

Economic Perspectives

Home sales volume up — prices down ... again.

March 30, 2009

In a sector where good news has been scarce, new and existing home sales volume, as well as residential construction starts and permits all rose in February after dismal showings in January. Sales of new single family homes rose 4.7% according to the Commerce Department. At the same time, the National Association of Realtors reported an increase of 5.1% in existing home sales volume. Construction starts also rose 22% and permits rose 16.1%. While the positive news was welcome, the other side of the equation — median price — was less welcome. New home prices tumbled 2.85% from January to February and 18.1% year over year. The median price of a new home nationally was \$200,900. The median price for an existing home nationwide was up 0.36% to \$165,400. The huge increase in construction starts was predominately in the Northeast and in the multifamily housing sector.

Existing home sales rose in Florida and all Seacoast served Metropolitan Statistical Areas (MSAs) in February and also year over year. According to the Florida Association of Realtors (FAR) volume increases were greatest in Metro Orlando at nearly +20% and slightly over +30% in Palm Beach County. Volumes in both metros fell dramatically in January but made much of it up in February.

The median price increased about 12% in the Ft. Lauderdale MSA after falling an almost equal amount a month earlier. The median price in Ft. Pierce—Port St. Lucie MSA grew 6.27% to \$122,100. Changes in other Seacoast served MSAs were around two percent (plus or minus).

The table at the bottom of the page shows both existing home sales volume and median prices in Seacoast served MSAs for the last seven months while the table to the right shows the net change in both volume and price over the same time period.

Seven Month Net Change

MSA	Sales Volume	Median Price
Ft. Pierce PSL	-1.15%	-24.78%
Melbourne Titusville, PB	-0.30%	-3.22%
Orlando	-10.21%	-1.79%
WPB Boca	+8.3%	-22.51%
Ft. Lauderdale	-5.97%	-31.90%
STATE	-5.13%	-30.51%

The data show that the net change in both volume and median price has been generally downward over the last seven months. The most recent data, however, are erratic and still do not indicate a clear and sustainable trend. While volumes are up, the fact that median price continues to slide suggests that sales are still skewed toward foreclosures, short sales and other distressed transactions. Although there are some positive signs in the February data, it is still too early to call a bottom to the slumping housing market. We expect the current trend to continue for much of the remainder of 2009 as bloated inventories are worked down, foreclosed properties come back to market and unemployment continues to grow.

Existing Detached 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
Ft. Pierce Port St. Lucie	Sales Volume	339	374	383	318	421	361	372
	Change /Month	-18.1%	+10.32%	+2.41%	-16.97%	+32.39	-14.25%	+3.05%
	Median Price	153,900	138,000	134,600	130,500	131,800	114,900	122,100
	Change over month	-3.39%	-10.33%	-2.46%	-3.05%	+1.00%	-12.82%	+6.27%
Melbourne Titusville Palm Bay	Sales Volume	494	430	423	328	438	377	429
	Change over month	+3.35%	-12.96%	-1.63%	-22.46%	+33.54%	-13.93	+13.79%
	Median Price	155,500	143,900	152,200	126,700	125,200	118,300	115,400
	Change over month	+1.90%	-7.46%	+5.77%	-16.75%	-1.18%	-5.51%	-2.45%
Orlando	Sales Volume	1,445	1,588	1,445	1,277	1,525	1,127	1,352
	Change over month	-12.74%	+9.90%	-9.01%	-11.63%	+19.42%	-26.11%	+19.96%
	Median Price	204,400	182,700	177,900	167,900	167,800	150,500	153,200
	Change over month	-2.25%	-10.62%	-2.63%	-5.62%	Flat	-10.31%	+1.79%
W. Palm Bch Boca Raton	Sales Volume	623	522	618	450	638	408	532
	Change over month	-4.45%	-16.21%	+18.39%	-27.18%	+41.78%	-36.05%	+30.39%
	Median Price	323,300	292,200	264,200	247,400	246,000	232,100	228,100
	Change over month	+10.99%	-9.62%	-9.58%	-6.36%	-0.57%	-5.65%	-1.72%
Ft. Lauderdale	Sales Volume	604	611	625	507	632	467	500
	Change over month	+3.96%	+1.16%	+2.29%	-18.88%	+24.65%	-26.22	+7.07%
	Median Price	269,800	259,300	252,500	229,100	217,700	191,000	214,400
	Change over month	-11.13%	-3.89%	-2.62%	-9.27%	-4.98%	-12.26%	+12.25%
STATE	Sales Volume	10,847	10,817	10,443	8,571	11,053	8,450	9,858
	Change over month	-5.56%	-0.28%	-3.43%	-17.93%	+28.96%	-23.55	+16.66%
	Median Price	186,900	175,100	169,700	158,300	155,500	139,500	141,900
	Change over month	-3.46%	-6.31%	-3.08%	-6.72%	-1.77%	-10.89	+1.72

Existing Condos Continue to Slide

MSA		December 2008	January 2009	February 2009
Ft. Pierce Port St. Lucie	Sales Volume Change /Month Median Price Change over month	79 +61.22% 150,000 +36.36%	61 -22.78% 90,600 -39.60%	71 +16.39% 116,700 +28.81%
Melbourne Titusville Palm Bay	Sales Volume Change /Month Median Price Change over month	74 +10.45% 107,500 -5.98%	78 +5.41% 120,000 +11.63%	98 +25.64% 122,500 +2.08%
Orlando Metro	Sales Volume Change /Month Median Price Change over month	166 +22.96% 75,000 -1.45%	171 +3.01% 62,200 -17.07%	280 +63.74% 56,400 -9.92
W. Palm Beach Boca Raton	Sales Volume Change /Month Median Price Change over month	527 47.21% 112,900 -8.88%	375 -28.84% 108,900 -3.54%	483 +28.80% 101,900 -6.43%
Ft. Lauderdale	Sales Volume Change /Month Median Price Change over month	595 +66.20% 97,300 -11.06%	531 -10.76% 85,000 -12.64%	581 +9.42% 85,800 +0.94%
STATE	Sales Volume Change /Month Median Price Change over month	3,138 +37.35% 130,600 FLAT	2,556 -18.55% 113,400 -13.17%	3,198 +25.12% 109,300 -3.62%

Source: Florida Association of Realtors March 23, 2009

Existing single family residential home prices have now returned to “pre run-up” levels of 2003 and 2004 in most south Florida counties. St. Lucie county, however, which had an extraordinary and unsustainable run up in prices earlier this decade has seen prices drop precipitously. Prices have now returned to 2002 levels. While prices in all Seacoast markets have fallen to a level coincident with the long term level of increase, we believe there is still more room for decline. Indeed, values could fall below their level at the start of the run up earlier this decade. Inventory levels are still too high in virtually every Seacoast market. Foreclosure inventories also remain bloated and unemployment will continue to rise forcing more delinquency, default and foreclosure. These forces combine to overcome the positive effect of low interest rates and renewed affordability.

Foreclosures are still a wild card. They continue to surge and as they do, houses will come back to market at lower prices once again putting downward pressure on values and prices. Foreclosures also ebb and flow artificially as Fannie Mae, Freddie Mac, several large banks and even the judiciary impose temporary moratoria on foreclosures.

The condominium sector. As shown on the above table, volumes are so small that the percentage changes are not meaningful. Median prices are also distorted by comparatively few sales — most of which were lower end product and distressed transactions. In every Seacoast served MSA and the state itself, median prices dropped to the low \$100,000 range. In Orlando and Ft. Lauderdale, the median price dipped below the \$100,000 mark.

New Construction starts have been declining steadily in Seacoast served metropolitan areas for most of the last two years. Palm Beach County peaked in the second quarter of 2005 when it recorded over 9,000 new construction starts. Starts have declined every quarter since through the fourth quarter of 2008 when about 1,200 starts were recorded. Starts declined over 86% during that period. Inventory has not grown since the same time period. Supply was generally flat through 2005 and began a steady decline in early 2006. Today (Q4-2008) Palm Beach County has about an 8.5 month supply at the current rate of absorption.

At the opposite end of the performance chart is St. Lucie County where construction starts did not peak until mid 2006. It was not until early 2007 that starts began to decline in a meaning

County	Single Family Inventory	Months Supply
Orange	10,534	20.6
Seminole	2,505	20.0
Lake	1,131	8.0
Osceola	4,283	15.0
Brevard	901	8.3
Indian River	561	6.1
St. Lucie	1,007	13.9
Martin	320	10.2
Palm Beach	1,552	8.5

DATA SOURCE: Metro study (Metrostudy.com)

ful fashion. With everything in the pipeline it was also early 2007 before inventory began to decline. Today, inventories are down significantly but there is still an unhealthy supply at nearly 14 months.

Metro Orlando counties (Orange, Seminole, Lake and Osceola) saw inventories peak in early 2006. Osceola County, which experienced extraordinary growth earlier in the decade, much like St. Lucie County, actually peaked a year later in 2007. In fact, Osceola and St. Lucie were two of the nation’s fastest growing counties in 2005. New home inventory in Metro Orlando is extraordinarily high (see table above) where Orange and Seminole counties have more than a 20 month supply.

What is a normal supply? Over the long term, three months (±) is typically considered a “normal” supply. That is roughly equivalent to what tract developers have historically budgeted for holding costs over the long term. At that level, and given a stable market, equilibrium exists. That is, hard and soft costs are in balance, there is reasonable profit potential, credit is reasonably available and affordable and sales prices are consistent with local household income levels. Clearly, equilibrium does not exist today and has not for most of the decade.

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.