

# Anchor's The Way

real estate news, trends and investment opportunities



Mexico Beach

Port St. Joe

Cape San Blas

Indian Pass

## BEACHFRONT MARKET ON THE CAPE, INDIAN PASS & C-30: TOWARD ANOTHER BUBBLE?

If times are for celebration and optimism on St. George Island, Gulf county beaches offer a less rosy picture. Let's begin with the "good news": distressed properties are a thing of the past. The last "unbelievable deals" occurred in 2015. Market normalcy is our new reality. This happens to also be our "bad news"; here is why. Thanks to the equivalents of the National Inquirer in the real estate press and blogs, buyers still believe that they can get a great deal in today's market. This leads them to desperately look for "foreclosures" and "REOs" (an acronym for Real Estate Owned, in reference to their labeling on banks' balance sheets). The reality, however, is that banks and institutions have grown increasingly savvy, and know better than most individuals where the market stands. Anchor Realty has represented FreddieMac in Gulf and Franklin counties for several years. We have learned two major facts from this long-standing relationship: 1. they understand the real estate market better than most real estate agents; and 2. their inventory has dwindled drastically since 2014. As we shall see below, the market is inconsistent at best; and, in reality, it shows early signs of stalling. The cause? Buyers live in the past; and Sellers live in a too-distant future! Our conclusion will offer suggestions on how to reverse this dangerous trend.

A Glance to the East: As a preamble to our Gulf County data, let us quickly review St. George Island's. From 2014 to 2015, beachfront house sales on the island soared by 71% in numbers (31 sold in 2015, compared to 18 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).

How to Dissect the Market: Although they represent a continuous beach-line, the Cape/C-30/Indian Pass beaches should be broken down into five distinct market areas. Any attempt to batch them together would generate non-representative data. Here are the five areas: (1) Cape San Blas between the Trading Post Store and the State Park, (2) Cape San Blas between Stump Hole and the Trading Post Store, (3) Cape San Blas between the Main Land and Stump Hole, (4) C-30 and (5) Indian Pass. On a different subject, when reporting house sales prices, we divided the sales price by the number of bedrooms in the house. In short, our prices are "per bedroom sold". This approach reflects closely the house size and benefits.

### CAPE SAN BLAS BEACHFRONT HOUSE SALES

AREA	2014	2015	VARIATION
Stump to Trading Post	7	9	29%
Trading Post to State Park	10	6	-40%
Southern End	2	0	—
CR-30A	3	6	100%
Indian Pass	3	2	-33%
<b>TOTALS</b>	<b>25</b>	<b>23</b>	<b>-8%</b>

### CAPE SAN BLAS BEACHFRONT LOT SALES

AREA	2014	2015	VARIATION
Stump to Trading Post	7	5	-29%
Trading Post to State Park	17	7	-59%
Southern End	6	4	-33%
CR-30A	5	5	—
Indian Pass	5	3	-40%
<b>TOTALS</b>	<b>40</b>	<b>24</b>	<b>-40%</b>

### CAPE SAN BLAS CONDO & TOWNHOME SALES

AREA	2014	2015	VARIATION
Stump to Trading Post	2	2	0%
Trading Post to State Park	1	9	800%
Southern End	0	1	—
CR-30A	0	2	—
Indian Pass	0	0	—
<b>TOTALS</b>	<b>3</b>	<b>14</b>	<b>367%</b>

### CAPE SAN BLAS AVERAGE BEACHFRONT HOUSE SALE PRICE PER BEDROOM

AREA	2014	2015	VARIATION
Stump to Trading Post	\$135,930	\$154,590	14%
Trading Post to State Park	\$183,240	\$229,523	25%
Southern End	\$150,613	\$0	—
CR-30A	\$142,308	\$172,167	21%
Indian Pass	\$221,000	\$210,000	-5%

# Anchor's The Way

real estate news, trends and investment opportunities



Mexico Beach

Port St. Joe

Cape San Blas

Indian Pass

### CAPE SAN BLAS AVERAGE BEACHFRONT LOT SALE PRICE

AREA	2014	2015	VARIATION
Stump to Trading Post	\$200,857	\$340,400	69%
Trading Post to State Park	\$328,300	\$352,857	7%
Southern End	\$240,000	\$271,250	13%
CR-30A	\$219,500	\$324,000	48%
Indian Pass	\$200,200	\$185,933	-7%

### CAPE SAN BLAS AVERAGE CONDO & TOWNHOME SALE PRICE

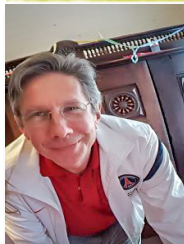
AREA	2014	2015	VARIATION
Stump to Trading Post	\$279,000	\$243,250	-13%
Trading Post to State Park	\$275,000	\$248,700	-10%
Southern End	\$0	\$255,000	—
CR-30A	\$0	\$270,000	—
Indian Pass	\$0	\$0	—

### INTERPRETING THE RAW DATA:

Between 2014 and 2015, beachfront lots sales went down substantially in numbers, a 40% drop (from 40 houses sold in 2014 down to 24 in 2015); and beachfront house sales registered a small regression of 8% (from 25 to 23). This slow-down in pace seems to have been driven by unsustainable price increases; indeed, during the same one-year interval, the average house price per bedroom went up 25%, from \$183,240 to \$229,523 in the Trading Post to State Park segment; and up 21% from \$142,308 to \$172,167 in the C-30 area. This theory is supported by the fact that the only utterly healthy beachfront market, the one of beachfront townhomes located between the Trading Post and the State Park registered a fabulous 800% increase in number of sales... BUT prices went DOWN 10%! Every pilot knows that trying to gain altitude too quickly results in a stall...which, in turn, results in a drastic loss in altitude. Replace altitude with price and you will get a good grasp of the dynamics of our market.

In closing, we have moderate reasons to rejoice unless sellers are willing to face reality. On the positive side, the market has recovered from the major downturn of 2005; 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. Yet, two problems remain. One is linked to the buyers; the other to the sellers. If Buyers keep hoping for distressed market prices; they are knocking at the wrong door...but buyers are not (yet) invested in our area. If they believe that we are over-priced, they will simply go elsewhere. Yet – and this is the fundamental difference between buyers and sellers – Sellers are invested in our area; and if the market crashes again, “invested” will turn into “stuck”. This is why, in our opinion, sellers must admit and accept the situation...and act accordingly. They must listen to professional REALTORS® and trust them. If Sellers fail to list at, and accept reasonable prices, then buyers will shy away from our market; thus creating another bubble that will lead to a new era of depressed prices. Before going to print, we checked sales figures for the first quarter of 2016. They unequivocally confirm our concerns: the annualized number of houses sold is stable at 24 (6 houses in 3 months); but with an annualized number of lots sold down to 16 from 24 in 2015 (a 33% drop), the market continues to slow down. Only one remedy is available: reasonable (meaning market-realistic) listing prices.

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



**Olivier Monod, CCIM**

(850) 899-7999

Olivier@AnchorFL.com

- Broker of the Anchor Companies since 1990
- Commercial and Residential Real Estate



**Suzy Kelly, REALTOR®**

(850) 227-8171

SuzyK@AnchorFL.com

- Resident of Gulf County
- Cape San Blas specialist