

Anchor's The Way

real estate news, trends and investment opportunities



St. George Island

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BEACHFRONT MARKET ON ST. GEORGE ISLAND: GREAT NEWS!

Times are for celebration and optimism. What a change! No better news has been reported in more than a decade! In a few words: the market is now back to a “healthy normal”, with prospect of growth, both in transaction volume and in valuations. From 2014 to 2015, beachfront house sales on the island soared by 82% in numbers (31 sold in 2015, compared to 17 sold in 2014). The value of Plantation beachfront lots increased by +16.5% from 2014 to 2015 – an excellent and sustainable number (compared to the +93% during the year before the bubble burst, 2004; or compared to the post-2005 dive).

For at least five years lot sales were strongly hindered by the plethora of houses sold for far below their replacement cost; under such circumstances, most buyers thought, why build? Here again, the landscape has returned to normal: 2015 has turned out to be the last year when “deals that cannot be refused” were available in house sales. The market has now been flushed. It took exactly ten years from the bubble bursting to the restoration of a sound market place.

ST. GEORGE ISLAND BEACHFRONT HOUSE SALES

AREA	2014	2015	VARIATION
Plantation	4	11	175%
Casa Del Mar	1	3	200%
East End	4	3	-25%
Gulf Beaches	4	8	100%
Shotgun	1	3	200%
Townhome/Condo	3	3	—
TOTALS	17	31	82%

ST. GEORGE ISLAND AVERAGE BEACHFRONT HOUSE SALE PRICES (PER BEDROOM)

AREA	2014	2015	VARIATION
Plantation	\$210,700	\$288,300	36.8%
Gulf Beaches	\$195,300	\$201,500	3.2%

ST. GEORGE ISLAND BEACHFRONT LOT SALES

AREA	2014	2015	VARIATION
Plantation	3	1	-67%
Resort Village	0	1	—
East End Tracts	0	2	—
Gulf Beaches	1	2	100%
TOTALS	4	6	50%

ST. GEORGE ISLAND AVERAGE BEACHFRONT LOT SALE PRICES

AREA	2014	2015	VARIATION
Plantation	\$682,197	\$795,000	16.5%
Gulf Beaches	\$600,000	\$607,500	1.3%

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ST. GEORGE ISLAND AVERAGE BEACHFRONT CONDO/TOWNHOME SALE PRICES

AREA	2014	2015	VARIATION
St. George Island	\$282,100	\$360,500	27.8%

INTERPRETING THE RAW DATA

- Plantation house values increased by 36.8% over a one year period. This should be understood as an adjustment from the under-valuations caused by bank-owned properties to a fair market environment. As we shall see below, this rate of increase might also have been boosted by the premium afforded to all Plantation properties in strong markets.
- Condos and townhomes were not traded in numbers sufficient to warrant statistical reliability; yet, being quasi-identical products, they can be bundled as commodities, mainly if considering 2-bedroom units. Here again, a very healthy 27.8% increase in prices is a testimony to the flushing of distressed properties and the strengthening of the market.
- The only two areas where the number of House transactions approaches statistical significance are the Plantation and the Gulf Beaches. For each calendar year (2014 and 2015), I have averaged the price per bedroom. For instance, if a 5-bedroom house sold for \$1,000,000; then its price was \$200,000 per bedroom ($\$200,000 \times 5 \text{ bedrooms} = \$1,000,000$). In a fashion similar to what happened in the mid 1990s, Plantation prices tend to increase much faster than the rest of the island's. In 2014, the "per bedroom" price was almost the same in both areas: \$210,700 per bedroom in the Plantation, and \$195,300 in the center of the island, known as the Gulf Beaches. This price difference reflected a gap of only 8%. This parity denotes a slow market. In 2015, the gap grew to 43% (\$288,300 for the Plantation compared to \$201,500 for the center of the island). This is a definite sign of market strength.
- Likewise, in an active market, historical data show that the Plantation (including Casa Del Mar and Resort Village – two less exclusive subdivisions located within the Plantation) – monopolizes most of the island's sales activity and value increases. This assertion is supported by the increase in number of transactions in the various sub-areas: from 2014 to 2015, the Plantation and Casa Del Mar tripled in activity (Casa Del Mar +200% and Plantation +175%)... while the East End actually decreased by twenty-five percent (-25%) and the Gulf Beaches only doubled (+100%).

CONCLUSION:

In closing, we have excellent reasons to rejoice because the market gives all signs of structural recovery; but we must also remember the mistakes of a recent past. Prices reached a summit in 2005 before crashing into the abyss in 2011. 2005 prices were inflated. 2011 prices were deflated. Many buyers have taken advantage of real bargains between 2012 and 2015. The question that comes to mind is: what is the highest value justifiable by St. George Island real estate? Answering this question should serve as a guideline of when to quit buying and begin re-selling. In other words, up to which price levels can conservative buyers go before they over-pay for property on St. George Island? The answer to these two questions will be the substance of our next Anchor's The Way newsletter...

All numbers in this study are drawn from the RAFGC data bank. Only arms-length sales were accounted for.



OLIVIER MONOD

Broker/Owner

850.899.7999

olivier@AnchorFL.com