

# Economic Perspectives

## April home sales continue a “less bad” trend — bottom finally in sight June 1, 2009

Existing home sales in Florida and most Seacoast markets continued a “less bad” trend in April according to data from the Florida Association of Realtors. Single family detached sales volume rose to 13,111 units which is essentially equal to March sales but an 18% increase over April 2008. Sales volume has now increased for eight consecutive months on a year over year basis and four out of eight months on a month to month basis. At the same time median price rose 0.20% in April although prices statewide are down 31% year over year. The statewide median price was \$138,500 in April. Prices have been relatively stable —fluctuating only \$3,400 — for the first four months of 2009. Seacoast served markets were similar with volume rising significantly year over year but changing only modestly month over month .

**E**xisting home sales activity in most Seacoast markets improved during the first four months of 2009. Sales volume increased in every Seacoast served MSA. Net change over that period was as little as +18% in Ft. Lauderdale to over +30% in Metro Orlando and Brevard County. Volume increased statewide by 27%. At the same time, median prices slowed their dramatic downward slide which began in 2006. While the net median price change is down slightly over the last four months, it is down only four-percent on the Treasure Coast, in Palm Beach County and in Brevard County. Metro Orlando was the notable exception where the median price slid 16%.

The net change in both volume and price is shown on Table Three on the following page. Table One at the bottom of this page shows an eight month history of existing home sales activity in Seacoast served MSAs.

The trend in sales remains heavily skewed toward foreclosures and distress transactions. Indeed, roughly 55% of all transactions fall into that category. The National Association of Realtors reports 45% nationally however we believe that understates the true level of foreclosures as it only takes into account Realtor sales.

Pending home sales are also on the rise. That normally bodes well for sales 30 to 60 days in the future. While we believe it still bodes

**Table 1 — 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	Apr '09
Ft. Pierce Port St. Lucie	Sales Volume	339	374	383	318	421	361	372	493	490
	Change /Month	-18.1%	+10.32%	+2.41%	-16.97%	+32.39	-14.25%	+3.05%	+32.53%	-0.61%
	Median Price	153,900	138,000	134,600	130,500	131,800	114,900	122,100	118,000	116,400
	Change over month	-3.39%	-10.33%	-2.46%	-3.05%	+1.00%	-12.82%	+6.27%	-3.36%	-1.36%
Melbourne Titusville Palm Bay	Sales Volume	494	430	423	328	438	377	429	539	564
	Change over month	+3.35%	-12.96%	-1.63%	-22.46%	+33.54%	-13.93	+13.79%	+25.64%	+4.64%
	Median Price	155,500	143,900	152,200	126,700	125,200	118,300	115,400	123,700	113,600
	Change over month	+1.90%	-7.46%	+5.77%	-16.75%	-1.18%	-5.51%	-2.45%	+7.19%	-8.16%
Orlando	Sales Volume	1,445	1,588	1,445	1,277	1,525	1,127	1,352	1,828	1,859
	Change over month	-12.74%	+9.90%	-9.01%	-11.63%	+19.42%	-26.11%	+19.96%	+35.21%	+1.70%
	Median Price	204,400	182,700	177,900	167,900	167,800	150,500	153,200	151,500	141,800
	Change over month	-2.25%	-10.62%	-2.63%	-5.62%	Flat	-10.31%	+1.79%	-1.11%	-6.40%
W. Palm Bch Boca Raton	Sales Volume	623	522	618	450	638	408	532	685	681
	Change over month	-4.45%	-16.21%	+18.39%	-27.18%	+41.78%	-36.05%	+30.39%	+28.76%	-0.58%
	Median Price	323,300	292,200	264,200	247,400	246,000	232,100	228,100	228,100	234,400
	Change over month	+10.99%	-9.62%	-9.58%	-6.36%	-0.57%	-5.65%	-1.72%	-0-	+2.76%
Ft. Lauderdale	Sales Volume	604	611	625	507	632	467	500	680	690
	Change over month	+3.96%	+1.16%	+2.29%	-18.88%	+24.65%	-26.22	+7.07%	+36.00%	+1.47%
	Median Price	269,800	259,300	252,500	229,100	217,700	191,000	214,400	219,500	191,300
	Change over month	-11.13%	-3.89%	-2.62%	-9.27%	-4.98%	-12.26%	+12.25%	+2.38%	-12.85%
STATE	Sales Volume	10,847	10,817	10,443	8,571	11,053	8,450	9,858	13,085	13,111
	Change over month	-5.56%	-0.28%	-3.43%	-17.93%	+28.96%	-23.55	+16.66%	+32.73%	+0.20%
	Median Price	186,900	175,100	169,700	158,300	155,500	139,500	141,900	141,300	138,500
	Change over month	-3.46%	-6.31%	-3.08%	-6.72%	-1.77%	-10.89	+1.72	-0.42%	-1.98%

well, pending sales has lost some of its predictive relevance due primarily to the huge contract fallout currently being experienced.

The graph at the bottom of this page shows existing home median prices dating back to 1994. Sales prices steadily rose at about 3% in most markets but over 4% in Palm Beach County. Beginning in 2002, prices began their dramatic and unsustainable rise peaking in 2006 at prices over double their 2002 level. The bubble is apparent in the graph. In 2006, the bubble began to deflate and

**Table 3  
Existing Home 4 Month Net Chg**

MSA	Volume	Price
Ft.Pierce PSL	+20.72%	-4.55%
Melbourne T'Ville   PB	+30.14%	-4.03%
Orlando	+30.76%	-16.03%
WPB   Boca	+22.52+	-4.61%
Ft. Laud'le	+18.32%	-10.48
State	+27.04%	-11.57%

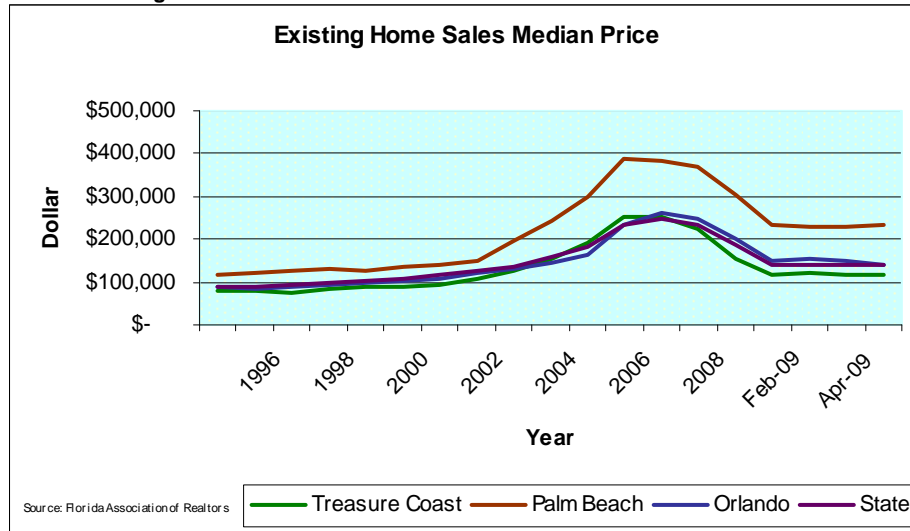
prices in general have now returned to trend or their natural level of long term growth. In some cases, (Orlando and Palm Beach County) prices have slipped below trend. Perhaps the most revealing part of the graph below is the first four months of 2009 where values were flat or declined very slightly strongly suggesting a bottom.

**Behind the numbers.** It seems clear from the data that housing is at or very near its bottom with volumes up significantly

and prices no longer in free fall.

Renewed affordability created by over two years of falling prices combined with mortgage money available for qualified buyers and an \$8,000 first time home buyer tax credit have clearly sparked sales activity in the under \$200,000 price range. By far the majority of recent sales have been either first time buyers or investors. Yes, investors are back and taking advantage of low prices. They are, once again, purchasing homes to rent or flip. This time though, most of the sales are for cash or they are low loan to value ratio investor loans. Move up home buyers remain largely on the sidelines which is limiting sales activity above \$200,000. The NAR also reported that homes over \$750,000 are taking about 40 months to sell — a median number.

**Table 4 — Long Term Median Home Price Trend**



**Table 2 — New Home Inventory Q1 2009 — Seacoast MSAs**

County	Inventory	Months of Supply
Orange	10,970	30.0
Seminole	2,313	22.5
Lake	1,043	8.2
Osceola	4,123	21.3
Brevard	803	8.0
Indian River	530	7.1
St. Lucie	907	15.4
Martin	268	10.0
Palm Beach	1,198	7.0

SOURCE: Metrostudy (www.metrostudy.com)

According to the U.S. Department of Commerce, new home sales volume rose 0.3% in April to 352,000 units. The March volume was revised to 351,000 units, down from 356,000. Sales volume is down 34% year over year but essentially flat for the first four months of 2009. The median price of a newly constructed homes nationwide was \$209,700 in April. That is down 14.9% from a year earlier. The commerce department also reported a 10.1 month inventory of new homes nationwide. That is down from the record 12.9 month supply in January.

Existing homes are currently outselling new homes three to one. That appears to be largely the effect of the \$60,000 to \$70,000 median price differential with the median price of a new home being much higher than an existing home.

Table 2 (above) shows the absolute number of new homes and the months of inventory as calculated by Metrostudy. Metrostudy calculates months of supply based on current absorption. While there are other analytical options, current absorption is usually the best in the current depressed market although it may create some volatility in the supply numbers month over month.

Metro Orlando began to experience weakness 12-18 months after south Florida and is now struggling with significantly elevated new home inventory. Orange and Seminole counties have historically been the primary growth areas in Central Florida. Both certainly will resume that position although today new home inventories are staggering.

Osceola County (south of Orlando) has historically been agrarian but due largely to inexpensive land it became one of the fastest growing counties in the nation during the run up earlier this decade. Today, it continues to have a huge oversupply of new housing and the county's foreclosure rate is the highest in the state with one in 57 housing units currently in foreclosure.

At the opposite end of the inventory level is Palm Beach County with a seven month supply. As closings are exceeding starts and inventory is declining rapidly, the county could soon find equilibrium.

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