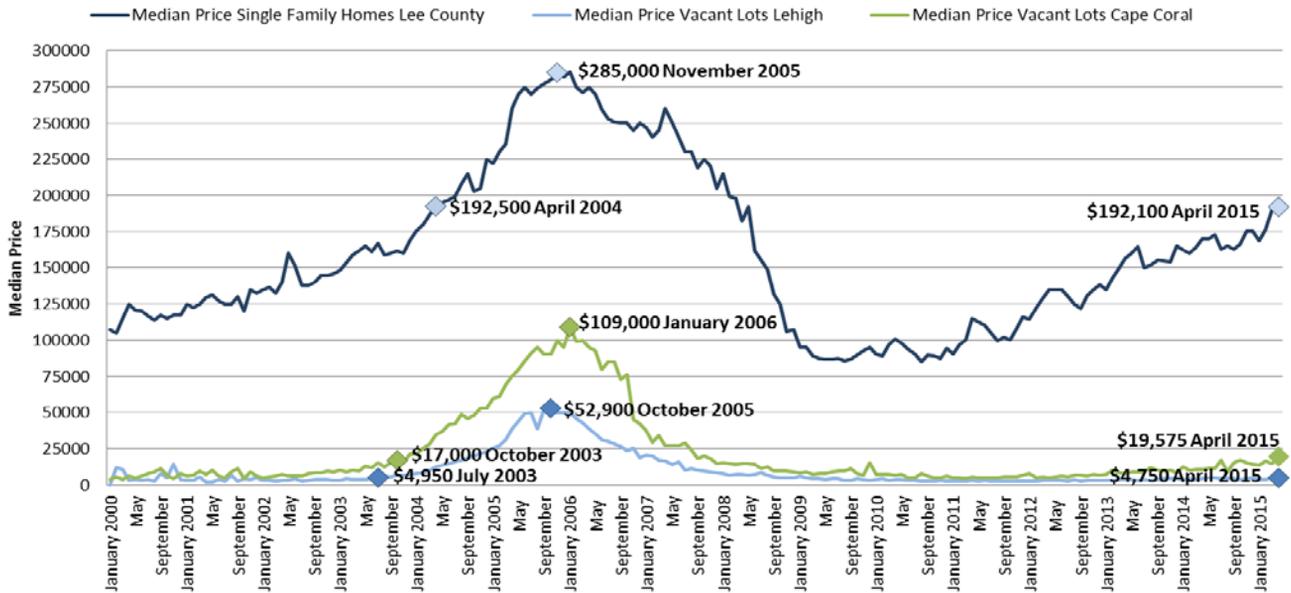




MARKET SNAPSHOT

15-Year Median Price Trends



Sometimes looking back is instructive. Sometimes it's just for nostalgia. And sometimes it can really answer a question in need of some perspective.

The residential market has certainly had a bull run over the past few years. No doubt about that. But recently, there've been concerns raised about the possible formation of another bubble in Lee County residential real estate. After all, if markets run in ten year cycles, we would be right on cue. Double-digit year-over-year price increases are unsustainable and given the trauma we experienced during the 2006-2009 market collapse, a little paranoia would be understandable.

However...a look back over the past 15 years should erase any anxiety that our market is in bubble territory. While markets ebb and flow, a bubble is a rapid irrational expansion followed by price contraction. Look at the chart above, we don't need Milton Friedman to explain 2005. The chart should also serve to illustrate that although we're in a bull market, we're not in irrational territory.

The old axiom that 'houses don't appreciate, only land' also demonstrates this dynamic. Lot prices in Cape Coral and Lehigh Acres exploded disproportionately during the 2004-2005 run (Cape Coral increased 541% and Lehigh increased 969% over 27 months each). Want to

know when a bubble forms? Watch lot prices. They tell the story with more precision.

Finally, a word on home affordability. The most recent median home price of \$192,100 is well within reach of the median household income of Lee County (\$48,500 or \$4,042 monthly). The median priced home would yield a mortgage payment (PITI included) of roughly \$958 with a 20% down payment (\$1,185 with 5% down). With these mortgage payments and the given GSE guidelines for debt/income ratios (allow for max debt payments to be 45% of gross monthly income), there's plenty of remaining room for the average households additional debt payments. In November of 2005 when the median home price reached \$285,000 and household income was at \$46,000 (\$3,833/monthly), the median mortgage payment would have been \$1,748. That payment on its own exceeded the 45% max limit.



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