



## SouthPoint

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12/05/2012

### Real Estate Recovery along the Panhandle

In early November, staff from the Atlanta Fed's [Center for Real Estate Analytics](#) traveled to the Florida Panhandle to meet with local real estate business contacts along the Gulf Coast. Joined by our Regional Economic Information Network (REIN) colleagues from the Jacksonville and New Orleans branches of the Atlanta Fed, we hosted two roundtable discussions: one with residential contacts and one with commercial real estate (CRE) contacts.

#### The state of residential real estate

When asked to characterize the health of the regional economy, our residential real estate roundtable attendees described the Gulf Coast economy as stable to improving. The majority of our business contacts in the region noted that home prices had hit bottom (see the chart), and they expected home price appreciation to continue to be flat to slightly up through spring 2013. Balanced home inventory levels, fewer distressed properties, more buyer traffic and increasing home sales all contribute to this dynamic, they said.

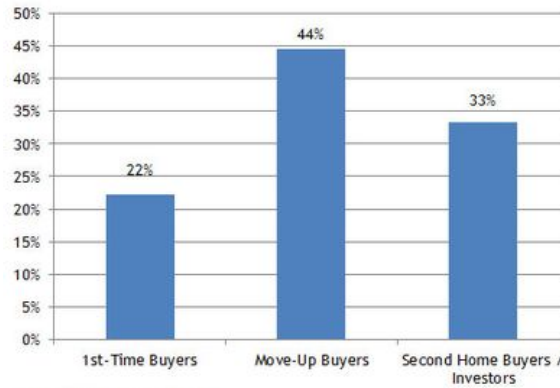
Have home prices bottomed in your market?



[\(enlarge\)](#)

Move-up buyers account for a good portion of the existing home sales activity in this region, with some contacts reporting that they make up just shy of half of all home buyer traffic (see the chart). Business contacts noted that cash buyers have not discovered the Panhandle yet. They also reported that investors and second home buyers are often considered one and the same in this region and typically hail from Texas, the Midwest, Baltimore, and surrounding Southeast states that are within driving distance.

### Who are the primary home buyers in your market?



Source: FRBA business contact poll

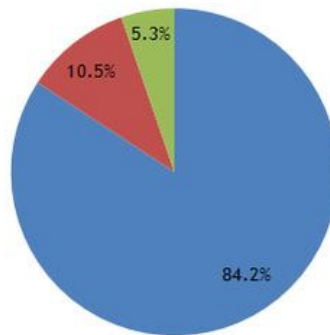
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Interestingly, this homebuyer profile aligns nicely with the poll data that we collected for the Southeast and [blogged](#) about back in October.

Reports on housing inventories varied among our panel. Lenders indicated an oversupply and builders noted a shortage, while reports from brokers were mixed.

Larger home builders noted that they are now making money again, and they have moved from a defensive stance to an offensive one. Smaller builders continued to note limited access to finance (see the chart) and explained that those who survived the downturn now either seek capital from individuals with excess cash to lend or have the buyer finance the construction. Builders echoed [reports](#) we have heard around the region that lot inventories were undersupplied and that lot development will be slow given that smaller banks do not have much incentive to make new development loans.

### How available do you perceive construction and development finance to be in your market?



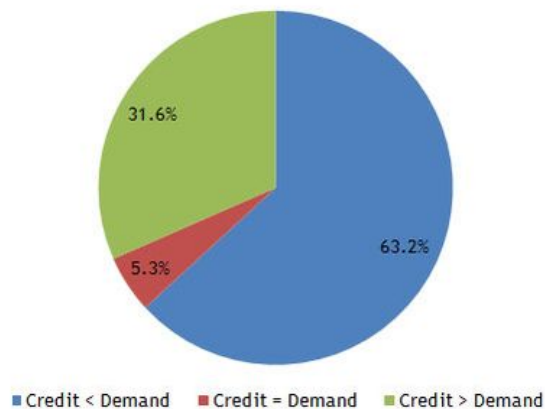
■ Credit < Demand ■ Credit = Demand ■ Credit > Demand

Source: FRBA business contact poll

[\(enlarge\)](#)

Panelists indicated that access to mortgage finance is a bit more challenging than [regional reports](#). With regard to mortgage finance, business contacts noted that appraisals continue to disrupt loan closings and underwriters continue to require more time and documentation to process loans (see the chart). Lenders explained that all loans must "fit in the box." Additionally, lenders are driven to minimize their exposure to putback risks and position themselves well to comply with current and future regulatory requirements.

## How available do you perceive mortgage finance to be in your market?



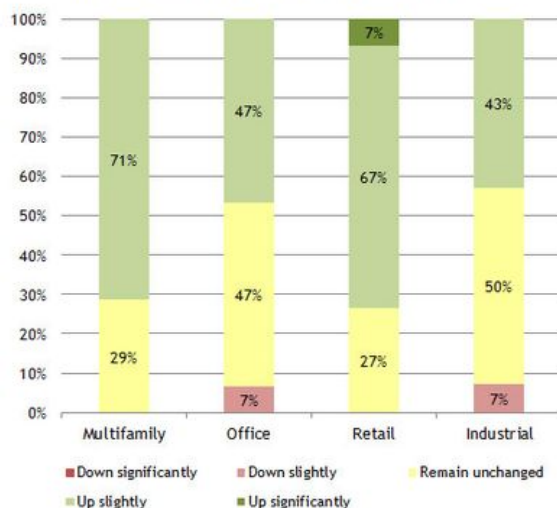
Source: FRBA business contact poll

[\(enlarge\)](#)

### Assessing CRE

Our CRE roundtable members also described the Gulf Coast economy as stable to improving. Tourism continued to improve and drive activity in the commercial sector. Retail in particular has benefited from the strong return of travelers to the Gulf. Panelists noted that expanded air service to the region has attracted travelers from outside the Southeast as well. Retail construction has picked up modestly from earlier in the year as has absorption of space (see the chart. Retail rents have begun to firm as well.

### Expectations for Net Absorption in 2013



Source: FRBA business contact poll

[\(enlarge\)](#)

Hotel occupancy and revenue continued to improve as well. Panelists noted that bed taxes have increased by double digits along the coast and that there has been strong year-over-year growth. However, they said hotel construction remained at low levels.

Office and industrial markets in the region were described as steady.

The apartment sector was a strong driver for commercial activity in the region during 2012. Coastal Alabama is experiencing some new construction, as are college towns in the Panhandle, such as Tallahassee. Panelists noted that rental rate increases have recently hit the region.

The outlook among the roundtable participants was guardedly optimistic. The panel indicated that commercial real estate conditions would continue to improve in 2013, up slightly from 2012. Retail and the apartment sectors are expected to drive improvements in the region.



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