

Economic Perspectives

September existing home sales volume and price continue trend October 26, 2009

September existing home sales in Florida and Seacoast served markets continued a trend begun early this year. Both volume and price fluctuated modestly both up and down within narrow parameters on a month over month basis. Sales volumes have been rising steadily over the last 12 months while median price has ended its free fall. Housing starts nationally inched up 0.5% while permits were down 1.2%. Single family permits, perhaps the most important gauge of short term future activity, declined 3.0%. Pending home sales increased 6.4%. That is the seventh straight monthly increase which bodes well for short term future sales. The \$8,000 tax credit available to some first time home buyers is pumping up sales. It expires November 30th and unless it is renewed, sales in early 2010 may trend down again.

Florida existing home sales moved up again in September after falling in August. In September, 14,419 homes traded state-wide, up from 13,850 in August. Sale volume performance was up 4% month over month and 34% over September 2008. Florida's median price in September was \$142,000; down 3.7% from August and down 19% from a year earlier.

The performance was similar in most Seacoast served markets. The Ft. Pierce—Port St. Lucie, MSA (St. Lucie and Martin Counties) saw sales volume increase 6% over the month and

median price return to the \$110,000 range where it has been since May with the exception of August where it temporarily hit \$113,000. In Palm Beach county, sales experienced a statistically insignificant decline over the month but increased 43% over September 2008. Median price was also down fractionally to \$242,900. Again, the monthly change was statistically insignificant. Palm Beach County prices have been hovering in the low to mid \$250,000 range all year.

A 14 month history of state-wide existing home sales as well as those in most Seacoast served markets appears below.

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	Sep '09
Ft. Pierce Port St. Lucie	Sales Volume	339	374	383	318	421	361	372	493	490	511	573	561	539	572
	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%	+6.12%
	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	110,800
Melbourne Titusville Palm Bay	Sales Volume	494	430	423	328	438	377	429	539	564	584	541	534	492	479
	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%	-2.64%
	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	114,700
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	2,247
	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%	+5.30%
	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	144,100
W. Palm Bch Boca Raton	Sales Volume	623	522	618	450	638	408	532	685	681	737	859	859	754	746
	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%	-1.06
	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	242,900
Ft. Lauderdale	Sales Volume	604	611	625	507	632	467	500	680	690	780	862	907	816	800
	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	-1.96%
	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	200,000.
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	14,419
	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%	+4.11
	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	142,000
	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	-3.66%

What is clear from the data is that the free fall in median price ended in early 2009 and prices have been bouncing along bottom within a fairly narrow range all year. Volumes have been relatively strong driven by renewed affordability, historically low interest rates and to some extent, an \$8,000 tax credit available to some first time home buyers.

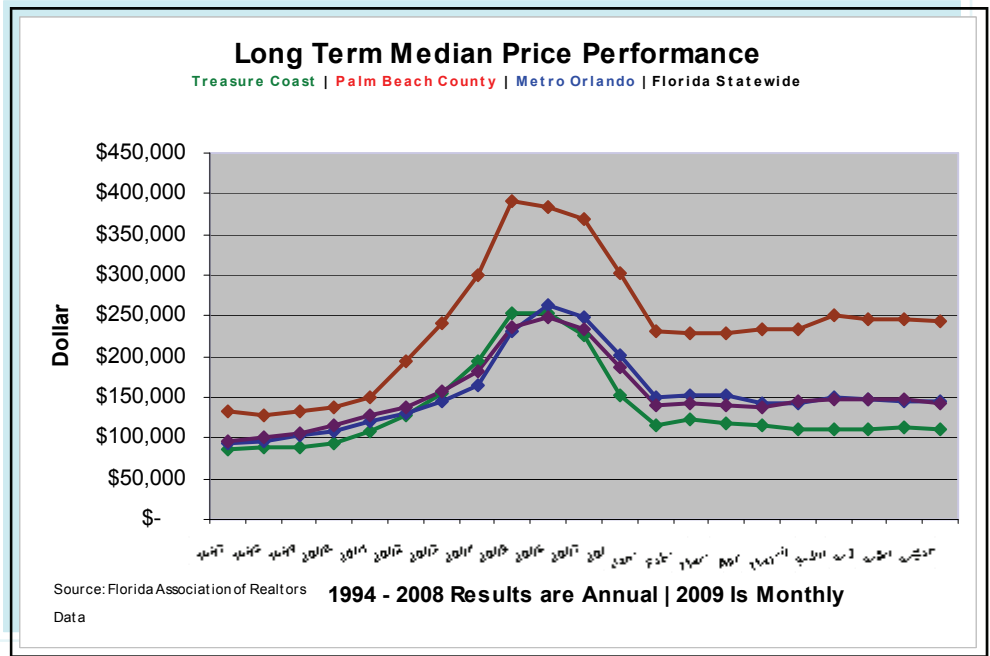
Tax Credit. The \$8,000 tax credit expires on November 30th and, at this writing, there is no assurance it will be renewed. Proponents of the tax credit point to the fact that it probably led to 350,000 to 400,000 sales nationally that might not otherwise have occurred.

Opponents, however, argue that the credit is expensive and misguided at a time when federal tax revenues are down significantly. The tax credit stimulus effect may be temporary and have no lasting effect. Indeed, the credit does not appear to have created new demand but rather siphoned off 2010 demand at significant cost.

Foreclosures September 2009 Seacoast Served Counties
New Filings In September | Ratio to Households

County	New Filings	1 / Household
Orange	1,809	101
Seminole	601	164
Lake	523	190
Osceola	866	88
Brevard	793	225
Indian River	281	165
St. Lucie	836	69
Martin	158	290
Palm Beach	2,018	213
Broward	3,493	123
Okeechobee	52	204
DeSoto	22	536
Glades	4	1,213
Hendry	58	111
Hardee	7	499
Highlands	123	263

SOURCE: Realtytrac



Foreclosures continue to rise in most urban counties and the state as a whole. Florida continues to be second in the nation for the number of foreclosures. Several Seacoast served counties also rank among the highest in the nation for foreclosures in relation to number of households. For example, St. Lucie County, once one of the fastest growing counties in the nation, now has an extraordinary number of foreclosures. In September, one in 69 housing units was in some state of foreclosure. Osceola county in Metro Orlando has one in 88 housing units in foreclosure.

Sub prime mortgages dominated foreclosure activity until recently. Today, foreclosures have moved into the prime sector. Payment Option Adjustable Rate Mortgages (ARMs) will likely peak in late 2010 and that will keep foreclosures high through 2011. Additionally, the primary drivers of foreclosures today are employment issues such as unemployment, reduced hours or wages, etc.

Another emerging driver of foreclosures is so-called *strategic default* where property owners who can afford to pay determine they are too far under water to recover and they intentionally walk away. Researchers at the University of Chicago, Northwestern University and the European University Institute estimated that 26% of today's foreclosures are strategic as social and moral barriers to foreclosure have steadily fallen.

As foreclosures move into the prime sector, they also move to higher loan amounts where buyers bought *too much house* or did so with Payment Option ARMs. The next wave of foreclosures will likely be in the \$400-\$600,000 range. Again, this wave will keep foreclosures elevated through 2011 and will keep a lid on price increases at least that long.

Housing Outlook. While the housing free fall has stopped, improvement is tenuous at best. Return to a robust housing market remains elusive and is several years off. Inventories will continue to clear only to be replaced by properties returning to market after foreclosure. That will hold price increases down and curtail the feasibility of widespread project development for several years.

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