1 3rd Quarter Alabama Real Estate Outlook Moderating

This survey projects expectations for the 3rd quarter of 2014. The scale ranges from 0-100 with 0 being much worse, 100 being much better, and 50 indicating no change expected.

The professional real estate community has somewhat more conservative outlook for summer 2014. All of the overall indicators moderated somewhat from prior year levels. It is important to note that the indicators still call for expansion from prior years but perhaps at a somewhat slower rate that we have been seeing. All of the indicators remain at or above 50 indicating expansion expected, and, for the second time, including credit. The availability of credit remains positive, at 51, off one point from last quarter.

1.1 Overview Scores:

This quarter showed slight reductions from prior years’ growth expectations in all regions for residential markets. The commercial indicators, have eased off somewhat but still showing good expectations, solidly over the expansion point of 50. This is encouraging, and overall measures remain in the expansion zone.

The below chart reflects the aggregate scores for the survey overall. The overall total stat score is in bold blue.
1.2 Commercial Market:

Commercial market participants, (the majority of the respondents are from the Birmingham market area), remain positive this quarter (Total Stat) at 52 this quarter a five point decline from last quarter. Sales expectations remain positive at 53 down from 61 last quarter and down from 57 last year. Price expectations declined 6 points to 49 from 55, still indicative of some pricing weakness. The score for inventory availability and pricing dropped into the negative outlook zone at 47 and 49 respectively.

1.3 Regional Results:

The coastal region continued to remain the most optimistic in the state at 63 (Alabama expectations), off from 66 last quarter. On an overall basis all areas sales expectations remained above 50. The coastal region, also had the highest sales expectations at 62 while the Birmingham area remained in second place for sales expectations at 56. The moving average line (below) is the prior 4 quarters averaged of the Alabama expectations, to remove the effect of seasonality, has started to dip somewhat.
The charts below also have a “moving average” line (bold blue) which averages the “Total Stat” for prior 4 quarters, by area, to smooth out the seasonal variations. The quarter to quarter variation is highly seasonal, but the moving average shows a better picture of the overall trend, which is quite positive, although the current quarter results are less so.
1.4 North
North Alabama total score declined 2 points from last quarter to 51. The sales outlook declined to 52 from 64 last quarter, and with price expectations also declining to 47, indicating some pricing pressure.

1.5 North Central
The North Central Region overall score declined to 54 from 60. The sales score improved to 67 from 59. Inventory score declined to 51 from 56, with pricing declining to 54 from 59, and credit availability declining 1 point to 52.

1.6 South Central
The South Central Region overall score declined to 53 from 55 last quarter. The outlook for sales improved to 55 from 61.

1.7 South
The Southern Region overall score was the highest at 58, a decline from 61 last quarter. This sales score is the highest at 62. Price expectations declined to 60 from 62 last quarter. Credit availability was 53 off one point from last quarter.

1.8 About the Alabama Real Estate Confidence Index and Survey:
About 500 professionals responded to the 3rd quarter 2014 survey which was conducted during the month of June 2014. The survey, conducted by the Alabama Center For Real Estate has the largest participation of any real estate survey. It provides important market insights. Full history and raw scores can be obtained by contacting the undersigned.

The ACRE Leadership Council determined the need for a statewide industry confidence index and this was adopted as the Council’s first initiative. Tom Brander, Council Member, was selected by the Council and Grayson Glaze, ACRE Executive Director, to spearhead and work with the Center to conduct and produce its Alabama Real Estate Confidence Index (ARECI). The Council appreciates everyone who participated.

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