



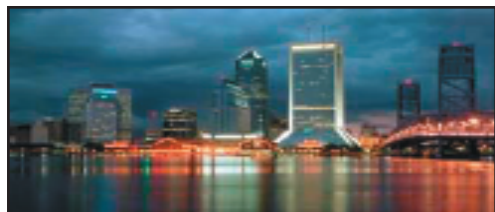
# It's Not All Gloom and Doom



By Blake F. Deal III

For all of you folks out there that have been hearing nothing but gloom and doom about the housing market, here are some facts and statistics that may not be as exciting as Bubble's Bursting, Mortgage Meltdowns and other catchphrases that sell lots of newspapers, but might better educate you about the true situation of the housing market in Northeast Florida.

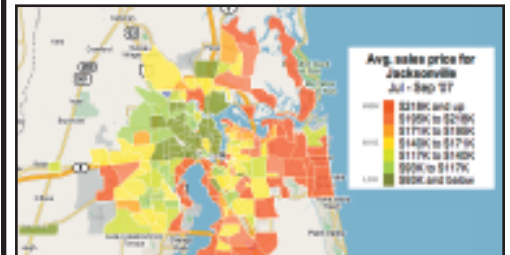
The Jacksonville metro area was recently rated the 19th best job market in the USA by Bizjournals.com. Our unemployment rate is less than 4%, eleven thousand jobs were created so far this year, and over 30,000 people moved to the area in the last 12 months (which equates to a need for over 13,600 new housing units). The faucet is not scheduled to turn off any time soon either. The Economist and other respected data sources show an average of 250,000-400,000 people continuing to move into Florida through the year 2050. For 5 years wage and salary growth in our metro area ranked 43 out of 200 major market areas. Our median home price of \$194,800 was actually UP 2% from September 2006, making the Jax metro area the only area in Florida to see an increase in median sales price. Now all this is BEFORE Mitsui and at least one other major Asian shipper set up their new port operations in Jacksonville over the next two years, making us one of the largest ports in the USA, together with over 12,000 directly created new jobs, not to mention the thousands of spinoff jobs. In another exciting development, Boeing will be hiring hundreds of new workers to build the new C-27J Spartan Joint Cargo Aircraft at Cecil Field. The list of new employers like this coming to town continues to grow.



A recent search of the Multiple Listing Service of the entire Northeast Florida market area (which goes as far south as Volusia County) indicated 14,600 listings of homes, and about 3,000 condos, for a total of 17,600 total listings. Now that sounds like a lot but remember, we needed 13,600 new housing units just to give the new folks coming into town a place to live. Starts of new homes are now about half of the sales volume, and for the last year or more the inventory of unsold new homes in our area has been rapidly decreasing. The rapid build up of inventory of existing homes has helped to cushion this, but that inventory appears to have peaked and is now on the decline also.

The most basic law in economics is the Law of Supply and Demand. If you have either a shrinking supply with steady demand, or an increasing demand with steady supply, prices go up. We are actually in the situation where we have BOTH shrinking supply and increasing demand. This should translate to price increases. However, the situation is buffered by the very temporary excess (if you want to call it that) inventory on the market, along with a media that is working full time to convince everyone that there is a major housing bust going on. That may be the case on a national scale, but it's just not true in Northeast Florida. Many buyers appear to be conducting an irrational boycott of the market under the false belief that prices will go much lower. The fact that prices actually increased in our area during the last 12 months despite all the negative hype and media coverage prove that assumption to be false.

The media has also way overhyped the mortgage market situation. Currently rates are within 1% or less of their 40 year lows. If you have a decent job, have saved 5-10% to put as down payment, can document that you make the money you say you make, and have a 650 or better credit score, then you can get a mortgage at an excellent rate of interest.



Finally, the situation with supply is not going to improve in the future. Recently local politicians have drastically increased concurrency fees, impact fees, and many of the other costs of developing land. Governmental and non-governmental agencies have been acquiring thousands of acres of land in our area for permanent conservation. Laws have been changed to make agricultural land much more difficult to rezone for development and hundreds of acres of residential land in Duval County are being redeveloped for industrial use to meet the new port requirements.

In some cases sellers may have been asking inflated and unrealistic prices for their homes during the peak boom year of 2005, but by now most of them have relented and adjusted their prices. The media induced boycott of the market by Buyers in my opinion has pushed sales prices lower than they would otherwise have gone. In many cases homes are selling for below their replacement value. Such unsustainable pricing can only last until the inventory is depleted because it is economically unfeasible to replace it. Most boycotts are eventually killed by the underlying market forces and it is my bet that you will see that happen relatively soon. I have noticed the inventory in several neighborhoods in our local market suddenly disappear in the last couple of months. So, if you're thinking of buying a home in Northeast Florida I'll go on record in saying now is the time. Otherwise it's my bet you'll be looking in the rearview mirror down the road and wishing that you had.



## Blake F. Deal III

Managing Partner  
Bartlett, Deal & Briley, PA  
135 Professional Dr. Suite 101  
Ponte Vedra Beach, FL 32082  
(904) 285-5299  
bdeal@jaxrelaw.com

*Blake F. Deal III is a local attorney who practices in the area of real estate and land use law. Over the last decade his offices located in Ponte Vedra Beach and Mandarin have handled in excess of 8,000 real estate closings.*