

# **Economic and Market Watch Report**

**3rd Quarter, 2007**



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# **RealtyWEB.NET Economic and Market Watch Report**

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RealtyWEB.NET is pleased to offer this quarterly economic and market watch report which is designed to help real estate practitioners identify current and future economic and real estate trends that affect our industry.

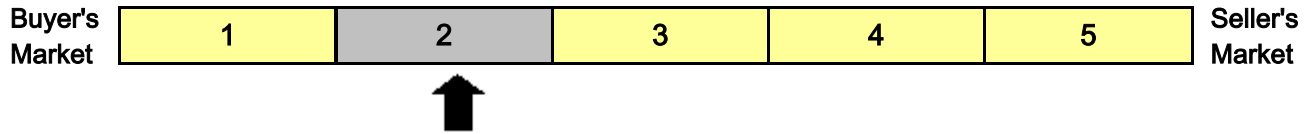
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#### **Florida**

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## Baker County, FL



### Labor Market :

Employment increased by 131 jobs in Baker County during July and August. However, the number of job seekers also increased. The combined effect of these two trends was an increase in the average monthly unemployment rate from 3.3% for the second quarter to 3.9% in the first two months of the third quarter. The solid job growth will help to build housing demand, while historically low mortgage rates should continue to spur sales.

### Housing Market :

|                         | Q2' 07    | Q3' 07    | Q4' 07<br>(Forecast) |
|-------------------------|-----------|-----------|----------------------|
| Average Price           | \$207,600 | \$158,400 | ↑                    |
| # Homes on the Market * | 157       | 124       | ↓                    |
| # Homes Sold **         | 48        | 33        | ↑                    |
| # New Homes Built ***   | 51        | 19        | ↑                    |
| Avg # of Days on Market | 98        | 106       | ↓                    |

\* Available as of Sep. 30, 2007.

\*\* May not add to total of zip codes.

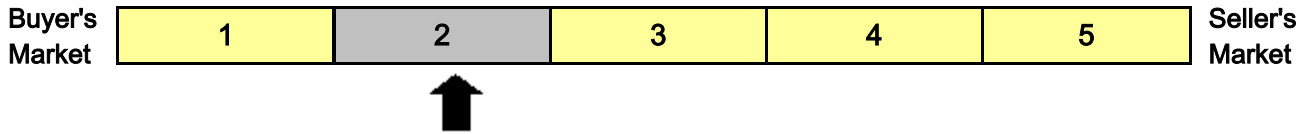
\*\*\* During the first two months of 3rd quarter.

### Data by Zip Codes for Q3 2007

| Zip Code | Average Price | Price Change<br>*** | Total #<br>Homes Sold<br>(Quarter) | % Change in #<br>Homes Sold<br>*** | Average Days<br>on Market | % of Asking Price<br>(Sold/<br>List Price) |
|----------|---------------|---------------------|------------------------------------|------------------------------------|---------------------------|--|
| 32040    | \$145,500     | -24.02%             | 9                                  | -25.00%                            | 147                       | 91.6%                                      |
| 32063    | \$171,300     | -4.25%              | 22                                 | 29.41%                             | 96                        | 98.8%                                      |
| 32087    | \$74,800      | -5.44%              | 2                                  | -33.33%                            | 37                        | 88.3%                                      |

\*\*\* % Change of current quarter compared to the same quarter to year ago.

## Bradford County, FL



### Labor Market :

Employment increased by 100 jobs in Bradford County during July and August. However, the number of job seekers also increased. The combined effect of these two trends was an increase in the average monthly unemployment rate from 3.1% for the second quarter to 3.6% in the first two months of the third quarter. The solid job growth will help to build housing demand, while historically low mortgage rates should continue to spur sales.

### Housing Market :

|                         | Q2' 07    | Q3' 07    | Q4' 07<br>(Forecast) |
|-------------------------|-----------|-----------|----------------------|
| Average Price           | \$174,000 | \$151,900 | ↑                    |
| # Homes on the Market * | 169       | 141       | ↓                    |
| # Homes Sold **         | 41        | 34        | ↑                    |
| # New Homes Built ***   | NA        | NA        | ↑                    |
| Avg # of Days on Market | 121       | 103       | ↓                    |

\* Available as of Sep. 30, 2007.

\*\* May not add to total of zip codes.

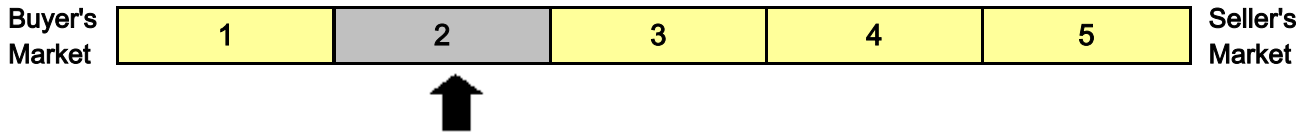
\*\*\* During the first two months of 3rd quarter.

### Data by Zip Codes for Q3 2007

| Zip Code | Average Price | Price Change<br>*** | Total #<br>Homes Sold<br>(Quarter) | % Change in #<br>Homes Sold<br>*** | Average Days<br>on Market | % of Asking Price<br>(Sold/<br>List Price) |
|----------|---------------|---------------------|------------------------------------|------------------------------------|---------------------------|--|
| 32042    | \$152,900     | -                   | 1                                  | -                                  | 85                        | 100.0%                                     |
| 32058    | \$104,200     | 18.01%              | 2                                  | 0.00%                              | 178                       | 97.8%                                      |
| 32091    | \$141,800     | 10.87%              | 24                                 | 118.18%                            | 97                        | 91.6%                                      |
| 32622    | \$69,000      | -                   | 2                                  | -                                  | 118                       | 98.6%                                      |
| OTHER    | \$252,200     | -                   | 5                                  | -                                  | 104                       | 94.1%                                      |

\*\*\* % Change of current quarter compared to the same quarter to year ago.

## Clay County, FL



### Labor Market :

Employment increased by 1,024 jobs in Clay County during July and August. However, the number of job seekers also increased. The combined effect of these two trends was an increase in the average monthly unemployment rate from 3% for the second quarter to 3.7% in the first two months of the third quarter. The solid job growth will help to build housing demand, while historically low mortgage rates should continue to spur sales.

### Housing Market :

|                         | Q2' 07    | Q3' 07    | Q4' 07<br>(Forecast) |
|-------------------------|-----------|-----------|----------------------|
| Average Price           | \$247,000 | \$243,500 | ↑                    |
| # Homes on the Market * | 2,574     | 2,176     | ↓                    |
| # Homes Sold **         | 709       | 572       | ↑                    |
| # New Homes Built ***   | 306       | 139       | ↑                    |
| Avg # of Days on Market | 81        | 86        | ↓                    |

\* Available as of Sep. 30, 2007.

\*\* May not add to total of zip codes.

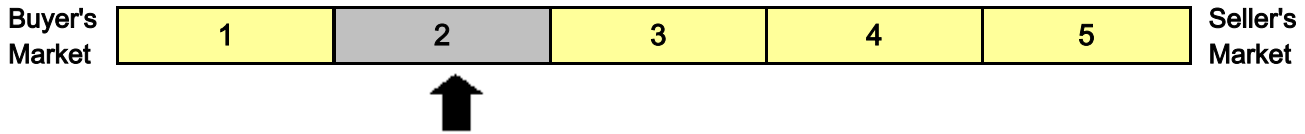
\*\*\* During the first two months of 3rd quarter.

### Data by Zip Codes for Q3 2007

| Zip Code | Average Price | Price Change<br>*** | Total #<br>Homes Sold<br>(Quarter) | % Change in #<br>Homes Sold<br>*** | Average Days<br>on Market | % of Asking Price<br>(Sold/<br>List Price) |
|----------|---------------|---------------------|------------------------------------|------------------------------------|---------------------------|--|
| 32003    | \$331,200     | -12.36%             | 100                                | -29.58%                            | 77                        | 95.6%                                      |
| 32043    | \$241,700     | -4.54%              | 75                                 | -31.82%                            | 104                       | 96.9%                                      |
| 32065    | \$263,800     | -14.85%             | 119                                | -50.42%                            | 105                       | 96.9%                                      |
| 32068    | \$201,400     | 4.73%               | 143                                | -28.50%                            | 76                        | 97.0%                                      |
| 32073    | \$222,400     | 5.65%               | 103                                | -23.13%                            | 71                        | 96.5%                                      |
| 32656    | \$141,400     | 19.53%              | 23                                 | -39.47%                            | 100                       | 95.5%                                      |
| OTHER    | \$186,700     | -30.05%             | 9                                  | 50.00%                             | 89                        | 93.2%                                      |

\*\*\* % Change of current quarter compared to the same quarter to year ago.

## Duval County, FL



### Labor Market :

Employment increased by 4,952 jobs in Duval County during July and August. However, the number of job seekers also increased. The combined effect of these two trends was an increase in the average monthly unemployment rate from 3.5% for the second quarter to 4.5% in the first two months of the third quarter. The solid job growth will help to build housing demand, while historically low mortgage rates should continue to spur sales.

### Housing Market :

|                         | Q2' 07    | Q3' 07    | Q4' 07<br>(Forecast) |
|-------------------------|-----------|-----------|----------------------|
| Average Price           | \$233,600 | \$219,300 | ↑                    |
| # Homes on the Market * | 8,896     | 7,510     | ↓                    |
| # Homes Sold **         | 2,512     | 2,127     | ↑                    |
| # New Homes Built ***   | 1,223     | 657       | ↑                    |
| Avg # of Days on Market | 82        | 85        | ↓                    |

\* Available as of Sep. 30, 2007.

\*\* May not add to total of zip codes.

\*\*\* During the first two months of 3rd quarter.

### Data by Zip Codes for Q3 2007

| Zip Code | Average Price | Price Change<br>*** | Total #<br>Homes Sold<br>(Quarter) | % Change in #<br>Homes Sold<br>*** | Average Days<br>on Market | % of Asking Price<br>(Sold/<br>List Price) |
|----------|---------------|---------------------|------------------------------------|------------------------------------|---------------------------|--|
| 32202    | \$50,000      | -88.46%             | 1                                  | -66.67%                            | 28                        | 87.9%                                      |
| 32204    | \$208,700     | 6.21%               | 17                                 | 6.25%                              | 87                        | 94.5%                                      |
| 32205    | \$183,900     | -11.54%             | 115                                | -12.21%                            | 78                        | 94.7%                                      |
| 32206    | \$93,400      | -24.43%             | 43                                 | -36.76%                            | 109                       | 91.7%                                      |
| 32207    | \$246,800     | 1.19%               | 73                                 | -5.19%                             | 77                        | 92.6%                                      |
| 32208    | \$107,000     | 10.54%              | 79                                 | -35.77%                            | 61                        | 96.1%                                      |
| 32209    | \$62,700      | -4.42%              | 57                                 | -42.42%                            | 61                        | 94.5%                                      |
| 32210    | \$182,000     | -1.30%              | 154                                | -32.46%                            | 85                        | 97.1%                                      |

\*\*\* % Change of current quarter compared to the same quarter to year ago.

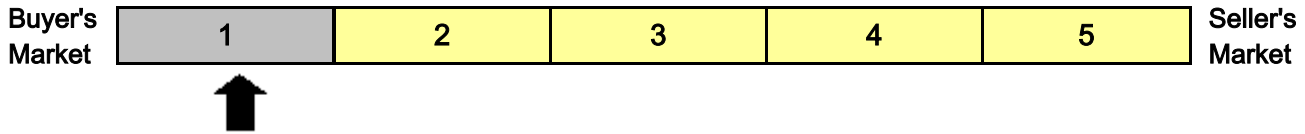
## Duval County, FL

### Data by Zip Codes for Q3 2007

| Zip Code | Average Price | Price Change<br>*** | Total #<br>Homes Sold<br>(Quarter) | % Change in #<br>Homes Sold<br>*** | Average Days<br>on Market | % of Asking Price<br>(Sold/<br>List Price) |
|----------|---------------|---------------------|------------------------------------|------------------------------------|---------------------------|--|
| 32211    | \$152,200     | -0.07%              | 92                                 | -21.37%                            | 94                        | 96.8%                                      |
| 32216    | \$186,600     | -6.98%              | 81                                 | -28.32%                            | 69                        | 96.0%                                      |
| 32217    | \$238,300     | -21.12%             | 28                                 | -48.15%                            | 86                        | 95.7%                                      |
| 32218    | \$195,000     | 0.05%               | 112                                | -35.26%                            | 78                        | 96.7%                                      |
| 32219    | \$180,500     | 2.79%               | 21                                 | -32.26%                            | 151                       | 96.2%                                      |
| 32220    | \$165,600     | -12.24%             | 38                                 | 18.75%                             | 66                        | 95.9%                                      |
| 32221    | \$191,600     | -6.45%              | 61                                 | -40.78%                            | 82                        | 96.5%                                      |
| 32222    | \$234,000     | -1.89%              | 35                                 | 9.38%                              | 154                       | 94.0%                                      |
| 32223    | \$325,500     | -9.73%              | 71                                 | -21.98%                            | 87                        | 95.3%                                      |
| 32224    | \$384,500     | 7.49%               | 99                                 | -18.18%                            | 91                        | 96.0%                                      |
| 32225    | \$280,000     | 5.58%               | 145                                | -40.57%                            | 79                        | 96.8%                                      |
| 32226    | \$273,400     | -3.97%              | 60                                 | -27.71%                            | 87                        | 95.5%                                      |
| 32233    | \$380,500     | 1.04%               | 25                                 | -32.43%                            | 106                       | 95.9%                                      |
| 32234    | \$128,400     | -49.15%             | 7                                  | 40.00%                             | 151                       | 97.5%                                      |
| 32244    | \$165,900     | -3.27%              | 162                                | -34.15%                            | 80                        | 97.7%                                      |
| 32246    | \$212,700     | -8.40%              | 120                                | -24.05%                            | 98                        | 96.6%                                      |
| 32250    | \$417,400     | 12.05%              | 35                                 | -35.19%                            | 111                       | 92.7%                                      |
| 32254    | \$73,900      | -3.78%              | 36                                 | -43.75%                            | 60                        | 97.5%                                      |
| 32256    | \$328,900     | -12.39%             | 71                                 | -21.11%                            | 84                        | 94.6%                                      |
| 32257    | \$236,000     | -4.10%              | 63                                 | -35.05%                            | 80                        | 95.7%                                      |
| 32258    | \$248,300     | -10.30%             | 141                                | -14.02%                            | 90                        | 96.3%                                      |
| 32266    | \$423,500     | -25.95%             | 15                                 | 50.00%                             | 138                       | 93.3%                                      |
| 32277    | \$194,400     | -6.45%              | 56                                 | -27.27%                            | 102                       | 96.6%                                      |
| OTHER    | \$237,500     | -20.41%             | 14                                 | -56.25%                            | 84                        | 96.6%                                      |

\*\*\* % Change of current quarter compared to the same quarter to year ago.

## Flagler County, FL



### Labor Market :

Employment increased by 148 jobs in Flagler County during July and August. However, the number of job seekers also increased. The combined effect of these two trends was an increase in the average monthly unemployment rate from 4.8% for the second quarter to 5.9% in the first two months of the third quarter. The solid job growth will help to build housing demand, while historically low mortgage rates should continue to spur sales.

### Housing Market :

|                         | Q2' 07    | Q3' 07    | Q4' 07<br>(Forecast) |
|-------------------------|-----------|-----------|----------------------|
| Average Price           | \$205,000 | \$157,200 | ↑                    |
| # Homes on the Market * | 89        | 76        | ↓                    |
| # Homes Sold **         | 6         | 7         | ↑                    |
| # New Homes Built ***   | 167       | 98        | ↑                    |
| Avg # of Days on Market | 85        | 82        | ↓                    |

\* Available as of Sep. 30, 2007.

\*\* May not add to total of zip codes.

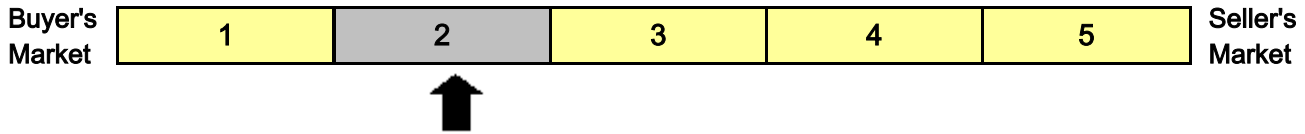
\*\*\* During the first two months of 3rd quarter.

### Data by Zip Codes for Q3 2007

| Zip Code | Average Price | Price Change<br>*** | Total #<br>Homes Sold<br>(Quarter) | % Change in #<br>Homes Sold<br>*** | Average Days<br>on Market | % of Asking Price<br>(Sold/<br>List Price) |
|----------|---------------|---------------------|------------------------------------|------------------------------------|---------------------------|--|
| 32110    | \$59,400      | -                   | 1                                  | -                                  | 21                        | 90.0%                                      |
| 32137    | \$180,000     | -24.21%             | 3                                  | -57.14%                            | 76                        | 97.4%                                      |
| 32164    | \$167,000     | -25.25%             | 3                                  | -80.00%                            | 108                       | 67.0%                                      |

\*\*\* % Change of current quarter compared to the same quarter to year ago.

## Nassau County, FL



### Labor Market :

Employment increased by 387 jobs in Nassau County during July and August. However, the number of job seekers also increased. The combined effect of these two trends was an increase in the average monthly unemployment rate from 2.9% for the second quarter to 3.5% in the first two months of the third quarter. The solid job growth will help to build housing demand, while historically low mortgage rates should continue to spur sales.

### Housing Market :

|                         | Q2' 07    | Q3' 07    | Q4' 07<br>(Forecast) |
|-------------------------|-----------|-----------|----------------------|
| Average Price           | \$232,400 | \$208,000 | ↑                    |
| # Homes on the Market * | 355       | 246       | ↓                    |
| # Homes Sold **         | 89        | 67        | ↑                    |
| # New Homes Built ***   | 220       | 113       | ↑                    |
| Avg # of Days on Market | 111       | 103       | ↓                    |

\* Available as of Sep. 30, 2007.

\*\* May not add to total of zip codes.

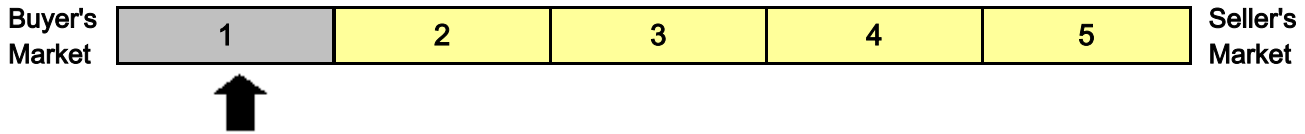
\*\*\* During the first two months of 3rd quarter.

### Data by Zip Codes for Q3 2007

| Zip Code | Average Price | Price Change<br>*** | Total #<br>Homes Sold<br>(Quarter) | % Change in #<br>Homes Sold<br>*** | Average Days<br>on Market | % of Asking Price<br>(Sold/<br>List Price) |
|----------|---------------|---------------------|------------------------------------|------------------------------------|---------------------------|--|
| 32009    | \$95,000      | -48.62%             | 2                                  | -66.67%                            | 218                       | 91.6%                                      |
| 32011    | \$156,200     | -17.66%             | 13                                 | -48.00%                            | 73                        | 94.9%                                      |
| 32034    | \$328,400     | -8.37%              | 17                                 | -39.29%                            | 111                       | 90.7%                                      |
| 32046    | \$143,900     | -20.37%             | 8                                  | -38.46%                            | 86                        | 93.9%                                      |
| 32097    | \$185,100     | -22.78%             | 23                                 | -37.84%                            | 86                        | 94.7%                                      |
| OTHER    | \$181,900     | -49.39%             | 4                                  | 100.00%                            | 253                       | 99.5%                                      |

\*\*\* % Change of current quarter compared to the same quarter to year ago.

## Putnam County, FL



### Labor Market :

Employment declined by 301 jobs in July and August. The job losses brought about an increase in the average monthly unemployment rate from 4% in the second quarter to 5% for the first two months of the third quarter. Despite the job losses, the job situation still remains strong in Putnam County. Combined with historically low mortgage rates, employment will help to build up demand for housing.

### Housing Market :

|                         | Q2' 07    | Q3' 07    | Q4' 07<br>(Forecast) |
|-------------------------|-----------|-----------|----------------------|
| Average Price           | \$128,700 | \$127,000 | ↑                    |
| # Homes on the Market * | 997       | 835       | ↔                    |
| # Homes Sold **         | 152       | 139       | ↓                    |
| # New Homes Built ***   | 6         | -2        | ↓                    |
| Avg # of Days on Market | 124       | 117       | ↑                    |

\* Available as of Sep. 30, 2007.

\*\* May not add to total of zip codes.

\*\*\* During the first two months of 3rd quarter.

### Data by Zip Codes for Q3 2007

| Zip Code | Average Price | Price Change<br>*** | Total #<br>Homes Sold<br>(Quarter) | % Change in #<br>Homes Sold<br>*** | Average Days<br>on Market | % of Asking Price<br>(Sold/<br>List Price) |
|----------|---------------|---------------------|------------------------------------|------------------------------------|---------------------------|--|
| 32007    | \$195,000     | -                   | 1                                  | -                                  | 305                       | 92.9%                                      |
| 32112    | \$117,300     | -36.77%             | 16                                 | -5.88%                             | 135                       | 87.0%                                      |
| 32131    | \$338,300     | 3.36%               | 7                                  | 75.00%                             | 53                        | 95.9%                                      |
| 32138    | \$120,000     | -                   | 1                                  | -                                  | 208                       | 80.0%                                      |
| 32140    | \$88,200      | -6.57%              | 4                                  | -33.33%                            | 85                        | 97.9%                                      |
| 32148    | \$86,000      | -25.09%             | 25                                 | -39.02%                            | 112                       | 95.1%                                      |
| 32177    | \$128,700     | -15.05%             | 46                                 | -13.21%                            | 119                       | 95.9%                                      |
| 32181    | \$78,600      | -44.37%             | 3                                  | -62.50%                            | 89                        | 98.5%                                      |
| 32187    | \$97,800      | -61.96%             | 5                                  | -16.67%                            | 145                       | 94.2%                                      |

\*\*\* % Change of current quarter compared to the same quarter to year ago.

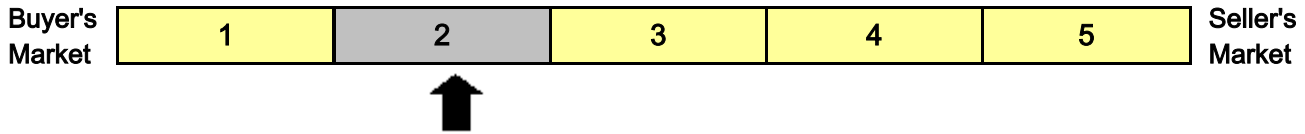
## Putnam County, FL

### Data by Zip Codes for Q3 2007

| Zip Code | Average Price | Price Change<br>*** | Total #<br>Homes Sold<br>(Quarter) | % Change in #<br>Homes Sold<br>*** | Average Days<br>on Market | % of Asking Price<br>(Sold/<br>List Price) |
|----------|---------------|---------------------|------------------------------------|------------------------------------|---------------------------|--|
| 32189    | \$122,100     | -14.14%             | 22                                 | 15.79%                             | 151                       | 91.3%                                      |
| 32193    | \$46,800      | -71.86%             | 2                                  | -50.00%                            | 20                        | 104.0%                                     |
| 32666    | \$74,500      | -43.69%             | 3                                  | 0.00%                              | 35                        | 98.7%                                      |
| OTHER    | \$236,200     | 158.14%             | 4                                  | -20.00%                            | 67                        | 97.9%                                      |

\*\*\* % Change of current quarter compared to the same quarter to year ago.

## St. Johns County, FL



### Labor Market :

Employment increased by 991 jobs in St Johns County during July and August. However, the number of job seekers also increased. The combined effect of these two trends was an increase in the average monthly unemployment rate from 2.8% for the second quarter to 3.5% in the first two months of the third quarter. The solid job growth will help to build housing demand, while historically low mortgage rates should continue to spur sales.

### Housing Market :

|                         | Q2' 07    | Q3' 07    | Q4' 07<br>(Forecast) |
|-------------------------|-----------|-----------|----------------------|
| Average Price           | \$441,100 | \$454,000 | ↑                    |
| # Homes on the Market * | 2,874     | 2,452     | ↓                    |
| # Homes Sold **         | 643       | 517       | ↑                    |
| # New Homes Built ***   | 685       | 463       | ↑                    |
| Avg # of Days on Market | 97        | 107       | ↓                    |

\* Available as of Sep. 30, 2007.

\*\* May not add to total of zip codes.

\*\*\* During the first two months of 3rd quarter.

### Data by Zip Codes for Q3 2007

| Zip Code | Average Price | Price Change<br>*** | Total #<br>Homes Sold<br>(Quarter) | % Change in #<br>Homes Sold<br>*** | Average Days<br>on Market | % of Asking Price<br>(Sold/<br>List Price) |
|----------|---------------|---------------------|------------------------------------|------------------------------------|---------------------------|--|
| 32033    | \$283,000     | -3.87%              | 11                                 | 22.22%                             | 133                       | 95.4%                                      |
| 32080    | \$471,700     | -8.51%              | 18                                 | 0.00%                              | 199                       | 93.0%                                      |
| 32082    | \$855,500     | 6.96%               | 95                                 | -7.77%                             | 119                       | 93.4%                                      |
| 32084    | \$224,200     | -33.03%             | 41                                 | 17.14%                             | 94                        | 95.0%                                      |
| 32086    | \$263,600     | -25.58%             | 17                                 | 30.77%                             | 103                       | 93.6%                                      |
| 32092    | \$351,900     | -0.40%              | 137                                | -31.84%                            | 114                       | 95.4%                                      |
| 32095    | \$693,200     | 34.26%              | 37                                 | -19.57%                            | 140                       | 95.3%                                      |
| 32145    | \$101,600     | -10.96%             | 7                                  | -12.50%                            | 52                        | 97.1%                                      |

\*\*\* % Change of current quarter compared to the same quarter to year ago.

## St. Johns County, FL

### Data by Zip Codes for Q3 2007

| Zip Code | Average Price | Price Change<br>*** | Total #<br>Homes Sold<br>(Quarter) | % Change in #<br>Homes Sold<br>*** | Average Days<br>on Market | % of Asking Price<br>(Sold/<br>List Price) |
|----------|---------------|---------------------|------------------------------------|------------------------------------|---------------------------|--|
| 32259    | \$351,100     | -8.62%              | 135                                | -26.63%                            | 82                        | 95.5%                                      |
| OTHER    | \$327,300     | -16.70%             | 19                                 | 11.76%                             | 68                        | 94.6%                                      |

\*\*\* % Change of current quarter compared to the same quarter to year ago.

## Others

### Data by Zip Codes for Q3 2007

| Zip Code | Average Price | Price Change<br>*** | Total #<br>Homes Sold<br>(Quarter) | % Change in #<br>Homes Sold<br>*** | Average Days<br>on Market | % of Asking Price<br>(Sold/<br>List Price) |
|----------|---------------|---------------------|------------------------------------|------------------------------------|---------------------------|--|
| 32025    | \$125,000     | -                   | 1                                  | -                                  | 0                         | 96.5%                                      |
| 32054    | \$177,500     | -0.45%              | 1                                  | -66.67%                            | 10                        | 100.0%                                     |
| 32174    | \$110,000     | -70.19%             | 1                                  | 0.00%                              | 32                        | 88.0%                                      |
| 32210    | \$157,900     | -                   | 1                                  | -                                  | 0                         | 99.7%                                      |
| 32225    | \$286,500     | -                   | 1                                  | -                                  | 254                       | 98.9%                                      |
| 32258    | \$188,000     | -                   | 8                                  | -                                  | 36                        | 100.5%                                     |
| 32606    | \$460,000     | -                   | 1                                  | -                                  | 82                        | 100.0%                                     |
| 32608    | \$410,000     | -                   | 1                                  | -                                  | 9                         | 97.6%                                      |
| 32666    | \$195,000     | -                   | 1                                  | -                                  | 113                       | 90.9%                                      |
| 32694    | \$300,000     | -                   | 1                                  | -                                  | 328                       | 89.6%                                      |
| 34470    | \$152,000     | -                   | 1                                  | -                                  | 30                        | 92.1%                                      |

\*\*\* % Change of current quarter compared to the same quarter to year ago.

## As Credit Goes, So Goes Housing

By Ken Fears  
Manager, Regional Economics

In late July a series of reports about the housing market sent investors in the mortgage backed securities market into a tail spin. There had been speculation of rising defaults on loans and even foreclosures, but the surprise decline in prices and sales sent investors running for the exits. As a result mortgages rates on jumbo loans soared while the pool of investors in sub-prime loans dried up completely. The only sources that could get funding were those brokers who were writing loans on properties under the \$417,000 conforming loan limit. This limit is the level below which Fannie and Freddie will buy up loans, which they then guarantee against default.

This tightening of credit had three effects on the housing market. First, some buyers in the process of closing lost the loans that they had secured to complete their transaction. Second, many would-be buyers were priced right out of the market. And lastly, many potential buyers decided to head to the sidelines until the credit market calmed down.

Gauging the effect of the credit crunch is difficult. Sales in most parts of the country were already on the downward path compared to 2006. The credit problem may have accelerated the decline, but separating the two trends is difficult. And it is likely that anyone who had problems getting a mortgage likely put off the sale for later. This pattern would show up as a down-tick in sales volume below the long-term trend for September followed by an increase in sales volume above trend in October. But this trend is difficult to define.

The easiest way to measure the negative effect of the credit crunch on sales is to look at the number of pending sales that were never closed. Unfortunately, we do not collect this data for this report. But such a figure would only tell us half the story. There are a large number of buyers who would have been forced to delay their purchase while they scrambled to find new financing. This second pattern would show up in longer days on market as measure between the contract date and the date the sale became final. This second measure isolates the time that it takes to close the deal and is directly related to financing issues.

Here in the area covered by the Northeast Florida Multiple Listing Service, Inc, sales fell in the third quarter of 2007 compared to the same period in 2006. It appears that there was a significant increase in the period for financing. The number of days between the contract date and sale date rose 9.4% during the third quarter of 2007 as compared to the same quarter in 2006. This increase in the time for financing implies that the delayed financing likely caused much of the sales that would have registered during the summer to get pushed off until October or November. So, it is still possible that these sales will be reported in later months.

However, it is important to recognize that financing has grown as an issue for buyers. Sellers' and buyers' agents alike must find ways to get buyers into homes and non-price concessions may not be the key. If a seller is considering putting money into the home in order to boost the sale price, this might be a bad strategy. A buyer who is squeezed financially might be willing to bend on amenities to lower their monthly payment. The buyer can do the fixing-up later when she has the money to do so. A seller should consider how much the improvements would cost relative to how much they would boost the bottom line; it might be wiser to market your home as a "fixer upper". Furthermore, at the lower price, the buyer's equity may cover more of the down payment, helping her to get a better rate. Today, buyer's top priority is affordability...not necessarily a stainless range. Remember, while builders can afford to throw in amenities at-cost, an individual seller cannot.

Similarly, FHA loans are back again and sellers must be willing to work with buyers that are using them. During the housing boom, many sellers were reluctant to work with buyers using this type of financing. As a result, FHA's market share fell, while the market share for sub-prime loans ballooned. But now that the demand for sub-prime mortgages by investors vanished, this financing option has disappeared for most potential home buyers. FHA loans require more paper work, thorough appraisals, and take longer. But they are safer for the buyer, the market, and they are another concession that can lure buyers to the table.

But what about those buyers with good credit who want a home priced over \$417,000? Mortgage rates for jumbo loans have jumped significantly since July. One strategy to help these buyers is to offer to help the buyer directly with financing. By paying for part of the home, the buyer's loan might fall under the conforming loan limit, allowing her to get a significantly better rate for the loan.

Regardless of the strategy, a wise Realtor® should be quick to recognize that the rules have changed. The transition to a buyer's market is nearly complete. There is a large reserve of hidden demand for housing. They just need to be convinced that they can afford to buy.

## The Long View

by Lawrence Yun, Vice President, NAR Research

“How much have real estate investors lost due to the housing market bust?”

That was the (highly loaded) question posed to me recently by a producer of one of the major evening news programs. The show wanted to run a story about the “pains” being felt in the market. Hmm. Well, exactly how much real pain are we talking about? Let’s look at a couple of examples. An investor who bought a property in Las Vegas five years ago would be ahead by \$150,000; up \$200,000 in Miami. The average investor nationwide – up \$54,000. Only the recent buyers (flippers) who bought last year in few specific markets would have encountered a loss.

I’m not discounting the discomfort of those who lost big, especially lenders and hedge funds who had large exposures to subprime loans. Investors in homebuilder stocks have certainly experienced pains. But nearly all real estate investors who have a reasonable holding period are doing quite fine. Some of these fortunate buyers who got into the market several years ago will still consider a modest give back as a loss without considering the large gains reaped during the housing boom. That’s the nature of the human mind. A gain of \$190,000 in Miami feels like a \$10,000 loss considering that the gain had been \$200,000.

Foreclosures are rising and construction workers are being laid off. REALTORS® are feeling the pinch as well. The median income of a typical REALTOR® has been falling due to the correction in sales transactions. However, consumers and homeowners who are in it for the long-term are once again showing to come out well ahead. Because of the power of leveraging, a \$10,000 used for a down payment on a typically priced home in the U.S. at a typical home price appreciation of 5 percent will return \$110,000 after 10 years. The same \$10,000 invested in the stock market appreciating at 10% annual increases will result in \$23,600. No wonder the data from the Federal Reserve show consistent results year-after-year of the staggering difference in net worth between homeowners and renters. A typical homeowner had \$184,400 in net worth versus only \$4,000 for a typical renter.

The lack of buyer confidence to enter the market has been the one principal reason in holding back home sales. Many would-be buyers are spooked of a possible home price decline. And the media is fueling that fear. Some of the most popular market gurus that offer their advice on television and other media say so. Caution is in order however. As a recent *Barron’s* article pointed out, stock picks made by one such expert actually underperformed the market. It’s also important to point out that times of crisis often turn out to have been times of opportunity in hindsight. With over four million net new job additions in the past two years—the time frame during which home sales have steadily fallen – a significant pent up demand has developed. Home sales and home prices will be higher in 2008 compared to 2007. And, as with any investment, look longer term. Those investing in a home and keeping it for a typical holding period of six to ten years will likely see their investment pay off; those homes will have been a good investment.

As for stocks, they are not the enemy of real estate. Many REALTORS® own stocks. (So do many economists!) The latest NAR research on vacation-home buyers reveals that many of them rely on stock market wealth to fund that second-home purchase. Stocks and real estate both promote the importance of private ownership.

Of course, with housing figures down, all eyes are looking to the stock market. Indeed, the stock market is at an all-time high. That’s terrific in and of itself and reflects confidence in the U.S. economic outlook. Just be careful about taking specific advice from any hyper-emotional TV personality. Darts should not be thrown at publicity posters of any “mad money” host. You’ll likely have just as good luck by reining in your emotions (and money) and throwing them randomly on the financial pages of your newspaper for your next stock pickings.

## The Forecast

By Lawrence Yun, *Vice President, NAR Research*

Several positive developments in the credit market will pave the way for improving housing market conditions going into 2008. The worst in the credit crunch of August is clearly over. A bold move by the Federal Reserve in cutting the rate by 50 basis points in September and another 25 basis points in October helped with liquidity and even more importantly in lifting confidence of financial investors that the Fed will not permit a freezing of credit in the marketplace. Markets, therefore, have settled down and mortgage rates have trend back down to about 6.3% on conforming loans - near historic lows.

Credit in the conforming market (under \$417,000 loan and those that meet the GSE guidelines) has been widely available throughout the crisis. It was the jumbo loan market that was particularly hard hit with the spread over conforming loans rising to over 150 basis points, rather than the historic average of 20 to 30 basis points. The spread as of early October is down to about 60 basis points - though not back to normal, at least it is moving in the right direction. Many of the homebuyers in the high-cost regions who've gotten frozen out of the jumbo loans will now be able to return to the market.

The subprime lending will definitely not return to where it had been a year ago. That is a good thing. While some subprime loans make sense, the vast majority of subprime borrowers likely did not know what they were getting into. Low-and-moderate income families will (and should) now look to safer FHA loans. They carry much favorable interest rates and they have infrastructure already setup for counseling and loss mitigation.

Though the credit problems appear to be over, there is an overhang that looms large that could hamper housing market recovery. Inventory is high. But keep in mind that many people live in the homes that are listed for sale. These people are homesellers as well as homebuyers - unless they want to move into renting or selling a vacant home. A bigger concern on inventory is on newly constructed homes because they are purely vacant. Carrying a vacant home by builders is an expensive proposition and, hence, builders will be forced to provide more incentives and price cutting to attract buyers. Interestingly, inventory of newly constructed homes has been falling for the past 5 months thanks to major cut backs in construction by homebuilders. Inventory looks to be further shaved based on major further cutbacks in single-family housing starts and single-family housing permits.

Despite all the "negative" media coverage on housing, home prices in the region have largely held on on-average. Sure, there are neighborhoods where home price declines are notable, and REALTORS® can pinpoint those areas. One principal reason for price stability is due to the fundamentally sound local economy. Job gains continue locally. Housing figures for September and October look to be weak, which will get officially reported well into late November, from the lingering impact of the August credit crunch. However, the pent-up demand is strong (from accumulated job gains) and the recovery is around the corner. Expect higher home sales and higher home prices next year.

## Economic and Housing Market Outlook: November 2007

|                                    | Quarterly |        |        |        |        |        |        |        |        |        | 2006  | 2007   | 2008  |
|------------------------------------|-----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|--------|-------|
|                                    | 2006.3    | 2006.4 | 2007.1 | 2007.2 | 2007.3 | 2007.4 | 2008.1 | 2008.2 | 2008.3 | 2008.4 |       |        |       |
| <b>U.S. Economy</b>                |           |        |        |        |        |        |        |        |        |        |       |        |       |
| <i>Annual Growth Rate</i>          |           |        |        |        |        |        |        |        |        |        |       |        |       |
| Real GDP                           | 1.1       | 2.1    | 0.6    | 3.8    | 3.9    | 2.1    | 2.6    | 2.9    | 3.1    | 3.0    | 2.9   | 2.2    | 2.8   |
| Nonfarm Payroll Employment         | 1.6       | 1.5    | 1.5    | 1.2    | 0.7    | 0.9    | 1.1    | 1.0    | 1.1    | 1.5    | 1.9   | 1.3    | 1.1   |
| Consumer Prices                    | 3.1       | -2.1   | 3.8    | 6.0    | 2.2    | 2.1    | 2.1    | 2.2    | 2.4    | 2.2    | 3.2   | 2.8    | 2.4   |
| Real Disposable Income             | 1.7       | 6.2    | 5.4    | 0.6    | 4.4    | 3.0    | 3.0    | 2.5    | 2.6    | 3.0    | 3.1   | 3.6    | 2.9   |
| Consumer Confidence                | 104       | 107    | 110    | 107    | 106    | 106    | 107    | 108    | 109    | 110    | 106   | 107    | 109   |
| <i>Percent</i>                     |           |        |        |        |        |        |        |        |        |        |       |        |       |
| Unemployment Rate                  | 4.7       | 4.5    | 4.5    | 4.5    | 4.6    | 4.7    | 4.8    | 4.9    | 4.9    | 4.8    | 4.6   | 4.6    | 4.8   |
| <i>Interest Rates, Percent</i>     |           |        |        |        |        |        |        |        |        |        |       |        |       |
| Fed Funds Rate                     | 5.3       | 5.2    | 5.3    | 5.3    | 5.1    | 4.6    | 4.5    | 4.5    | 4.5    | 4.5    | 5.0   | 5.0    | 4.5   |
| 3-Month T-Bill Rate                | 4.9       | 4.9    | 5.0    | 4.7    | 4.4    | 4.0    | 4.1    | 4.1    | 4.2    | 4.2    | 4.7   | 4.5    | 4.1   |
| Prime Rate                         | 8.3       | 8.3    | 8.3    | 8.3    | 8.1    | 7.6    | 7.5    | 7.5    | 7.5    | 7.5    | 8.0   | 8.0    | 7.5   |
| Corporate Aaa Bond Yield           | 5.7       | 5.4    | 5.4    | 5.6    | 5.7    | 5.8    | 5.9    | 5.9    | 6.0    | 6.1    | 5.6   | 5.6    | 6.0   |
| 10-Year Government Bond            | 4.9       | 4.6    | 4.7    | 4.8    | 4.7    | 4.6    | 4.7    | 4.8    | 4.9    | 4.9    | 4.8   | 4.7    | 4.8   |
| 30-Year Government Bond            | 5.0       | 4.7    | 4.8    | 5.0    | 4.9    | 4.8    | 4.9    | 5.0    | 5.0    | 5.1    | 4.9   | 4.9    | 5.0   |
| <i>Mortgage Rates, percent</i>     |           |        |        |        |        |        |        |        |        |        |       |        |       |
| 30-Year Fixed Rate                 | 6.6       | 6.3    | 6.2    | 6.3    | 6.5    | 6.4    | 6.4    | 6.5    | 6.6    | 6.6    | 6.4   | 6.4    | 6.5   |
| 1-Year Adjustable                  | 5.7       | 5.5    | 5.5    | 5.5    | 5.7    | 5.5    | 5.2    | 5.0    | 5.0    | 4.9    | 5.5   | 5.6    | 5.0   |
| <b>National Housing Indicators</b> |           |        |        |        |        |        |        |        |        |        |       |        |       |
| <i>Thousands</i>                   |           |        |        |        |        |        |        |        |        |        |       |        |       |
| Existing Single-Family Sales       | 6,287     | 6,263  | 6,423  | 5,917  | 5,376  | 5,587  | 5,781  | 6,089  | 6,215  | 6,318  | 6,478 | 5,780  | 6,118 |
| New Single-Family Sales            | 994       | 986    | 853    | 868    | 767    | 737    | 732    | 748    | 758    | 770    | 1,051 | 804    | 752   |
| Housing Starts                     | 1,704     | 1,555  | 1,460  | 1,464  | 1,319  | 1,232  | 1,224  | 1,243  | 1,247  | 1,256  | 1,801 | 1,369  | 1,243 |
| Single-Family Units                | 1,393     | 1,232  | 1,172  | 1,166  | 1,003  | 933    | 915    | 923    | 925    | 927    | 1,465 | 1,068  | 922   |
| Multifamily Units                  | 311       | 323    | 288    | 299    | 316    | 299    | 310    | 320    | 322    | 329    | 336   | 301    | 320   |
| Residential Construction*          | 555       | 529    | 506    | 491    | 470    | 448    | 437    | 435    | 438    | 441    | 570   | 479    | 438   |
| <i>Percent Change -- Year Ago</i>  |           |        |        |        |        |        |        |        |        |        |       |        |       |
| Existing Single-Family Sales       | -12.4     | -10.1  | -6.4   | -10.7  | -14.5  | -10.8  | -10.0  | 2.9    | 15.6   | 13.1   | -8.5  | -10.8  | 5.8   |
| New Single-Family Sales            | -23.3     | -21.9  | -24.6  | -20.1  | -22.8  | -25.3  | -14.2  | -13.9  | -1.2   | 4.4    | -18.1 | -23.5  | -6.4  |
| Housing Starts                     | -18.8     | -24.8  | -31.4  | -21.3  | -22.6  | -20.7  | -16.2  | -15.1  | -5.5   | 1.9    | -12.9 | -24.0  | -9.2  |
| Single-Family Units                | -20.2     | -28.6  | -33.1  | -23.3  | -28.0  | -24.3  | -21.9  | -20.8  | -7.8   | -0.6   | -14.6 | -27.1  | -13.7 |
| Multifamily Units                  | -11.9     | -5.9   | -23.3  | -12.4  | 1.5    | -7.3   | 7.4    | 7.0    | 2.1    | 9.9    | -4.5  | -10.6  | 6.6   |
| Residential Construction           | -8.5      | -12.8  | -16.5  | -16.5  | -15.4  | -15.3  | -13.6  | -11.3  | -6.8   | -1.7   | -4.6  | -15.9  | -8.6  |
| <b>National Home Prices</b>        |           |        |        |        |        |        |        |        |        |        |       |        |       |
| <i>Thousands of Dollars</i>        |           |        |        |        |        |        |        |        |        |        |       |        |       |
| Existing Home Prices               | 225.0     | 219.3  | 214.0  | 223.9  | 222.1  | 213.8  | 212.7  | 225.7  | 226.5  | 219.8  | 221.9 | 219.0  | 221.8 |
| New Home Prices                    | 236.2     | 245.1  | 255.9  | 240.2  | 234.1  | 237.0  | 252.1  | 242.9  | 238.1  | 243.6  | 246.5 | 241.4  | 243.9 |
| <i>Percent Change -- Year Ago</i>  |           |        |        |        |        |        |        |        |        |        |       |        |       |
| Existing Home Prices               | -1.1      | -2.7   | -1.4   | -1.3   | -1.3   | -2.5   | -0.6   | 0.8    | 2.0    | 2.8    | 1.0   | -1.3   | 1.3   |
| New Home Prices                    | -0.1      | 2.1    | 4.5    | -2.6   | -0.9   | -3.3   | -1.5   | 1.1    | 1.7    | 2.8    | 2.3   | -2.1   | 1.0   |
| <b>Local Region</b>                |           |        |        |        |        |        |        |        |        |        |       |        |       |
| Payroll Jobs (in thousands)        | 622.6     | 634.9  | 633.2  | 636.6  | 635.4  | 647.0  | 644.6  | 649.3  | 648.7  | 662.5  | 624.4 | 638.0  | 651.3 |
| Home Sales                         | 4886      | 4075   | 3717   | 4241   | 3535   | 3113   | 3226   | 4368   | 3850   | 3478   | 19060 | 14606  | 14922 |
| Home Prices (in thousand \$)       | 256.8     | 246.8  | 249.8  | 261.4  | 251.2  | 239.9  | 245.1  | 263.3  | 254.4  | 246.1  | 259.6 | 251.4  | 253.1 |
| <i>Percent Change -- Year Ago</i>  |           |        |        |        |        |        |        |        |        |        |       |        |       |
| Jobs                               | 2.7%      | 3.1%   | 2.5%   | 2.3%   | 2.1%   | 1.9%   | 1.8%   | 2.0%   | 2.1%   | 2.4%   | 3.2%  | 2.2%   | 2.1%  |
| Home Sales                         | -15.7%    | -17.0% | -18.2% | -23.6% | -27.7% | -23.6% | -13.2% | 3.0%   | 8.9%   | 11.7%  | -9.2% | -23.4% | 2.2%  |
| Home Prices                        | 0.1%      | 0.1%   | -4.3%  | -3.2%  | -2.2%  | -2.8%  | -1.9%  | 0.7%   | 1.3%   | 2.6%   | 6.1%  | -3.1%  | 0.7%  |








Quarterly figures are seasonally adjusted annual rates.

\* Billion dollars

Source: Forecast produced using Macroeconomic Advisers quarterly model of the U.S. economy.

Assumptions and simulations by Dr. Lawrence Yun.

This table reflects data available through October 5, 2007.

| Monthly Indicator   | Recent Statistics                                | Likely Direction Over the Next Six Months   | Forecast  |
|---|--|---|---|
| <p><b>Existing Home Sales</b> fell 4.3% in August to a seasonally adjusted annualized rate of 5.50 million units – the lowest resale pace since August 2002. The inventory of existing homes available for sale rose to a 10 month supply, its highest level since NAR began tracking it in 1999. Home prices rose a slight 0.2% from August of 2006 to a median of \$224,500. While the rise in inventory is still a concern, housing market fundamentals remain strong.</p>                 | Aug 07 5,500<br>July 07 5,750<br>Aug 06 6,310    |    | August credit crunch delaying purchases to late this year and early next year |
| <p><b>New Home Sales</b> declined 8.3% in August to a seasonally adjusted annualized rate of 795,000 units. The sales pace of new homes was down 21.2% from year-ago levels. The inventory of new homes available for sale rose 7.9% to a 8.2 month supply. With tighter credit standards - particularly related to the subprime loans and jumbo loans - the demand for new homes will continue to tread on the low side over the next three months.</p>                                      | Aug 07 795<br>July 07 867<br>Aug 06 1,009        |    | Fewer new homes being built and fewer to sale                                 |
| <p><b>Housing Starts</b> fell in August to 1.33 million seasonally adjusted annualized units – a 2.6% decline from July and 19% off the level in August 2006. Starts are down a whopping 36% from the 2005 annual figure. Housing permits posted an even a larger monthly decline of 5.9%. But all this could auger well for the future of the housing market, as the decline in new home construction lessens the inventory glut.</p>  | Aug 07 1,331<br>July 07 1,367<br>Aug 06 1,646    |    | Already fallen a lot, but more decline is encouraged to hold down inventory   |
| <p><b>Housing Affordability</b> improved in August. NAR's Housing Affordability Index stood at 106.1 for the month – the first increase in the index since January of this year and also above the 103.1 level registered in August of 2006. Monthly decreases in some of the major components of the index – median home price, mortgage rates, and qualifying income – helped contribute to the rise in affordability</p>   | Aug 07 106.1<br>July 07 103.6<br>Aug 06 103.1    |  | Mortgage rates remain favorable and income is rising                          |
| <p><b>Mortgage Rates</b> Average rates on 30-year fixed-rate mortgages fell in September, decreasing 0.19 basis points to 6.38%. The impact from the Federal Reserve's recent interest rate cut of 50 basis points is expected to trickle down through the market. The one-year adjust-able rate (ARM) remained virtually flat at 5.66%.</p>  | Sept 07 6.38%<br>Aug 07 6.57%<br>Sept 06 6.41%   |  | Very favorable now and will remain that way for some time                     |
| <p><b>Employment</b> The economy created 110,000 new jobs in September, meeting or besting most analysts predictions. Additional good news: August's negative figure was revised upward to show a gain of 89,000 jobs. Education and health services, professional services leisure and hospitality and government sectors added to their payrolls, offsetting losses in construction, manufacturing, retailing and financial services.</p>   | Sept 07 110<br>Aug 07 89<br>12-month total 1,629 |  | Job gains to reach 130,000 per month by early next year                       |
| <p><b>Economic Growth</b> posted a 3.8% rate in the second quarter. This is the third and final reading of GDP based on complete data. While any growth rate above 3% is considered solid, the rise follows several quarters of subpar growth; GDP growth measured on a year over year basis is 1.9%. Consumer spending fell, but business spending rebounded strongly. Exports also increased; the narrowing trade deficit was the biggest reason for the improving economic conditions.</p> | 2007:II 3.8%<br>2007:I 0.6%<br>2006:II 2.4%      |  | Some deceleration can be expected due to lower new home construction          |

Notes: All rate are seasonally adjusted. New home sales, existing home sales, and housing starts are shown in thousands. Employment growth is shown as month-to-month change in thousands. Inflation is shown as the month-to-month change in the Consumer Price Index. Sources: NAR, Bureau of the Census, Bureau of Labor Statistics, Freddie Mac, and the Mortgage Bankers Association