

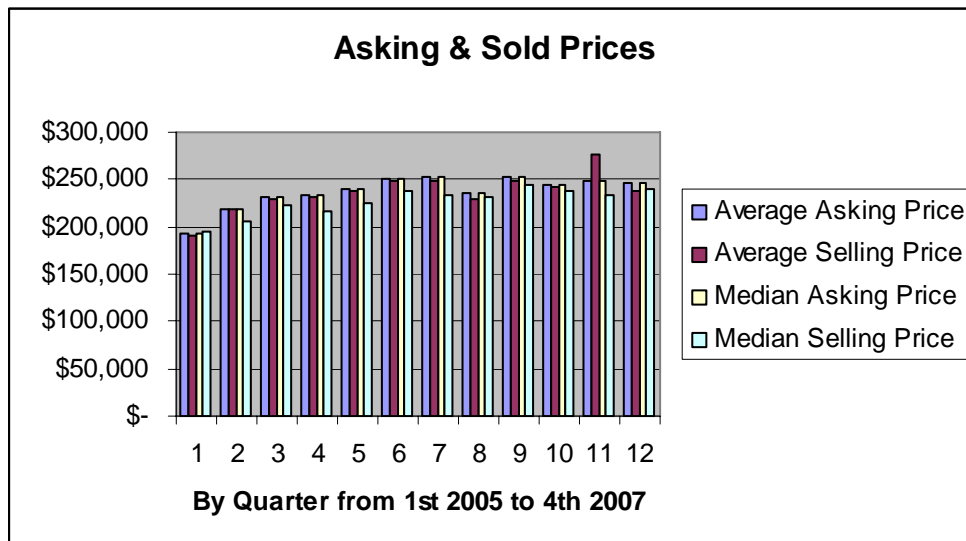
Everybody knows house prices have been falling for a couple of years, are currently falling, and will continue to fall for the foreseeable future. Right? Let's see.

First, understand "all real estate is local." My opening sentence is true for a lot of places, indeed for most of Florida. But unless you are buying "most of Florida," what do you care? You want to look just at where you are buying.

Second, understand that while I definitely have a vested interest in what I am saying, that fact does not make me a liar. If you cannot believe what I am saying, give me the chance to sit down with you, pull up the data, and show you. Realize most of what you read in the *Tallahassee Democrat* about the real estate market is from NATIONAL sources, not local information. Look at the byline. Once recently they bothered to get local data and wrote a story on the local market ([click here to read it](#)).

Let's assume you want a fairly new (built in 1995 or newer) 3 bedroom home in the NE quadrant of Tallahassee on a lot less than half an acre. Taking out homes that come with several acres of land, old homes needing major repairs, the higher end homes where drops have been worse, and focusing as much as practical should give you more accurate and more relevant information. True? Of course. Just looking at these homes, by quarter for 2005 through 2007, we see . . .

	Average Asking Price	Average Sold Price	Median Asking Price	Median Sold Price
1st 2005	\$ 192,127	\$ 191,548	\$ 192,127	\$ 194,000
2nd 2005	\$ 218,215	\$ 217,612	\$ 218,215	\$ 206,408
3rd 2005	\$ 230,773	\$ 230,308	\$ 230,773	\$ 223,183
4th 2005	\$ 232,823	\$ 230,422	\$ 232,823	\$ 216,417
1st 2006	\$ 240,598	\$ 237,700	\$ 240,598	\$ 225,000
2nd 2006	\$ 250,256	\$ 248,372	\$ 250,256	\$ 238,917
3rd 2006	\$ 253,323	\$ 247,777	\$ 253,323	\$ 232,921
4th 2006	\$ 235,513	\$ 230,293	\$ 235,513	\$ 230,833
1st 2007	\$ 253,756	\$ 249,018	\$ 253,756	\$ 243,750
2nd 2007	\$ 244,412	\$ 241,159	\$ 244,412	\$ 238,283
3rd 2007	\$ 249,557	\$ 277,134	\$ 249,557	\$ 233,667
4th 2007	\$ 246,130	\$ 237,996	\$ 246,130	\$ 240,417



I'm looking at basically seven quarters of steady increase in 2005 and 2006 with a big drop in the 4<sup>th</sup> quarter of 2006, and a fairly stable but slowly increasing market since then. But these numbers don't explain all the "Price Reduced" signs.

Where we are seeing big drops have been in the numbers of houses sold (roughly half per month of what we used to see) and in asking prices. Sellers continue to put houses on the market like there was never a drop. So they start way too high, drop until they are just a bit too high, and finally sell, but for more than the previous year. The price drops everyone is seeing in reality is only a drop in the difference between asking price and selling price. As you can see below (again, these are only the 3 BR, ½ acre or less, built since 1995, in the NE Quadrant) Sold price has dropped from 100.35% of Asking Price in 2005 to 97.953% of Asking Price by the end of 2007.

	"Original" Asking*	Final Asking	Sold Price	Units	Change	%of Ask
2005	\$ 217,850.00	\$ 218,079.00	\$217,318.00	161	0.105%	100.350%
2006	\$ 249,126.00	\$ 245,147.00	\$241,706.00	94	1.597%	98.597%
2007	\$ 252,891.00	\$ 246,215.00	\$244,081.00	83	2.640%	97.953%

Many Sellers sit down with a REALTOR® to list their house and say, "I'm not taking less than \$X for my house," and if the REALTOR® says, "You ain't getting it!," the listing presentation will be, for all practical purposes, over. I used to tell Sellers they were dreaming, and I lost a lot of listings to REALTORS® who were telling people what they wanted to hear. Three years ago I would not put an overpriced house on the market because it would kill my DOM, or "Days on Market" average. I prided myself in getting my Sellers more money in less time than other companies. But no more.

In the first place, average DOM has soared in the last two years. But Also DOM has lost most of its meaning. When you put a house in MLS on Jan 1 for \$300,000 and on Feb 1 reduce it to \$290,000 and on Mar 1 reduce again to \$280,000, it shows as 88 days on the market at that point. But if on Feb 1 you put the house in as New at \$290,000, and again as New on Mar 1 at \$280,000, it now shows up as 1 day on the market. Many REALTORS® and Sellers think "New" gets more attention from Buyers. Personally, "New" to me says quite likely overpriced, while "Reduced" says "New on the market at this price, which is most likely closer to where it should be in the first place." Nonetheless, this explanation is why I said "Original" Asking\* on my chart. These houses could have had several reductions before the final original asking price. Who knows?

So I will now tell a Seller we will put their house on the market anywhere they want to price it. But I make sure they understand, if it doesn't get looked at we will need to lower the price. For these reasons we are seeing lots of Sellers go on the market way too high, reducing, and eventually getting a fair price. That price is less than asking, and way less than original asking, and less than it would have been in the Summer of 2006, but more than the Summer of 2007.

Some places, yes, prices are still dropping. Most places, top end homes are still dropping. But your median house, your nice 3 BR in a good neighborhood, is hanging in there fairly strongly, even appreciating. The facts prove it is true.

So, if you're waiting for prices to "bottom out," you may need to get busy before too many people find out what you now know!

**NOTE:** Statistics on home sales were taken from the Tallahassee Board of REALTORS® Multiple Listing Service on April 2, 2008. The search parameters were, as stated, all home sales in the NE quadrant, closing Jan. 1, 2005 through Jan. 31, 2007, 3 Br, less than 0.5 acres, and built in 1995 or newer. All data is deemed accurate but is not guaranteed.

I am licensed in Florida as a real estate broker and as a mortgage broker. I admit up front I have a vested interest in what I am writing and saying, but that doesn't mean I am wrong. I am not a lawyer, an accountant, or a financial planner. 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 or the TBR Market Trends and Statistics Committee. 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, 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.