

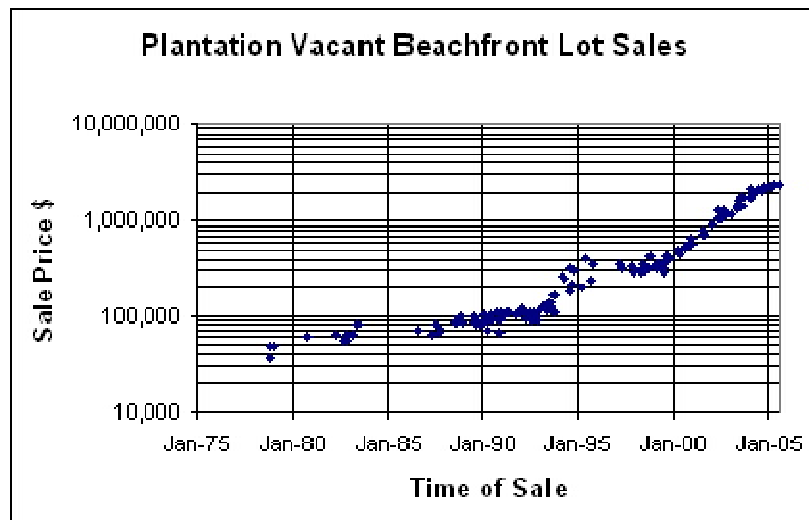
Forgotten Coast Real Estate Market Update for 2007

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The year of 2006 was not good for anyone involved in owning, buying, selling, financing or brokering real estate in Franklin County, or anywhere else in Oyster Country. There were two primary reasons—the unsustainable rise in real estate prices from 2000 to 2005 and the number of hurricanes that impacted the Gulf coast in 2004 and 2005. These high prices and the storms left us with tax bills and insurance prices (if available at all) that were unaffordable for the average property owner.

To put this in perspective, I decided to analyze the effect of hurricanes on the real estate market. I looked at real estate sales records on St. George Island going back to October, 1978. There are several interesting facts I found from this:

- In November 1985, Hurricane Kate hit in NW Florida and did significant damage on St. George Island. In October, 1995, Hurricane Opal hit NW Florida with almost the same effect on St. George Island. In July 2005, Hurricane Dennis hit St. George Island and Franklin County with a flood surge that caused significant erosion and land surface damage.
- After both of the earlier hurricanes, real estate sales almost completely died for a period of about 1 1/2 years. Also, when activity started to pick up again, prices were somewhat suppressed, and took another 1 1/2 years or more to recover.
- From my previous analysis of real estate values on St. George Island and this area in general, I have found that if I look at vacant beachfront lot sales data, I have an indicator of how the entire real estate market is doing. One of the best indicators is Plantation beachfront lots, since they are all the same size—1 acre and 100' wide. If these lot prices appreciate, then all the rest of the market appreciates. Conversely, if beachfront sales stagnate, the same applies area wide and if prices go down, all prices go down in lock-step.
- After Kate, it took nearly 3 years for a beachfront lot sale price to exceed the previous high sale before Kate. Examining the chart shows there are no sales shown for a couple of years following the November 1985 event.
- After Opal, it took exactly 3 years for the price of a beachfront lot to exceed the high sale price before Opal. You can also see the 1 1/2 year gap in sales following the October 1995 storm.



- Following Opal in November 1995 Plantation beachfront lot prices dropped about 30% from the best sale in May of 1995 at \$416,000, down to \$295,000 in December 1997. There were several sales starting March, 1997, but the prices spiraled down with each sale until they reached that bottom of \$295,000. While there were a surprisingly large number of beachfront lot sales starting about 1 ½ years after Opal, full price recovery took about 4 years.
- If one can extrapolate from history, then we should expect sales volume to return to something approaching normalcy shortly in the first quarter of this year, with prices recovering significantly by early 2008. In the meantime, it is going to be a buyer's market, with some great bargains to be had. But don't wait too long! If history is a predictor, then your opportunities for a best buy will be in the first 6 months of 2007. After that, prices will start to rise as the inventory falls. However, I don't forecast prices will climb back to their pre-Dennis levels until the insurance issues currently being addressed by the legislature are implemented and local governments learn to live on a leaner budget.

Now, what does this mean for you? Well, if you are a seller, you should start getting offers in the next few months. But you can count on the fact they will be well below what they were in 2004 and early 2005. If you must sell, then you may have to take a loss if you bought in the last 2-3 years. However, if you have been holding the property over 5 years you should still make a very good profit.

If weather patterns mimic those we experienced in 2006 for the next few years-that is none or few hurricanes-prices should start to climb again in late 2007 and 2008. But prices will probably continue to fall through most of 2007, since there are some sellers who will be bidding to get the first few buyers who re-enter the market. However, as we have seen in the periods following 1985 and 1995, those distressed properties will eventually sell and then buyers who can afford to hold out for more will start the price rate increase. However, please don't overlook the good news which is that **the real estate market has already started to recover. In fact, there are now 44 properties under contract in Franklin County, with most of those contracts occurring since January 1.**