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PROSPECTS CLOUDY FOR OWNERSHIP HOUSING MARKET

Trends in the resale housing market will dictate when the market for new housing will return with increased sales and elevated building activity.

New housing in Southeast Florida is significantly higher priced than housing offered for resale. A strong market for new housing cannot be expected while there is an oversupply of lower priced resale housing available for sale.

The average price of single family homes resold in Southeast Florida during the second quarter of 2009 was \$182,489 while the average price of new single family homes sold was 95.4% higher at \$356,645. The average price of used condominium units sold in the second quarter was \$106,957 and the average new condominium price was 2.6 times higher at \$273,795.

Resales of both single family and condominium housing soared in the first half of 2009 while new housing sales remained notably below the level of 2008. Single family resales were up 47% in the first half of 2009 while condominium resales were up 34%. New single family home sales, however, were 42% less in the first half of 2009 compared to the first half of 2008 and new condominium sales were about 68% less.

The foregoing information is based on this research firms analysis of deed recordings of all housing sales for the periods referenced. Information from the Florida Association of Realtors regarding number of resales and prices is available for July and August, 2009 and these data show a continuation of the increase in resales in 2009 versus 2008. The FAR data includes Realtor only resales which does not account for all resales.

Even more encouraging for the resale housing market is data showing that both single family and condominium prices, which have been trending downward since 2007, have leveled off in recent months.

If housing resales were to continue at levels near that experienced in recent months the single family resale market could be in reasonable balance, with the supply of homes offered for resale representing no more than three months of inventory, by mid 2010. The resale condominium market would be in balance by early 2011. Broward County could be expected to be in balance first in early 2010 for single family homes and by mid-2010 for condominiums. Palm Beach County would be the last of the three

counties to return to a balanced single family resale market by mid-2010 and Miami-Dade County the last for condominiums with a balanced market in early 2011.

As the resale housing inventories fall towards acceptable levels it could be expected that new housing sales would increase followed soon by increased housing production.

The prospects for a balanced resale market is clouded by several market considerations which cannot be adequately measured. First, will there be another wave of foreclosures brought on by continuing high unemployment? Second, are there a large number of housing owners waiting to offer their homes for sale as the inventory declines thereby keeping the inventory at unacceptable levels for a longer period? Third, what will be the impact of the impending expiration of the tax credit of up to \$8,000 for first-time home owners?

The loss of the tax credit program could be significant. First time home buyer activity is concentrated in the lower price ranges. During the second quarter of 2009 single family resales of homes priced under \$250,000 were 2.7 times greater than in the second quarter of 2008 and condominium resales priced under \$150,000 were 2.3 times greater. Home resales priced over \$250,000 in the second quarter of 2009 were 17.2% less than in the second quarter of 2008 and condominium resales of units priced over \$150,000 were 14.5% below the second quarter of 2008.

The final quarter of 2009 should tell us a lot about the near term prospects of the ownership housing market.