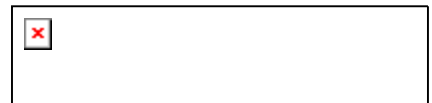


THE TRUTH ABOUT NORTH FLORIDA'S REAL ESTATE CLIMATE:

A White Paper – 5/9/2008



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OVERVIEW

2004 was quite a year for real estate in Northeast Florida. Although national real estate trends have been dismal and countrywide media reports have reflected negativity, there were a few gems hidden deep within the fine print. In spite of all the gloom and doom that has been reported, the fact remains that last year was not as bad as one might think.

When compared to 2004, the statistical difference is staggering. However, in reality, 2007 was the fourth highest year for Northeast Florida real estate sales in the past 20 years. Yet, when our local media picks up these ominous national stories, the perception is that the outlook for Northeast Florida is dim as well.

The purpose of this white paper is to provide you with a realistic idea of what is going on in our market, backed up by expert analysis. Please contact Melanie Green at the Northeast Florida Association of Realtors, mgreen@nefar.org, for more information.

WHAT ARE THE EXPERTS SAYING?

"It appears that 2008 will be the year of the trough for residential real estate, the low point before conditions start to improve — most likely around the third quarter. Meanwhile, those moving to Florida should find plenty of homes for sale at falling prices. And it appears people are still coming. Between 2006 and 2007, the state picked up 331,000 new residents, according to the Bureau of Economic and Business Research¹."

Northeast Florida Business Climate

Housing Outlook is Positive

Jacksonville was named number eight of the Ten Best Cities for Bargain House-hunters by Forbes.com. "Jacksonville didn't go through an obscene speculation boom, making its recovery cycle far less daunting than other Florida spots. Job growth isn't outstanding, about average for the cities we measured, but the foreclosure rate is lower than any of the Florida cities we looked at, making the high inventory rate more likely to improve than get worse²."

Sean Snaith, director of the Institute for Economic Competitiveness at the University of Central Florida, says the state's lower-cost markets are most likely to attract residents. Orlando, Tampa Bay and Jacksonville will recover more quickly than Miami/Fort Lauderdale and Naples/Fort Myers, he believes³.

Home Values To Show Positive Growth

"A recent report by the state's Office of Economic & Demographic Research estimates ...values in Duval County will climb by 3% in 2008. Duval and Leon, which includes Tallahassee, are the only two counties in the state that will show positive growth in those values next year, according to the economists⁴."

Job Growth Anticipated in Jacksonville Area

Jacksonville was ranked #26 in the Forbes 100 Best Cities for Jobs in 2008⁵.

Jacksonville ranked 19th among the 100 markets in private sector job growth. The metro had 561,700 private-sector jobs and an unemployment rate of 3.8 percent in June 2007⁶.

"In the Jacksonville MSA, the number of jobs has increased by 7,600 jobs over the 12 months through November 2007, equaling a growth rate of 1.2 %⁷."

"Area inflation less than rest of nation... Inflation jumped higher in the Jacksonville area in 2007, but it was still better than the rest of the country⁸"

¹ *Florida Trend*, Jan. 1, 2008.

² Forbes.com, February 2008.

³ Sean Snaith, University of Central Florida

⁴ "Duval Housing Market to grow a bit in '08", *The Florida Times-Union*, Dec. 10, 2007.

⁵ *Forbes.com* 2008.

⁶ *Jacksonville Business Journal*, Sept. 2007.

⁷ Mark Basch, UNF Economic Indicator Project, Jan. 17, 2008.

⁸ Metrostudy, Jacksonville Executive Summary, Fourth Quarter 2007.

Overall Quality of Life

Bizjournals ranked Jacksonville ninth in its top ten list of the nation's 50 largest metro areas. The ranking was based on pollution levels, climate, crime, unemployment rate, finances (including income levels and monthly home payments) and health.⁹

Forbes.com listed Jacksonville as number three in its top ten list of "America's Cleanest Cities" – one of four Florida metro areas on the list. The study was based on air quality and ozone levels, water cleanliness and per-capita spending on Superfund site cleanup and solid-waste management. Jacksonville was "the only major city with a top three ranking in all categories."¹⁰

Economic Outlook Will Impact Housing Market Rebound

"Long range development plans for Cecil Commerce Center, part of which borders north-central Clay County, may include an additional runway to allow simultaneous takeoffs and landings as well as additional general aviation support facilities. Also, Cecil managers are seeking aviation, aerospace, manufacturing, distribution and logistics and information technology companies to join Boeing and the other businesses that have located at the former naval air station since it was decommissioned in 1999¹¹."

"By now everyone is aware of the growth taking place at Jacksonville's port, with the addition of Japan's Mitsui O.S.K. and Korea's Hanjin shipping companies. Our region is poised to gain thousands of jobs and surpass many of our competitor cities with growth in the logistics sector. In 2007 the number of prospects from 'international' locations grew by almost 10 percent and we expect to see that trend continue. In fact, one out of every four prospects we work with are foreign-owned companies."¹²

"...what soon will become a big economic engine for Jacksonville - the site of the terminal that will house the operations of the giant Japanese shipping company Mitsui O.S.K. Lines Ltd...This time next year, Smolder said, the terminal will be operational...the creation of 1,800 good-paying jobs created at the port...Another 4,000 or so spin-off jobs. Those new jobs will help the housing market rebound..."¹³

"...another piece of property that is slated to house the operations of another Asian shipping company, Hanjin of Korea... the Hanjin terminal could be up and running in three years. That, of course, would mean even more new jobs that would further strengthen Jacksonville's economy¹⁴."

"Jacksonville's three marine ports see more than 8 million tons of cargo annually, including more than 700,000 shipping containers and 600,000 automobiles. The traffic is expected to double within the next year as Japanese shipping company Mitsui O.S.K. Lines Ltd. begins operations at Dames Point. In coming years, traffic could triple with the addition of Korean shipping line Hanjin... by 2011¹⁵."

⁹ *Bizjournals*, Feb. 2008.

¹⁰ *Forbes.com*, Mar. 17, 2008

¹¹ *MyClaySun.com*, Jan. 25, 2008.

¹² Cornerstone Communications "Trends in International Economic Development", Issue 6, March 2008

¹³ Ron Littlepage column, *The Florida Times-Union*, Jan. 24, 2008.

¹⁴ Ron Littlepage column, *The Florida Times-Union*, Jan. 24, 2008.

¹⁵ "Port considers eminent domain to acquire parcel", *The Florida Times-Union*, Jan. 26, 2008.

Real Estate Outlook

Florida's real estate market has started a new year with the largest selection of homes and condominiums available for buyers in more than a decade. But factor in a continuing inflow of new residents to Florida and the indication is that inventory levels are likely to decline in 2008.

"While inventory levels are high in most Florida markets, the number of for-sale homes is expected to begin to decline in 2008." Economist Hank Fishkind expects Florida to grow by about 265,000 new residents and add 130,000 new jobs in 2008.

At roughly 2.2 people per household, that would create demand for roughly 135,000 new homes, helping to soak up excess inventory in many markets. Meanwhile, the production of new homes in Florida is expected to remain flat. Sean Snaith, director of the Institute for Economic Competitiveness at the University of Central Florida in Orlando, expects about 116,000 starts in 2008 compared with 117,000 home starts in 2007.

However, the decline will be much sharper in some markets, such as Lee County (Naples), where Fishkind is projecting about 5,000 new-home starts compared with 30,000 in the peak year of 2005. "A cutback in housing construction is a positive sign for the market, because it will help lower inventory and firm up home prices," Fishkind said¹⁶.

Chris McCarty, director of the University of Florida's Research Center at the Bureau of Economic and Business Research has indicated that home prices in parts of Florida are returning to reasonable levels – back to where they would have been without the escalation over the past few years.

"We expect housing prices in many Florida markets to bottom out by July, following another weak home-buying season," he says. "Although it will be a long time before real estate returns to 2005 prices, it will be a reasonable time for Floridians waiting to buy a house to enter the market."¹⁷

¹⁶ "Why buy in Florida now? Large inventories offer more options", *The Florida Times-Union*, Jan. 26, 2008.

¹⁷ Chris McCarty, University of Florida's Research Center, Bureau of Economic and Business Research, March 2008.

WHAT DOES THIS MEAN IN PLAIN ENGLISH?

Every real estate market is different – and Northeast Florida is already showing signs of improvement. With our active economy and lifestyle, our market is more stable and less affected than other areas throughout the state.

Northeast Florida real estate is more affordable and more competitive than most areas of the state. As in any buyer's market, homes are more affordable. In fact, the Jacksonville region was recently ranked by Forbes as number eight of the "Ten Most Affordable Cities for Bargain House-Hunters."

With experts predicting that the Northeast Florida housing market will hit the bottom this year, these great prices aren't going to last indefinitely. Team this with the fact that interest rates continue to be within one point of 40-year lows. And despite the issues we've seen with mortgage companies, consumers with good credit can still easily get loans.

SUPPORTING FACTS – A RECAP

Florida Market analysis

- Experts predict 2008 will be the bottom of the real estate market and the start of improving conditions¹⁸.
- Orlando-based economist Hank Fishkind predicts lower inventory and more stable home prices with the following specifics:
 1. 265,000 will move to Florida in 2008 and create demand for 135,000 new homes
 2. The production of new homes will be flat.
 3. The number of for-sale homes will decrease in 2008¹⁹.

Northeast Florida Market analysis

- Jacksonville is one of a few Florida cities expected to recover more quickly²⁰.
- Jacksonville home values are expected to rise three percent this year²¹.
- Homes in Jacksonville are still less expensive than any homes in similarly-sized metro areas along the eastern seaboard²².
- "Jacksonville didn't go through an obscene speculation boom, making its recovery cycles far less daunting than other Florida spots. Job growth is about average for the cities we measured, but the foreclosure rate is lower than any of the Florida cities we looked at, making the high inventory rate more likely to improve than get worse²³."
- "Overall housing inventories decreased by 33.9%, compared to last year..."²⁴
- Businesses continue to be attracted to Jacksonville because rents for office and industrial space remain relatively modest²⁵.
- Jacksonville is one of the ten least stressful metro areas in the U.S.²⁶
- Jacksonville is number three among "America's Cleanest Cities."²⁷

¹⁸ *Florida Trend*, Jan. 1, 2008.

¹⁹ *The Florida Times-Union*, Jan. 24, 2008.

²⁰ Florida Office of Economic & Demographic Research.

²¹ Florida Office of Economic & Demographic Research.

²² Office of Federal Housing Oversight, US Dept of Commerce, Wachovia Corp. January 2008.

²³ *Florida Trend*, February 2008.

²⁴ Metrostudy, Jacksonville Executive Summary, Fourth Quarter 2007

²⁵ Office of Federal Housing Oversight, US Dept of Commerce, Wachovia Corp. January 2008.

²⁶ Bizjournals.com, Feb. 2008

²⁷ Forbes.com, Mar. 17, 2008

Economic indicators for Northeast Florida

- Area inflation is less than the rest of the country²⁸.
- Population growth remains solid, as Jacksonville does not face the same affordability challenges as the rest of the state²⁹.
- Interest rates continue to be within one point of 40-year lows³⁰.
- While unemployment has increased in Northeast Florida, it is still measurably lower than 2002 and dramatically lower than the early '90s, hovering around 3-4%³¹.
- Giant shipping company, Mitsui O.S.K. will add 1800 new jobs to Northeast Florida this year and another approximately 4,000 spin-off jobs³².

²⁸ *Florida Times-Union*, Jan. 17, 2008.

²⁹ Office of Federal Housing Oversight, US Dept of Commerce, Wachovia Corp. January 2008.

³⁰ Mortgage Association

³¹ Office of Federal Housing Oversight, US Dept of Commerce, Wachovia Corp. January 2008.

³² *Florida Times-Union*, Jan. 24, 2008.