

## REAL ESTATE UPDATE FOR ST. GEORGE ISLAND—2<sup>nd</sup> QUARTER 2009

By Harry Plumblee, Weichert REALTORS Anchor

This quarter has seen major improvements in sales numbers. Year over year house sales are up 56%. Lot sales are improving with 25% more lots selling this year than last year. Overall, the market pace is quite brisk, but prices continue to decline. Bank owned properties and Short Sales are currently dominating the market. In the following discussion, I am going to give you all the pertinent data. But the big message here is that the market has definitely turned—we have passed the bottom—buyers are back and they are showing their money. This is a message for you, the reader, “if you are waiting for the bottom, you have already missed it”. But there are still some great deals available. The time is ripe! Run, don't walk, to the nearest Real Estate agent (hopefully me!).

**HOUSE SALES**--Short sales and REOs (I'll refer to these as Distressed Sales or DS for brevity, in the balance of this article) have generated ½ of the market so far this year. And, as you will see below, it is growing to 2/3 of the market when properties under contract are considered. This is in line with sales data from south Florida. Second quarter sales data for SGI are:

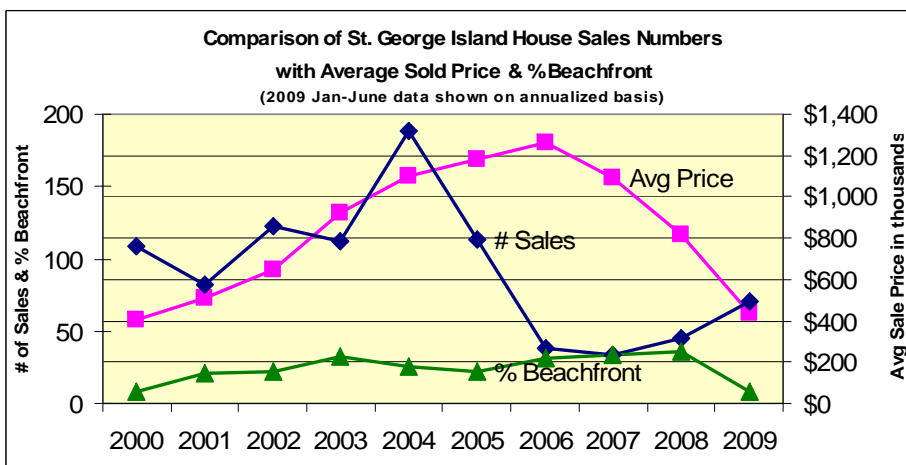
- 21 houses sold on St. George in the second quarter.
- 11 of those were in the Distressed Sale (DS) category.
- Prices on the DS properties have strongly influenced the prices on the other 10 sales.
- The average sold price for the 21 sales was \$387,076, or on price per square foot of conditioned area, it is \$184/sq ft.
- The sold price was just 89.9% of the already greatly reduced list price.

For the year,

- 35 SGI houses sold for an average sale price of \$435,531 (\$219/sq ft) and this was 89.7% of the list price.
- 19 of these houses were sold through the DS process.
- Time to close on the 35 sales was an average of 40 days.
- Using the annualized number of 70 sales (35 for 1<sup>st</sup> ½ of year), the number of sales has risen by 118% above the low point of 33 house sales in 2006
- And, the average sale price has dropped 65% from the peak in 2006 (however, noting that the number of high priced beachfront sales has declined from 36% of all sales in 2008 to 9% of all sales this year (see below)).

I have included below the chart I prepared for the 1<sup>st</sup> quarter, 2009 newsletter, but have updated the data through June and then annualized the sales data to reflect a complete year.

- The trend to lower prices is clear.
- Also, it is obvious that the buyers are buying on price, not location.
- There have been only 3 beachfront houses sold on SGI this year. That converts to an annualized number of 6, or 9% of the houses sold.
- That average was 28% in the 2001-2008 period and peaked at 36% in 2008. This year's percentage of beachfront sales could increase significantly as we will see when we examine data for houses under contract.



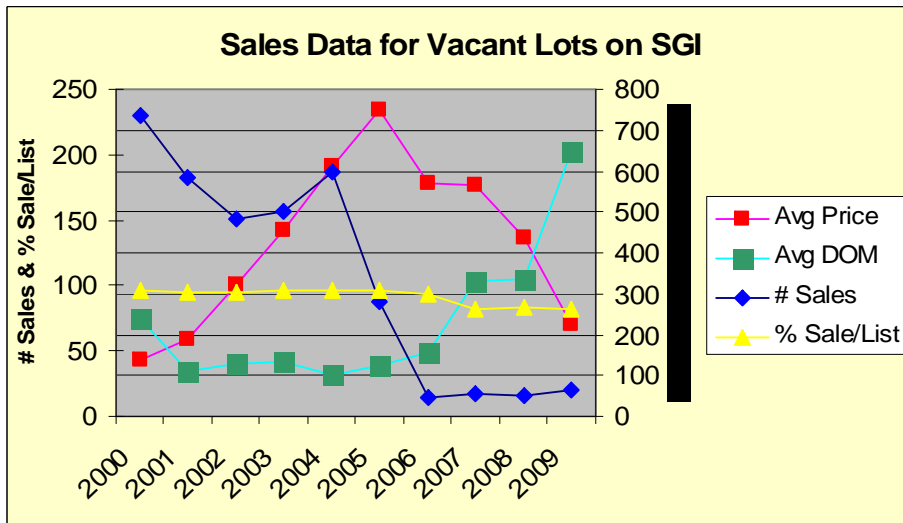
Analyzing the properties under contract, we find that:

- Currently there are 28 houses under contract. Based on the last 4 years' activity, this is high.
- However, 21 of the properties are in the DS category—a whopping 75%.
- 12 of the potential sales are for beachfront properties. If these close, the % beachfront data will certainly increase, but could still be below the 28% average mentioned above. (It's easy to guess what is going to be dominating the appraiser's comparables for the next few years.)

- Average time under contract for all contracts at the end of June is now 58 days and is probably going to settle out at about 70-75 days, with the number of short sales (REO's don't hold up the closing process- they speed it up) and the difficulty in finding loans.
- Mortgage rates for 30-year fixed conforming loans have risen recently from 4.75% to 5.50% or more.
- Finally, there are now 153 houses on the market for sale. Thirty-Nine (39), or 25% of those are in the DS category.

It appears we still have a long way to go to clear the DS properties out. With a sale rate of 5-6/month, just the ones in the DS category either under contract or listed for sale would take a year to sell. However that doesn't count the non-distressed properties that are also

selling. For this to end within one year, the sale rate would have to increase to about 8-10/month, and so far, it doesn't appear there are that many buyers out there.



**LOT SALES**--By taking the same approach used with house sales, the chart below shows 10 years of data for vacant lot sales on St. George Island. I have included the average sale price, the average number of Days on the Market (DOM), the % of list price the lots sold for and the number of sales annually (once again, the 2009 Jan-June number of lot sales has been annualized).

- The current average lot sold price is just 30% of what lots were selling for in 2005.
- Worse (or better, based on your perspective) than that, for the 2006-09 period only 15-20 lots are changing hands annually, whereas in the years when lots were a commodity that traded like stocks, 150 to over 200 lots sold each year.

- In 2001 to 2005, lots stayed on the market for about 100 days. Time on market now is approaching 2 years and then many listings expire.
- Also, it was accepted practice in the time period 2000-2006 that lots sold at about a 5% discount from the list price. The discount is approaching 20% now, off the already much reduced list price.
- Currently there are only 3 lots under contract and all of them are distressed sales.
- Also, 93 lots are listed for sale and 22 of them are in the DS category.

**CONCLUSION:** There are significant implications in the above charts and data for buyers, sellers and developers:

- While house sales numbers have more than doubled since the bottom in 2007, price has declined by 65% from the 2006 peak in average sale price as shown in the first chart above.
- On the other hand, the number of lots sold crashed in 2006 and has stayed on the bottom for 4 years, with around 15-20 lots being sold annually, and with price dropping by 60-80%. For example, in Dec 2004 and June 2005, two (2) ½-acre 1<sup>st</sup>-tier lots sold in the Plantation for prices of \$1,250,000 and \$1,200,000. In April and May of this year two (2) 1<sup>st</sup>-tier lots sold for \$250,000 (the same lot that sold for \$1,250,000) and \$241,000 (adjoining the lot that sold for \$1,200,000). So, for these lots we have seen an 80% decline in price.

**Buyers** should look at the current situation as the opportunity of a lifetime to get their piece of Paradise while the current market dynamics still exist (e.g. price, interest rates and banks willing to complete a short sale, or are willing to sacrifice a property to get it off their books). Its time for you to find a REALTOR.

**Sellers** who can afford to wait this out should keep their properties off the market until we see a turn-around in price and all the DS properties are gone. However, if sellers must sell, they have to price their properties in line with the DS sales, or else their listings are just clogging up the MLS. Listen to your REALTOR.

**Developers** need to sit back and wait this out, and prepare for the next bubble. Of course there is very little opportunity to develop new properties on SGI, except for the Resort Village and Phase II of Casa Del Mar in the Plantation. Off the island in Franklin County, with all the development in Eastpoint and Carrabelle in the last 6-8 years, there are enough vacant lots and new developments to last for the next 10 or more years. Already, bank owned properties are selling at 80-85% discount from their original price in 2005-07 (I just put a lot under contract in Eastpoint for \$15,000 that the developer sold to the 1<sup>st</sup> owner for \$110,000. The second owner, the current seller, was the bank).

**NOW** that you have this information, you can make an informed decision about your property purchase in Franklin County.

Harry Plumblee  
 Katrena Plumblee  
[www.plumblee.net](http://www.plumblee.net)  
[harryp@anchorfl.com](mailto:harryp@anchorfl.com)  
 850 323 0969 (cell)  
 850 927 4000 (office)