



Real Estate Market Analysis

Has the Market Hit Bottom?

**How Much Have Home Prices
Dropped?**

When Will It Get Better?



Overview

- **What Is Selling: Market Trends – homes and condo, homes, condos, land**
- **What Has Happened to Sales**
- **How the Market Has Affected Property Values on Saint Simons Island**
- **The Current Inventory of Homes and Condos**
- **Housing Market Forecasts**
- **Why Buyers Aren't Buying St Simons Island**
- **The Impact of the Real Estate Market on Our Local Economy**



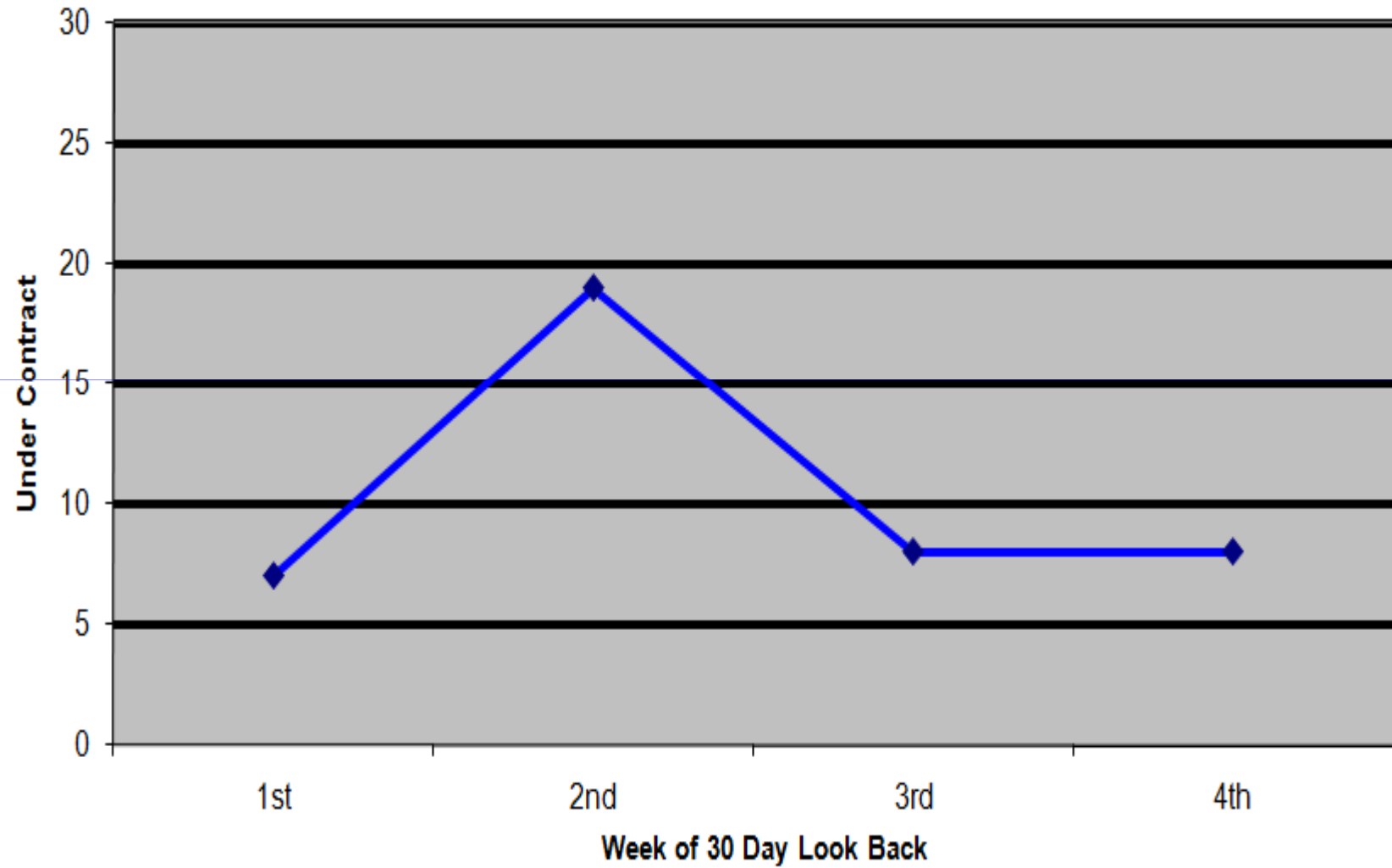
First, An Explanation

- **Measure the market by looking at the number of properties that have gone under contract (“Pendings”) within last 30 days**
- **“Solds” reflect the market of 4-6 weeks ago**
- **Pendings within last 30 days can capture last week’s trend in buying**



Homes and Condos Under Contract

42





Classic Buyers Market

- Listings are up, Buyers are down
- Sellers Reducing Prices
- Buyers Want Deep Discounts -- “Low Ball” Offers
- We’ll look at:
 - Homes and Condos
 - Homes
 - Condos
 - Land



Residential Homes and Condos

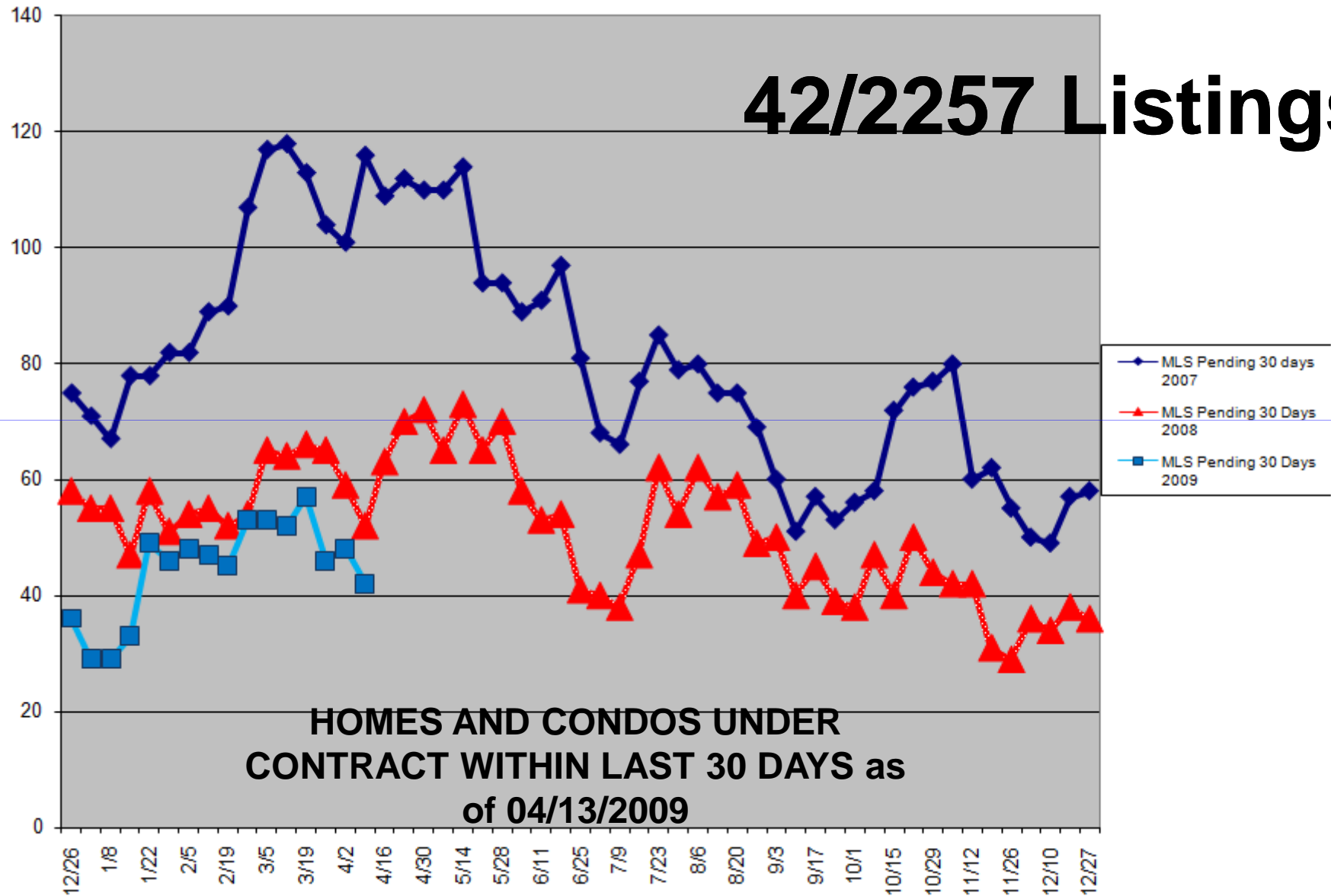
Started 2006 with 1035 Total Listings

DATE	12/10/2007	12/29/2008	04/13/2009
TOTAL LISTINGS	2044	2267	2257
ST SIMONS LISTINGS	840	882	930
TOTAL UNDER CONTRACT	50	36	42
SSI UNDER CONTRACT	9	2	6



Total MLS Activity

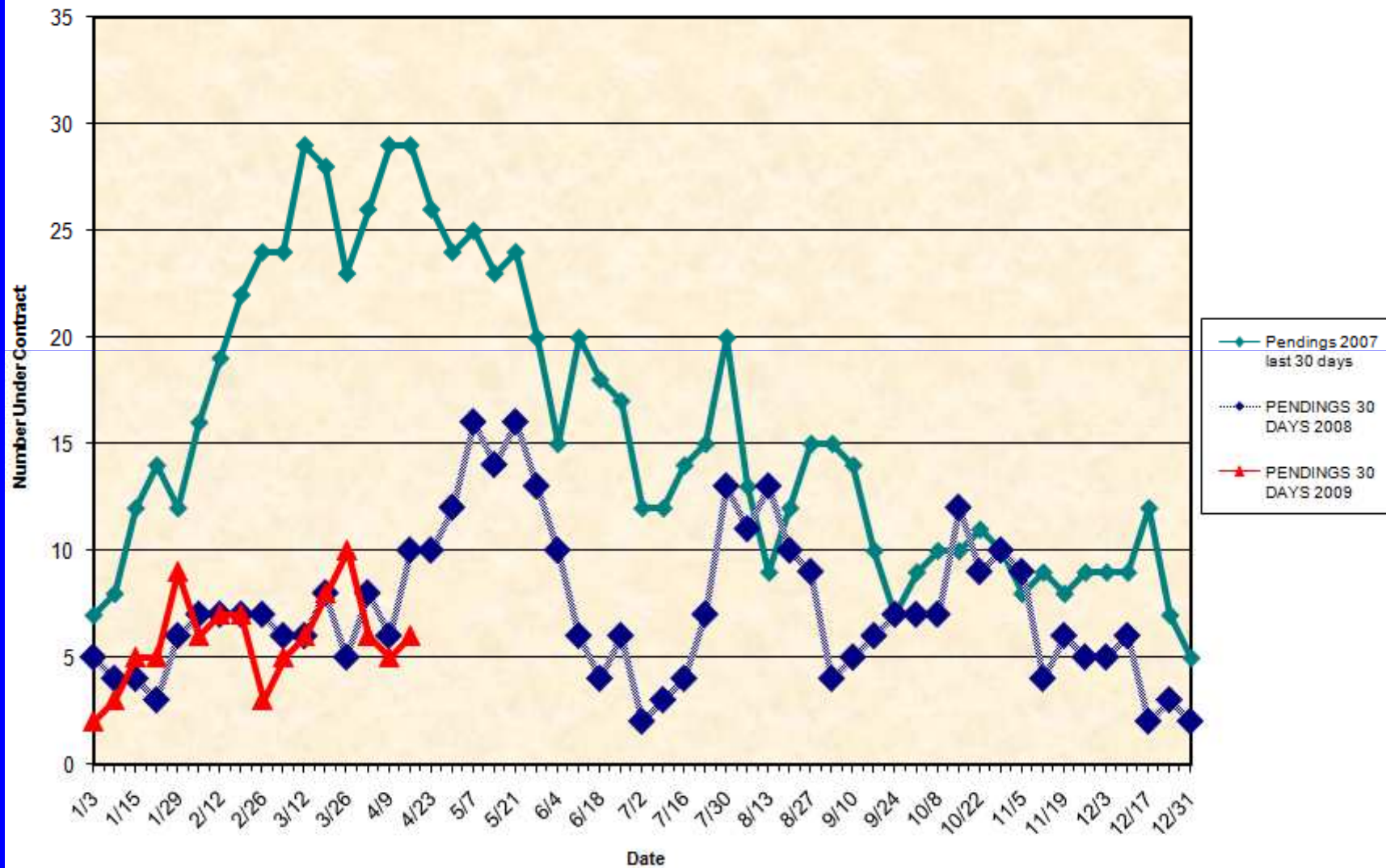
42/2257 Listings



HOMES AND CONDOS UNDER CONTRACT WITHIN LAST 30 DAYS as of 04/13/2009



SSI HOMES AND CONDOS UNDER CONTRACT LAST 30 DAYS





Residential Homes Only

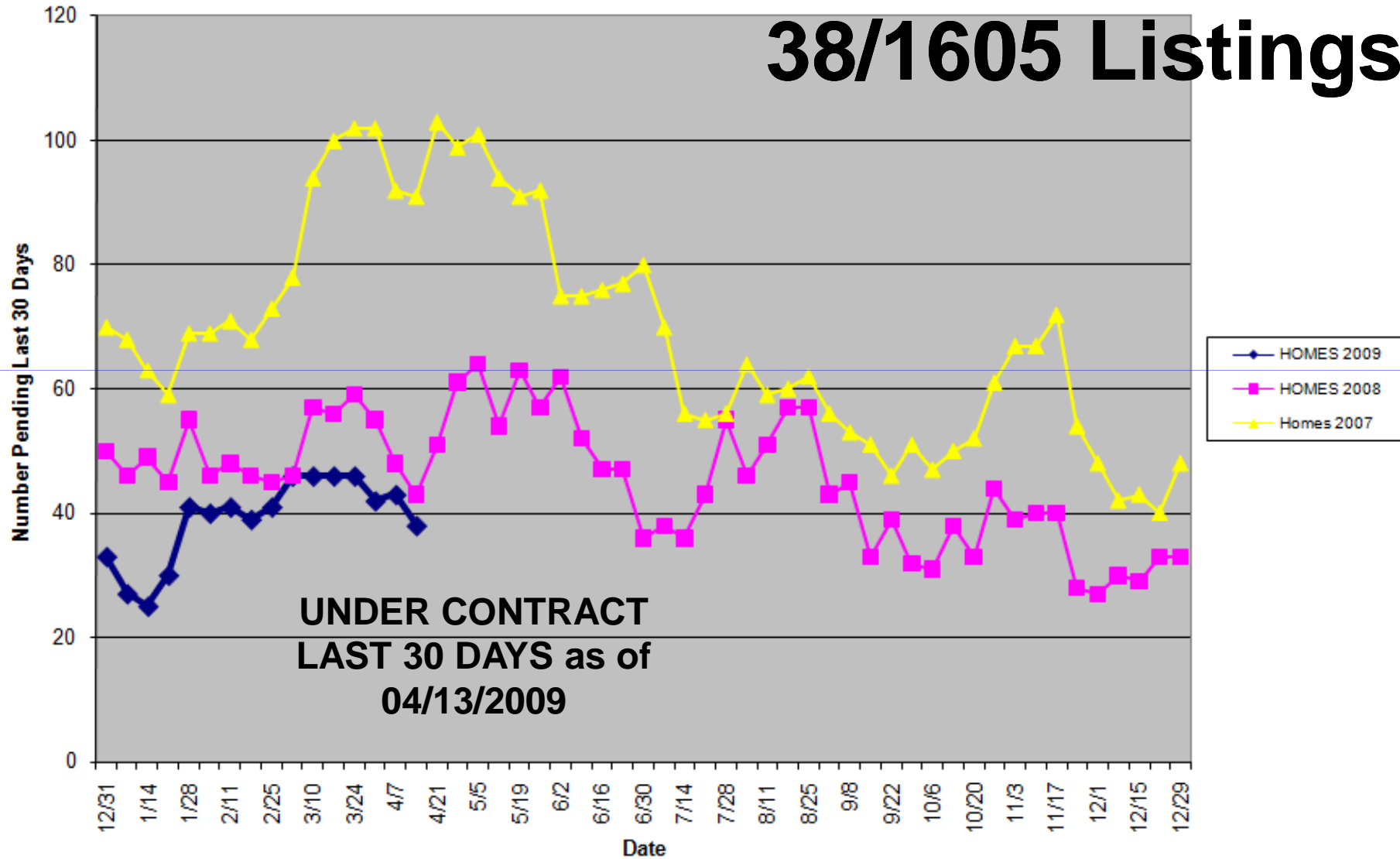
Started 2006 with 834 Total Listings

DATE	12/10/2007	12/29/2008	4/13/2009
TOTAL LISTINGS	1560	1645	1605
ST SIMONS LISTINGS	464	529	562
TOTAL UNDER CONTRACT	43	33	38
SSI UNDER CONTRACT	9	2	4



Home Activity

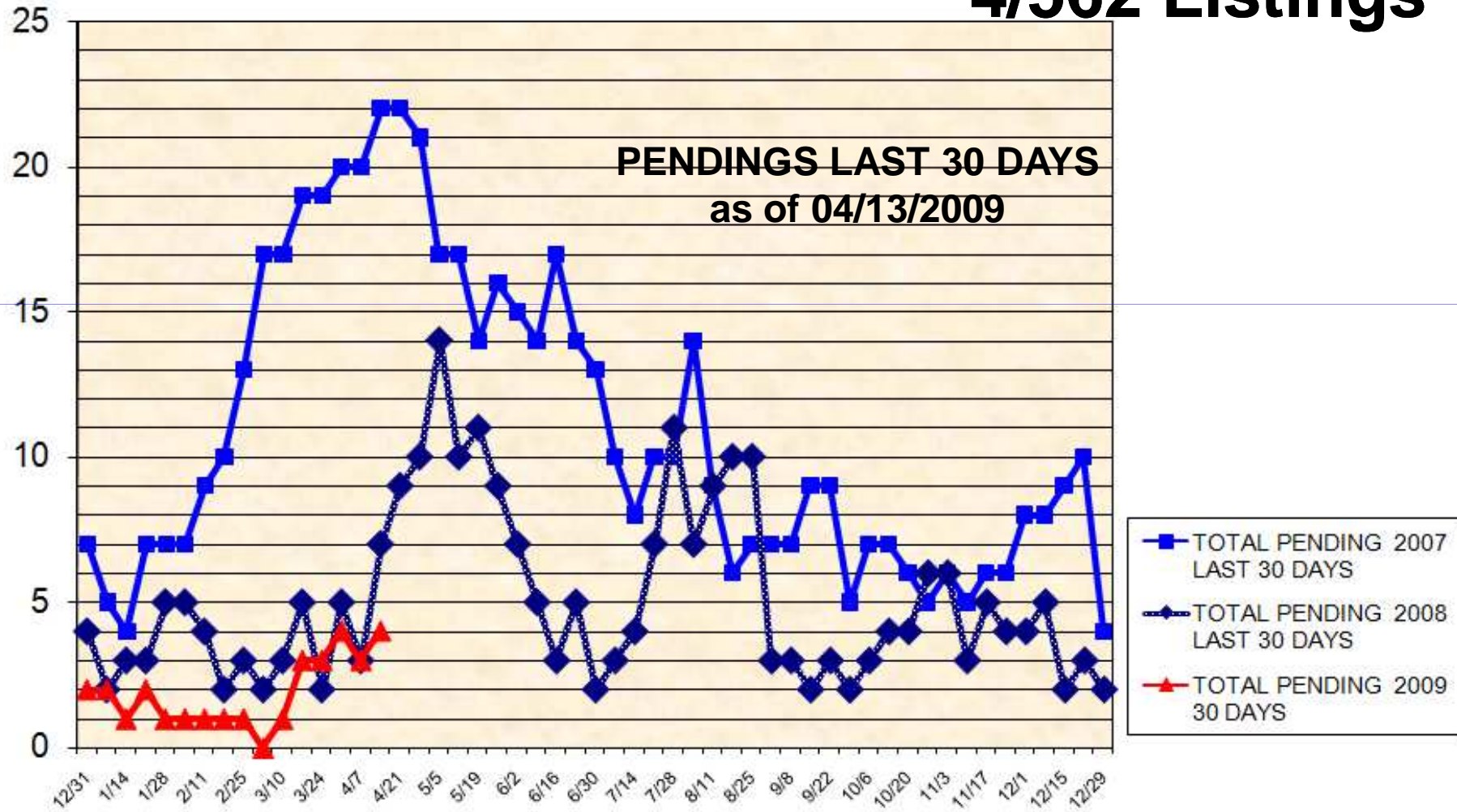
38/1605 Listings





ST SIMONS HOMES ONLY ACTIVITY INDEX
BASED ON TOTAL PENDINGS WITHIN 30 DAYS FROM DATES BELOW

4/562 Listings



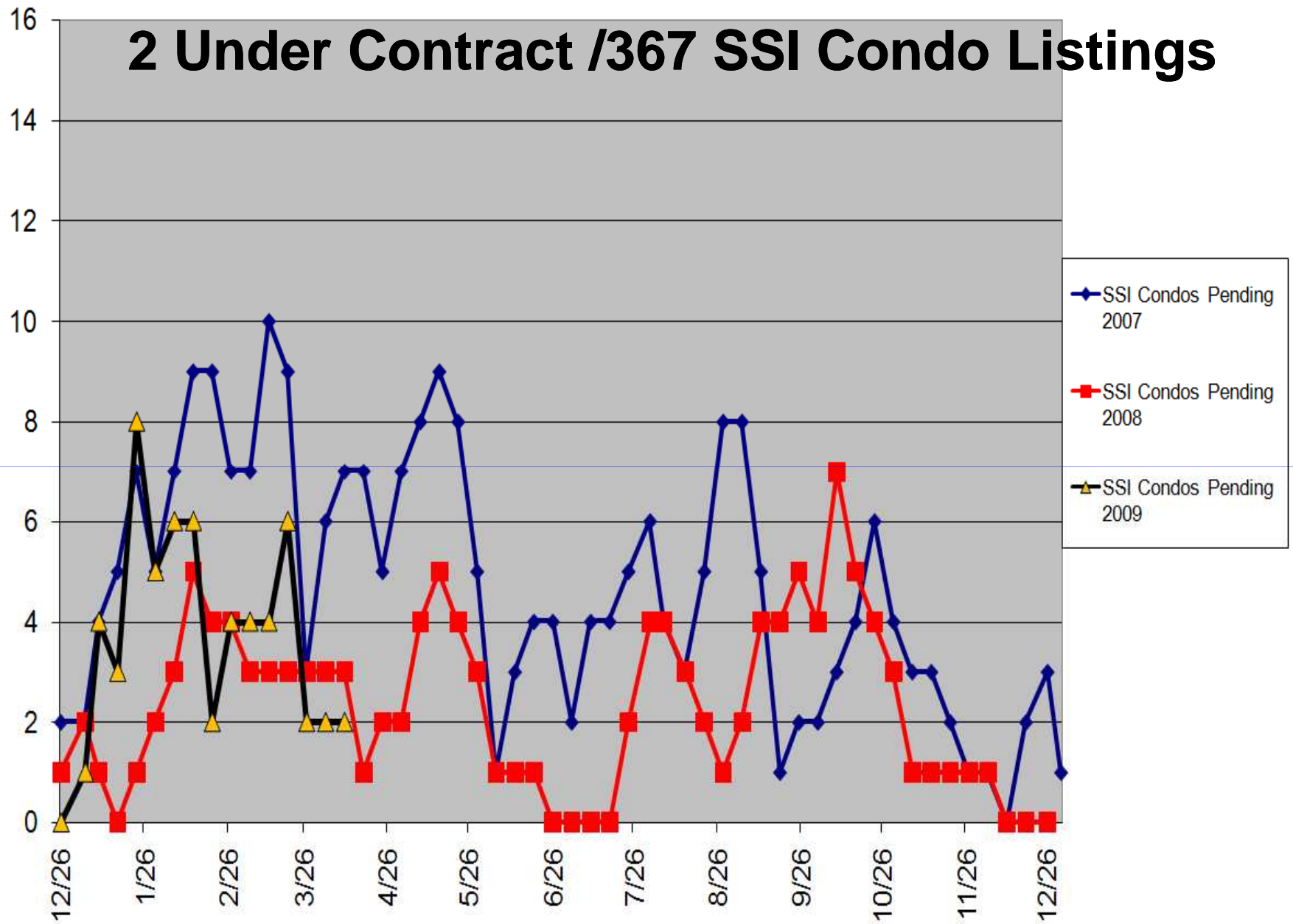


Condominiums

Started 2006 with 234 total Listings, 155 on St Simons

DATE	12/10/2007	12/29/2008	04/13/2009
TOTAL LISTINGS	464	585	620
UNDER CONTRACT	7	3	4
SSI TOTAL LISTINGS	375	351	367
SSI UNDER CONTRACT	0	0	2

2 Under Contract /367 SSI Condo Listings





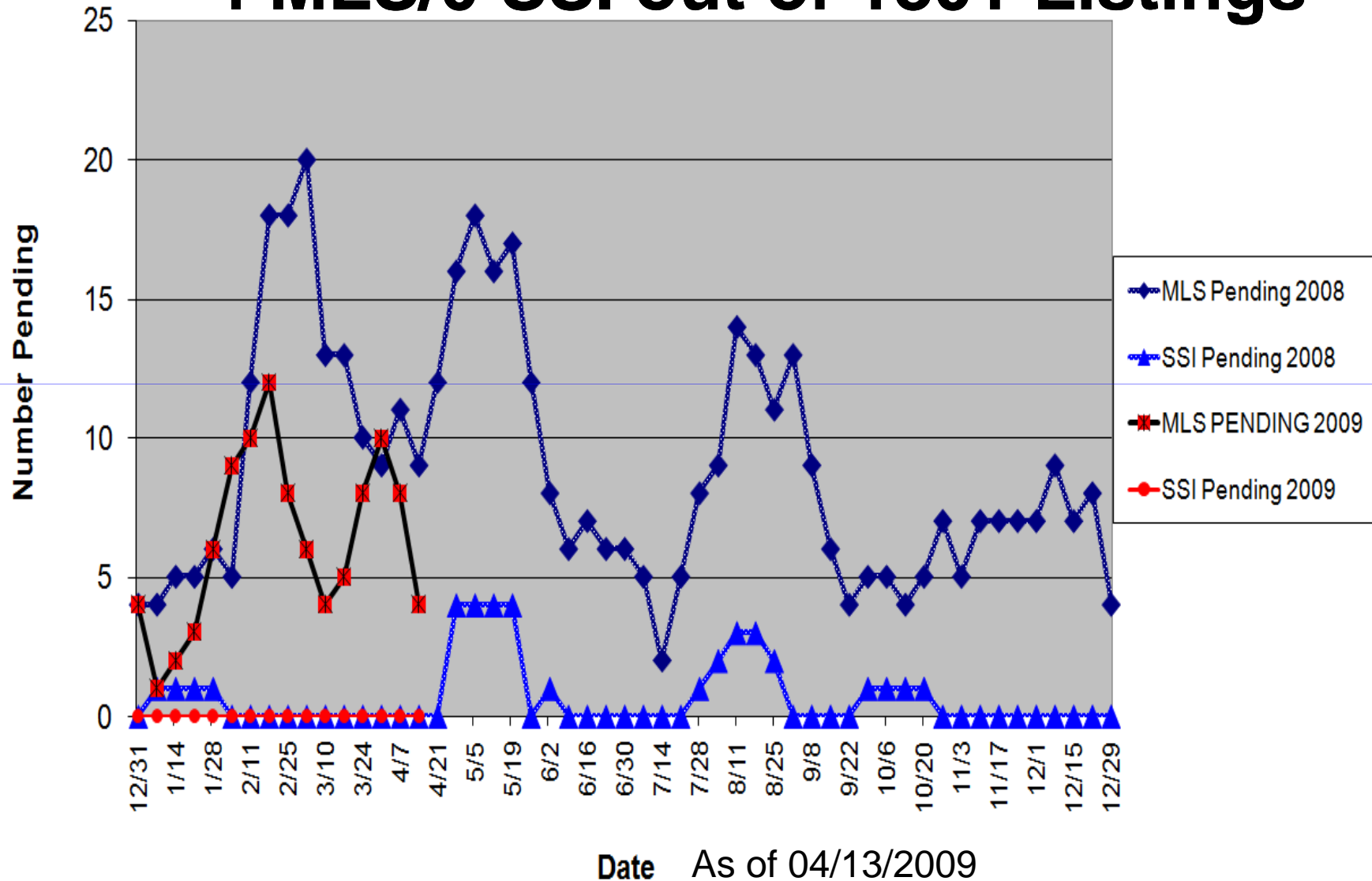
Land

Started 2006 with 801 Total Listings

DATE	12/10/2007	12/29/2008	4/13/2009
TOTAL LISTINGS	2126	1964	1801
TOTAL UNDER CONTRACT	13	4	4
ST SIMONS LISTINGS	300	281	254
SSI UNDER CONTRACT	0	0	0

Lots Under Contract Last 30 Days

4 MLS/0 SSI out of 1801 Listings





Inventory Rates (IR)

- **Ratio of Total Listings to Average Number of Properties Sold Per Month Based on the Total Number of Solds for the Previous 12 Months**

$$\text{IR (months)} = \frac{\text{Total Listings}}{\text{Average Solds Per Month}}$$



HOMES ONLY

	12/10/07	4/13/09
MLS		
Active Listings	1560	1605
Solds Last 12 months	1316	731
Solds/Month	109.7	60.9
Inventory Rate	14.2	26.3
SSI		
Active Listings	464	562
Solds Last 12 months	269	133
Solds/Month	22.4	11.1
Inventory Rate	20.7	50.7



HOMES ONLY

	12/10/07	4/13/2009
GLYNN MAINLAND	736	741
HOMES	833	480
	69.4	40.0
	10.6	18.5



St Simons Island Condos

	12/10/07	4/13/2009
SSIC		
Active Listings	375	367
Solds Last 12 months	120	76
Solds/Month	10.0	6.3
Inventory Rate	37.5	57.9



Land

	12/10/07	4/13/2009
ALL LAND		
Active Listings	2126	1801
Solds Last 12 months	444	153
Solds/Month	37.0	12.8
Inventory Rate	57.5	141.3
CAMDEN LAND		
Active Listings	539	346
Solds Last 12 months	30	14
Solds/Month	2.5	1.2
Inventory Rate	215.6	296.6



Land

	12/10/07	4/13/2009
MCINTOSH LAND		
Active Listings	584	519
Solds Last 12 months	112	22
Solds/Month	9.3	1.8
Inventory Rate	62.6	283.1



2006 - 2008 Sales and Dollar Volume Comparisons

For Homes



Sales Statistics for *Homes*

- **Home Sales: Down -55.2%**
 - 2006: 1727 Sales
 - 2007: 1231 Sales
 - 2008: 774 Sales
- **Dollar Volume: Down -62.9%**
 - 2006 Home Sales: \$522,886,785
 - 2007 Home Sales: \$360,169,123
 - 2008 Home Sales: \$193,803,753



MLS Average Price of Homes

- **Average Price of Homes: Down -17.3%**
 - 2006: \$302,771
 - 2007: \$292,583
 - 2008: \$250,392



1st Qtr 2009 vs 1st Qtr 2008 Sales and Dollar Volume Comparisons



What Sold In The 1st Quarter

- Homes/Condos Sold 01/01/09 to 04/07/09: 145 (6.47% of 2241 Listings)
- 1st Time Home Buyer Eligible (Sold \$150K or Less): 76 (52.4%)
- Foreclosure or Short Sale: 27 (18.6%)
- Average List Price: \$202,247
- Average Sale Price: \$185,833
- Average DOM: 186
- Average Sq Feet: 1647
- Homes: 116
- Condos: 20
- Mobile Homes: 6
- Multi-Family: 3



1st Qtr 2009 vs 1st Qtr 2008 Sales and Dollar Volume Comparisons

Homes



1st Quarter 2009 Statistics for Homes Compared to 1st Quarter 2008

Area	QTR Sales	YTD Sales	QTR Avg List Price	YTD Avg List Price	QTR Avg Sale Price	YTD Avg Sale Price	QTR % of List	YTD % of List	QTR Avg DOM	YTD Avg DOM	QTR Sold Volume	YTD Sold Volume
ALL 2008	201	201	\$238,108	\$238,108	\$223,689	\$223,689	94	94	185	185	\$44,961,677	\$44,961,677
ALL 2009	112	112	\$202,094	\$202,094	\$186,568	\$186,568	92	92	167	167	\$20,895,642	\$20,895,642
	89	89	\$36,014	\$36,014	\$37,121	\$37,121	2	2	18	18	\$24,066,035	\$24,066,035
	-44.3%	-44.3%	-15.1%	-15.1%	-16.6%	-16.6%	-1.7%	-1.7%	-9.7%	-9.7%	-53.5%	-53.5%

- Sales down 44.3%
- Average prices down 16.6%
- Dollar Volume down 53.5%

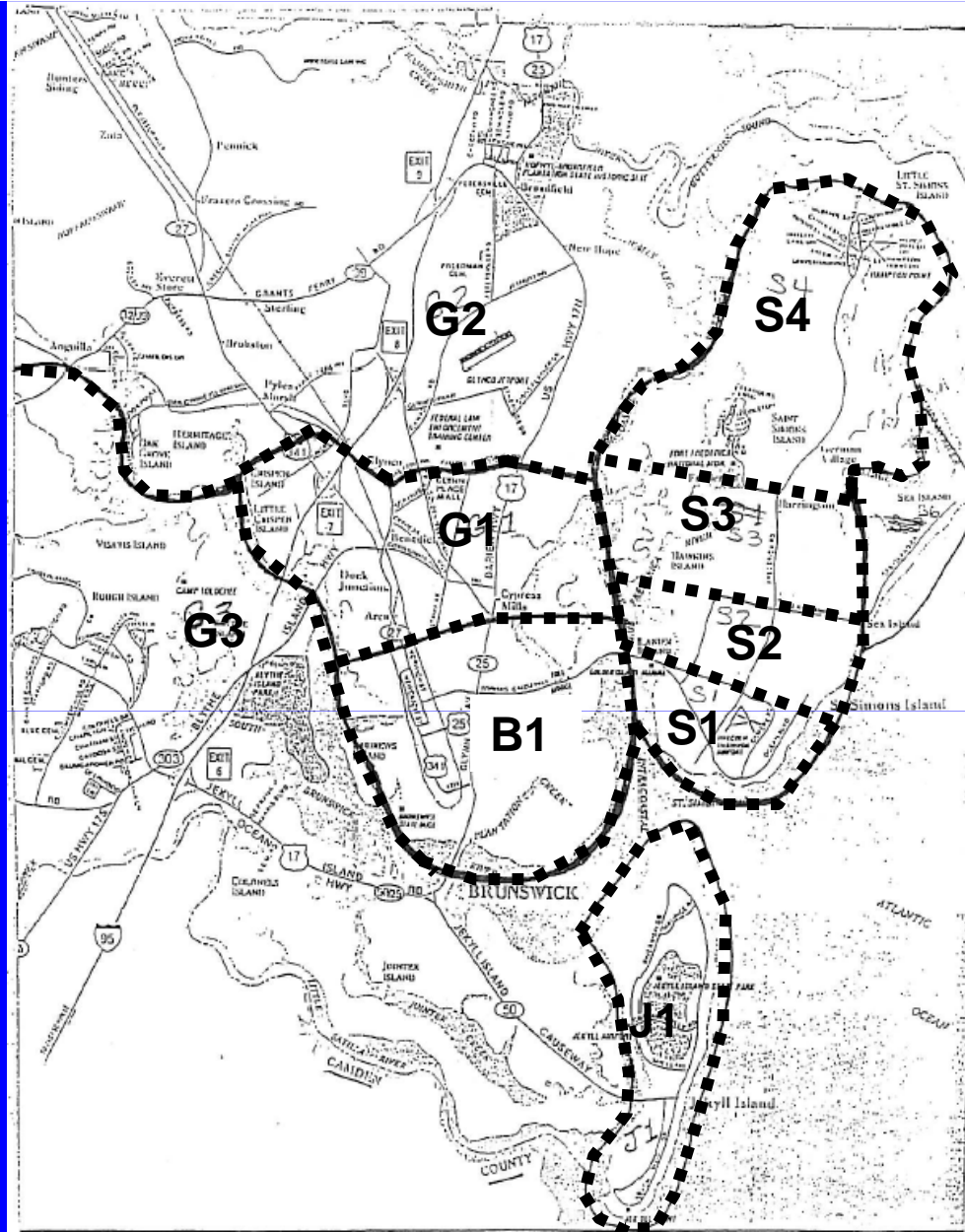


MLS Areas

- **S1 South St. Simons – Demere Rd South**
- **S2 Mid-South St. Simons – Demere Rd to Sea Island Causeway**
- **S3 Mid-North – Sea Island Causeway to Lawrence Rd and Frederica intersection**
- **S4 St. Simons North – North of Lawrence Rd & Frederica intersection**



- **MLS Areas**



Areas:					
B1	4th Street South to Turtle River	S1	St Simons Island	S3	Sea Island
G1	4th St to Chapel Crossing-Walker Rd-Old Jesup-Burnett Creek	J1	Jekyll County		
G2	Chapel Crossing-Walker Rd-Old Jesup-Burnett Creek North to County Line	CA	Camden County		
G3	West of Line from Turtle River-Twin Rivers-South of Hwy 32 to County Line	MC	McIntosh County		
		OT	Outside Glynn, Camden, & McIntosh Counties		



St Simons Island Area Comparisons 2009 1st Qtr VS 2008 1st Qtr FOR HOMES

Area	QTR Sales	YTD Sales	QTR Avg List Price	YTD Avg List Price	QTR Avg Sale Price	YTD Avg Sale Price	QTR % of List	YTD % of List	QTR Avg DOM	YTD Avg DOM	QTR Sold Volume	YTD Sold Volume
S1: South SSI	6	6	\$603,300	\$603,300	\$537,333	\$537,333	89	89	237	237	\$3,224,000	\$3,224,000
	3	3	\$648,333	\$648,333	\$529,333	\$529,333	82	82	156	156	\$1,588,000	\$1,588,000
	3	3	\$45,033	\$45,033	\$8,000	\$8,000	8	8	81	81	\$1,636,000	\$1,636,000
	-50%	-50%	7%	7%	-1%	-1%	-8%	-8%	-34%	-34%	-51%	-51%
S2: Mid-South SSI	8	8	\$494,675	\$494,675	\$462,062	\$462,062	93	93	201	201	\$3,696,500	\$3,696,500
	2	2	\$397,000	\$397,000	\$374,000	\$374,000	94	94	136	136	\$748,000	\$748,000
	6	6	\$97,675	\$97,675	\$88,062	\$88,062	1	1	65	65	\$2,948,500	\$2,948,500
	-75%	-75%	-20%	-20%	-19%	-19%	1%	1%	-32%	-32%	-80%	-80%
S3: Mid-North SSI	11	11	\$407,699	\$407,699	\$384,727	\$384,727	94.4	94.4	167	167	\$4,232,000	\$4,232,000
	6	6	\$407,066	\$407,066	\$374,166	\$374,166	92	92	220	220	\$2,245,000	\$2,245,000
	5	5	\$633	\$633	\$10,561	\$10,561	3	3	53	53	\$1,987,000	\$1,987,000
	-45%	-45%	0%	0%	-3%	-3%	-3%	-3%	32%	32%	-47%	-47%
S4: North SSI	1	1	\$890,000	\$890,000	\$850,000	\$850,000	96	96	231	231	\$850,000	\$850,000
	0	0	\$0	\$0	\$0	\$0	0	0	0	0	\$0	\$0
	1	1	\$890,000	\$890,000	\$850,000	\$850,000	96	96	231	231	\$850,000	\$850,000
	-100%	-100%	-100%	-100%	-100%	-100%	-100%	-100%	-100%	-100%	-100%	-100%



MLS Average Price of Homes

- **Average Price of Homes Down 17.3%
2006-2008,**
 - 2006: \$302,771
 - 2007: \$292,583
 - 2008: \$250,392
 - 2009/1: \$188,161 (but Down -37.9% 2006-2009/1)



2006 - 2008 Sales and Dollar Volume Comparisons

For Condos



MLS Sales Statistics for *Condos*

- **Condo Sales: Down 67.1%**

- 2006: 407

- 2007: 230

- 2008: 134

Dollar Volume: Down 61.9%

- 2006 Condo Sales: \$118,899,872

- 2007 Condo Sales: \$68,627,869

- 2008 Condo Sales: \$45,299,816



- **Average Sale Price: Up 15.7%**
 - 2006: \$292,137
 - 2007: \$298,382
 - 2008: *\$338,058

***77 of 134 sales were on St Simons Island;
49 of which were in South St Simons Island
Average Price \$525,088**



2009 1st Qtr Statistics for *Condos* Compared to 2008 1st Qtr

Area	QTR Sales	YTD Sales	QTR Avg List Price	YTD Avg List Price	QTR Avg Sale Price	YTD Avg Sale Price	QTR % of List	YTD % of List	QTR Avg DOM	YTD Avg DOM	QTR Sold Volume	YTD Sold Volume
ALL	45	45	\$466,867	\$466,867	\$455,779	\$455,779	98	98	255	255	\$20,510,060	\$20,510,060
	20	20	\$260,380	\$260,380	\$234,315	\$234,315	90	90	257	257	\$4,686,300	\$4,686,300
	25	25	\$206,487	\$206,487	\$221,464	\$221,464	8	8	2	2	\$15,823,760	\$15,823,760
	-56%	-56%	-44%	-44%	-49%	-49%	-8%	-8%	1%	1%	-77%	-77%

- **Condo Sales: Down 56%**
- **Average sale price: Down 49%**
- **Dollar Volume: Down 77%**



St Simons Island Area Comparisons 2009 1st Qtr VS 2008 1st Qtr FOR Condos

Area	QTR Sales	YTD Sales	QTR Avg List Price	YTD Avg List Price	QTR Avg Sale Price	YTD Avg Sale Price	QTR % of List	YTD % of List	QTR Avg DOM	YTD Avg DOM	QTR Sold Volume	YTD Sold Volume
S1: South SSI	19	19	\$825,221	\$825,221	\$812,763	\$812,763	99	99	243	243	\$15,442,500	\$15,442,500
	8	8	\$278,987	\$278,987	\$261,612	\$261,612	94	94	228	228	\$2,092,900	\$2,092,900
	11	11	\$546,234	\$546,234	\$551,151	\$551,151	5	5	15	15	\$13,349,600	\$13,349,600
	-58%	-58%	-66%	-66%	-68%	-68%	-5%	-5%	-6%	-6%	-86%	-86%
S2: Mid-South SSI	4	4	\$271,975	\$271,975	\$262,250	\$262,250	96	96	342	342	\$1,049,000	\$1,049,000
	3	3	\$247,966	\$247,966	\$227,500	\$227,500	92	92	248	248	\$682,500	\$682,500
	1	1	\$24,009	\$24,009	\$34,750	\$34,750	5	5	94	94	\$366,500	\$366,500
	-25%	-25%	-9%	-9%	-13%	-13%	-5%	-5%	-27%	-27%	-35%	-35%
S3: Mid-North SSI	5	5	\$254,800	\$254,800	\$236,960	\$236,960	93	93	328	328	\$1,184,800	\$1,184,800
	2	2	\$219,500	\$219,500	\$197,500	\$197,500	90	90	50	50	\$395,000	\$395,000
	3	3	\$35,300	\$35,300	\$39,460	\$39,460	3	3	278	278	\$789,800	\$789,800
	-60%	-60%	-14%	-14%	-17%	-17%	-3%	-3%	-85%	-85%	-67%	-67%
S4: North SSI	1	1	\$625,000	\$625,000	\$540,000	\$540,000	86	86	196	196	\$540,000	\$540,000
	1	1	\$213,900	\$213,900	\$200,000	\$200,000	94	94	176	176	\$200,000	\$200,000
	0	0	\$411,100	\$411,100	\$340,000	\$340,000	7	7	20	20	\$340,000	\$340,000
	0%	0%	-66%	-66%	-63%	-63%	8%	8%	-10%	-10%	-63%	-63%



- **Average Sale Price: 2006 to 2008 Up 15.7%**

- 2006: **\$292,137**

- 2007: **\$298,382**

- 2008: ***\$338,058**

- 2009: **#\$221,464 (Down 24.2% since 2006)**

#14 of 20 sales were on St Simons Island; 8 of which were in South St Simons Island, Average Price \$261,612

***77 of 134 sales were on St Simons Island; 49 of which were in South St Simons Island, Average Price \$525,088**



12/10/2007: Price Appreciation Local MLS 2000 to 2006

- **Average Home Sales Price Up 42.9%**
 - 2000 -- \$211,840
 - 2006 -- \$302,771
- **Average Home Sales Price Saint Simons Island Up 81.3%**
 - 2000 -- \$330,463
 - 2006 -- \$599,086



Price Appreciation Local MLS 2000 to 2009/1

- **Average Home Sales Price Up 18.2% 2000-2008 (down from 42% for period 2000-2006)**
 - 2000: \$211,840
 - 2006: \$302,771
 - 2008: \$250,392
 - 2009/1: \$188,161 (Down 11.2% 2000-2009/1)



St Simons Island

- **Average Home Sales Price Up 54.7% 2000-2008 (Down from 81% for period 2000-2006)**
 - 2000: \$330,463
 - 2006: \$599,086
 - 2008: \$511,323
 - 2009/1: \$416,454 (Still up but by not as much – Up 26% 2000-2009/1)



St Simons Island

Sales and Price Comparisons By Area 2006 - 2008



MLS Areas

- **S1 South St. Simons – Demere Rd South**
- **S2 Mid-South St. Simons – Demere Rd to Sea Island Causeway**
- **S3 Mid-North – Sea Island Causeway to Lawrence Rd and Frederica intersection**
- **S4 St. Simons North – North of Lawrence Rd & Frederica intersection**



St Simons Island Home Sales Statistics

- **S1 Sales: Down 56.9%**
 - 2006: 93
 - 2007: 69
 - 2008: 40
- **S1 Dollar Volume: Down 66.6%**
 - 2006: \$78,864,643
 - 2007: \$64,738,282
 - 2008: \$26,368,564
- **S1 Average Sale Price: Down 22.3%**
 - 2006: \$848,006
 - 2007: \$938,235
 - 2008: \$659,214



Mid-South St Simons Home Sales Statistics

- **S2 Sales: Down 65%**
 - 2006: 123
 - 2007: 72
 - 2008: 43
- **S2 Dollar Volume: Down 69%**
 - 2006: \$61,425,923
 - 2007: \$29,793,300
 - 2008: \$19,039,549
- **S2 Average Sale Price: Down 11.3%**
 - 2006: \$499,397
 - 2007: \$413,795
 - 2008: \$442,780



Mid-North St Simons Home Sales Statistics

- **S3 Sales: Down 61%**
 - 2006: 141
 - 2007: 94
 - 2008: 55
- **S3 Dollar Volume: Down 64.5%**
 - 2006: \$65,021,011
 - 2007: \$40,367,200
 - 2008: \$23,056,395
- **S3 Average Sale Price: Down 9.1%**
 - 2006: \$461,141
 - 2007: \$429,438
 - 2008: \$419,207



North St Simons Home Sales Statistics

- **S4 Sales: Down 75%**
 - 2006: 36
 - 2007: 15
 - 2008: 9
- **S4 Dollar Volume: Down 77.8%**
 - 2006: \$30,129,500
 - 2007: \$11,686,000
 - 2008: \$6,700,000
- **S4 Average Sale Price: Down 11.1%**
 - 2006: \$836,930
 - 2007: \$779,066
 - 2008: \$744,444



National Association of Realtors' Forecast for Housing

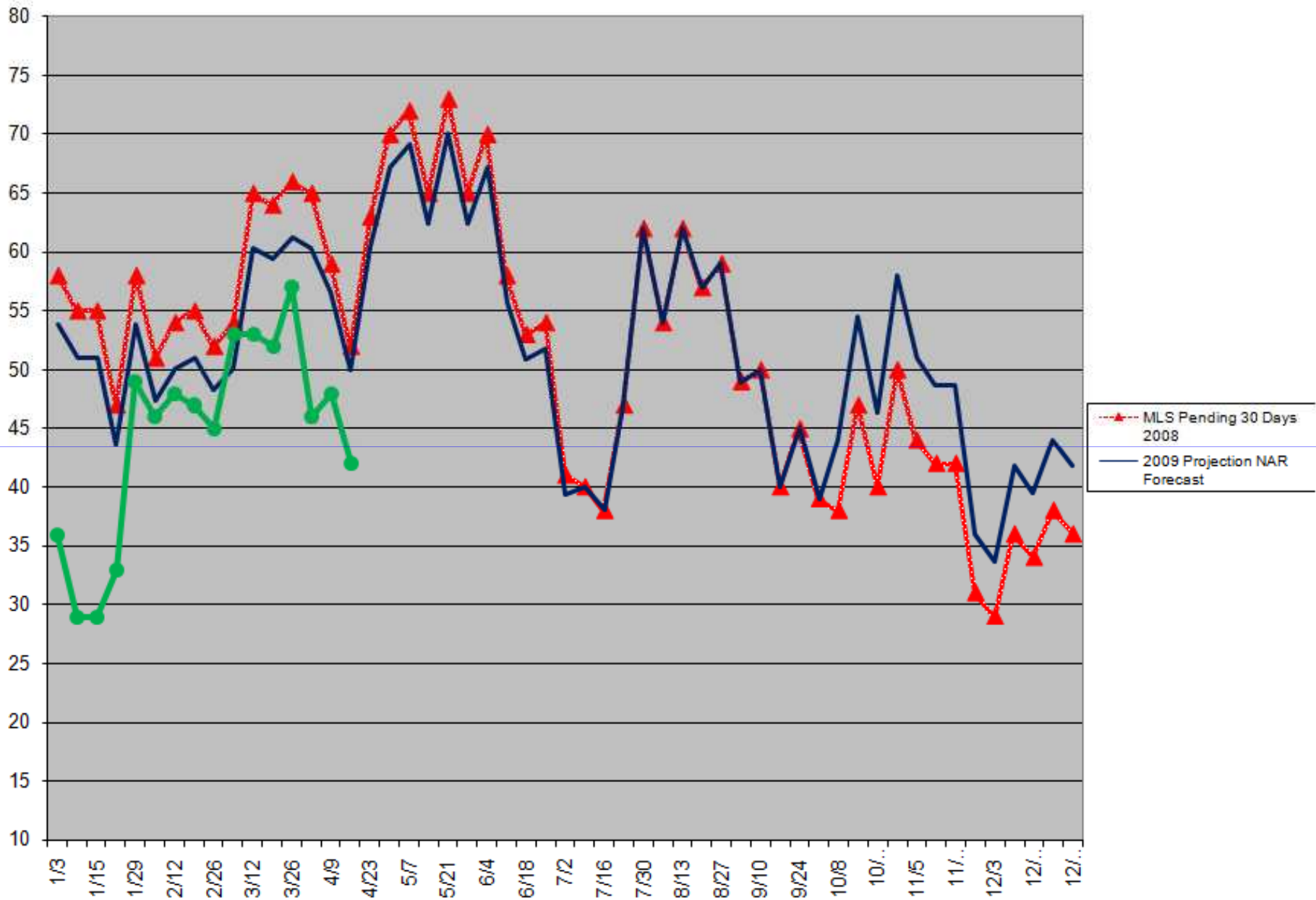
Rate of Sales to Increase in
2009 3rd and 4th Quarter

4th Quarter Sales Rate the
Highest of the Year



2009 NAR Forecast Based on 2008 Rate of Sales

- 2009
- 1st QTR = 96.54% of 4th Qtr 2008 rate of sales
- 2nd QTR = 4th Qtr 2008 rate of sales
- 3rd QTR = 3rd Qtr 2008 rate of sales
- 4th QTR = 110% of 3rd Qtr 2008 rate of sales





Kiplinger Forecast

**Dismal 1st Half of 2009,
Improving in the 2nd Half**



HOUSING

Last updated: March 13, 2009

- **The housing market will remain in the dumps for at least another six months or so. Surging job losses will keep homebuyers on the sidelines and dilute the lure of low mortgage rates. However, there are some glimmers of hope. Sales of foreclosed homes are brisk in parts of the country, indicating buyers are willing to make a deal for a good value. At the same time, though, foreclosures continue to cause new-home sales and housing starts to tumble.**



- It will be 2011 before housing returns to a somewhat normal sales total of around 6 million. And after home sales hit bottom this year, they will total only 5 million in 2009. Foreclosures, meanwhile, will continue to increase in 2009, dampening home prices. Overall, the national average price will decline about 10% this year, albeit with wide local differences. Falling prices will increase the number of homes going to foreclosure as about one-third of mortgage holders owe more on their loan than their house is now worth.



University of Georgia

The Selig Center, Terry College
of Business





Georgia Housing

- **Housing in Freefall – New housing permits in Georgia have dropped about 75 percent since their peak in the first quarter of 2006. “That is a freefall.” “Georgia’s single-family housing starts are at their lowest level since the 1981 recession when our population was about half of what it is today – almost 10 million.**
- **Relative to the size of the economy, today’s housing downturn really is much, much worse than the 1981 retraction.” The Selig Center forecasts that the steep drop in single-family home sales will bottom out by April. Two months later, new home construction should hit its low point and begin to change course.**



When Will the Housing Recession End? – My Forecast 12/10/2007

- **Late 2009 – Have to whittle away a very large inventory**
- **But, 2008 sales will be better (up 1-5%)**
- **Mainland will recover first, then St Simons Island**
- **We are in a popular area for relocation**
- **But, our local real estate sales are impacted by the national picture in one aspect – many people who want to relocate here can't get here until they sell their homes in other parts of the country**



When Will the Housing Recession End? – My Forecast 04/14/2009

- **Late 2009, Early 2010 – Have to whittle away a very large inventory, especially on St Simons Island**
- **Climb out of the bottom will be slow and imperceptible**
- **Mainland will recover first, then St Simons Island (2010-2011)**
- **Very high inventories and numbers of Sellers “Upside Down” will slow St Simons Island recovery to 2011**



Why Buyers Aren't Buying What St Simons Island Is Selling

Upside Down?



There's A Number of Reasons St Simons Island Real Estate Is Not Selling

- **People that want to move here can't sell their home in Atlanta, Macon, Ohio, New York, Connecticut, etc**
- **Second home or vacation home buyers have seen their investments and retirement funds evaporate and don't feel they can afford to buy**
- **Buyers feel the prices are still too high**



Upside Down or Close To It?

- 9,405 Residential Units on St Simons Island
- Ownership Rate: 74.2%
- Owner Residential Units: 6,979
- Homes Sold Since 01/01/2004: 2808 (40.2% of Owner Units)
- As much as 40.2% of Owner Occupied Homes could be Upside Down or Close to being so
- If 25% of unsold owner occupied units refinanced since 01/01/2004, approximately 55% of St Simons Island residential units could be Upside Down or Close to being so
- Add new construction and developments and this number could be 60+%



Impact of Upside Down Properties

- If current market value of home is 106% or less of mortgage balance, home owner may not be able to sell and break even
- Seller's bottom line list price is the mortgage payoff plus real estate commission
- If this list price (mortgage balance + commission) fails to sell home, the home sits on the market without buyers.
- Causes inventory of homes to rise.
- Buyers looking at St Simons Island homes see properties listed at 2004-2006 prices reduced slightly for mortgage payments made since the sale or refinance
- Buyers feel Sellers are asking too much money
- Sellers feel they can't go lower



Upside Down or Close To It?

- Brunswick MSA has 49,301 Residential Units
- Ownership Rate: 54.6%
- Owner Residential Units: 26,918
- Homes Sold Since 01/01/2004: 8,483 (31.5% of Owner Units)
- As much as 31.5% of Owner Occupied Homes could be Upside Down or Close to being so
- If 25% of unsold owner occupied units refinanced since 01/01/2004, approximately 49% of Brunswick MSA residential units could be Upside Down or Close to being so



Mainland Upside Down?

- We believe it has an impact on the mainland market, but not as much as on St Simons Island sales
- 33% of the sales since 01/01/2004 were St Simons Island sales (25.9% of the MSA's owner occupied residences are on St Simons Island)
- Homes on St Simons Island appreciated 81% from 2000 to 2006 compared to 43% for the MLS, so St Simons Island Buyer's are more susceptible to falling prices
- Mainland home owners who bought less than 3 years ago are likely upside down in their mortgages, but it is not freezing sales to the degree seen in the St Simons Island market



Notes



**Between Home and Condo
Sales, We Are Down
\$402,683,088 in Sales Volume
Since 2006**

**How Does This Impact Our
Local Economy?**



Economic Impact

- **Rough impact of local impact comes from quantifying the “effects” on local businesses**
- **Most impact studies look at 3 “effects” on real estate sector: direct; indirect; and induced**



Economic Effects

- **“Direct” effect (approximately 10% of sales price):** real estate firms, banks or mortgage firms, appraisers, engineers or inspectors, title companies and attorneys
 - **“Direct” effect for new homes/condos increases to 95% (10% direct costs plus 85% = 95%) to account for revenues to builder, trades, building supply firms, etc.**



Economic Effects

- **“Indirect” effect (approximately 2%):** services to prepare home for closing (plumbers, HVAC companies, roofing and siding firms, carpenters, and landscape companies); use of advertising and accounting firms
- **“Induced” effect (approximately 1% of purchase price):** increased spending by workers in the previously mentioned businesses and home owners spending to redecorate or improve their new purchase



Economic Impact

- We estimate 15% of existing home/condo sales and 95% of the proceeds from new home/condo sales dollars enter into the local economy.
- New home/condo sales are usually 25% of our market
- Therefore, we calculate the average impact is 35% of total home and condo sales revenues.



Local Impact

- **Given the decrease in sales (\$402,683,088) and a 35% impact factor, our rough estimate of the loss to the local economy is \$140,939,080 since the end of 2006**



**Why are the prices of
homes dropping
substantially in today's
market?**



Why are the prices of homes dropping substantially in today's market?

- Prices are dropping because of the anomaly that occurred during the market boom. Professor Karl Case of Wellesley College and contributing author of the Case-Schiller Home Prices Indices, a quarterly nominal housing price report, looked closely at the appreciation of median home value over five-year increments dating back to 1980. His research shows that home values appreciated 26.5 percent on average for the 20-year period from 1980 through 2000.
- In the six years that followed, average appreciation was 89 percent. Prices are now adjusting to the inconsistent and unsustainable growth that occurred during the first six years of this decade. In other words, the market is not on the decline. Rather, it is moving toward stability, which will mean healthier markets in the future.



Appreciation Went Into Overdrive Historically, homes have appreciated at a rate of about 5 percent per year. In the six years between 2000 and 2006, however, appreciation was 89 percent, or nearly 15 percent per year on average. Today's correction is a move back to stability.

1980 - 1985	25%
1985 - 1990	27%
1990 - 1995	25%
1995 - 2000	29%
2000 - 2006	89%

Source: Brookings Papers 9/08



First Time Home Buyers Tax Credit

- **Who**: 1st Time Home Buyer or Someone Who Has Not Owned a Home in 3 Years; Income less than \$75,000/\$150,000; Principle Residence Only
- **What**: Tax credit is 10% of the value of the home up to \$8,000; Does not have to be repaid
- **When**: Buyer Must Close on Home January 1st to December 1st, 2009