

Real Estate Market Update

St. George Island and Franklin County

September, 2007

I have always heard that if you can't find something good to say, then you should just keep your mouth shut. I have also heard that some people try to "make a silk purse out of a sow's ear" and others say "the glass is half full instead of half empty". Well, I'm always a half-full guy, and I guess that is why you haven't heard from me for a few months (the glass was only about 1/8 full). But today the equation may have changed, based on this week's financial news out of the Fed and the stock market. Anyway, here goes... I'm going to do my best to put a positive spin on the happenings in real estate in this area for the past few months. But I'm not going to try to sugarcoat it either. I'm going to give you the whole story--**The Good, the Bad and the Ugly**. In order to end up with something positive, I'll take these in reverse and will end with the good news. **The good news I hope to convey is that the bottom has been reached!**

The Ugly— Sales volume has never been lower on St. George Island.

- There were only 13 closings of all types of property in the four month period, May through August, 2007.
- That is a 50% reduction in sales volume compared to the first 4 months of 2007, when 25 sales occurred.
- The May to August period last year saw 30 sales.

Area	Period	# Sales	Average Sale
SGI	Jan-Apr-2007	25	\$1,106,316
SGI	May-Aug-2007	13	\$701,769
SGI	May-Aug-2006	30	\$1,109,577
Rest of Franklin	Jan-Apr-2007	37	\$202,018
Rest of Franklin	May-Aug-2007	31	\$236,161
Rest of Franklin	May-Aug-2006	60	\$433,180

In the rest of Franklin County, things were somewhat better.

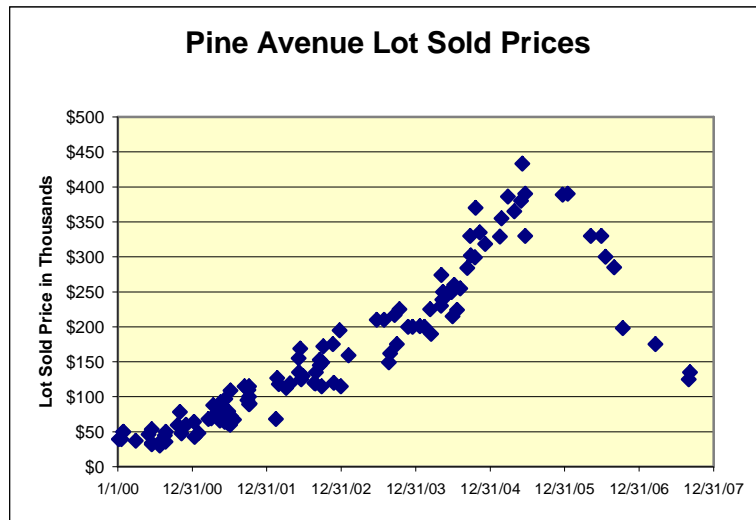
- There were 37 closings in the first 4 months, and
- 31 in the May to August period.
- However, in the same period last year there were 60 closings of some more valuable properties. Note that the average sale price was almost double in 2006 compared to this year's average sale.

If you remember, we thought the market was recovering in the first few months of this year, but on St. George Island, it dropped precipitously during the summer months. This is about the time the national market went into decline, followed by problems with mortgages and the inability of owners to make their next payment. But, historically the summer months have always been the least active time for real estate sales on St. George Island. During that time, people come here for vacation and they don't want to take time off to seriously consider buying real estate. They may pick up some brochures and possibly spend an hour (if it is raining) with a real estate agent. Then, if they are really serious, they will come back later to make their purchase. We are ready when they are!

The Bad—On St. George Island, average prices have dropped. This should not be inferred from the reduction in average sale data shown in the table above, but by comparing apples to apples.

- An easy comparison is the price of beachfront lots in the Plantation, since they are all virtually identical. In the six or so months preceding Hurricane Dennis in July 2005, 4 Plantation beachfront lots sold for an average of more than \$2.35M. In January 2007, a Plantation beachfront lot sold for \$1.225M, and on Aug 24, 2007, one sold for \$1.050M. This last sale is at 45% of the average price 2 years ago. A positive out of this was that it was a cash deal and closed in 10 days, implying that for the right price there is a buyer out there.

- Since all lots are not beachfront, it is instructive to look at the impact on lower priced lots. In the past few weeks, 2 interior lots in Unit 5, Gulf Beaches sold for \$125k and \$135k (these lots are not on Pine Avenue, but are very close and have all the same characteristics as Pine Avenue lot). In the first ½ of 2005, 2 Pine Avenue lots sold for \$380k and \$386k. These lots sold for 34% of the 2005 prices. This reduction in price is even greater than occurred for beachfront property. I have gone back to the



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MLS data and selected all the Pine Avenue lots, both East and West, but excluding the commercial lots between 3rd Street east and 3rd Street west. I chose to look at Pine Avenue lots because there are about 350 lots along this street, all of them more or less the same and there 120 sales there during this nearly 8 year period (of course some of them have views, while others do not, but still this is one street where there were enough sales over the past 8 years to see clear trends). The chart shows an absolutely remarkable price trend for the Pine Avenue lots. From 1/1/2000 to about mid-2004, prices climbed astronomically, but started cooling off in mid 2004. The price drop started in early 2005, actually before Hurricane Dennis and has plummeted downward almost as rapidly as it increased. So, the bottom line is that prices for vacant land have dropped on St. George Island, which is not a surprise. The surprise is the amount of the price change. Note that the 2 latest sales are the 2 referenced above that were off Pine Avenue, but the prices are equivalent to Pine Avenue values in my opinion.

The Good—Well, this message is pretty clear! If you have ever had any inclination to buy property on St. George Island, this is the time. With prices rolled back to early to mid-2002, buyers can strike oil. We have seen some lots list in the \$125K to \$135k range and they went under contract in 3 or 4 days. In my experience, when a property is put on the market and almost immediately goes under contract, then it is priced right and there is a buyer at that price. Four lots have gone under contract almost as soon as they came on the market when priced in the \$125k to \$150K range, and they have all closed in the last 30 days. Also, this week's ½% reduction in the Fed rate has certainly energized the stock market and according to early reports, has also instilled confidence in the housing market with the stocks of all the major home builders increasing by significant amounts. I believe that prices have bottomed here and with the Fed's action and with inferences that rates could drop by another 1 to 1 ½%, you will see the real estate markets rebounding not only in the primary home markets but also in resort and 2nd home markets like we have on St. George Island.

Also, the weather has been very kind to us so far this year, and indications are that the high pressure over the southeast USA is sticking around for sometime longer. If that is in fact what happens, it will tend to steer any Gulf of Mexico hurricanes westward. We are well into September now and nearly past the peak of the season which is August and September. If this continues for another 2 or 3 weeks, we should be in the clear again.

It is a buyer's market and we need buyers. Buyers need to see the tremendous opportunities they can have if they take advantage of this bottom in the real estate market here. Don't be on the sideline when you could take advantage of one of the best buys in real estate in this decade. Give us a call and we will give you complete information on the market and what is available in your price range.

Harry and Katrena Plumblee
 Weichert REALTORS, Anchor
 850 323 0969