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CONDITIONS REPORT

Market Conditions for **Perdido Key**, Florida

As of February 17, 2010

(excerpts reprinted)

2010 SALES EXPECTED TO BE THE BEST IN 5 YEARS

Early indications are that 2010 is starting as expected with 8 sales already, inventory holding low and prices holding or slightly rising. We are on track to meet or break 2009 numbers. In almost every facet 2009 was a great year for real estate on Perdido Key. The 2009 sales volume was the best since 2006. During 2009 we had 159 total closed sales compared to 108 in 2008. Very important in our analysis is the decline in inventory to our current 226 units for sale. This is the lowest number of units for sale on Perdido Key since 2003, prior to the building boom. The proof of demand in the past year is the number of sales.

Fewer "elite" condos were on the market as well (post building boom again). Going out on a limb I predict we will have a buyer/seller neutral year, with modest price increases due to low inventory. In other words we will see a zero absorption rate, with sellers holding for their price and buyers picking off the best properties at slight premiums, probably 7%-10% over today's price points. Bargain hunters will be forced to gravitate to the less desirable properties.

My recommendation is to buy now in anticipation, with the knowledge that this looks more and more like recovery of the market on Perdido Key and finally higher price points. Make offers now, before March, if you can't find your comfort zone in these current list prices to flush out the still possible bargains. There are less and less obvious "deals" after this strong 2009 and condos are being held back off the market but you can still find a gem in there if you get off the sidelines. Sitting on your hands now if you want to own a piece of paradise will likely cost you more going deeper into 2010. If you own on Perdido Key, Orange Beach/Gulf Shores hold on to your property as long as possible into the next year's anticipated price jump and stay informed.