1 4th Quarter Alabama Real Estate Outlook Moderating

This survey projects expectations for the 4th 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 a more conservative outlook for fall 2014. With the exception of the commercial sector, which was up across the board, all of the overall residential indicators moderated from prior year levels. It is important to note that the indicators have not retreated to negative territory, but they do signal some caution. Most of the indicators remain at or above 50 indicating neutral, to slight expansion expected. The availability of credit is now rated at 50, neutral, 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 improved across the board, solidly over the expansion point of 50. This is encouraging. The overall stat measure, and the other combined scores, indicate that the residential market should be very similar to last year at this time, while the commercial market should continue to improve.

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), are the most positive sub segment of the survey this quarter. The Total Stat is at 55 this quarter a three point improvement from last quarter. Sales expectations remain positive at 56 up from 53 last quarter. Price expectations improved 5 points to 54 from 49. The score for inventory availability improved to 54 from 49.

1.3 Regional Results:

The North Central region which includes Birmingham and the Coastal region are the most optimistic in the state at 51 (Total Stat), off by 3 and 7 points respectively from last quarter. On an overall basis all areas sales expectations declined and only the North Central region and Coastal region remained above above 50, at 51. 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 current quarter scores are all very close to 50, the neutral zone.
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 48 from 52 last quarter, price expectations improved by one point to 48, indicating some pricing pressure.

1.5 North Central
The North Central Region overall score declined to 51 from 54. The sales score declined to 51 from 67. Inventory score declined to 48 from 51, with pricing declining to 48 from 54, and credit availability declining 5 points to 47.

1.6 South Central
The South Central Region overall score declined to 50 from 53 last quarter. The outlook for sales declined to 49 from 55.

1.7 South
The Southern Region overall score remained in the expansion zone at 51, a decline from 58 last quarter. The sales score declined to 51. Price expectations declined to 55 from 60 last quarter. Credit availability was 52 off one point from last quarter.

1.8 About the Alabama Real Estate Confidence Index and Survey:
About 350 professionals responded to the 4th quarter 2014 survey which was conducted during the month of September 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.

For further information contact Tom Brander at Tombrander@tombrander.com or Grayson Glaze at gglaze@cba.ua.edu