

## **Mobile Metro Residential Real Estate Shows Increasing Trend**

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### *Important Points:*

**Metro Mobile level of economic activity is the highest since 1990 (2005 dollars);**

**Mobile residential market is stabilizing after impact of Katrina;**

**Don't use national numbers to explain the local residential price changes;**

**Use local numbers produced by local sources for more accurate interpretation;**

**Use the annual price trend to explain changes in owner's value and equity.**

**Remember that price appreciation reached 18 percent after Katrina, and the current market is returning to normal.**

### *Numbers:*

**Projected annual economic growth in the Metro economy will reach 8.6-9.0% (2005 dollars). This projected level of economic performance is extremely strong;**

**In the past two years, average residential prices increased from \$148,569 to \$164,183 or +5.3% percent annually, and average days on the market dropped 14 days. Those properties selling required fewer days and experienced a healthy rate of appreciation;**

**In the past year, average sale prices increased 6.6 percent, + 9.03% annually in the past three years;**

**In 2007 quarter 2, the average sale price reached its highest level of \$164,183 equal to a 6.6% increase from the same quarter in the previous year. Between 2005 quarter 2 and 2007 quarter 2, the average sale price increased from \$148,569 to \$164,183, a change of 10.5% over 24 months, or +0.4% monthly. Concurrently, the average days on the market fell from 78 to 64, and the number of sales fell slightly from 1577 to 1497.**

**In sum, the Mobile residential market is returning to a normal trend in upward housing appreciation following a Katrina spike. Property sold has experienced healthy appreciation. Further, the economic projections show an increasing level of economic activity that will produce a higher level of market value.**

*Discussion:*

The **real story** on the metro Mobile residential real estate market includes three points. First, the local market is driven by economic activity that is flourishing from a very healthy diversification of the workforce. The significant loss in jobs and income in the manufacturing sector several years earlier has been more than replaced by increases in employment in other sectors. The total Non-Agriculture employment recently reached the highest level since 1990. Combine this with the level of personal income received by each industrial employment category, and Metro Mobile is experiencing currently the **highest level of economic activity since 1990 (in 2005 dollars).**

Our projection is that the local economy will continue to grow approximately 1.4-1.5% quarterly, or 5.6-6.0% annually in real dollars. Using an annual inflation rate of 3.0%, the projected rate of growth is approximately 8.6-9% percent.

This same strong projected economy has not yet factored in the influence of additional, higher paying jobs that have not arrived in the local workforce. Once included, the projected trend will take a jump to a new level and continue at a higher rate.

Second, **national housing statistics** constantly reported on the national news should not be used to explain local housing markets. The statistics quoted include regions such as Southern California, parts of Nevada, regions of the Northwest, regions of the Northeast, and Southern Florida, that exhibit significant swings in sales activity and prices. Further, Mobile is a Coastal market that should be compared to other similar Coastal regions.

The best and most accurate numbers are always *generated from local sources*. The data is larger in volume, can be edited with local knowledge, and is more frequent. For example, the USA Center for Real Estate Studies publishes regularly a number of reports on residential markets. Also, all residential real estate transactions *occur in a neighborhood subject to specific value influences like location*. The data can be monitored better at the local level.

Third, the **most important number is the annual appreciation rate**. Monthly and quarterly sales prices can bump home value up or down seasonally. Regardless, the consumer and owner wants to know the change in value and equity of their property relative to the trend over time. The most important number is the four-quarter appreciation rate. Differences between two sales prices in two quarters one year apart track that trend.

In 2007 quarter 2, the average sale price reached its highest level of \$164,183 representing 6.56% increase from the same quarter in the previous year. Between 2005 quarter 2 and 2007 quarter 2, the average sale price increased from \$148,569 to

\$164,183, a change of 10.5% over 24 months, or +0.4% monthly. Concurrently, the average days on the market fell from 78 to 64, and the number of sales fell slightly from 1577 to 1497.

In sum, the trend in housing appreciation has been upward, the average days on the market has fallen, and the numbers sold has fallen slightly relative to a previous high. Property sold has experienced good appreciation. Further, the economic projections show an increasing level of economic activity that will produce a higher level of market value.