

The Upside of an Improving Market



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(a Follow Up to the Hidden Upside of a Down Market)

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Times are changing. In September the Federal Reserve Chairman Ben Bernanke indicated that “the recession is likely over”. In the first week of November, the President signed

legislation that allows for previous/current homeowners to take advantage of up to a \$6,500 tax credit for the purchase of a property (not to exceed \$800,000) and extends the ability of first time home buyers to obtain an \$8,000 tax credit for purchasing real estate through April 30, 2010. But what does all of this mean for the landscape of our local real estate market? How do we know when the bottom is behind us?

Locally in Northeast Florida we have seen several positive signs of improvement including a reduction in the inventory of active properties available for sale. Fewer homes for sale help with supply/demand balance and contribute to the stabilization of property values. For the first time in over twelve months, in June 2009 the number of homes sold year to date caught up and exceeded the number of homes sold in the prior year. Total home sales in Northeast Florida

continue to outpace the prior year sales activity.

One contributing factor that is still cause for concern is the number of distress sales, including bank owned, pre-foreclosure and short sale properties (where the home value is less than the amount owed on the property). The Northeast Florida Association of Realtors began closely tracking these types of sales in October 2008. Since then, there has

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been a consistent increase in these types of sales that represented 27.5% of total closed sales in October 2008 versus 39.4% of total closings in September 2009. Additionally, as of October 2009 existing home inventory represented approximately a 10.3 month supply. Typically a 5 to 7 month supply of home inventory results in stabilization of home values.

While the number of distress sales continue to increase so does the efficiency in which banks are able to process through these transactions. A

trend we expect to see continue which will reduce some of the home inventory. Like the recession, we will not be able to determine where the “bottom” was until we are beyond the bottom. However, reduced inventory, high housing affordability factors, an increase in the percentage of sale price to the original list price, near record low interest rates and available tax credits are great reasons to take advantage of the existing market condition.

If you are a seller in this market, talk to a professional to find out about the local landscape for your property including how many homes you are competing against and where are they priced, the average days on market before a home goes under contract, the most recent sales activity and the average sales prices as a percentage of original listing prices. Give your home every opportunity to sell. Partner with a company that will maximize your listing syndication, including pictures, photo tours, expanded property details as well as community, school and neighborhood information, increasing the exposure to potential home buyers.

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