

The State of the Market in Piney-Z Plantation

By

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Recently I've been involved in a couple of discussions with home Buyers, Sellers, and other REALTORS® concerning the state of the housing market in general, and in Piney-Z Plantation—the subdivision where I live and work—in particular. I don't want to go as far as Mark Twain went when he said, "Figures (i.e., statistics) don't lie; but liars can figure." I'm not calling anyone a liar. But I have seen some people mistake their imagination for their memories, or particularly in the cases of Buyers and Sellers, mistake their dreams for their logic. We can all usually carefully select the facts or statistics that support what we want to believe. The difficult thing is to be objective, or, to admit when you are wrong. Especially if it is likely to be expensive.

And since I work with both Buyers and Sellers, each of whom have different things they want to believe, and both of whom will be given access to the same information, I'm going to try to be as objective as possible, seeing how I have something to gain, or lose, regardless of whether I prove the market is going up or down. I just want to be fair, honest, and as accurate as possible. And, in the spirit of honesty, I'll even admit the fact I made a "D" in statistics in college in 1972 (Not to mention a couple of "Fs" in English! I had WAY too much fun in college.).

But consider the following reality: I do benefit if a house sells for an extra \$10,000. It is possible I could make an extra \$600. But you can believe I'd rather sell a house for \$190,000 and make between \$4,750 and \$11,400 than NOT sell the same house for \$200,000 and NOT make between \$5,000 and \$12,000 (depending on commission percentage and if I sell my own listing or someone else's). The difference in making a sale and not is tremendous, but the difference in the Buyer's and Seller's \$10,000 is between \$250 to \$600 (Less for a REALTOR® who has to split with their Broker. See the excellent discussion of this fact in **Freakonomics: A Rogue Economist Explores the Hidden Side of Everything** by Steven D. Levitt and Stephen J. Dubner (HarperCollins, 2006). [Click here](#). But I am certainly not ruining a reputation for honesty over a measly \$250 to \$600! So, before you blow me off as a lying salesperson, download the numbers I downloaded from MLS, go over them yourself, and see. I'm not lying. I may not be as smart as I think I am, but again, before you write me off, hear me out, look at my data, and make sure your argument against what I say is as well documented and backed as mine is. If all you've got are stories from the news media, remember: "All real estate is local," and the three most important things in real estate are: "Location, location, and location." And I'm focused on location.

On April 9, 2009, The Tallahassee Real Estate Blog reported the market in Piney-Z Plantation was down 27% from its peak (Tallahassee Real Estate Blog, "Piney-Z Declining Home Sales Confirmed," posted 09 Apr 2009, 05:28 AM PDT). After a couple of readers (one of which was me) pointed out the data used included sales that were not "arms length," including one "sale" where the mortgage holder took a deed in lieu of foreclosure and recorded the transaction at \$100. There were several others at \$23,000, \$44,500, and

other prices that were obviously not arms length sales. On April 10, the blog acknowledged these sales should not be counted, changed the "Average Price per Square Foot" for sales in 2009 from \$88 to \$112, and pointed out the drop from the highest in 2006 of \$158 was actually 29%, not 27% (Tallahassee Real Estate Blog, "Piney-Z Declining Home Sales Confirmed," posted 10 Apr 2009, 04:41 AM PDT). Interesting.

So I pulled up everything sold through Multiple Listing Service since January 1, 2006 (before the peak) until today, April 13, 2009, pulled out the five highest individual resale \$/SqFt, and got an average of \$161. I then pulled the five lowest (taking out one two story home since the vast majority of houses here are one story and typically have a slightly higher \$/SqFt than two stories) and distressed sales, and got an average of \$119, or a 26% drop from the five highest to the five lowest. I did this calculation while waiting on an appointment to show a house I sold at the height of the market (July '06) for \$155/SqFt and is now in foreclosure and on the market for \$106/SqFt. From the zenith to the nadir was 31% for a house in foreclosure.

Now there are at least two things wrong with my 26% figure. First, as The Tallahassee Real Estate Blog points out, I'm just using MLS sales which does not include unrepresented sellers. However including all property transfers includes those non-arms length sales which have to be individually weeded out. For the time required to make the figures a little more accurate, it just isn't worth it. If you are buying a house listed in the Multiple Listing Service, the fact that it is in MLS will affect its value and you should view it in context. If you are buying outside of MLS, frankly, you are own your own. Good luck.

The other weakness in my 26% figure is taking the five individual highest and lowest sales is not really representative of the market. For example, one of the five highest sales actually happened in 2008, and the other four ranged over five months in 2006, while the five lowest sales were over a nine month period during which 28 houses sold. Any time you evaluate a market, you want to look at trends, not the extremes. So nobody would give my 26% figure any value except to say it is an extreme and should be beyond the limit of any actual trends. But since the extremes are less than the market decline described by The Tallahassee Real Estate Blog, it would call those figures of 27% and 29% decline into serious question, making one wonder if including all transactions is a valid methodology and preferable to just relying on the Multiple Listing Service. Food for thought, if nothing else.

That having been said, and really having said nothing, I want to look at the housing market in one particular neighborhood. As has often been said, "All real estate is local." So I want to focus on what I'm selling. I believe to get an accurate view of the market you need to look at a small enough body of data to avoid the influence of non-homogeneous factors, but large enough that isolated anomalies don't skew the results. For example, in Piney-Z Plantation we have two unit townhouses and detached houses that range from 1300 square feet to over 3000. Lot sizes range from 36 and 40 feet wide in the townhouses to 50, 60, 75, and 90 feet wide for the detached houses. Generally, the houses under 1800 SqFt are on 50' or 60' lots, and larger houses are on larger lots of 75' to 90'. But there are exceptions. Still, the time it would take to sort out the houses by size and lot wouldn't, in my humble opinion, be worth the trouble. If you have a big enough data base, the higher \$/SqFt a 1700 SqFt house got because it was on a 75' lot will be offset by the lower \$/SqFt a 1900 SqFt house got because it was only on a 60' lot.

Hopefully. And when you realize that some REALTORS® enter lots as 50' X 145' and others 145' X 50', and others just screw it up totally, trying to get completely accurate data is practically impossible. And what would you have once you had all the perfect data? You still wouldn't be able to separate all the houses with nail down hardwood floors from those with engineered hard wood (not quite the same value to everyone) from a laminate floor that someone's Seller insisted be called "wood" because it looks kind of like it. Sorta. At least to the guy with laminate.

Thus you want a big data base to minimize the effect of the imperfections, but small enough to compare apples with apples. That's why I'm just looking at Piney-Z, and I'm looking at it in three divisions: Townhouses, Detached Houses Under 1800 SqFt, and Detached Houses Over 1800 SqFt. It's not a perfect system, but it is better than lumping everything together. Often when it comes right down to it, the decision to buy a home is influenced as much by emotion as logic. Thus I can be accused of measuring something with a micrometer when it will eventually be cut by an ax.

Fortunately I can accomplish this micro-analysis for one subdivision. Doing so for every subdivision in Leon County would be a full time job for somebody. And since no one is offering anybody enough money to do it, don't look for it to be done. Joe Manausa's "The Tallahassee Real Estate Blog" does about as good a job trying to cover all of Leon County as is possible, but of necessity he has to paint with a broad brush. In a recent blog he stated my methodology is better:

“. . . the email from my colleague (*that was me*) communicated that a more detailed analysis should be performed. I agree! My daily blog is general information and people who want to sell a home should get market specific information. That is why they hire a great REALTOR® who then does a complete analysis of the market specific to that home." (*again, me, in Piney-Z!*) Tallahassee Real Estate Blog, "Piney-Z Declining Home Sales Confirmed," posted 10 Apr 2009, 04:41 AM PDT, comments in parenthesis added.

So, here is the "more detailed analysis. If you don't live in Piney-Z, my suggestion is find your neighborhood specialist and ask if they have done the same for your subdivision. I researched all the data, the sales figures in MLS for the last three years, and crunched the numbers. As a Buyer, you won't like them. You will think I am lying because I have a vested interest, an interest to which I have admitted. Buyers read what the press has to say about "the Florida real estate market" because on the whole, it has been horrible, and they want to believe the same is true here. But unless you are buying a house in Ft. Myers, what do you care what the market is like there? I'm assuming, since you are on the web site of "the Piney-Z Specialist," that you are more interested in a house, and the market, here. Frankly, so am I. So let's crunch some numbers.

I. Detached Houses in Piney-Z Plantation Under 1800 Square Feet

Now, everybody has seen the dramatic drops in the market. But, exactly WHAT have you seen drop? You've seen the number of houses sold drop. In 2006 and 2007 we were selling 8 houses a quarter under 1800 SqFt. That number has dropped as low as 2 per quarter! That decline in sales is major. This point would be a good time to mention why I am looking at the market here by quarter as opposed to by month. If as few as 2

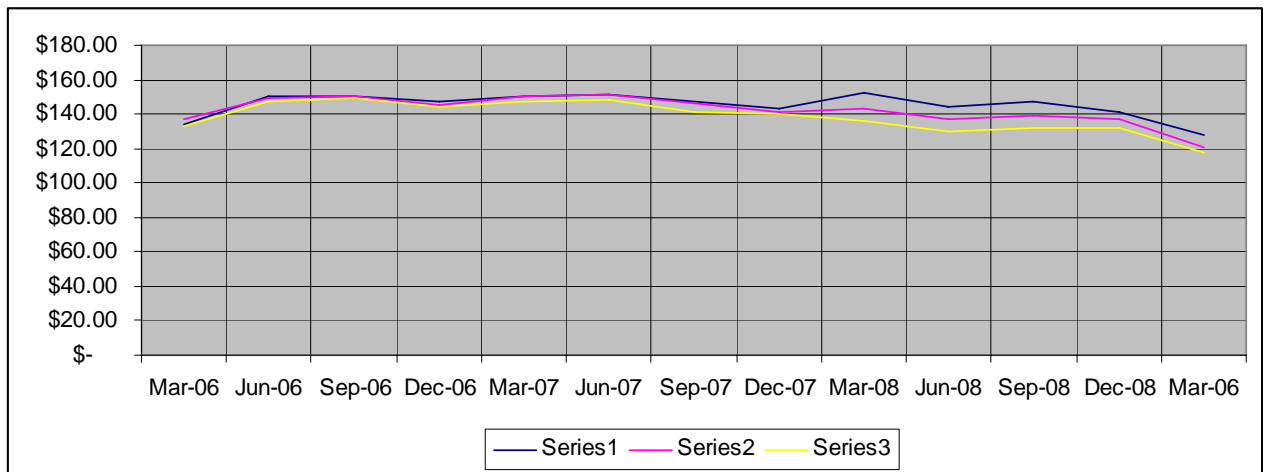
houses sold in one quarter, that means at least one month nothing closed, and the average \$/SqFt sold for that month would be \$0, and if that zero were used to chart sales it would skew things. Even at two per quarter, if one of the sales was unusually high or low for any reason, it would skew the results. So, again as I said earlier, I want a large enough data sampling not to guarantee skewing happens. And looking at things on an annual basis is too much time as too much can happen in a year. A six months sampling may be better, I don't know. Regardless, I'm thinking a quarterly accounting is probably the best for charting trends.

Also, you may have noticed the "Days on Market" stats mushroomed. But most visibly, you have seen numerous "REDUCED" signs all over the place, so you know prices are dropping. When I show a Buyer a list of homes in Piney-Z, I usually have on the list "Current Asking Price" and "Original Asking Price" to point out the drops.

But here is what you need to know. The biggest drops in Piney-Z have been in Asking Prices. Look at the numbers on the charts below.

Quarter	Orig \$/SqFt	Ask \$/SqFt	Sold \$/SqFt	Nbr Sold	Change in Asking	% of Asking
Mar-06	\$133.48	\$136.83	\$132.85	2	-2.510%	97.09%
Jun-06	\$150.01	\$149.22	\$147.59	8	0.527%	98.91%
Sep-06	\$150.51	\$150.10	\$148.86	8	0.272%	99.17%
Dec-06	\$146.93	\$145.51	\$144.25	8	0.966%	99.13%
Mar-07	\$150.66	\$150.66	\$147.35	6	0.000%	97.80%
Jun-07	\$151.50	\$151.24	\$148.40	8	0.172%	98.12%
Sep-07	\$147.42	\$146.59	\$141.06	7	0.563%	96.23%
Dec-07	\$142.91	\$141.45	\$140.24	2	1.022%	99.14%
Mar-08	\$152.88	\$142.76	\$136.34	3	6.620%	95.50%
Jun-08	\$143.75	\$137.43	\$129.94	3	4.397%	94.55%
Sep-08	\$146.96	\$139.31	\$131.81	3	5.205%	94.62%
Dec-08	\$141.03	\$136.76	\$131.47	4	3.028%	96.13%
Mar-06	\$127.84	\$120.63	\$117.25	3	5.640%	97.20%

Highs Lows Bubble Burst



After the “Bubble Burst” in the Summer of ’06, Sellers continued to put their houses on the market at higher asking prices for a year, while actual sales prices remained fairly flat. Sale prices (average \$/SqFt) dipped, came back, and had their biggest drop from Jul ’07 to Jul ’08, when they actually bottomed out and started back up a bit. Now the thing my stats won’t show is the houses that went on the market and were withdrawn. These houses, logically, would most likely have really been the ones that went on the market at way too high a price and the Sellers either wouldn’t come down (and Canceled or Expired) or many REALTORS® when changing a price would Withdraw the house and re-enter it as NEW. When they did that, it re-set the “Days on Market” counter (so the Trends and Statistics Committee just quit reporting that number for a while because it was inaccurate) and re-set the Original Price to the new, Reduced Price. So when I say, “Average Original Asking Price \$/SqFT rose from \$150/SqFt to \$153/SqFt, the reality is probably significantly higher than \$155/SqFt.

Also, houses in foreclosure (“distressed sales”) can go for as much as \$25/SqFT below market. These houses are not normally considered for comps because they are “special cases” (see my acclaimed blog on “How Do Foreclosures Affect a Housing Market?” <http://billstallahasseerealestateblog.blogspot.com>). I have, however, not excluded them from my stats for either Asking or Sold Price/SqFT. If I had, both would be higher and my point more clearly proven. But, I’m going to have a hard enough time convincing Buyers who don’t want to believe prices aren’t falling 20% a year that the truth, backed up by all the stats, is that the average Sold \$/SqFt of a house under 1800 SqFt in Piney-Z has only fallen a total of 11.68% in over two years. And they have actually gone up a bit.

The other major trend we have seen is that people are buying smaller houses. By that, I mean the same Buyer who three years ago was looking for 1900 SqFt and willing to spend \$285,000 is now looking for 1700 SqFt and spending about \$50,000 less. One explanation is financing. It is much harder to get financing for a higher “loan to value” ratio than it was.

Part I Conclusions:

The first quarter of 2009, ending March 31, was obviously the worst. The two quarters before had actually seen increases. But note, also, the number of sales was only three, giving one of the three that actually was a foreclosure though not reported as such in MLS (4907 Heritage Park Blvd), which gave it more weight than it would have received in a busier quarter. And, as of April 13, 2009 as I write this blog, we have already had one closing at \$133.90 and have three more closings scheduled for this month.

Regardless, looking at sales trends through MLS, from the quarter with the highest \$/SqFt average (Sept ’06) to the lowest (Mar ’09) **we have had a drop of 21% in Sold Price per Square Foot, including Short Sales.** And prior to that quarter, the drop had only been 13%.

II. Detached Houses in Piney-Z Plantation Over 1800 Square Feet

Coming soon.

III. Townhouses in Piney-Z Plantation

To be written next.

NOTE: Sale prices INCLUDE foreclosures/short sales, even though as I've said elsewhere they will probably not be included in appraisals, and Original \$/SqFt does NOT include listings that were WITHDRAWN or CANCELED and re-entered at a lower price as NEW. "Original Asking Price" is for the house that SOLD that Quarter, NOT for the houses that went on the market that quarter. Don't I wish I had that statistic! I'm sure, especially if you included what never sold, would be a lot higher. Finally, note that the sales per quarter figures are not seasonally adjusted.

DISCLOSURE: I am licensed in Florida as a Real Estate Broker and as a Mortgage Broker. I am not certified or licensed as an Appraiser, a Lawyer, an Accountant, or a Financial Planner.

I admit up front I have a vested interest in what I am writing and saying, but that interest doesn't mean I am wrong. What I have written is my personal opinion, typically backed up with experience and statistics taken from the Tallahassee Board of REALTORS® Multiple Listing Service, the TBR Market Trends and Statistics Committee, and/or the Tallahassee Real Estate Blog. I will say in writing this blog I consulted with several Appraisers and I did do some additional reading and researching. So I am not just shooting from the hip.

I would add, however, if you simply dismiss my thoughts because you don't like them, you need to have some damned good reasons and facts to support your argument. I would suggest you need better information than what I offer to discredit me. The desire a Buyer has to believe they should be able to buy a top quality house for the same price as a foreclosure (or even lower since EVERYBODY knows prices everywhere are still falling) does not constitute truth. If you think your desires do constitute truth, you probably need to be in counseling for other things, too.

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. Consult your Attorney, Certified Public Accountant, Appraiser, or someone else you can hold liable and responsible for financial and especially income tax advice. 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.

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