

Economic Perspectives

Existing home sales volume & price show first signs of improvement May 4, 2009

Existing home sales state-wide and in all Seacoast markets rose in March. Additionally, the steep decline in prices, which has gone on for 16 months nationwide and for nearly two years locally, slowed. While year-over-year price declines were steep at 20-30%, more recent data tell a different story. First quarter 2009 data are signaling that a housing bottom could finally be in sight and remains a possibility by late 2009. State-wide sales volume increased over 25% in the first quarter while the median price fell 8.75%. From February to March the gap narrowed further with state-wide median price flat and several Seacoast markets experiencing increases. Can we now declare a bottom to this unprecedented housing crisis? No. But the signs are turning positive. Still, risk to recovery remains heavily skewed to the downside.

Existing home sales volume rose both state-wide and in every Seacoast served MSA in March. Moreover, median prices began to flatten. The Ft. Pierce/Port St. Lucie MSA saw median price decline 3.36% while Metro Orlando declined a modest 1.1%. Melbourne-Titusville-Palm Bay, MSA and Ft. Lauderdale MSA saw modest price increases month over month.

The table at the bottom of the page shows existing home sale activity and median price at the MSA level and state-wide for the last eight months. The table to the right shows the net change in sales activity and median price for the first quarter of 2009. While monthly data have been erratic and price declines have been steep year-over-year, a trend toward price stability is emerging from first quarter data. One quarter's data is insufficient to indicate a sustainable trend and far too early to call a bottom to the housing crisis. Another two quarters, however, will add clarity.

Q1 2009 Net Change

MSA	Sales Volume	Median Price
Ft. Pierce PSL	21.33%	-9.91%
Melbourne Titusville, PB	25.50%	-0.77%
Orlando	29.06	-9.63%
WPB Boca	23.10%	-7.37%
Ft. Lauderdale	16.85%	2.37%
STATE	25.84%	-8.75%

Downside risk remains. Median price by definition means that half of the prices were lower and half were higher than the median. Looking behind the numbers, the range of sale prices was clustered fairly tightly around the median. Most sales were in the \$100,000 to \$200,000 price range. There were fewer in the \$300,000 price range and remarkably fewer at or over \$400,000.

Sales are still skewed toward foreclosures and other distress transactions. First time home buyers are the most active. Foreclosures remain the biggest obstacle to price stability. Volume remains high and when properties come back on the market, they often do so at lower prices putting additional downward pressure on values.

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	Mar '09
Ft. Pierce Port St. Lucie	Sales Volume	339	374	383	318	421	361	372	493
	Change /Month	-18.1%	+10.32%	+2.41%	-16.97%	+32.39	-14.25%	+3.05%	+32.53%
	Median Price	153,900	138,000	134,600	130,500	131,800	114,900	122,100	118,000
	Change over month	-3.39%	-10.33%	-2.46%	-3.05%	+1.00%	-12.82%	+6.27%	-3.36%
Melbourne Titusville Palm Bay	Sales Volume	494	430	423	328	438	377	429	539
	Change over month	+3.35%	-12.96%	-1.63%	-22.46%	+33.54%	-13.93	+13.79%	+25.64%
	Median Price	155,500	143,900	152,200	126,700	125,200	118,300	115,400	123,700
	Change over month	+1.90%	-7.46%	+5.77%	-16.75%	-1.18%	-5.51%	-2.45%	+7.19%
Orlando	Sales Volume	1,445	1,588	1,445	1,277	1,525	1,127	1,352	1,828
	Change over month	-12.74%	+9.90%	-9.01%	-11.63%	+19.42%	-26.11%	+19.96%	+35.21%
	Median Price	204,400	182,700	177,900	167,900	167,800	150,500	153,200	151,500
	Change over month	-2.25%	-10.62%	-2.63%	-5.62%	Flat	-10.31%	+1.79%	-1.11%
W. Palm Bch Boca Raton	Sales Volume	623	522	618	450	638	408	532	685
	Change over month	-4.45%	-16.21%	+18.39%	-27.18%	+41.78%	-36.05%	+30.39%	+28.76%
	Median Price	323,300	292,200	264,200	247,400	246,000	232,100	228,100	228,100
	Change over month	+10.99%	-9.62%	-9.58%	-6.36%	-0.57%	-5.65%	-1.72%	-0-
Ft. Lauderdale	Sales Volume	604	611	625	507	632	467	500	680
	Change over month	+3.96%	+1.16%	+2.29%	-18.88%	+24.65%	-26.22	+7.07%	+36.00%
	Median Price	269,800	259,300	252,500	229,100	217,700	191,000	214,400	219,500
	Change over month	-11.13%	-3.89%	-2.62%	-9.27%	-4.98%	-12.26%	+12.25%	+2.38%
STATE	Sales Volume	10,847	10,817	10,443	8,571	11,053	8,450	9,858	13,085
	Change over month	-5.56%	-0.28%	-3.43%	-17.93%	+28.96%	-23.55	+16.66%	+32.73%
	Median Price	186,900	175,100	169,700	158,300	155,500	139,500	141,900	141,300
	Change over month	-3.46%	-6.31%	-3.08%	-6.72%	-1.77%	-10.89	+1.72	-0.42%

Chart 1

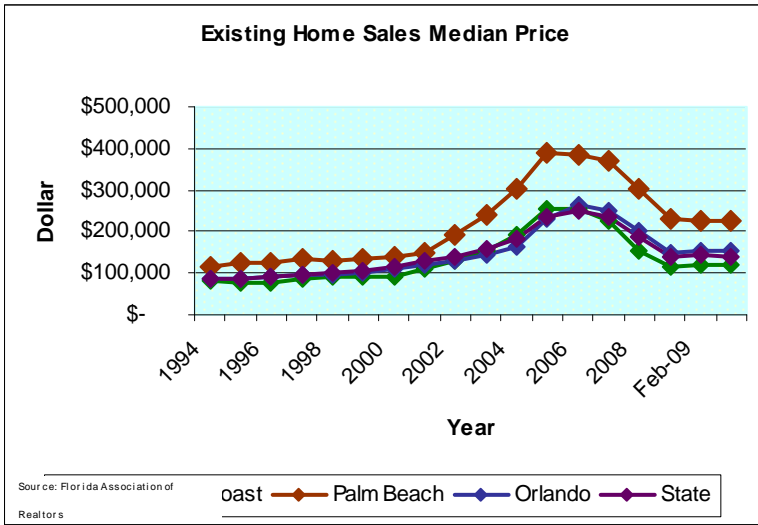
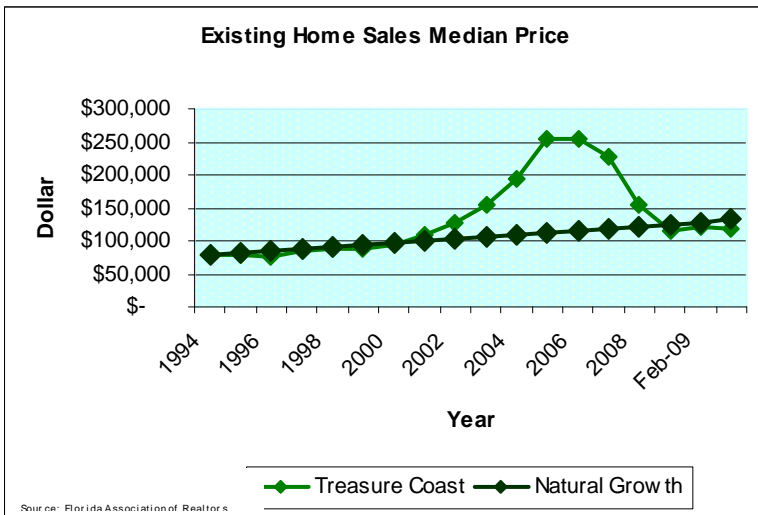


Chart One to the left shows the long term change in median existing home prices in Florida as well as the Treasure Coast, Palm Beach County and Metro Orlando. It clearly shows the bubble that began to grow in late 2001 and early 2002. The pattern was remarkably consistent state-wide and throughout Seacoast served MSA's. The median price on the Treasure Coast rose from \$108,000 in 2001 to \$254,000 at its peak in 2005. That is a 135% price increase. At the end of March 2009, the median price had fallen to \$118,000, a decline of 54% from its peak.

Palm Beach County experienced even greater price appreciation moving from a median price of \$149,000 in December 2001 to \$390,000 in 2005 — a 162% increase. The median price has now fallen 41% from its peak to \$228,000.

Metro Orlando peaked later (12-18 months) than most south Florida counties. In December 2001, the median price was \$120,000. At its 2006 peak it had risen nearly 120% to \$263,000. Since then it has fallen 42% to \$151,500.

Chart 2



Charts Two and Three compare the median price growth and decline with the natural level of long term growth. The natural level of growth is measured from 1994 with limited data from as early as 1976. In it, we removed all the major short term peaks and valleys in the data. Long term, the compound rate of increase has been slightly over three-percent in most local MSAs. Palm Beach County was slightly higher at about four percent. Projecting that forward to the present indicates that existing home prices have now fallen to their natural level of long term growth. Indeed, we have over shot the long term growth rate on the downside—a phenomenon which is not unusual before sustainable recovery begins.

Housing price changes are critically linked to household income. As the chart to the right shows, income and home prices virtually over-lapped each other for many years dating back to 1976. Home prices began to grow faster than household income in 2002. As prices moved higher and incomes did not keep up, the pool of buyers continued to shrink contributing to the housing bubble burst. Home prices nationally reached a peak in early 2006 and fell precipitously after that. Since then, home prices have become much more consistent with household income thus helping restore affordability.

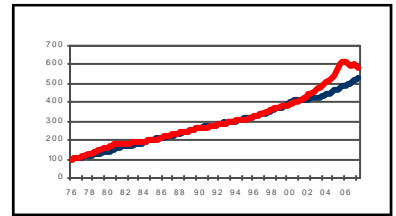
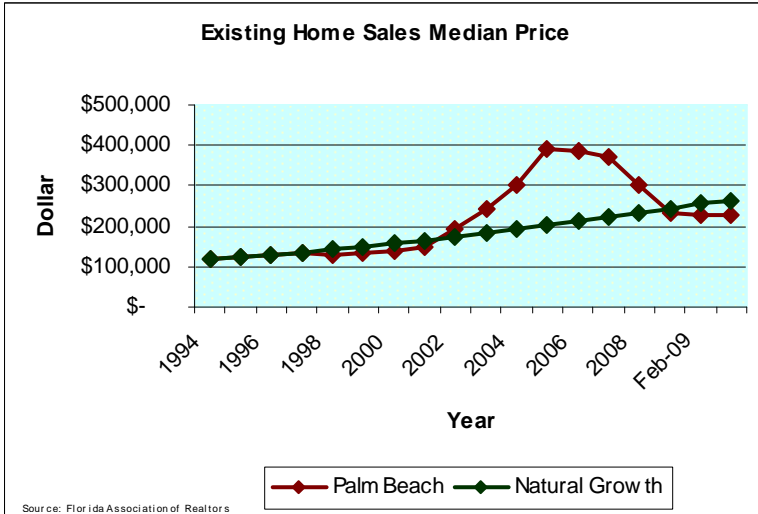


Chart 3



Despite renewed affordability and record low mortgage interest rates, U.S. home ownership in the first quarter of 2009 fell to 67.5% - its lowest level since 2000 according to the Census Bureau. Many consumers and households who benefited from easy credit during the run up are now victims of the foreclosure crisis and the recession. Younger singles and families (under age 35) have been hurt the worst with a home ownership rate down to 39.8%.

Looking Forward, there are clearly some positive signs but the crisis is not over. We continue to believe that housing could find bottom in late 2009 or early 2010. Foreclosures and unemployment, however, will continue to put negative pressure on the housing market both locally and nationally.

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