



**2008**

# State of the Market Report

The Ellis Team

RE/MAX Realty Group



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Last years report indicated sellers were in denial coming out of the 2005 market into 2006. 2007 continued those significant changes in the market we outlined last year. Prices continued to fall throughout 2007 and we can honestly say going into 2008 the market is much healthier because of it. This may seem like an oxymoron as much pain has been felt because of the market slowdown, but it was inevitable as the previous boom was not sustainable. We outlined positive and negative forces affecting the market last year, and we'll do so again this year.

Sellers last year blamed the tax assessor, their Realtor, their neighbor for selling too cheap, anybody in sight. This year most sellers grasp the gravity of the situation. Those who are able are willing to price their homes at fair market value. Some sellers owe more than market will bear for their home and just cannot afford to bring money to the closing table, so they either need to take property off the market or work with the bank as a short sale. Buyers are beginning to understand that home prices have fallen significantly and there are some good buys mixed in there, and are feeling their oats and stepping up to the plate. You don't hear the term "housing affordability crisis" anymore because there isn't one. Affordability is back in the market, and buyers are beginning to take advantage of tremendous buying opportunities they may not have next year. Some out of town sellers are still surprised when they hear the changes in value and they're shocked.

## Buyers in Denial This Year:

Everyone wants to know when we will hit rock bottom. You first have to examine what the bottom will look like. Many sellers picture a real estate bottom like a smooth river bed. On the way down it's a nice easy slope to the river's bottom, and all along the bottom is a nice smooth surface, and finally a nice smooth upward trend up the opposing river bank. We don't believe the SW Florida real estate market will be anything like that. Rather, we picture a rocky bottom, with jagged peaks and valleys, almost like a rough oyster bed. If you've ever walked or scraped up against an oyster bed, you know it's not pleasant. Not every property, even in a buyers market, is priced at the valley. But if you look skillfully enough, there are some pearls in that oyster bed, and buyers will find many bargains along the bottom. The stroll along the bottom in 2008 shouldn't be measured as a single point in time. It will be a journey, and we're not focusing on the rise to the top of the river bank anytime soon. The smart money focuses on the pearls within the rough bottom, and this is where opportunity truly exists.

Buyers are typically filled with two emotions; fear and greed. Some buyers will miss the pearls because they're afraid the market may go lower. Other buyers are greedy and are offering low ball offers on the pearls. Buyers should offer low balls on the over priced properties and scoop up the pearls. You make money in real estate on the Buy, rarely on the Sell.

Price swings due to inventory supply and economic conditions are nothing new, however recent times have been the most extreme. I would say more interesting to watch has been the effect on the credit markets. In boom times lenders are usually too loose with money, and in correction times they're usually too tight with it. Lenders are too tight now and we expect them to loosen some day in the future when the capital markets sort out the actual losses and what steps they can take to limit fraud and bad decisions going forward. Credit markets have had an impact on buyers who want to buy and just can't. They've also added additional closing costs and down payment requirements for some buyers, so it's a constant battle to stay on top of changing conditions.



# Market Overview Continued

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Inventory levels have leveled off. Builders have also sold off most of their existing inventory, eliminating some of the downward pricing pressure on the resale market. Builders are no longer willing to build new construction below cost. Selling existing inventory below costs was a temporary phenomenon to avoid keeping depreciating assets and carrying costs off their books

This season is different than the last two. The last two seasons were busts as buyers just were not interested. Today, buyers are making offers, for a variety of reasons. SW Florida is on sale, because prices have fallen on average 40%, making prices attractive once again. The foreign exchange rate is also helping foreign buyers buy here in Florida; US buyers now have to compete with foreign buyers for the best values. Property taxes are coming down, through legislative actions and simply because property values have fallen, which is helping with affordability as well. Property insurance rates are coming down as well. Lastly, economic conditions have provided for low interest rates. I really believe 2008 will be the year of the buyer, and buyers in 2009 may be sorry they didn't buy in 2008. Rarely do all these forces work at once, and when they do good things in real estate usually follow.

We predict 2008 will be a year of bouncing along the bottom. Even with all the positive news you would think make the real estate market would take off, we still have a large inventory of homes to work through, as well as a backlog of foreclosures. These two wild cards should temper the market and keep it from taking off for a little while. It's tough to say which forces will win out each month until a trend emerges. So we believe it's safe to say 2008 will be a year of tremendous buying opportunities, and statistically you'll see bounces up and down in an otherwise sideways market until we work down some inventory and the good news overpowers the oversupply of the past.

Foreclosures will actually be helpful to the market, as many short sales will turn into foreclosures. Only about 5% of the short sales were ever able to close, because competing lenders couldn't agree on who should take the loss, and lenders were slow to adjust to value or make decisions. Foreclosure sales involve only one seller, and the lender is forced to sell at today's value, making more properties truly available to sell. This will help sales instead of creating an useless backlog.

In this report we used a combination of MLS systems. MLS Alliance overstates active listings because it double counts certain listings listed in multiple MLS boards. We also used Florida Gulf Coast MLS as well as Sunshine MLS, and either used actual numbers from one of the sources and/or used other boards to corroborate integrity of the data's findings, if not the actual numbers. Actual listings on the market are somewhat less than is being reported here, but there was no better way to segregate out the data as the individual MLS places limits on how much can be downloaded and it was impossible to identify which listings were double counted.

For detailed information and in-depth reporting throughout the year, we offer our Blog located at <http://blog.topagent.com> In the Blog we're able to present topics and in-depth analysis along with charts and graphs to illustrate what we're seeing. Be sure to check out our website at [www.Topagent.com](http://www.Topagent.com) We have lots of detailed charts and housing statistics for you to view.

We also present timely information each week on our weekly radio show entitled "The Future of Real Estate" broadcast every Saturday at 11:00 AM on AM 1240 and AM 1270 throughout all of SW Florida.



# Current Market Activity Levels-Lee County

Current inventory rose steadily throughout 2007. Inventory levels have peaked recently, a trend we'll continue to monitor.

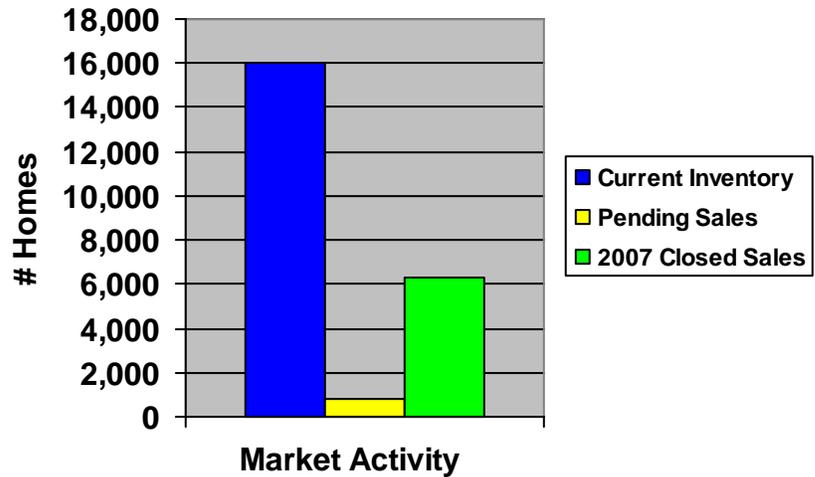
Foreclosures are rising, but many of those were already listed as short sales and may not add to inventory levels. Data as of January 19, 2008.

## Seasonality of the Market

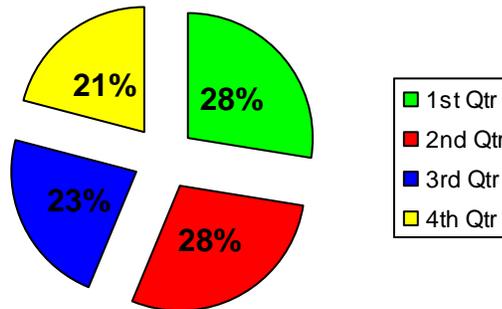
Sales in 2007 mirrored sales in 2006 by quarter.

Source MLS Alliance  
 MLS Alliance does contain some duplicate listings listed in multiple boards, so actual homes listed is somewhat smaller.

## Lee County Single Family Homes



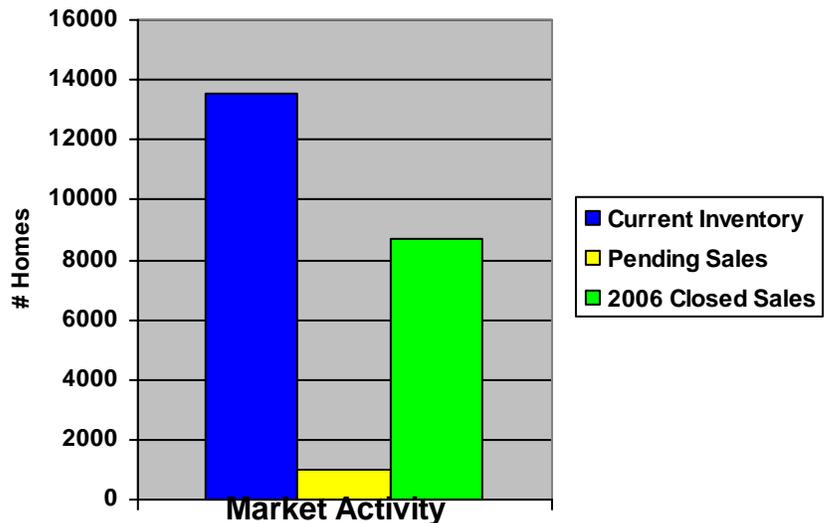
2007 Single Family Sales by Qtr



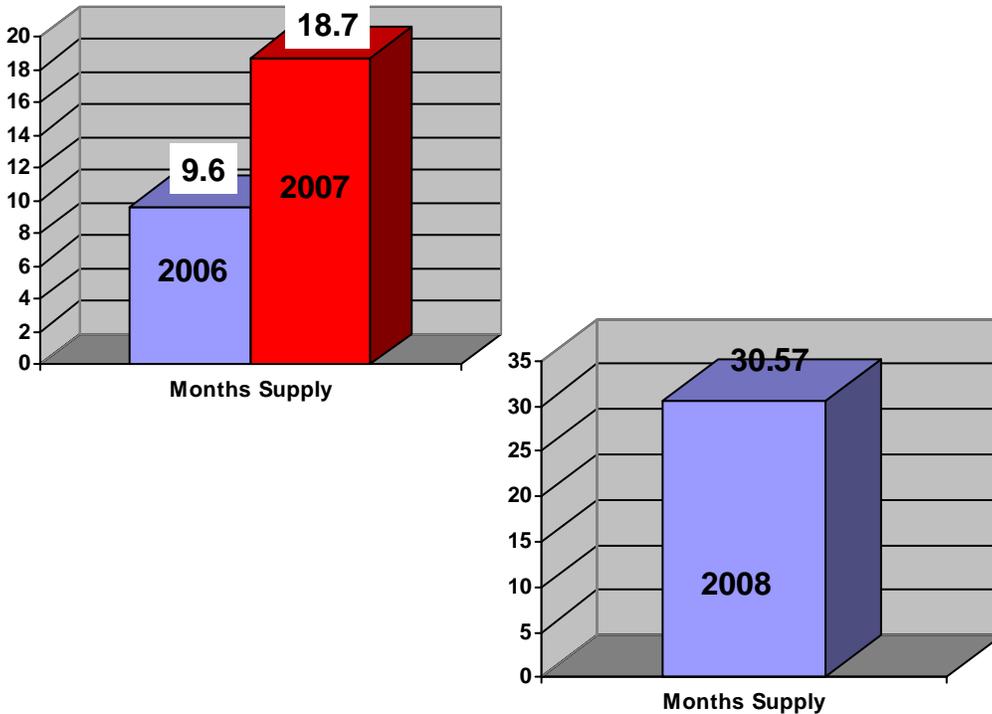
# Last Year Market Activity Levels-Lee County

As you can see from the two graphs, inventory increased in 2007 while closed sales decreased again in 2007.

## Lee County Single Family Homes

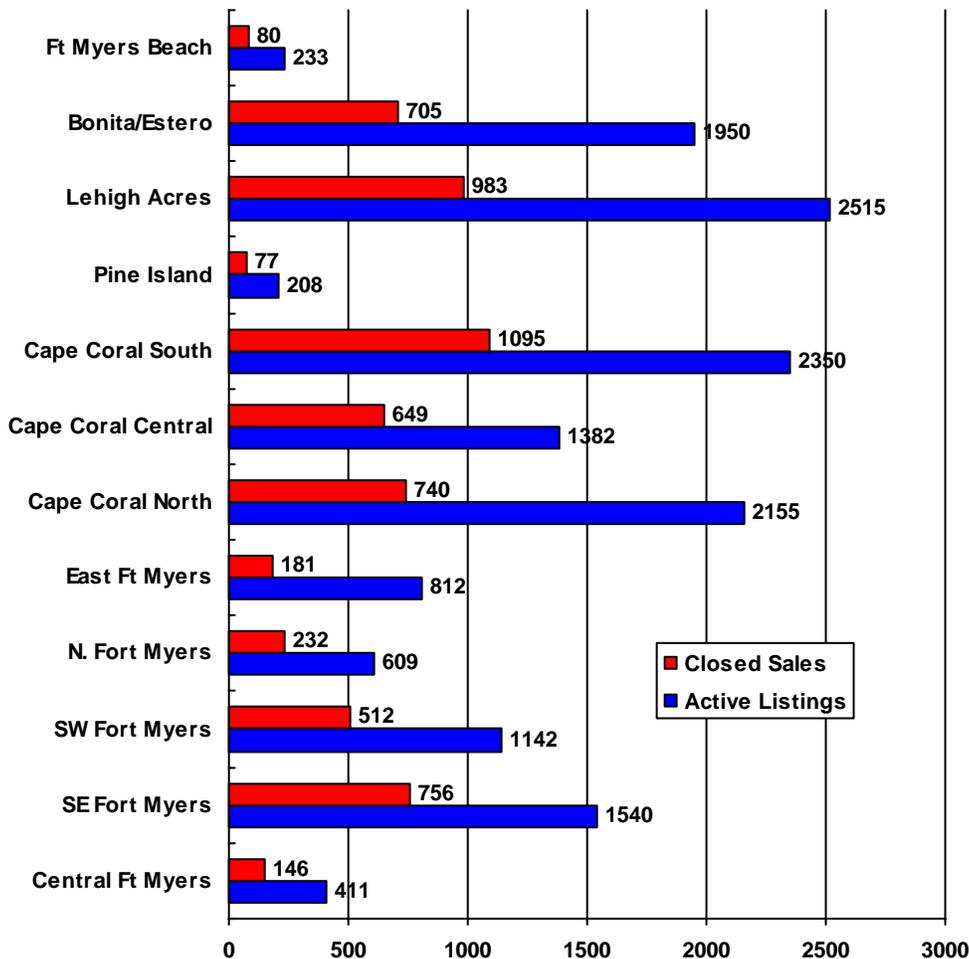


# Lee County Inventory Supply Single Family Homes



Listing inventory relative to sales swelled in 2007 to an almost 3 year supply of homes on the market. It has grown steadily since 2006 as closed sales have fallen, which is exactly why this market is in the shape it's in. Thank goodness pending sales and listing inventory have leveled off which could signal a bottom in 2008.

## Current Market Activity Levels by Area



Cape Coral again shows the largest amount of current inventory in the county, followed by Lehigh Acres.

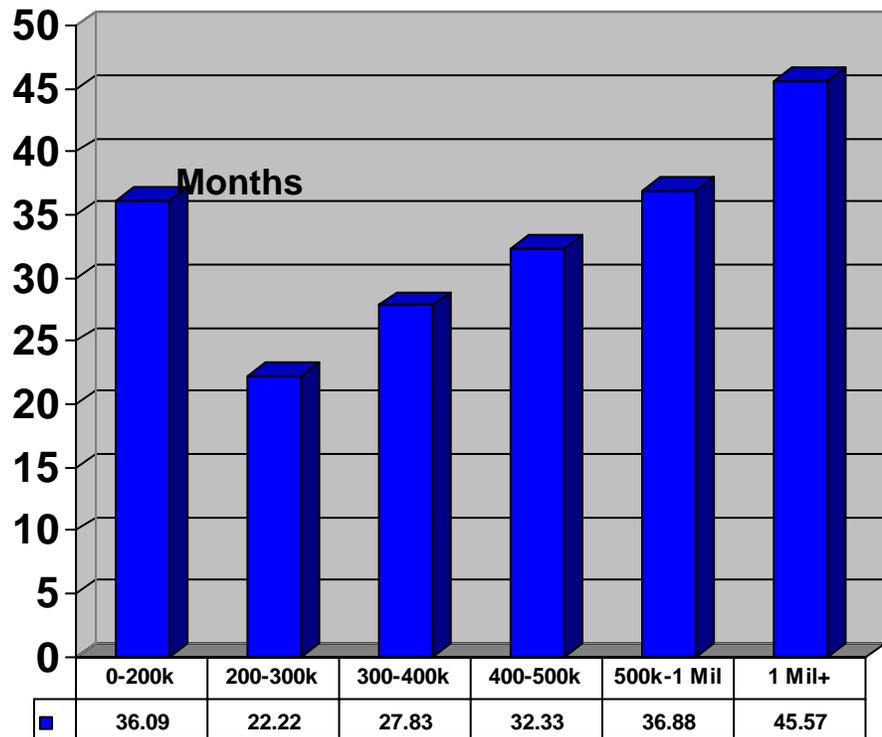
East Fort Myers has the highest level of inventory relative to sales.

See chart on Page 7



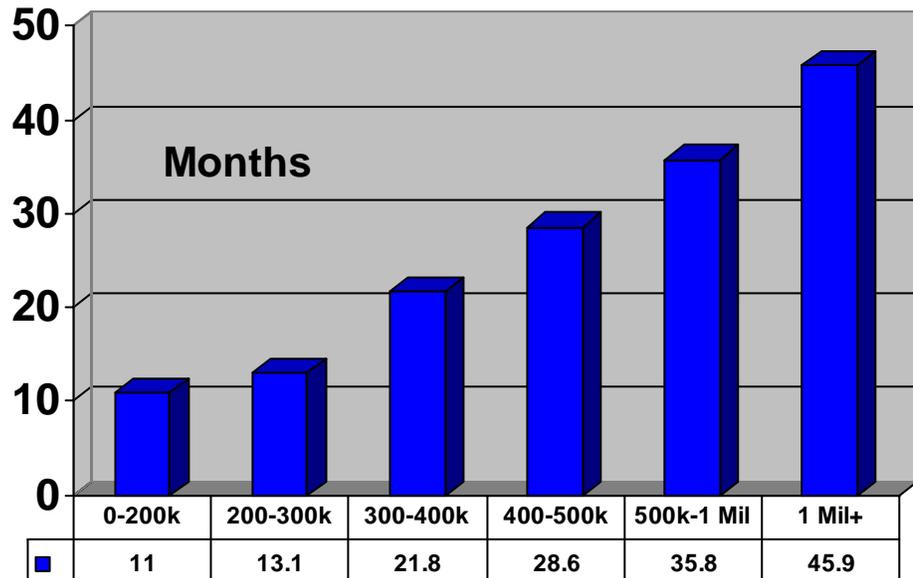
## Inventory Supply by Price Range 2008

Surprising to some is the fact that the 0-\$200k range is now higher than the Lee County average supply of 30.57 months. These same homes were priced in the \$200-300k and \$300-\$400k range in past few years and have dropped back into the lower category. First time home buyers are suffering as credit markets have tightened, and jobs have left the area. This is one of the areas we have an over supply due to investors.

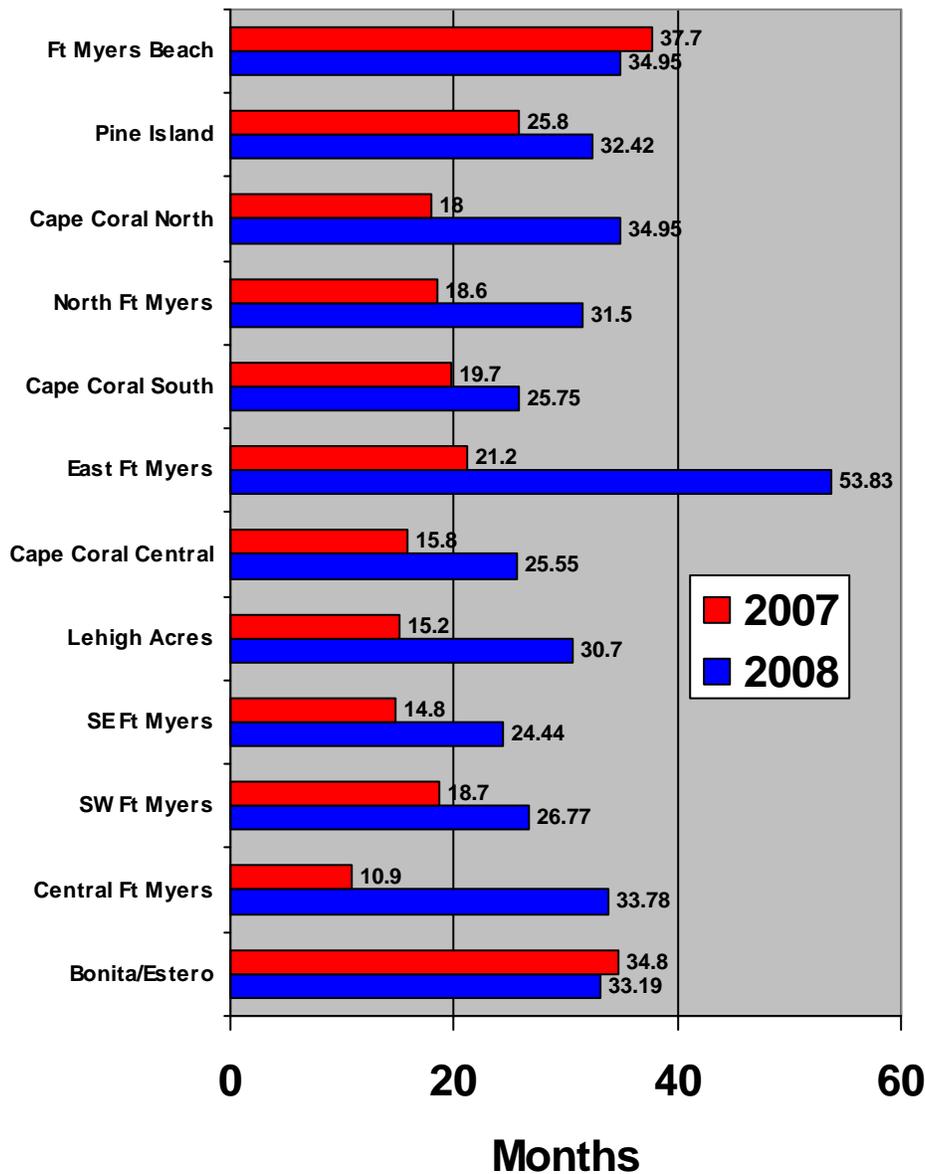


## Inventory Supply by Price Range 2007

As you can see from last year's graph, inventory levels have increased, especially in the 0-\$400k range. The \$500k + range has stayed almost exactly the same, unaffected by changes in the economy.



# Inventory Supply January 2008 Vs January 2007



Area	Zip Codes
Cape Coral North	33909, 33993
Cape Coral Central	33990, 33991
Cape Coral South	33914, 33904
North Fort Myers	33903, 33917, 33918
Central Fort Myers	33901, 33916
SE Fort Myers	33912, 33913, 33967
SW Fort Myers	33907, 33908, 33919
Lehigh Acres	33936, 33970, 33971, 33972
East Fort Myers	33905, 33920
Bonita/Estero	33928, 34133, 34134, 34135, 34136
Pine Island	33956, 33922, 33945
Fort Myers Beach	33931, 33932

Inventory levels on Fort Myers Beach actually dropped below last years level. Leading the way this year is East Fort Myers with a 53.83 month supply of homes on the market. This is not surprising as last year we illustrated how homes in East Fort Myers were listed 85.28% higher than the previous years sales. Which area looks to be the most over priced this year? Look at graph on Page 9

Lehigh Acres is actually priced below last years sales prices, and Cape Coral Central is priced just slightly above last years numbers. Will these two areas be the hot spots for sales, or is it an indication prices are in free-fall in these two areas? Chances are, it's telling us this is where the affordability is this year.

Source : FGC MLS

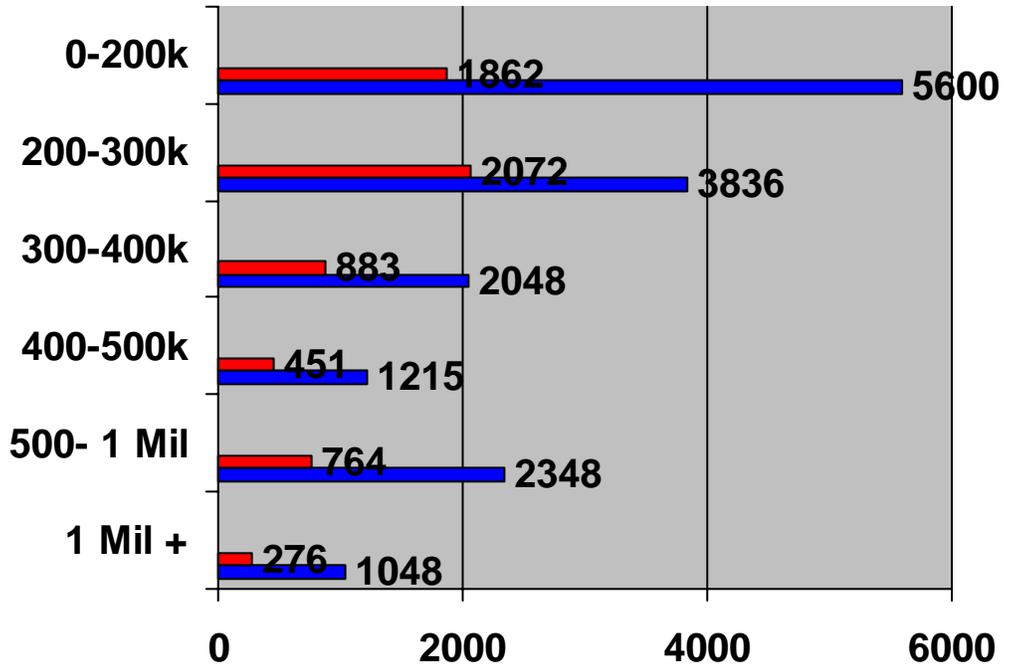


# Lee County Single Family Home Current Inventory

The \$0-\$200k price range shows the most inventory, followed by the \$200-300k range. This is the range where buyers are the most afraid to purchase for fear prices may go lower, and are experiencing the most financial trouble due to increased down payment requirements. FHA is stepping in to help this.

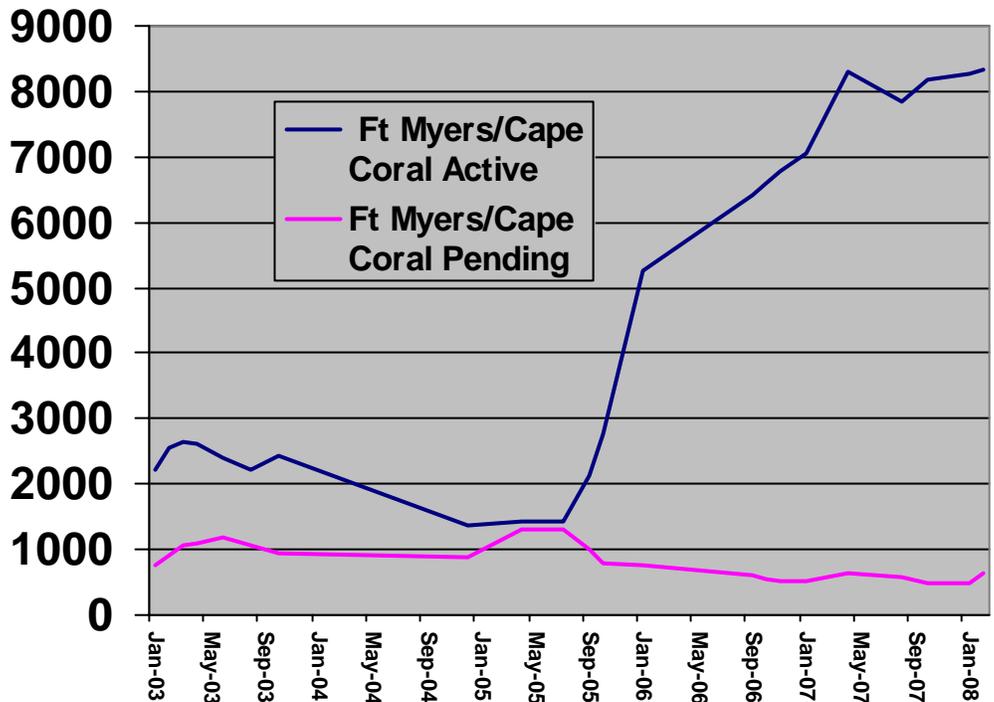
Buyers may not want to wait too long here as their maximum buying opportunity may be fast approaching, due to lower prices and low interest rates.

Source : FGC MLS

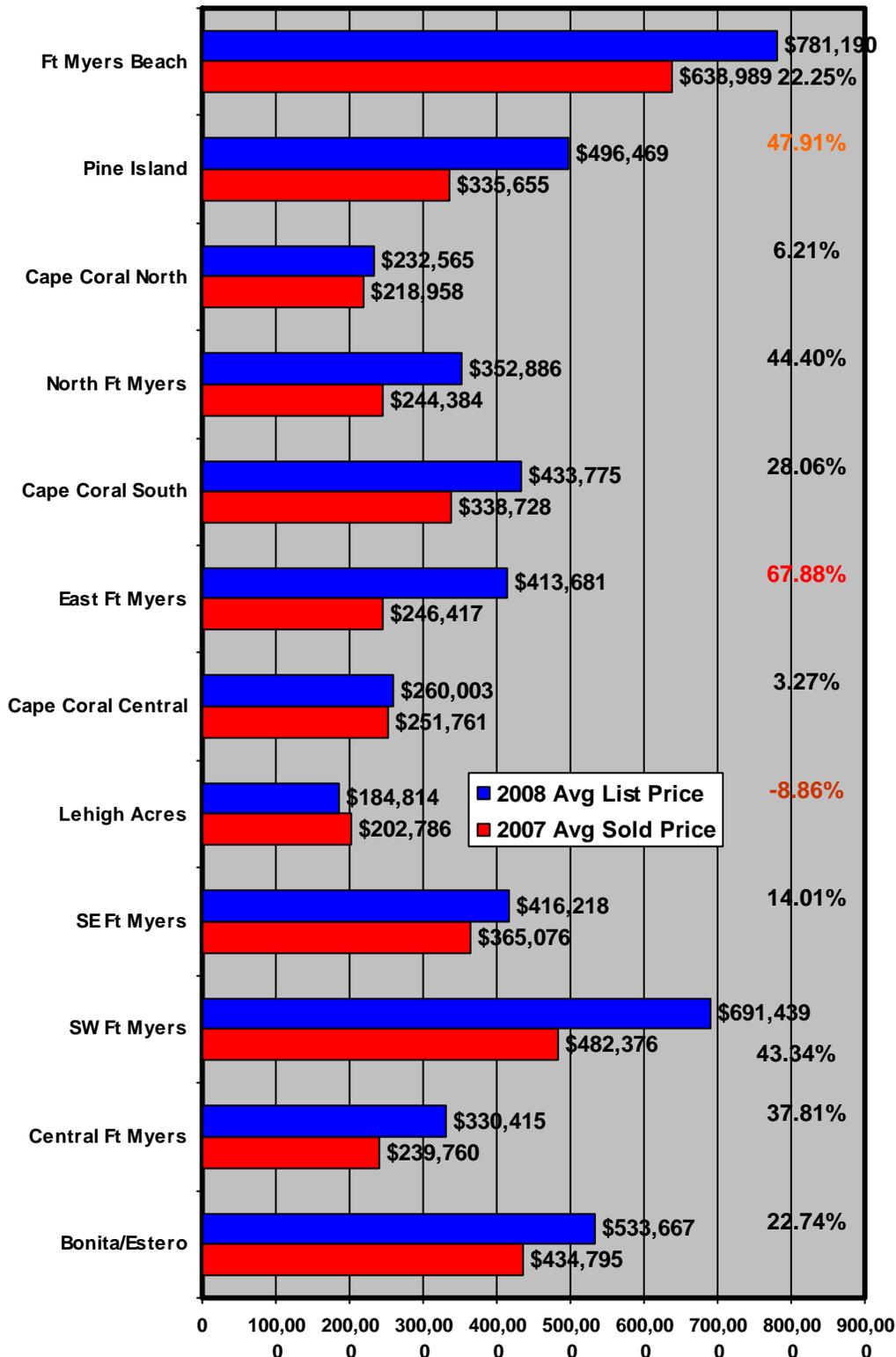


## Fort Myers, Cape Coral Inventory vs. Pending

As you can see from this chart dating back to 2003, virtually every home listed on the market in Mid 2005 was Pending under contract. As soon as a property hit the market, it was sold. As you can see, inventory levels may have peaked. When pending sales increase and inventory levels decrease, we'll officially call a Bottom to this market. If we were to show Overall Lee County numbers, chart would look identical with higher numbers.



# Lee County Avg Single Family Home 2008 List Price Vs. 2007 Sale Price



This chart illustrates, by area, where the average buyer was in terms of price in 2007 vs. where the average seller is today in price.

Sellers in Lehigh Acres are offering their homes today at the best value by asking 8.86% less this year than last years sales prices, a trend we have not seen before, while sellers in East Ft Myers and Pine Island are the farthest apart in % terms. This may be due to short sales and foreclosures in Lehigh Acres.

This chart is not statistically significant, however, it is interesting to view raw data, and it was helpful in predicting slower sales for East Fort Myers last year. Again, be careful not to draw too much from this chart, as the average home on the market today may be different than the type of home available for sale in the past. IE waterfront, etc.



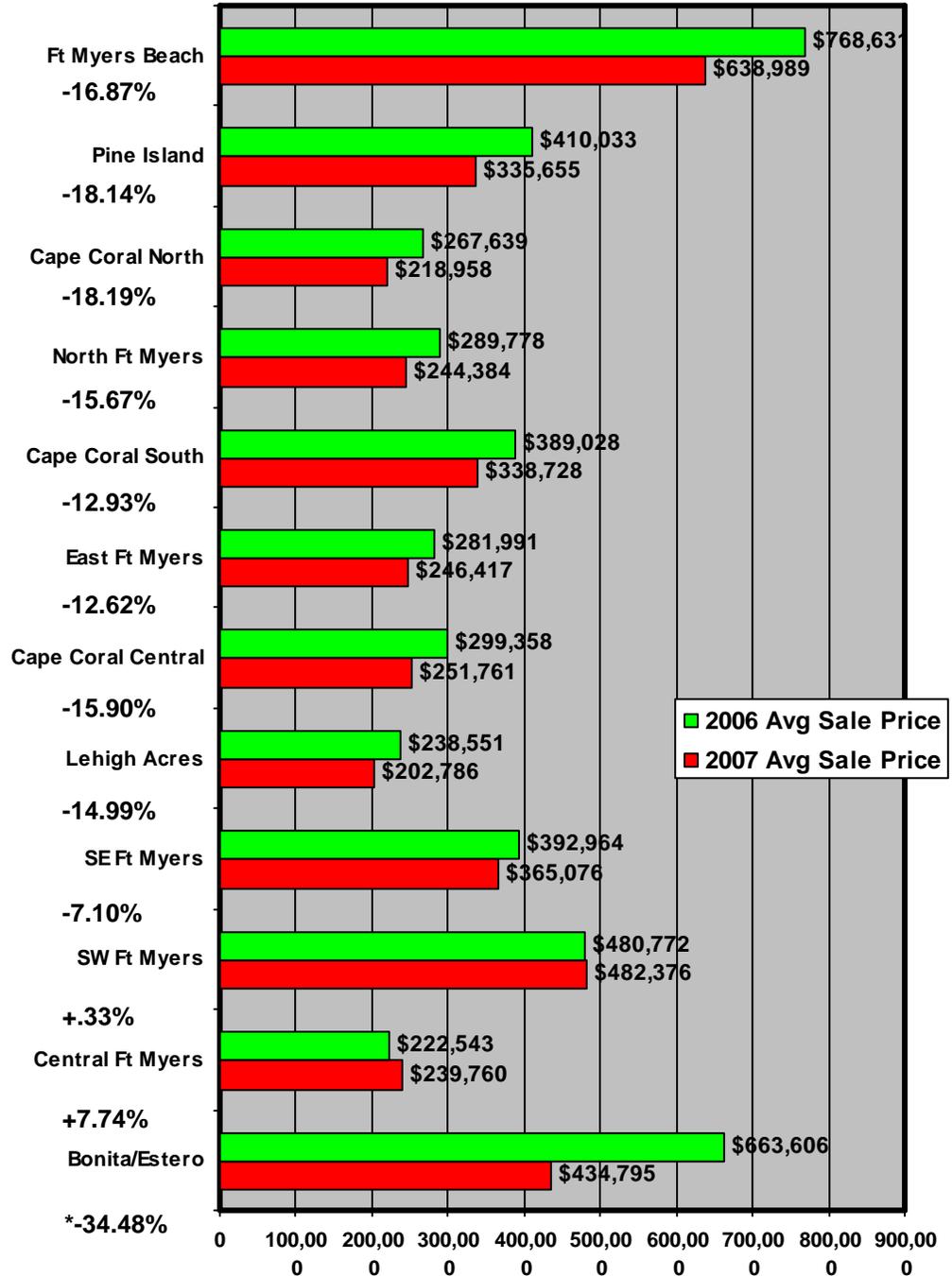
# Lee County Avg Single Family Home 2007 Sale Price Vs 2006

This chart illustrates how each area did price wise in 2007 Vs. 2006. Keep in mind these are averages, and prices were rising most of 2005 and falling most of 2006 and all of 2007, and each year is an average of the entire year.

Prices held steady in SW Fort Myers. Last year we predicted a fall in Bonita/Estero Sales prices, and by this chart it looks as though Bonita/Estero was the hardest hit, although Sunshine MLS paints higher sales numbers, but a similar declining median price trend line in %.

Judging by this years numbers, we can predict East Fort Myers may be in for a fall this year, See charts on Pg 7 and Pg. 9.

Not all sellers are pricing their homes where the actual market is, and this is why we have 16,000+ homes on the market. If you're priced over the market, your home isn't really on the market. It's just a number. Pricing today is critical. The buyers who are buying do not want to overpay.

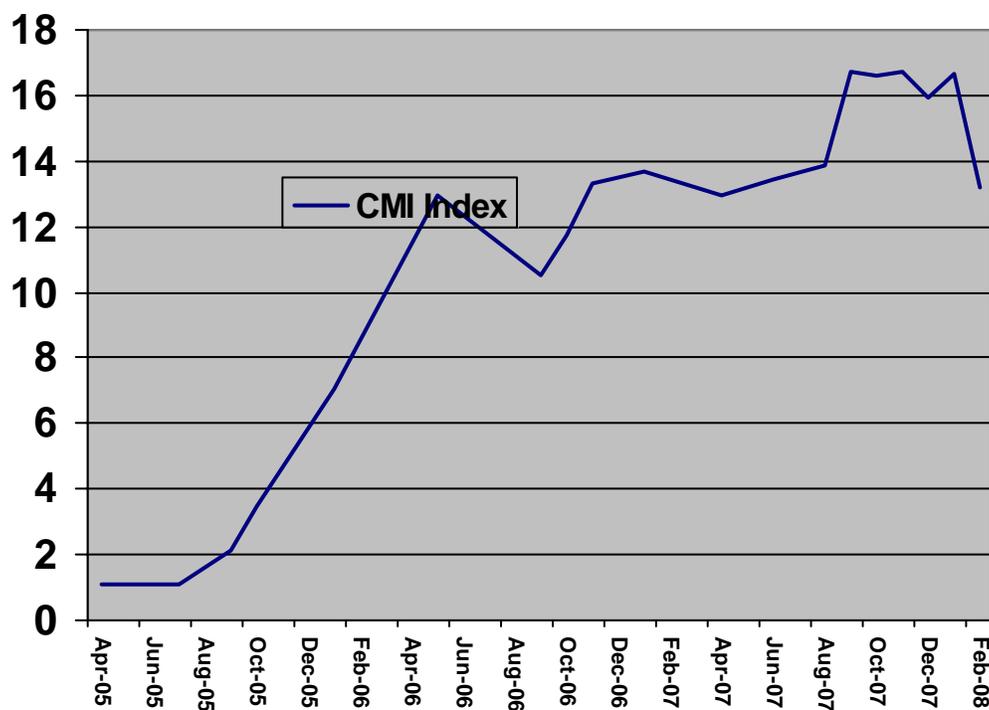


## Yearly Number of Agents - Primary MLS Board—Ft. Myers

Year	# Agents
July 1998	1,178
July 1999	1,734
July 2000	1,870
July 2001	2,002
July 2002	2,257
July 2003	2,735
July 2004	3,623
July 2005	4,660
July 2006	5,884
January 2007	5,157
January 2008	3,959

As predicted, the number of SW Florida real estate agents dropped from its peak in January of 2006. As you can see from the chart on Pg 12, sales transactions have fallen significantly, so it stands to reason less agents are needed. It can be argued that we've always had too many agents, and you can see from this chart that we've more than doubled agents since 2002. Entire companies are going out of business because the cost of real estate brokerage is so expensive. The average agent conducts less than 1 transaction per year.

## Current Market Index



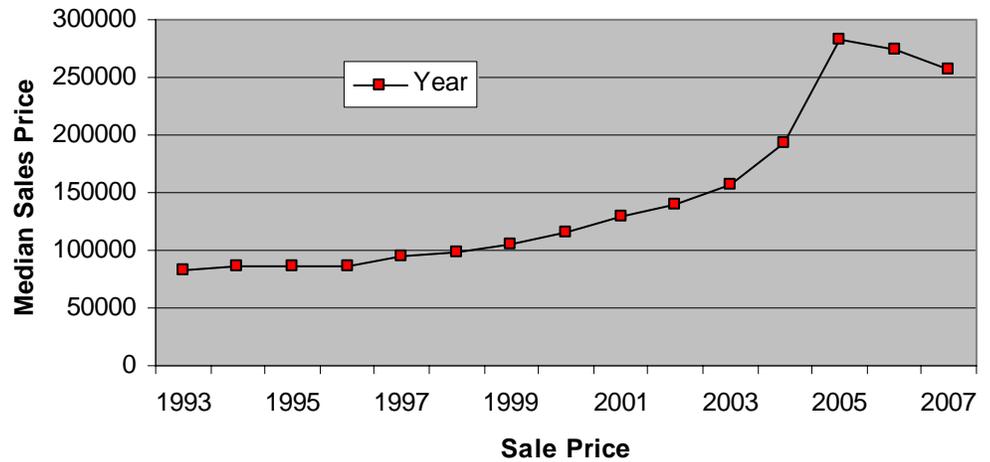
The Ellis Team developed the Current Market Index years ago, which accurately helps us predict future directions in the market.

The higher the CMI Index, the more inventory there is relative to current sales activity. The higher the number, the better the market is for buyers, and the lower the number the better the market is for sellers. As you can see, we are in a buyers market right now, but the numbers are improving..



## Fort Myers/Cape Coral Year End Prices

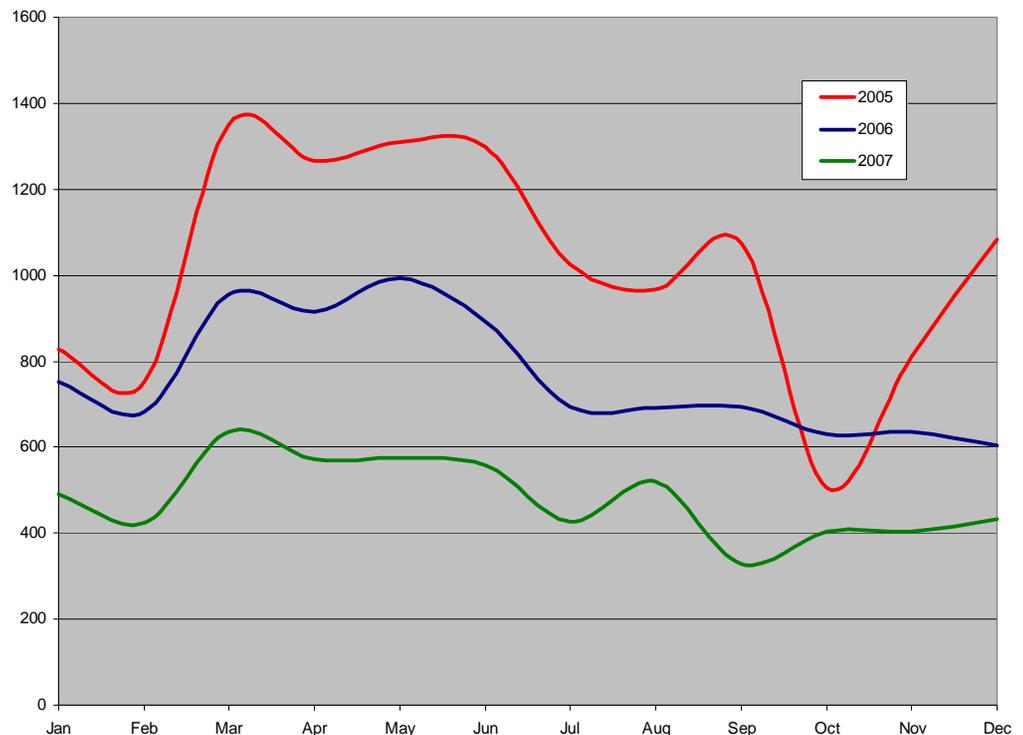
Prices were relatively stagnant from 1993 through 1996. The market began its move in 1997, and really started accelerating in 2001. We reached Hyper-speed in 2004 and 2005. The market retracted in 2006 as it got ahead of itself. Two Years ago we predicted 2006 would be a year of transition and correction, and it was. Last year we predicted once the SW Florida real estate market finds its level, we expect a flattening to a more normal growth cycle before picking up to more robust levels again in 2009. This prediction from last year's report still seems the most feasible.



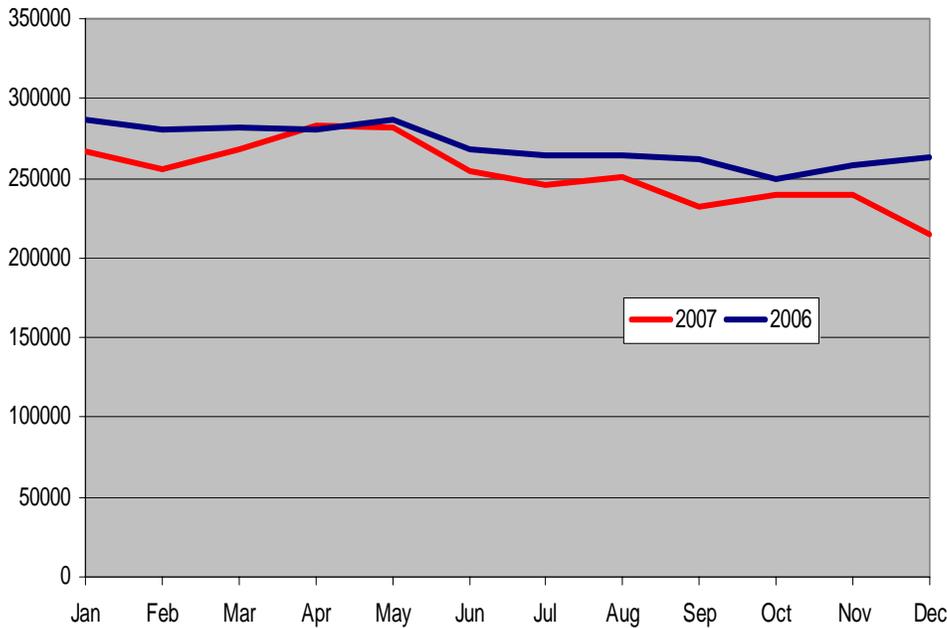
## Monthly Sales by Year Ft Myers/Cape Coral MSA

Housing sales have leveled off, and may begin picking up steam once buyers realize the bottom is here or near. Short sales haven't been particularly successful, but foreclosure sales will be and we expect sales to pick up as more and more homes are realistically priced and truly available to be sold. Most short sales cannot ever sell.

[www.topagent.com/housestat.htm](http://www.topagent.com/housestat.htm)

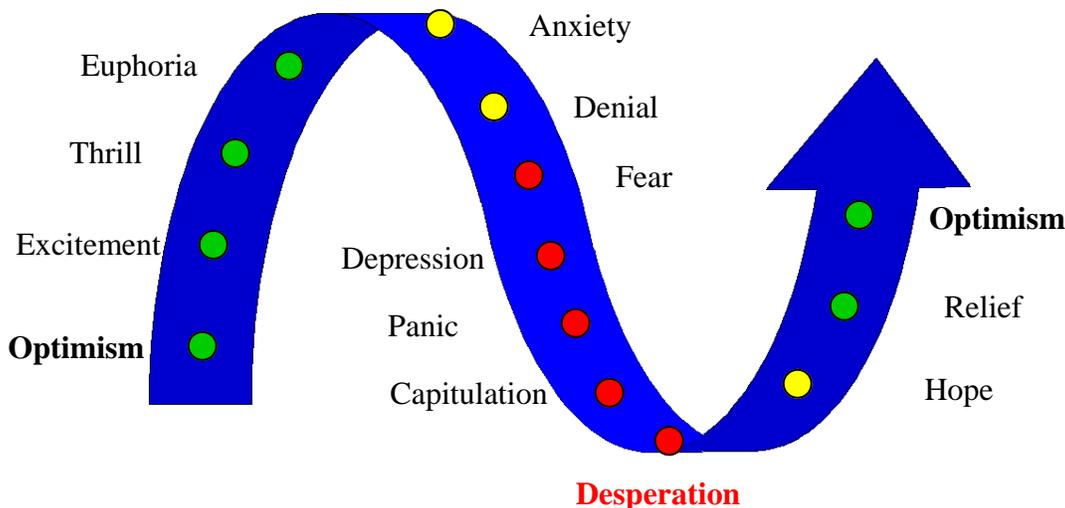


## Change in Median Price Lee County



As you can see from this chart, prices rose early in 2007 and caught 2006 prices, before giving way to further price declines. Once season ended, sellers became fearful as prices fell. For some sellers, market values dipped below what they owed on their property, making it increasingly difficult for those sellers to sell. Buyers were not highly motivated to buy last year as they were fearful prices could fall lower. Buyers and sellers share fear in common in April of 2007. Many sellers are at the point of desperation now, and some buyers are hopeful the market has bottomed.

## Emotional Housing Cycle



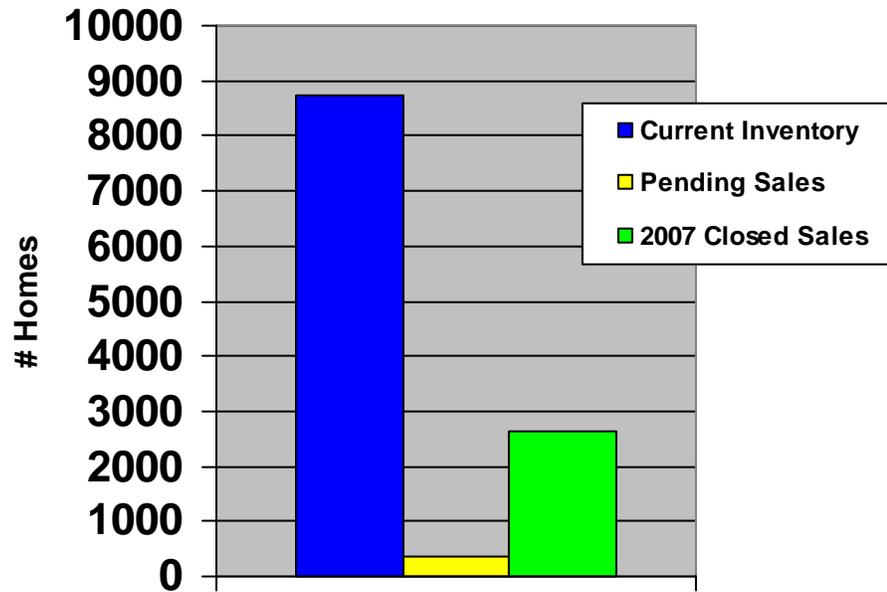
For years SW Florida experienced very slow but steady growth. We're sure many sellers can relate to this chart. Depending on your unique situation, you could fall in many places on this chart. We think the average seller falls somewhere close to capitulation or desperation. If true, hope is just around the corner, however it may be awhile until we reach the optimism cycle once again.



## Lee County Condo Market-Current Market Activity

As you can see from this chart, condo inventory in Lee County is somewhat higher this year than single family homes. (See Pg 4) It is actually better than it used to be, as condo sellers were forced to make price corrections in the past year. Those price corrections are working..

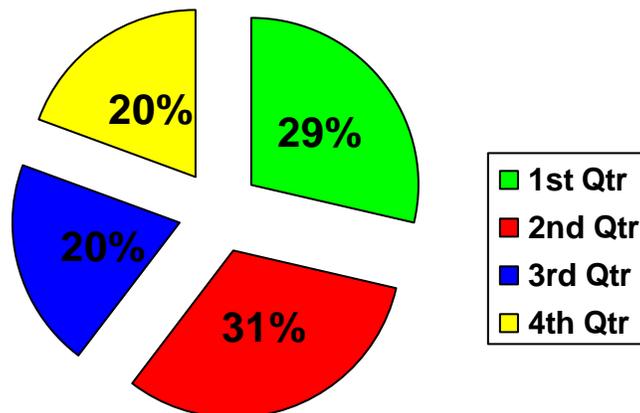
Condo prices may still have a bit further to go, but at least condo sellers have become more realistic and are catching up to single family home sellers who have led the way in price reductions.



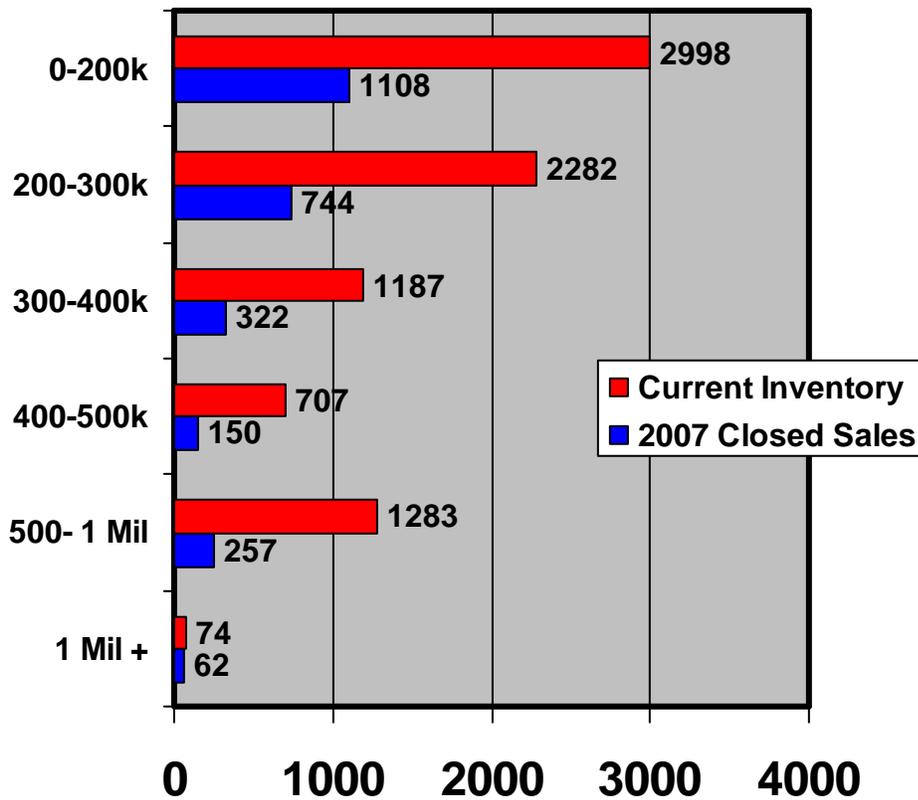
Market Activity

## Condo Sales by Quarter 2007

Condo sales are much more seasonal than single family home sales. About 60% of all condo sales occurred in the first half of the year. If you're going to sell a condo in Lee County, you better do it in season, as unsuccessful condo sellers may be forced to reduce prices if they miss a buyer in season.

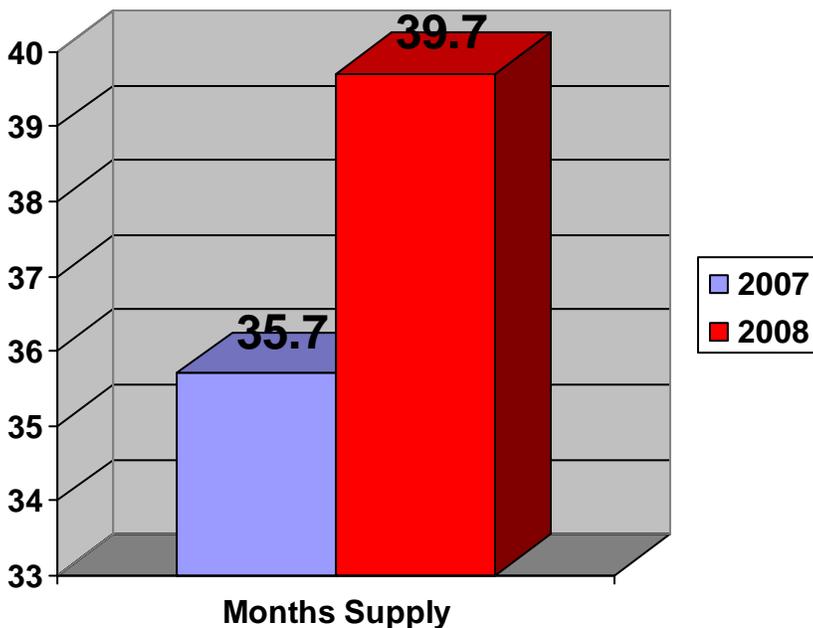


## Lee County Condo Sales By Price Range 2007



The two strongest price ranges for condo sales in Lee County are the 0-\$200K and the over \$1 Million range. The 0-\$200k range has slightly over a 2 year supply of condos on the market, while the \$1mil+ has only about 1 year supply. Most of the other price ranges are closer to 4 year supply.

## Lee County Current Condo Inventory Supply 2008



Inventory levels are as high as we have ever seen them for condos in Lee County. We just don't have enough end users for the oversupply of condos that were built for investors.

As predicted, high rise tower condominium unit owners have been the hardest hit, as this is where we saw the fewest end users and the most investors.

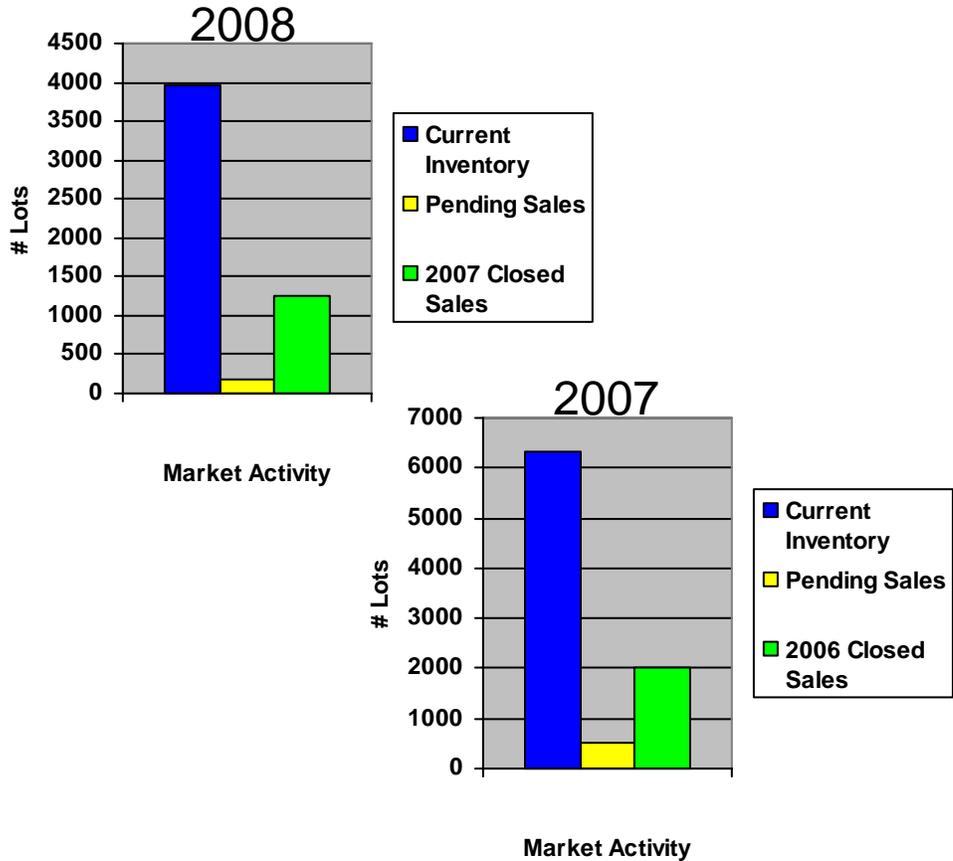


# Lehigh Lots

Lot sales affect the price of homes, as builders buy finished lots and build homes. As builders have faced increased pressure on final sale prices, they have been willing to pay less for finished lots. It's no coincidence lot prices started dropping just as the market topped. Flippers have also stopped buying lots, which has added downward pricing pressure on lots.

While we illustrate Lehigh Acres, the same phenomenon is true in Cape Coral as well.

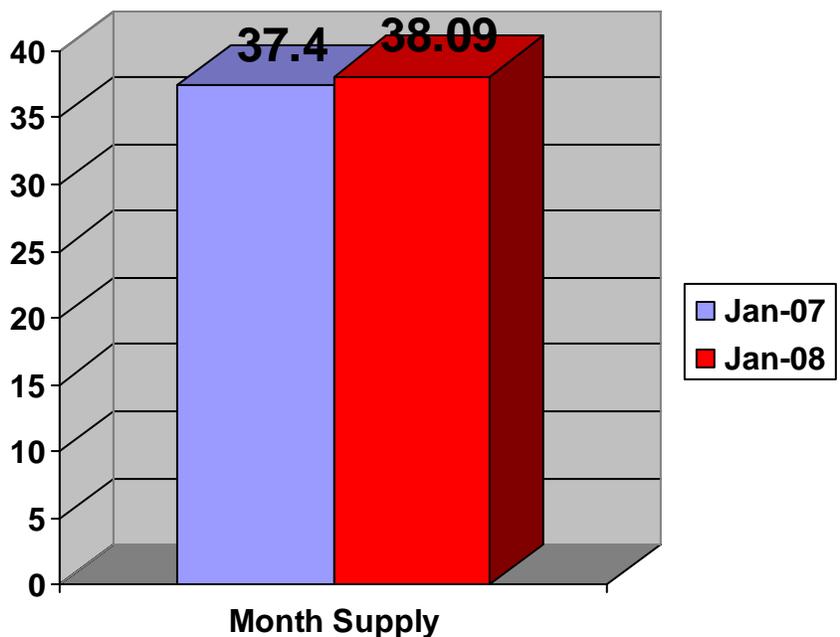
Building permits have all but dried up in Lee County.



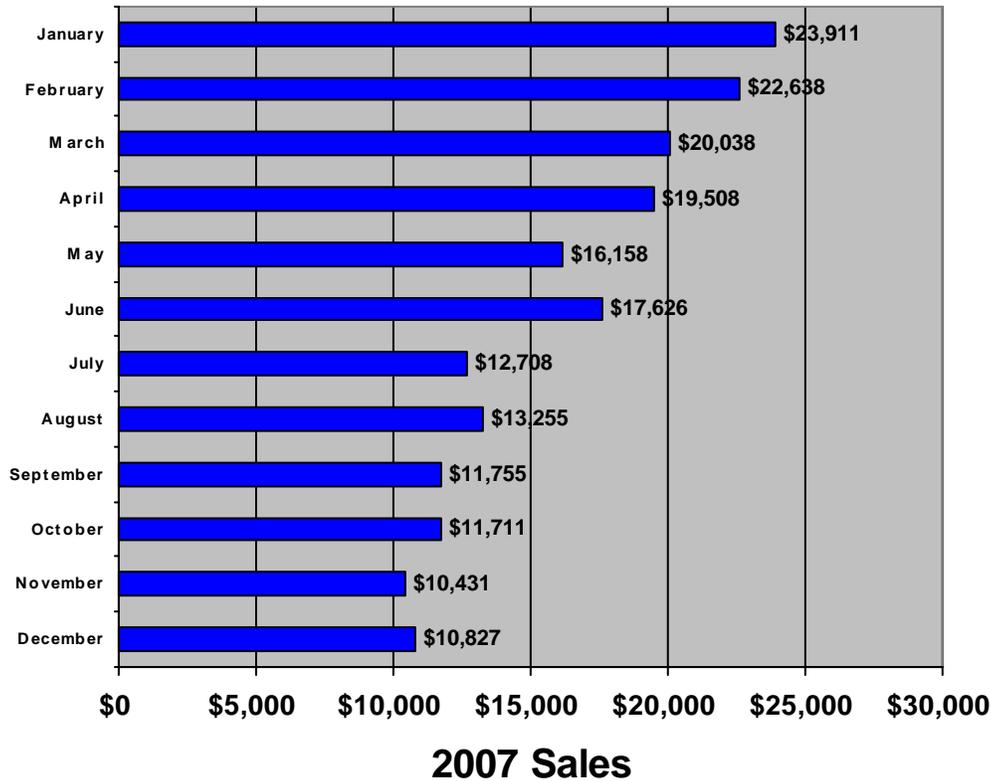
# Lehigh Lots Current Inventory Supply

Lot inventory has swelled as lot sales have fallen off in Lehigh. (See top of Pg 18) Builders just don't need to purchase lots as they have inventory of lots and unsold homes, and builders are not purchasing lots to build spec homes.

End users now have much more resale homes to choose from, and because impact fees have risen dramatically, there isn't much incentive for them to build.



## Lehigh Lot Prices 2007



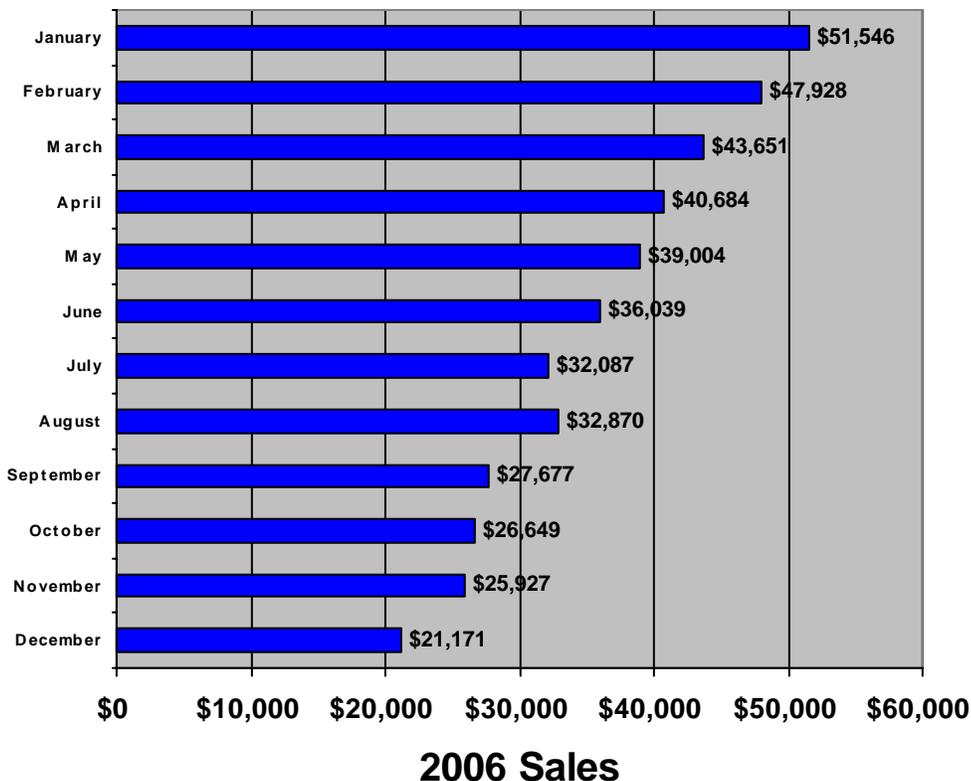
Lehigh lot prices rose until October 2005, then began a steady descent.

Average Lehigh lot prices declined practically every month once again in 2007

Includes all size residential Lehigh Lots.

Source: **FGC MLS**

## Lehigh Lot Prices 2006

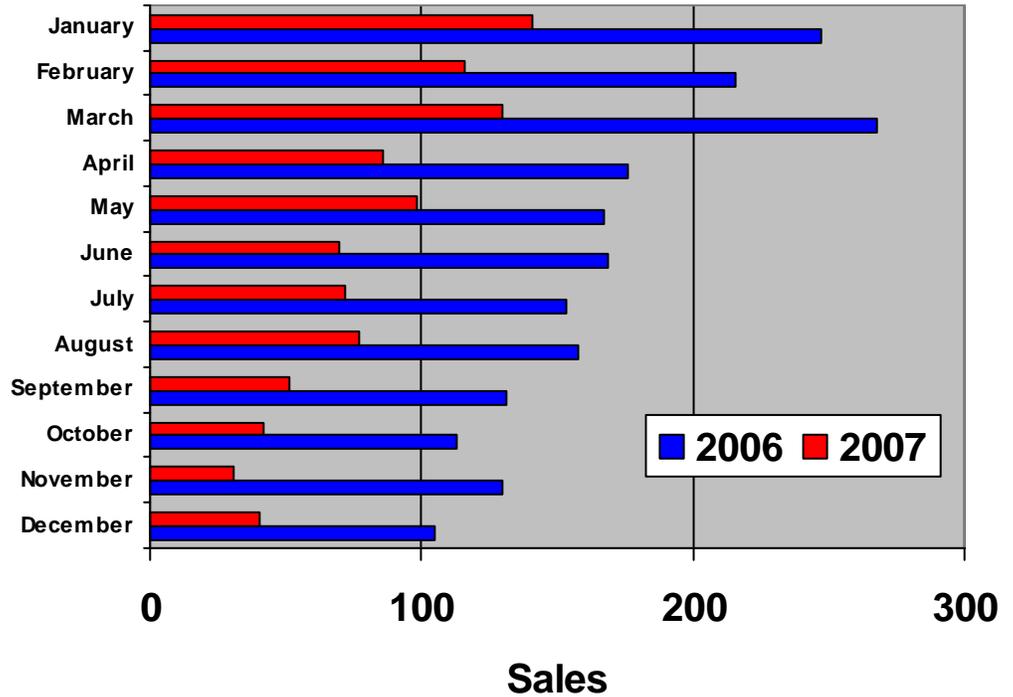


Average Lehigh lot prices declined practically every month in 2006 except for August. Sellers and investors are dumping lots as they realize prices are no longer going up, while property taxes are.



# Lehigh Lot Sales 2006 vs 2007

As you can see from this chart, lot sales have declined drastically in 2006, and even more so from 2005 levels as investors are no longer buying lots to flip. In fact, many investors have been caught short and can no longer sell their lot for what they paid for it. (See chart Pg 17)

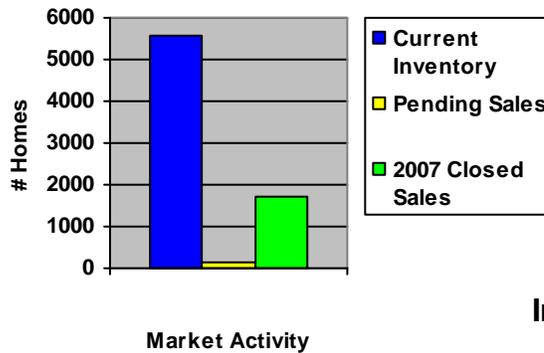


# Collier County

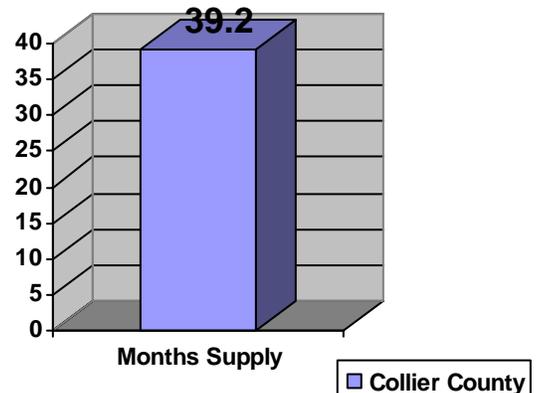
While we won't illustrate all the Collier County submarkets, we believe relative inventory levels in Collier County are much higher than Lee County, (See top Pg 4 & 5). We zeroed in on Greater Naples area and disregarded outlying areas such as Marco Island.

Source: Sunshine MLS

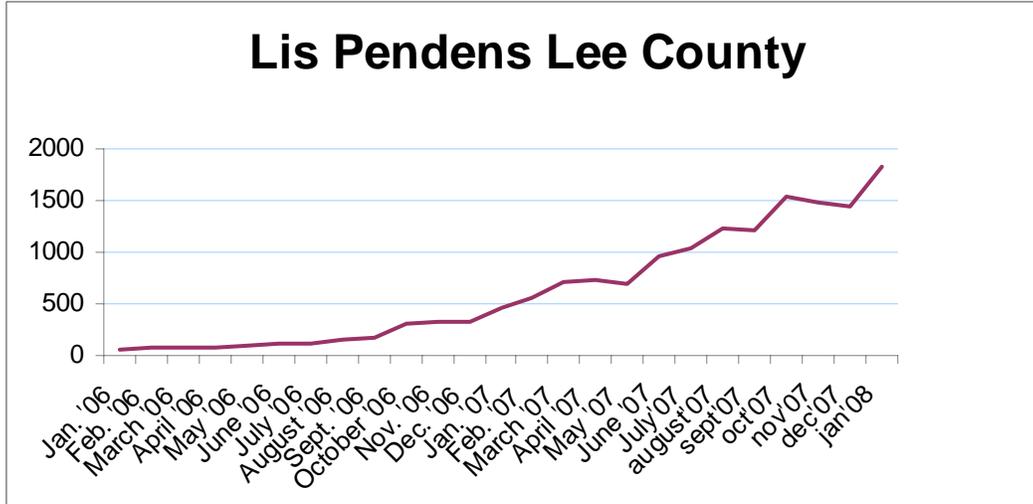
## Collier County Single Family Homes



## Collier County Current Inventory Supply Single Family Homes 2007



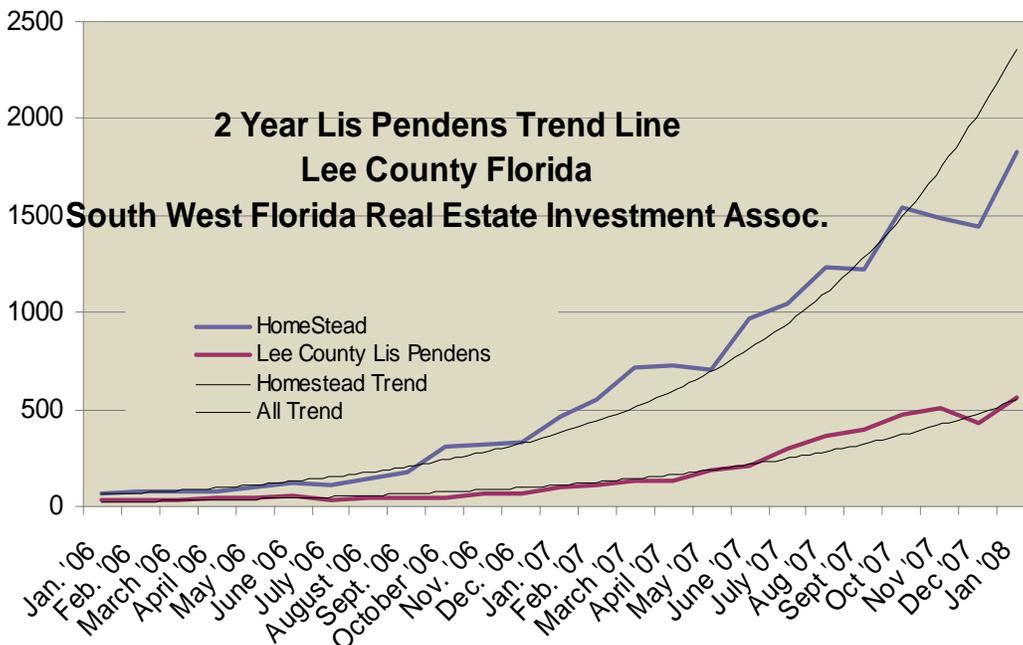
# Lee County Foreclosure Filings



Total Lis Pendens filings in Lee County increased dramatically, primarily because investors defaulted on loans when the value decreased below what they owed on the property.

Source: **Jeff Tumbarello**  
**SW Florida Real Estate Investors Association**

# Breakdown of Lis Pendens Filings



This chart separates the homesteaded properties from the total foreclosure filings. Both are rising as SW Florida has suffered job losses due to the real estate slowdown. We believe that most investors have already defaulted, and it's simply a matter of time before foreclosures peak, as it takes time to work through the legal system.





Sande Ellis  
ABR, CCIM, CRP, CRS, GRI



Brett Ellis  
CRS, E-PRO, GRI



The Ellis Team is well known and respected throughout the real estate industry. They are on the forefront of marketing trends and the real estate market in Southwest Florida.

Brett Ellis is a popular speaker at many state and national conventions, and is also a sales trainer and coach to agents across the world. He compiles cutting edge market share statistics and trends for the annual *State of the Market Report*, and *The Future of Real Estate* radio show, TV stations, and newspapers. By keeping abreast of developments in our regional market the Ellis Team provides exceptional service for their buyer and sellers. With over 90 years of combined experience, the Ellis Team has become the source people turn to for accurate and up to date information regarding the sale and purchase of real estate throughout the country.

Each week The Ellis Team presents *The Future of Real Estate* a weekly radio program designed to keep Lee County residents and Realtors informed of all important movements in the real estate world. The show can be heard live Saturday's at 11:00 AM on WINK AM 1240 and 1270 throughout SW Florida. It can also be heard online at [www.Topagent.com](http://www.Topagent.com), and you can subscribe to the Podcast at iTunes under "Future of Real Estate - SW Florida"

Sande Ellis has been selling real estate in Lee County since 1985. Her strong interpersonal skills and diligent efforts have made her the top residential sales agent in the Fort Myers area. She credits her success in real estate to hard work and good advice. She was impressed with a speaker who once said, "People don't care how much you know until they know how much you care."

Sande says, "Real estate is our passion, it's what gets us up and going everyday. Our team truly cares about people...their needs and wants." Sande has the ABR, CRP, CRS, CCIM and GRI designations

Sande teaches with other Stars at the Howard Brinton Star Power organization and also hosts the Future of Real Estate radio talk show.

Check our Blog for regular updates throughout the year. <http://Blog.topagent.com>



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