

FIRST COAST BEACHES RESIDENTIAL REAL ESTATE REPORT

Opportunity Knocking in 2016

Kevin M. Waugaman
 Berkshire Hathaway HomeServices
 Florida Network Realty

2016 is the year of opportunity for many families across the First Coast Beaches. The stage is set for 2016 to be another very strong year for local real estate sales as long as two challenges are met head-on. The first challenge is to increase inventory, especially in the low- to mid- price ranges. The second challenge is to get relevant and accurate real estate information to prospective buyers and sellers to cut through the often conflicting information overload. It is also important to remember that while investors make real estate decisions based on the numbers, the main reasons people make personal real estate moves in order of importance are: a place to raise a family, owning a place of their own, a nest egg for retirement, financial security, being part of a community and settling down (NAR December 2015 HOME survey).

The First Coast Beaches (Ponte Vedra, Atlantic, Neptune, Jax) residential report shows the continued "heat" of our market into the winter months. The local absorption rate is still too low at an average of 5.04 months for the 6 months ended December 2015, compared to 5.65 for the same period in 2014 which is 11% more heated. These averages are indicated on Figure 1 with green lines. This is a good indicator of continued market strength for the Beaches, and we would like to see the number closer to the sustainable 6 month level. Absorption rate is the amount of time it would take the current demand level to absorb the available supply. A number less than 6 months indicates a seller's market and greater than 6 months indicates a buyer's market. This

number will fluctuate based on the market price segment that is being analyzed.

Simply put, new listings are not coming to market at a rate to satisfy demand levels. The 6 months ending December 2015 averaged 595 active Beaches residential listings. This number is basically flat compared to the average of 599 for the same period in 2014. Demand improved during this time at a strong 11% clip, averaging 118 units sold per month compared to 106 per month in 2014. With supply flat and demand increasing we still tilt towards a seller's market.

When looking at average price per transaction for the 6 months ending December 2015, there has been a healthy increase compared to 2014 partly due to market appreciation and also to the mix of properties sold, especially in December. In the second half of 2015, the average price for Beaches residential sales was \$532,619 versus \$490,112 for second half 2014, a 9% improvement. While there are some niche upper-end markets still struggling, we continue to see more deals happen in the mid-upper to \$1.0MM and above space, with a handful of deals north of \$3.0MM in December – an encouraging sign. Days on market averaged 111 compared with 130 in December 2014.

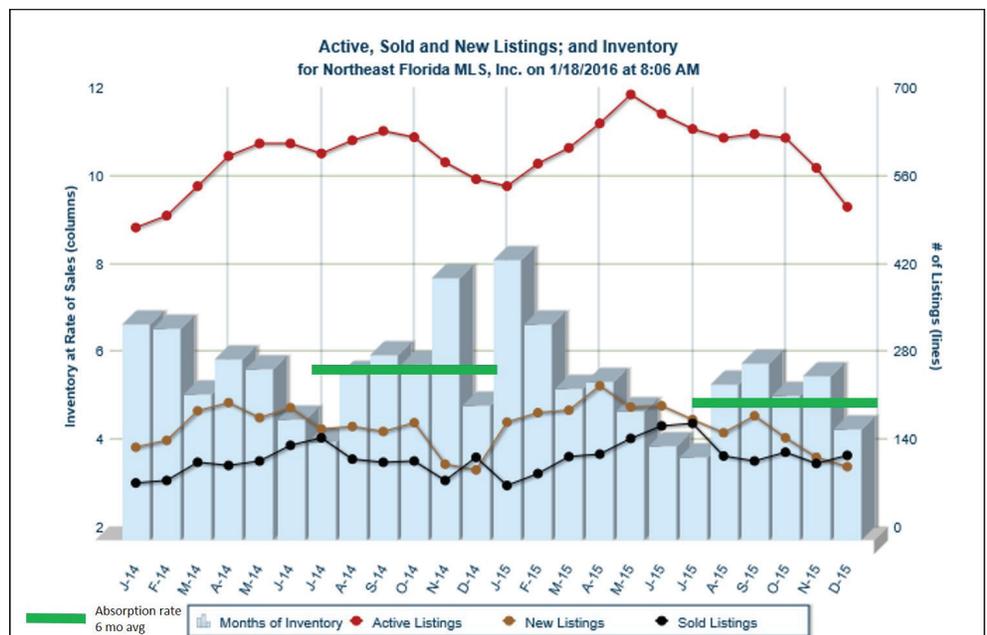
The greater Northeast Florida area saw pending home sales up 16.9% over 2014. The 12 month average absorption rate for our entire region is still over-heated at 3.7 months, sub-

My Market Report for 01/1/2014 - 12/31/2015

Search parameters: Property type Residential; 'City of 'ATLANTIC BEACH', 'JACKSONVILLE BEACH', 'NEPTUNE BEACH', 'PONTE VEDRA BEACH'.*

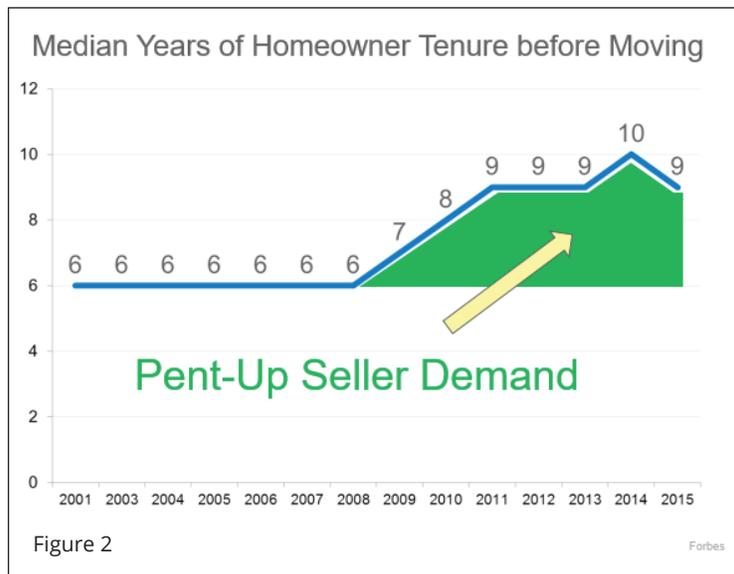


BERKSHIRE HATHAWAY
 HomeServices
 Florida Network Realty



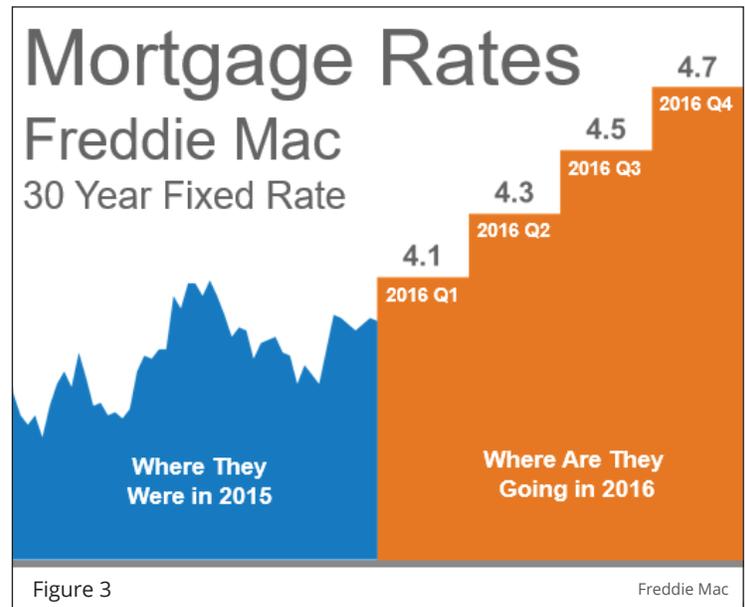
stantially below the market equilibrium target of 6 months. Again this is due to low inventory, there are 18.8% fewer active listings at the end of 2015 compared to 2014.

For sellers, there are many that have experienced the life changes over the past 10 years that would have normally led to a move. We know that pent-up seller demand is reaching the market, and we also know there is a lot more still out there. Figure 2 shows the increase in homeowner tenure nationally prior to a move, we peaked at 10 years and will move back towards the historic 6-7 year level. For those wondering about timing or current home equity, check with your Berkshire Hathaway HomeServices Florida Network Realty professional for an analysis to see if it makes sense now or in the near future. Rates will most likely continue to trend upward which could price buyers out of the market over time.



For buyers, rates are on the move and prices will continue to appreciate through 2016, although the pace of appreciation will moderate. Figure 3 shows Freddie Mac's mortgage rate predictions through 2016. There is also a big disparity between what buyers think they need to qualify for a mortgage and what is actually needed. Through 2015, average FICO score for all closed loans of all types was 721 and for FHA it was 687. Average debt-to-income ratio was 39% for all loan types and 42% for FHA. Average down payment for all loans was 21% and for FHA it was 4%. It is important to look for guidance in order to determine what might be possible.

There will be great opportunities for buyers and sellers into 2016. With the real estate information overload, it is more than a full time job to stay current on the market, price trends, new guidelines, and interest rates. Of course this decision to sell or purchase real estate deserves great attention to personal objectives. The overall market conditions noted above convey the real estate environment for our area. It is extremely important to drill down to an even more hyperlocal level when evaluating a sale or purchase of real estate. Make sure to consult your Berkshire Hathaway HomeServices Florida Network Realty professional for analysis on price trends in specific neighborhoods and on any property that may be bought or sold. This way, great decisions can be made based on personal circumstances.



*Statistics from NEFAR MLS 1/1/2014-12/31/2015 for residential property type located in Ponte Vedra Beach, Atlantic Beach, Neptune Beach, and Jacksonville Beach. This is not a solicitation or offer to purchase or sell real estate nor is it mortgage guidance and are the opinions of the author. Please consult your real estate and mortgage professionals.

To discuss how this information affects your property or investment goals, contact your Berkshire Hathaway HomeServices Florida Network Realty Professional.

Visit FloridaNetworkRealty.com or call 904.285.1800 today!



Kevin M. Waugaman
 Managing Broker
 Ponte Vedra/Nocatee Office
 Berkshire Hathaway HomeServices
 Florida Network Realty
 333 Village Main Street, Suite 670
 Ponte Vedra Beach, Florida 32082



BERKSHIRE HATHAWAY
 HomeServices
 Florida Network Realty