller data is performing much worse than the lowest tier in 12 of 16 metro areas where data are available.

Negative equity is growing at the high end where prices nationally have fallen about 27% from their peak. The decline is significantly less than the decline at the low end but is likely to rise as more homeowners are forced to sell and accrued declines are realized.

The trend toward defaults in the higher tiers is also apparent in third quarter Mortgage Bankers Association delinquency data. The 30 day delinquency rate among prime borrowers rose by more than 33 basis points compared with a decline of 42 basis points in the sub prime sector. While sub prime foreclosures still remain high, credit quality is deteriorating more quickly in the prime sector.

The Mortgage Bankers Association purchase only index which tracks applications for financing for home purchases is currently at its lowest level since 1997 which does not bode well for late first quarter sales. Mortgage interest rates are also likely to rise in the second quarter after the Federal Reserve stops buying mortgage backed securities at the end of March. Clearly, the housing market remains fragile.

Long Term Price Performance In Seacoast Core Markets



The red line on each chart is the actual annual median price from 1994 through 2008. Median prices for 2009 are monthly. The blue line is the trend line or the natural rate of price change. After eliminating all of the major peaks and valleys such as the bubble era prices between about 2002 and 2007, prices on the Treasure Coast and the state increased about 3% annually. Palm Beach has consistently increased about 4% annually. As each chart indicates, prices have been relatively stable throughout 2009.

The material contained in this newsletter has been prepared by Seacoast National Bank. The content is provided for use by real estate, financial services and other professionals only and is not intended for consumer distribution. The material provided is for informational and educational purposes only and should not be construed as investment and/or mortgage advice. Although the material is deemed to be accurate and reliable, there is no guarantee it is not without errors.