

1. How much have house prices DROPPED in Tallahassee in the last year?
2. How much will I save if I wait for prices to drop some more?
3. What is the smartest thing I could do right now?

First, a word of disclosure and identification. I am a real estate broker and a mortgage broker. I admit up front I have a vested interest in what I am saying in this blog, but that doesn't mean I am wrong. I am not a lawyer, an accountant, or a financial planner. What follows is my personal opinion, typically backed up with statistics taken from the Tallahassee Board of REALTORS® Multiple Listing Service or the TBR Market Trends and Statistics Committee (now disbanded). Everyone should know backward looking statements about housing prices and mortgage interest rates are not guarantees that future prices and rates will behave the same way. No one actually knows what prices and rates will be in the near future, much less in six months or a year. If you take my advice and make money, I have no claim to a percentage. And if you lose money, the same non-existent claims apply. My homepage is <http://www.CallYourNeighbor.com>

Thanks, Bill

1. The number of real estate SALES in Tallahassee is down, about half of what they have been, and it is taking longer to sell what is selling, about twice as long. Everybody seems to know this truth. What nobody seems to realize, however, is both the average price and the median price of homes selling in Leon County are UP and have been for quite a while! When the Florida Association of REALTORS® reported the statewide statistics comparing the change in markets from October 2006 to October 2007, they showed prices for all of the area included in the Tallahassee Multiple Listing Service (which includes Wakulla, Gadsden, Franklin, and Jefferson counties as well as Leon) reflected a 5% loss of value. But the Tallahassee Board of REALTORS® Market Trends and Research Committee reported that statistics for Leon County alone showed a 4.6% APPRECIATION! (Click here to see the [Florida Sales Report](#)) The handwriting was added by the Committee Chair, Don Pickett, to separate Leon County from the four rural counties in our MLS that had different sales numbers. (NOTE: After this blog was written, on Feb. 19, page 7A of the *Tallahassee Democrat*, Business Editor Steve Liner has FINALLY admitted what I'm saying. In that article he cites a more recent Florida Assn of REALTORS® just out and mentions the Tallahassee area includes four other rural counties—just like I said. [Click here to read "Prices Increase . . ." by Steven Liner](#))

The following statistics are from the Tallahassee Board of REALTORS® Multiple Listing Service and show all single family residential detached houses sold in the country through MLS for the given quarter.

Market prices pretty well "peaked" in the 4th Quarter of 2006 though number of sales peaked in the 2nd Quarter of 2006 at 502. In the 4th Quarter of 2006 the average ASKING price was \$262,403, and the median ASKING price was \$254,900. The Average SOLD price was \$256,898 and the Median SOLD price was \$250,000 and 327 units were sold.

In the 1st Quarter of 2007, the prices dropped big time. The average ASKING price was \$249,987, and the median ASKING price was \$238,000. The Average SOLD price was \$244,593 and the Median SOLD price was \$235,000 and 307 units were sold.

But by the 4th Quarter of 2007, the prices were back up, almost to where they had been. The average ASKING price was \$260,043, and the median ASKING price was \$255,000.

The Average SOLD price was \$251,855 and the Median SOLD price was \$248,000 and 203 units were sold.

Sellers will read these comments and say: "Oh, God, let it be true!" Buyers will read these comments and say: "Bill, this is a bunch of blogsh*t! Everybody knows prices are dropping in Tallahassee." True. I can pull up a list of houses for sale and see bunches with a status of "Reduced." But that is because Sellers want to put their houses on the market in full denial that we have ever had any drop. I can't tell you how many times I've heard: "My neighbor got \$X and I'm not taking less!" Fine. But if anyone prices their house like appreciation continued from before 2005 with no drops, they won't be selling. They will reduce, and reduce, and reduce until they finally get down to a sellable price, which statistics show are still a bit below where they were in the 4th quarter of 2005, but above where they were in the 4th quarter of 2006. Thus what has been falling have been over inflated asking prices, NOT average and median selling prices. Unfortunately those statistics I pulled out of MLS only show average and median ASKING prices, they don't show average and median ORIGINAL ASKING PRICES BEFORE TWO PRICE REDUCTIONS. If they did, it would be easier for you to see I am telling you the truth.

The numbers do not lie, and I have not manipulated them to my ends. The only other thing I would add is the fact that the market has been harder in higher end homes than in middle and starter homes. See [Months Supply September '07](#). Still, the drops in over inflated asking prices and the increased average time it takes to sell a house along with the increased number of houses on the market have fed the perception created by news stories about markets elsewhere that prices are down. All these factors would be consistent. But the truth is that the facts show AVERAGE SELLING PRICES AND MEDIAN SELLING PRICES ARE UP.

The problem here is that when Sellers are considering with which REALTOR® to list their home for sale, they too often go with the person who promises the most money. I've done it twice myself, and lost money both times—which is part of the story why I am in real estate now. And I have lost a lot more than two listings because I tell Sellers what I believe to be true, not just what they want to hear. In the past, I wouldn't take an overpriced listing. I was concerned about my "average days on the market" for my listings. But those stats are all but meaningless today because so many REALTORS® put their price reductions in MLS as "New" instead of "Reduced," believing "New" will draw more attention. All it really does is reset the Days on Market counter to zero, thus skewing the stats. Now I will tell a Seller what I think they can get, but I will put the house on the market at whatever they want. Thus we have an overpriced market.

You can certainly find some desperate Sellers willing to drop below where they should be to finally sell, but for the most part prices have either stabilized or as statistics show they actually have been going up. Interest rates have been going up in spite of the recent Fed rate cuts on short term rates (totally unrelated to mortgages). It is only a matter of time until someone at the *Tallahassee Democrat* figures this out and tells Leon County and Buyers come out of the woodwork.

Our biggest problem is that the *Tallahassee Democrat* publishes articles from other newspapers and wire services describing national markets, or markets in South Florida. But very little is written about the local market. Unlike other areas, the market in Leon County is governed by state workers and university communities, two historically stable demographics.

My untaken advice to the *Tallahassee Democrat* was: "When you choose to fill your empty column inches with something taken from another paper or news service such as The Associated Press, also print a small disclosure: 'This article was not written locally. We at the *Tallahassee Democrat* have no evidence its author has ever visited our fair city. As the title of a recent book says, *All Real Estate Is Local*. Before confusing the content of this article with an accurate assessment of the Leon County market, please consult an informed and responsible member of the Tallahassee Board of REALTORS®. Just because we did not take the time to do so is no reason you should not.'" It obviously bothers me that the whole story is not getting out.

Like I have said, the biggest reason for our decline in sales has been Buyers waiting for news that the prices have bottomed out. We have not had any drops in people moving to Leon County. We have not had any big companies leave. The only loss of Buyers we have had was the retiree from South Florida who was selling their \$500,000 house there and buying a comparable house here for far less. That Buyer is gone. But, if sales have been down as much as 100-300 per month since the peak in 2006, then there could be well over 1,000 Tallahasseeans waiting to buy. And as soon as what I am telling you becomes common knowledge, you may look for a big surge in the market. Remember: nothing has happened to stem the number of people moving into Leon County. The "Street Talk" is we are overbuilt on new construction. But Leon County created 2.2 new jobs for every new house built last year, and the standard to maintain a balanced market is 1.25 new jobs for every new house. Believe me, a surge is coming.

2. Lots of Tallahassee Buyers are reading the newspaper and waiting for house prices to "bottom out" before they buy. Home sales in Leon county are running about 100 per month less than they have been, and we have had no major changes to our economy (such as the state capital moving to Orlando) to explain a drop in sales. As I have shown above, prices are actually increasing. [Click here to read "Prices Increase . . ." by Steven Liner](#)

Still, for the purpose of conversation, let's assume that typical Tallahassee Buyer is right and prices here are going to drop 5% in the next year, or 2.5% in the next six months. If they are thinking of buying a \$250,000 house, waiting six months could represent a \$6,250 savings. If, however, they bought today at \$250,000 and financed 95% at the advertised rate of 5.625% they could expect a monthly Principle & Interest payment of \$1,367.18. ($\$250,000 \times .95 = \$237,500$, 30 yr. fxd monthly P&I at 5.625% = \$1,367.18) Should the price drop 2.5%, that payment drops to \$1,333.00. Pretty cool, save \$34/month.

But, if interest rates go up in the next six months $\frac{1}{2}$ of 1%, where they have been in the last few months, then that P&I payment is now \$1,407 per month, or \$74 MORE. Not cool. Now, if the important thing is keeping that monthly payment at \$1,333, they'd better hope the price of the house they are financing 95% of drops to \$230,930 or over 7.5% in the next six months because at 6.125% a \$1,333 payment will only get you a \$219,384 mortgage. SO not cool! And you need to know, I wrote most of this after Valentines Day. Today, Feb. 20, rates are pretty well up to that 6.125% level. Mortgage rates follow crude oil prices more closely than they do FED overnight rates, and if you heard, oil hit over \$100/barrel yesterday.

If interest rates continue to behave as they have recently and just go up a little, the Buyer who waits for prices to come down had better hope for a crash in spite of the fact we had one crash but have been steadily appreciating while most of the rest of the state is declining.

In other words, the time to buy is NOW—especially if you are "moving up." See 3 below:

3. The numbers I gave above are for all price ranges. If you break things down, you will discover, generally speaking, the drop hit the more expensive houses harder than it did the less expensive houses. As the following chart shows ([Months Supply September '07](#) the latest to which I have access, not just the one that best makes my point), things can vary widely depending on your price range. Thus someone with a \$200,000 house wishing to "move up" would sell their old house at somewhere around 10% to 15% less than they could have gotten at the "top of the market," but that \$350,000 house they have wanted for years may have dropped 15% to 20%. If everything was flat, say 10%, they would "lose" \$20,000 in equity but "gain" \$35,000 from someone else's equity loss. That is a \$15,000 good deal. But, if as I say the percentages increase as house prices increase, you could be offsetting a \$20,000 loss in unrealized profit that you could have gotten had you sold (but, unless you actually paid more for your house than you are selling it for you didn't really lose anything you had in the bank), with a \$45,000 savings (actual savings of money you did not have pay for the new house). That is a \$25,000 good deal. Now with "Save Our Homes" tax savings portability, that is a \$25,000 GREAT deal. What is not to love? The time to "move up" won't get better. Call me fast!

Unfortunately, if you are wanting to "downsize" as my wife and I did a few years ago, the situation is opposite. Sorry.