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Appraisal Insights for Real Estate Professionals

Research Shows Residential Values Steady, Even Rising in Some U.S. Sub-Markets

Certain Sub-Markets Showing Price Increases of 5 to 19 Percent

By Alan Hummel, SRA, SVP/Chief Appraiser

While residential real estate prices are declining as a whole on a national basis, Forsythe Appraisals' market data indicates that the national trends also show pockets of stability, and some with marginal increases in home values rising in some U.S. submarkets.

From Seattle to San Antonio, Milwaukee to Tampa, Connecticut to California, select neighborhoods in major markets have seen price increases of 5 to 19 percent from first quarter 2007 to first quarter 2008, according to the St. Paul-based appraisal company, which has 37 offices across the country.

It's impossible to paint the national real estate market with one large brush stroke. While there is depreciation of national home values as a whole, there are areas that have not been severely impacted, or even impacted at all. In fact, there are many areas that continue to show positive growth. These valuation trends in local submarkets are simply not visible when comparing average sale prices for an entire metropolitan area, but when looking at certain sectors within an area, it's clear that there is stability, and even marginal growth.

While many homeowners throughout the country are still facing declining home values, when looking at individual neighborhoods, housing types and price bands, the trends in these sub-markets can differ dramatically from the national averages.

Some of Forsythe's staff appraisers recently took a close look at their local market data to identify valuation trends in comparable homes in specific neighborhoods and certain price categories.

Using Seattle, Washington, as one example, Forsythe's research showed that two-bedroom downtown condominiums have risen approximately 6.2 percent in the past year. On Mercer Island, waterfront properties are up between 15 and 20 percent, while non-waterfront properties have increased about 7 percent. Overall values of properties more than 2000 square feet on Mercer Island increased even more dramatically: from a \$444 average price per square foot to a \$500 price per square foot in the past 12 months, an increase of 12.6 percent.

In another market, Connecticut's 'gold coast' suburbs in Fairfield County are also rising in value. Forsythe's appraisers report 7 to 8 percent increases in Greenwich, Darien, New Canaan, and Westport, from 2006 to 2007.

Executive homes in one of California's most attractive Silicon Valley communities, the City of Menlo Park, have increased about 18 percent in value from \$1.4 to \$1.6 million. That trend also applies to surrounding San Mateo County, where comparable homes have climbed about 14.5 percent in the past year. This in sharp contrast to the whole of decreasing home values throughout most of California.

Chicago's strongest markets included condominium and single-family homes in the Lincoln Park neighborhood and throughout portions of DuPage County. Lincoln Park has seen average sales prices of attached homes rise by almost 9% from Q1 2007 to Q1 2008, while detached homes have remained relatively stable. Hinsdale has seen a large increase, 31 percent, in its average sales price in Q1 2007 versus Q1 2008. This increase is attributed to three sales in early 2008 which were in excess of \$3 million, whereas Q1 2007 highest MLS marketed sale was \$2,650,000. This indicates that demand is continuing to push transaction amounts higher.

In the Milwaukee area, comparable 2,500-square-foot homes in Delafield (Waukesha County) jumped 16.3 percent - and older homes in Sturtevant (Racine County) increased about 9.5 percent, in one year.

Some suburban communities in the Minneapolis/St. Paul region are experiencing modest price increases or holding their own value. In 2007, the average sales price in Plymouth was \$315,336 and in 2008, the average is \$328,021, showing an increase of 4 percent. Minnetonka is posting a 6.2 percent increase in values, with the average sales price rising from \$335,557 to \$356,469.

Moving to the south, desirable neighborhoods in Nashville are experiencing growth, with properties in Green Hills increasing from an average of \$484,000 in 2007 to an average of \$538,000 in 2008, a 10.4 percent hike. Another high-profile suburb, Belle Meade, saw average home values rise from \$747,200 to \$792,900, a 5.7 percent increase.

San Antonio's Alamo Heights, the area's most prestigious community, the area has seen a 5.1 percent increase in average sale prices, from \$428,056 from April 2006 to April 2007; to \$450,910 from April 2007 to April 2008.

Even in Florida, where statewide averages indicate a drop of 15 to 20 percent in sale prices, some neighborhoods are increasing in value. In the South Tampa market, for instance, luxury waterfront and inland properties in Beach Park, Palmaceia and Hyde Park have risen between 5 and 8 percent in the past year, reaching average sale prices of \$1.5 million and \$600,000.

In Jacksonville, well-situated older homes on the St. Johns River and Intracoastal Waterway are maintaining their values. But because there were only a few sales of these properties, any valuation trend calculations would not be meaningful.

Ultimately, real estate markets are local and may vary significantly from one neighborhood to the other, so caution should always be used when extrapolating market data. Each property is unique and each neighborhood has its own characteristics. It's vital for buyers, sellers and investors to look at local as well as regional and national trends.

*Do you have any suggestions for future articles you'd like to see?
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