

## Real Estate Market Update St. George Island & Franklin County February, 2007

Last year finished the slowest Real Estate market in a decade in this area. St. George Island sales plummeted, with only 53 closings the whole year.

But, let's get that out of the way. There is good news on the horizon—**The Real Estate Market on St. George Island is Rebounding.** We have seen much more activity at the beginning of this year than in the past 2 years. In the table below, data for house sales on

SGI House Sales Data for Jan/Feb			
Year	# Sales	Avg. Sale Value	% Sale/List
2003	13	\$834,846	98.01%
2004	19	\$1,248,947	98.58%
2005	22	\$1,333,366	95.90%
2006	2	\$1,546,429	95.45%
2007	8	\$1,479,750	91.27%

the island for the first 2 months of the past 5 years is shown. There are several conclusions one can make from these summary house sale results. The most gratifying one is that the market has turned around. We had 4 times as many sales this year as in the same period last year. The average sale price

is still higher than in was in 2005. But, clearly the market is not like it was in 2003 & 2004 when houses were selling at nearly the asking price. The average sale is now 9% below the asking price. This means the average buyer negotiated over \$140,000 off the asking price this year. This has a lot to say about the mindset of sellers in this market. I don't have data on how much the asking price of these houses had been reduced before they sold, but most of them had been reduced more than once.

While this market is turning around, it is not exploding. Many sellers are anxious to get their property sold. In an article by Sam Portman (owner of Appraisal Partners, LLC in Panama City—check him out at [www.condosale trends.com](http://www.condosale trends.com)) in the March 2 edition of the Panama City News Herald, he said “if your property has not sold in six months it is priced too high. There are always buyers at market value. Buyers don't care what you paid or what you think the property is worth. Buyers pay market value 99% of the time.” The message from this is if you want to get the property sold, it needs to be priced right. Portman also states that “There are two different types of value: market value and speculative value. Market value is what appraisers and lenders typically use. ....market value is the highest price that will attract a buyer over a defined marketing period.” Of course speculative value is what an investor believes the property will be worth in a defined period.

In Panama City Beach where there are hundreds of identical units in a condo building, it is easy to establish market value based on sales of identical units. It is quite a bit harder to do that here where every property is different. However, there is one area where there is enough consistency to be able to establish a good average price for a property. That is in the Plantation for beachfront houses, where all the houses are on 100' wide beachfront lots. The usual way to evaluate a the value of a property here is to determine a value for the land, based on vacant land sales and for the house, based on either construction costs or sales, and then add the 2 values. However in a situation where the lots are identical, it

is valid to take the sales price and divide by the heated and cooled living area. In the 6 months before Hurricane Dennis, 7 beachfront houses sold in the Plantation. The average sq ft price for the house plus land was \$1101. In the 20 months since Dennis, 6 houses on 1-acre beachfront lots sold and the average sq ft price was \$731. This reflects a reduction in average sale price of 33%. In anybody's market that is a major change, and gives an idea of what prices are going to be required to be to get the property sold. By the way, I believe the major part of this price change is the perceived value of the land. Before Dennis, the last 4 1-acre Plantation beachfront lot sales averaged \$2,400,000. The only beachfront lot sale since Dennis was in January of this year and the sale price was \$1,225,000.

So, the advice here is to forget what you thought your house was worth 2 years ago, or even what you paid for it. If you want or need to get it sold now, it must be priced right. The exuberance we had 2 to 4 years ago has vanished. Sure, the market is picking up, but the buyers that are coming back are looking for properties to keep and use. They are not the "in and out in a year" types. They are coming in for the long term, based on our experience. This is not to say that property here is not a good investment. It always has been and always will be, but one has to be able to make it through the short term corrections. By short term, I mean less than 3-5 years. I look at anything over 5 years as long term.

I also looked at the market for all of Franklin County including St. George Island, Apalachicola, Eastpoint, Carrabelle, Lanark, St. James and Alligator Point. It shows a somewhat different picture. Using the same format, the data for 5 years is in the table

Franklin County House Sales Data for Jan/Feb			
Year	# Sales	Avg. Sale Value	% Sale/List
2003	34	\$411,672	97.49%
2004	49	\$595,996	97.13%
2005	59	\$682,370	95.85%
2006	19	\$379,179	85.41%
2007	14	\$940,343	90.99%

to the left. If you look back at the St. George Island table, it becomes clear how much influence SGI sales impact the total sales for the county. In 2006 especially, when there were only 2 sales on SGI the average sale county-wide dropped by about \$400,000. It looks like most of the sales were

hardship situations as well, since the buyers were able to buy the properties at 15% below the asking price. This year, there have been only 6 sales in the rest of the county so one would have to assume these properties are still somewhat overpriced. I guess the message couldn't be clearer. Price your property to sell, or else wait for a year or two until the market recovers some of its exuberance and value.

The bottom line is that market value has dropped anywhere from 15% to over 35% based on the location of your property. If you are a potential buyer, this is the best time in years to get a property at five-year-ago prices. You need to make contact with me and let me help you find the property that is just right for you. If you are a seller, or a want-a-be seller, please call or email me for an update on the **market value** of your property. Either buyers or sellers can reach me on my cell phone (850 323 0969), or email me at [harryp@florida-beach.com](mailto:harryp@florida-beach.com).