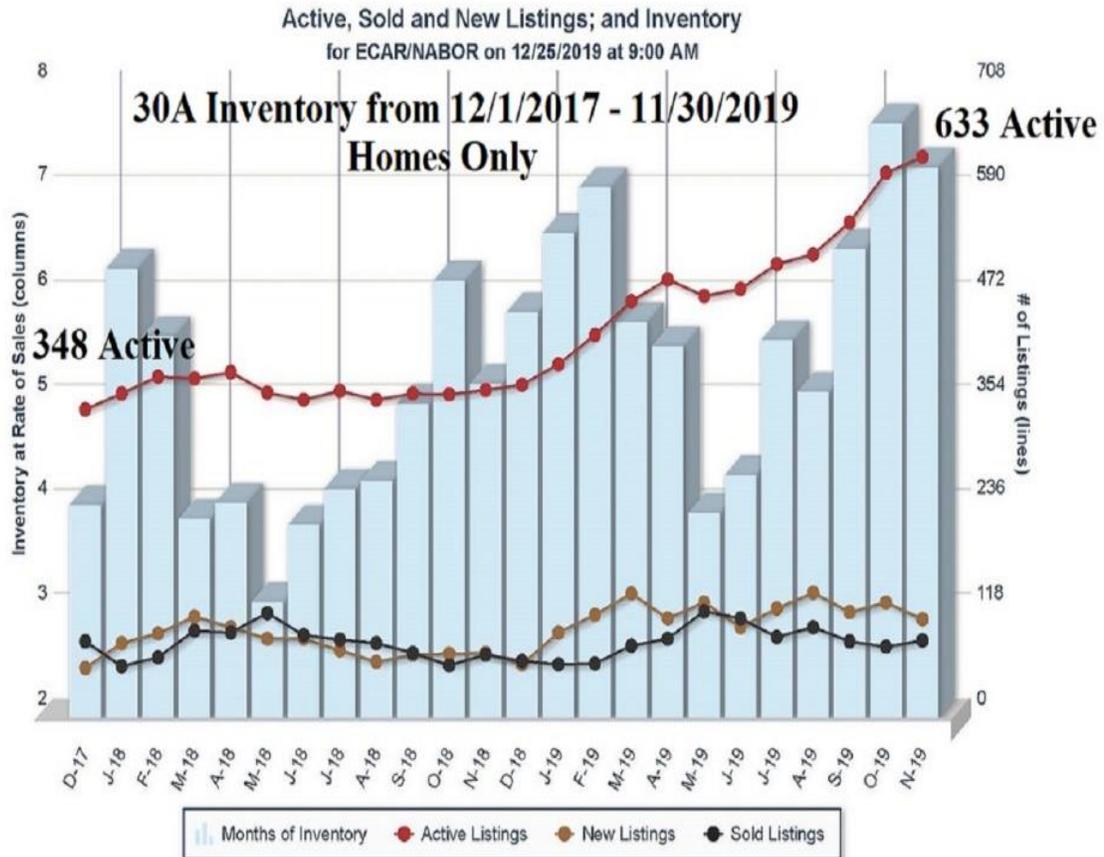


What Factors Influence Property Value Appreciation Along 30A

QUESTION: What influences property value appreciation along 30A?

Appreciation is a concept in real estate that defines the increase in property value due to certain factors that influence its rate. Factors like: economic trends, household finances and consumer confidence, all of which are major drivers for the appreciation property values.



Contributing facts to forecast:

- Inventory of homes on 30A has gone up 82% since December 2017
- Total 30A residential inventory 1,390 active listings, dollar volume \$1.8 Billion, average listing \$1,259,000
- There are currently 633 active homes as of 11/25/2019 and 282 homes were built in 2015 or later. This says 42% of active homes are almost new.
- There are 204 active homes built before 2004 and 90 of those homes have been on the market for over 180 days. This says 44% of homes built before 2004 have been on the market for over 6 months.
- Since 2013 there has been a 76% price appreciation in dollar sales or averaging a little over 10% annually.

What Factors Influence Property Value Appreciation Along 30A

- [Market Summary as of November 2019 30A East](#). Days on Market trending down to 89 days. Absorption rate trending down to 7.4 months. These are all positive indicators going forward.
- [Market Summary as of November 2019 30A West](#). Days on market trending up to 116 days. Absorption rate trending down to 8.65 months.
- [Year over year comparison 30A east and 30A west](#). Note average sell for 30A east home was \$1.3m. Average sale for 30A west home was \$875k.
- Totals sales dollars for 30A in 2019 was \$1,726,000,000. Total sales dollars for 30A east was \$1,294,000,000 or 75% of total 30A sales.

Skinny's forecast for 2020 sales dollars:

- 30A Sales Dollars up 3% this includes all sales, homes, condos, and land
- 30A total sales transactions up 4%
- 30A new homes (built in 2015 or later) up 6%
- 30A older homes (built before 2004) **down 7%**
- Watersound Beach up 15% for 2020
- Alys Beach up 12% for 2020
- Rosemary Beach up 8%
- Watercolor up 3%

Positive factors influencing property appreciation along 30A:

- Property location
- Cash Buyers (no mortgage necessary)
- Population Growth
- Inflation
- Supply & Demand
- Updates and upgrades
- Neighborhood comps
- Appraisal value
- Economy & Consumer Confidence

Property Location: **Scenic Hwy 30A** is Located in Northwest Florida, and South Walton is continually recognized as a premier destination that boasts 26 miles of sugar-white sand beaches, turquoise water and 16 acclaimed beachside neighborhoods, each with its own personality and style. In South Walton, luxury accommodations, challenging golf, eclectic shops, unique art galleries and award-winning dining are part of the area's distinctive character. Outdoor activities are abundant within the four state parks, a state forest, 15 rare coastal dune lakes and the Gulf of Mexico. South Walton is the perfect place to celebrate family traditions, create memories that last a lifetime and find your perfect beach. The area is known as a family drive destination, attracting tourists from across the Southern United States due to its close proximity. Many development

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communities similar to Seaside, Rosemary Beach®, Watercolor, and Watersound Beach are popular vacation communities along 30A.

Cash Buyers: Approximately 40% of all transactions along 30A since 2013 have been Cash Purchases. The *Rosemary Beach* zip code 32461 ranks as the 10th most expensive zip code in the state. **Most luxury buyers pay cash and do not require an appraisal and as a result they are used as comps for similar properties.** For example, the following properties sold to cash buyers and averaged over \$2,000 a square foot.

| Sold | Address: | Apx SqFt(Htd/Cooled): | BR | FB: | HB: | Year Built: | List Price: | Sold Price: | Price Per Sqft | Sold Date |
|------|---------------------------|-----------------------|----|-----|-----|-------------|-------------|-------------|----------------|------------|
| Sold | 24 S BRILAND Lane | 4,520 | 5 | 5 | 1 | 1998 | 14,500,000 | 12,500,000 | \$2,765.49 | 02/03/2017 |
| Sold | 141 HOPE TOWN Lane | 4,648 | 5 | 5 | 2 | 2000 | 10,900,000 | 10,200,000 | \$2,194.49 | 06/15/2016 |
| Sold | 2580 E County Hwy 30A | 4,446 | 4 | 4 | 2 | 2011 | 8,995,000 | 8,995,000 | \$2,023.17 | 10/15/2019 |
| Sold | 125 Hope Town Lane | 3,770 | 6 | 6 | 1 | 2002 | 8,400,000 | 8,200,000 | \$2,175.07 | 02/19/2019 |
| Sold | 409 E Water Street | 3,663 | 6 | 5 | 2 | 2002 | 7,650,000 | 7,350,000 | \$2,006.55 | 07/28/2017 |
| Sold | 2038 E COUNTY HIGHWAY 30A | 1,994 | 4 | 3 | 0 | 1997 | 4,700,000 | 4,185,000 | \$2,098.8 | 09/09/2016 |
| Sold | 2982 E Co Highway 30-A | 1,600 | 3 | 2 | 0 | 1965 | 4,500,000 | 4,100,000 | \$2,562.5 | 04/30/2018 |

Population Growth: The value of property increases when there are a huge number of consumers in the market. The population growth increases the demand for residential properties and this translates directly into appreciation in real estate rates. The increase in demand tends to increase the value of any property, as it compels consumers to buy.

Walton County is the #1 fastest growing County in the State of Florida, and the 6th in the Nation.

Inflation: Inflation is the result of an excessive amount of money in circulation, which causes money value to fall. Another aspect of inflation can be positive for investors - home buyers who invest in real estate can get good returns when selling at the time of inflation.

There is direct correlation between inflation, demand and price appreciation. In the economic dynamics, each of them plays their role for a price appreciation of the property. If there is increasing demand for homes in a certain area, property prices go up.

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The inflation rate is likely to end 2019 at 2.2% and then stabilize at around 2% through 2020. With inflation close to 2% and the economy stabilizing, the Federal Reserve is not likely to cut interest rates again for a while.

Some economists and investors had thought the Fed might cut rates further to boost inflation, but it seems to be paying more attention to how economic growth is doing.

In the real economy, there are a lot more factors that affect house prices and the correlation is not as prominent as in our example. One of the other major factors causing house prices to increase is interest rates. When interest rates are low, buying homes can be more affordable and increase the demand for homes. If the supply of homes remains constant and the demand increases, then the prices of homes will increase.

Among other factors, inflation could result in a rise in the price of property as the cost of a number of things, including the prices of land, construction materials, labor and legal building permits, go up. This is well known by developers in our area trying to develop new homes. Thus, inflation and demand for a property plays a significant role to determine the price appreciation.

Additionally other economists predict an average earnings growth of 2.8 percent and inflation of 2.5 percent 2018, according to a separate Reuter's poll. **U.S. house prices are then forecast to rise 4.3 percent next year and 3.6 percent in 2020.**

Supply and Demand: Supply and demand influences human behavior. Home buyers prefer locations which are sound in terms of infrastructure. Sometimes consumers are willing to pay more for a property because they find living in that location desirable: There are only 4 gulf front lots available for purchase along 30A. Therefore, with such a limited supply you can expect gulf front homes to continue to appreciate in the near future.

There are currently 226 active listings for area 30A east south side. The absorption rate is 11.3 months and the average sold days on market is 123 days. Click here for [Market Summary Report for 30A east south side](#). Inventory has doubled in the last two years. **This clearly shows the south side of 30A will slow down as supply continues to increase. The active average list price is 3.4 million for homes and the sold average price for homes is 1.9 million.**

A good way to understand if the market is "slowing" is to look at the average [Days on Market](#)—the amount of days a home is actively listed on the market. If similar homes in your neighborhood are taking longer to sell, that could signal lower demand. The longer your home sits on the market, the more time, effort, and costs you'll endure. Use our [selling cost calculator](#) to estimate the total cost of selling and the money you'll take home after the sale.

What Factors Influence Property Value Appreciation Along 30A

Updates and Upgrades: Most home buyers prefer a house that is move-in ready – and they are willing to pay a reasonable premium for that comfort. According to the National Association of Realtors, upgraded kitchens and bathrooms are among the most important upgrades cited by homebuyers because they represent a major expense (and headache) if the buyer has to upgrade them. It is easier and less expensive to renovate rather than purchase land and build new! **Many older homes are being renovated and sold at a premium price.**

Neighborhood Comps: Comparable properties, sometimes called “comps”, sold in your area also impact your own home’s market value. Appraisers and real estate agents look at recent sales of homes with similar features to use as a benchmark against your home’s potential price. Comps (along with offer details) are usually the key driver for the appraisal process: most appraisers will rely heavily on recent nearby transactions on homes of a similar size to yours.

Appraisal Value: The appraisal is the real estate industry’s formal process for pricing a property. All states require appraisers (for any federally regulated lender) be licensed or certified by an organization accredited by the Appraiser Qualifications Board (AQB). Whenever a loan is involved in the financing of a property purchase or home equity borrowing, an appraisal is almost always required. Most lenders won’t approve a loan for more than the appraised amount, so if the assessed value falls short the seller either needs to lower the price or the buyer needs to put extra money down to decrease the loan amount. However, many luxury homes along 30A are purchased with cash and do not require an appraisal. Luxury home buyers buy what they want and in many cases it’s the “WOW” factor regardless of price evaluation.

Economic Indicators: The strength of the overall economy significantly impacts the real estate market as consumers’ ability to support housing prices largely depends on key factors like GDP, unemployment, and income growth.

The University of Michigan's consumer sentiment for the US was revised slightly higher to 99.3 in December of 2019 from a preliminary of 99.2 and 96.8 in November. It is the highest reading since May and the second best in 2019. Current conditions were seen a bit more positive and inflation expectations declined. Consumer Confidence in the United States averaged 86.64 points from 1952 until 2019, reaching an all-time high of 111.40 points in January of 2000 and a record low of 51.70 points in May of 1980.

Consumer spending was at a rate of \$14.67 trillion as of the third quarter of 2019. The Bureau of Economic Analysis reports consumer spending at an annualized rate. That's so it can compare it to gross domestic product, which was \$21.53 trillion. Consumer spending made up 68% of the U.S. economy. Two-thirds of consumer spending is on services, such as housing and health care. Almost one-quarter is spent on non-durable goods, such as clothing and groceries. The rest is spent on durable goods, such as automobiles and appliances.

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From 2013 through 2017 there was a 76% increase in the Dollar Volume of Sales!



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In summary, based on the above mentioned contributing factors to property price appreciation the future looks good for many years to come.

Always consult you CPA