

Distressed property sales still creating drag on market's median sale prices

The year 2009 will likely go down in Sarasota real estate history as the “Year of the Distressed Property Sales,” as foreclosures and short sales produced 40.7 percent of the total property sales. This compared to only 18 percent in 2008, and virtually none in 2007.

The biggest impact of these sales on the overall market has been felt in the median sale prices for single family homes and condos. But the result has also been the creation of two very distinct markets and sets of statistics. Deciphering what the numbers are telling us, and what the impact will be for the remainder of 2010 and into 2011 and beyond is crucial to understanding how the Sarasota real estate market will likely return to robust health.

The final quarter of 2009 saw a rise in the percentage of distressed property sales. The percentage climbed above 40 percent for the second time in 2009, after dipping in the second and third quarters.

Short sales saw the largest increase, for both single family homes and condos, and REOs also increased during the quarter. For single family homes, the normal arm's length sales

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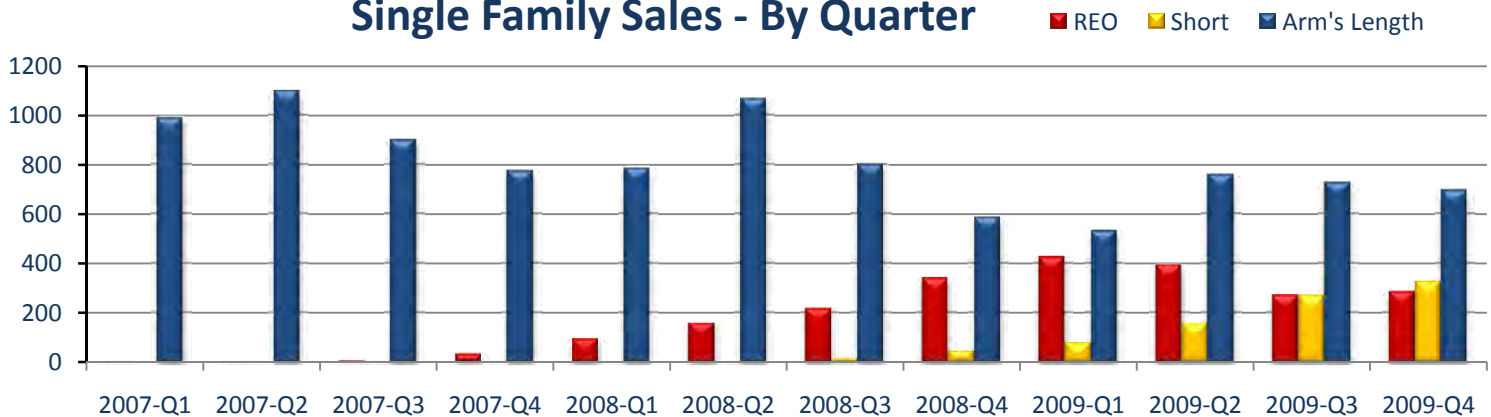
dropped slightly, while condo arm's length sales rose.

Looking at the charts (Page 9) indicating the Median Sale Price, we can clearly see the impact of the distressed market on the normal arm's length market in terms of the median sale prices. As the median prices of distressed property sales dropped in 2008 and last year, the sale price of arm's length sales also started dropping substantially.

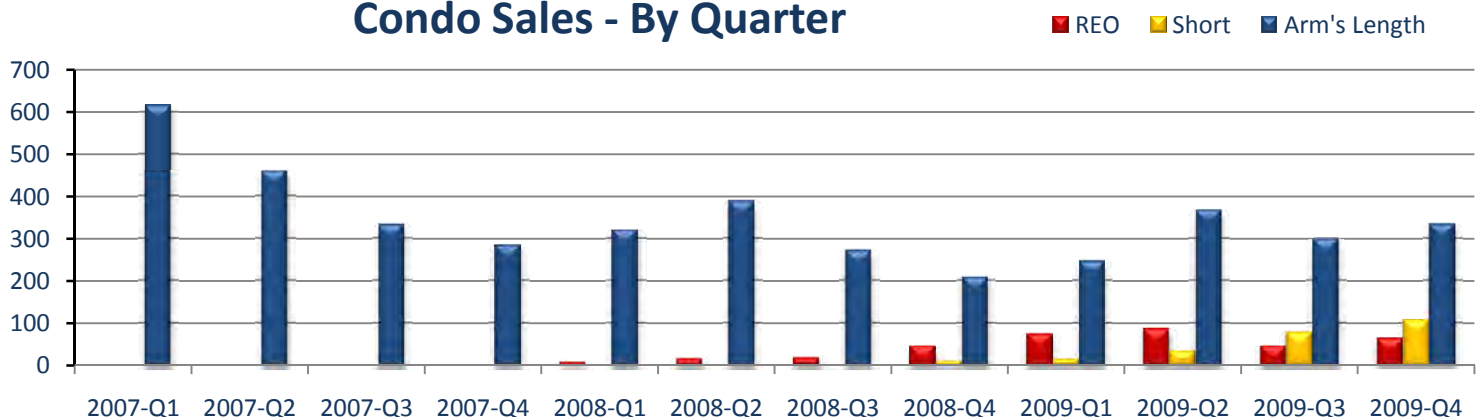
However, after the second quarter last year, the effect has been less noticeable, and the median price for arm's length sales has actually started to rise in Sarasota.

This could be significant as we enter 2010. If the value of the non-distressed segment of the market continues an upward trend, this could mean that the buyers have realized

Single Family Sales - By Quarter



Condo Sales - By Quarter



that there is often a big quality difference between distressed properties and non-distressed properties.

In addition, this realization could become more pronounced among appraisers and lenders. Comparables in a particular neighborhood or geographic area will still weigh heavily on the market, particularly if an area has a much higher percentage of distressed sales. But for areas where there is a higher percentage of normal arm's length sales, the impact of the distressed segment of the market could show far less of an impact. In effect, the market could begin to demonstrate the truth that one should compare apples to apples and oranges to oranges

If a particular home has been well-maintained and properly cared for by a resident, perhaps upgraded and improved over the years, there should continue to be a higher value placed on the property, despite the fact that some homes in the neighborhood are in foreclosure and have been allowed to deteriorate.

Eventually, once the distressed properties have been sold and the level of foreclosures and short sales begins to subside, owners of well-maintained homes will become the predominant sellers in the Sarasota market. As we have noted before, the analogy is valid to a department store with a bargain rack. Once these bargains are depleted, buyers are left with the prime merchandise. The fact is that even with a bargain rack, some buyers are typically drawn to the newer

merchandise. This is true in housing as it is true in clothing or electronics or almost any product on the market.

Once the bargains are gone, normal property appreciation would logically begin to occur. This would be expected to begin once the local and regional economies are finally in recovery following the Great Recession. The fact that Sarasota has already started to see some appreciation in the non-distressed property segment is good news as we enter 2010. But whether or not this trend continues remains to be seen.

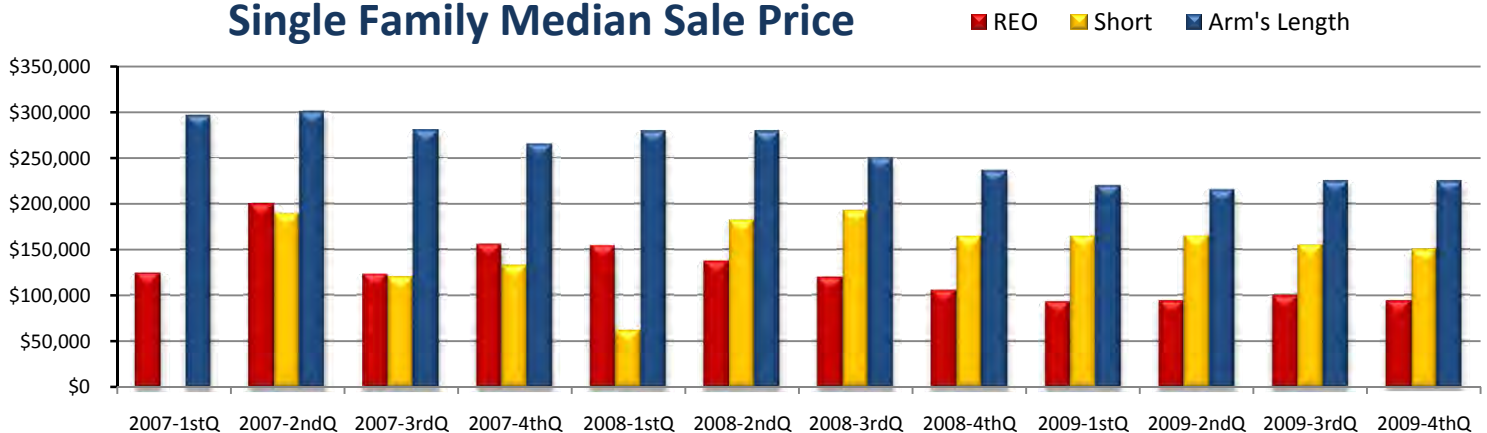
There are obviously many factors that will converge to drive the market down the road. The educated real estate agent will be able to take advantage of this uncertain future by preparing for the days ahead when the level of short sales and REO properties are far lower.

How to approach buyers and sellers and educate them on this coming change in the market will be key to ongoing success.

We will continue to chart these numbers as we enter the new year and provide quarterly progress reports. These statistics will also be posted soon on a new SAR Statistics Page on our web site.

The page will contain links to all the charts and articles that have appeared in previous issues of SR Magazine, plus additional charts not seen in the magazine. Stay tuned!

Single Family Median Sale Price



Condos Median Sale Price

