



PREMIER MARKET *tracker*

A SNAPSHOT OF *building and development trends* IN THE CAPITAL REGION

▶ NEWS YOU'VE BEEN WAITING FOR

Welcome to the first issue of the Premier Market Tracker, a newsletter designed to report on building and development trends in Florida's Capital Region.

Let's face it: building and development is a tricky business. Contractors must balance their time between design, estimating, on the job

oversight and watching expenses, all the while trying to keep the customer – your residential or commercial buyer – happy.

This publication was designed to take some of the guesswork out of this last cat-

egory by providing details that can help you in decision making. We believe that by giving you a snapshot of this market's

past performance, you'll be in a stronger position to satisfy the changing needs of your customer.

Since this is our maiden voyage, we need your feedback. Please refer to the reader box on the

back page and send us your comments. At Premier Bank, we look forward to strengthening the partnership with our building and development community through this and other services. ♦

"THIS publication
(WILL PROVIDE) DETAILS
that can help you
IN DECISION MAKING."

WHAT'S THE BUZZ?

▶ WHO'S SAYING WHAT *about the capital region*

AFFORDABLE HOUSING, "ONLY 10 MINUTES FROM TALLAHASSEE."

Florida Trend magazine's recent (April 2006) report of Leon's spillover into outlying counties is old news in this region, but the figures can still be startling.

Gadsden County's new-home sales increased 93% through November of 2005, according to their sources, and Wakulla's jumped 78%.

Affordable housing is the obvious driver.

Some things likely to contribute to continuation of the trend, from our perspective:

RETIREES. Unlike families, retirees are unaffected by poorly rated school sys-

tems in some of our surrounding counties.

COMMUTERS. Sources from Gadsden say residents commute to Tallahassee to work. Families with young children are likely to find they can use the savings from housing to offset the cost of private education for their children.

According to Trend, Leon and Wakulla are among the top 15 counties expected to grow the fastest (10% or more) in Florida, through the year 2010. Though neighboring Jefferson and Gadsden are on the

bottom end of projections (0-3%), we'll likely see them inch up, as Tallahassee builders and developers look for more developable land. —Continues page 3—

IN-MIGRATION TRENDS LEON County, 2003-2004

TOTAL Newcomers: 13,058
MEAN ADJUSTED Gross Income: \$15,020

| From other states | 43.6%* | From in state | 56.4% |
|-------------------|--------|---------------|-------|
| Georgia | 6.0 | Gadsden | 8.1 |
| Texas | 1.6 | Wakulla | 4.1 |
| Alabama | 1.3 | Miami-Dade | 3.5 |
| N. Carolina | 0.9 | Broward | 3.4 |
| California | 0.9 | Duval | 3.0 |
| New York | 0.8 | | |

*All figures reflect % of total newcomers; Source: Internal Revenue Service

THE VIEW *from here*

By Matt Brown
President, Premier Bank



BUILDER OUTLOOK. The last few years have been some of the strongest in history for Tallahassee builders. Yet we can't afford to become complacent, counting on the trend to continue.

The demographics of our market are changing and continued success will be highly dependent upon your analysis of data related to the transition. Our hope, through the Premier Market Tracker newsletter, is to provide you with a resource that assists with strategic decision-making in the construction and real estate industry.

Florida housing sales have declined by 22% according to Planet Realtor. In the first quarter of this year, Tallahassee's total single-family home sales of 1,396 units were about even with last year according to Metro Market Trends. However, the sale of new single-family homes was up 31.29% while re-sales were down almost 8%.

Though this data indicates our insulated economy has fared well compared to cyclical coastal markets, we do need to be watchful of a rising inventory in MLS. Listings in March were higher than any point in 2005 – a detail we don't want to ignore. We need to understand inventory components (new and re-sales) so that we do not oversupply particular segments, as was the case with homes in the \$750,000 and above range in 2005.

Remember, too, that data is great but always a little stale – a Realtor who is on top of the market is invaluable in discussing where the market is today and what buyers are looking for. — Continues page 3 —

BACKWARD GLANCES

▶ **A LOOK AHEAD AND BEHIND: *What You Need to Know***

By Julie S. Bettinger, Contributing Writer

When I called Realtor Don Pickett to ask about the real estate trends taking place in the Capital Region, I felt as if I was asking a weather forecaster to predict the future: Are we going to get enough rainfall (buyers/business) to sustain us? Any hurricanes (devastating downturns) on the horizon?

Like his weather forecasting counterparts, Pickett consults numerous charts and uses technology to make his predictions.

WHAT SALES ARE SAYING.

As most builders and developers know, in addition to being a 25-year veteran Realtor in Tallahassee, now with Coldwell Banker Hartung & Noblin, Inc., Don Pickett is also Chairman of the

Tallahassee Board of Realtors' Market Trends & Research Committee.

And, man, this guy likes numbers. From the looks of it, he consumes Excel spreadsheets like an athlete consumes carbohydrates. They're like fuel for his soul.

So what does Tallahassee's real estate forecaster have to say about the market we're in?

The most clues may be found on a spreadsheet listing all new construction homes built in 2005/2006 and sold in this region, including Gadsden, Wakulla and Jefferson counties, he said.

The area most active, which won't come as a surprise because of its mega development and marketing, is the

southeast sector, which includes SouthWood. Wakulla County was next, followed by a tie between the northeast and southwest parts of Tallahassee.

Of course, these numbers can easily be skewed based on the volume of homes being built. Yet, except for the southeast, the volume of available listings for the areas didn't seem to matter.

— *Continues on back cover* —



▶ **COMMERCIAL *Outlook***

By Jack Kane
Executive Vice President, Commercial Loans

The primary trend in commercial property these days is lack of inventory. Commercial brokers are clamoring for listings and small office space turns quickly. The trend for owner-occupied office space – such as what Dean Development and Dixie Russell have been building – remains strong. Professionals and small business owners are seeking office space they can own without the inconveniences of a long morning commute in traffic.

Office space looks healthy with an over-

| OFFICE Market Survey, Q1-2006 | | | | | |
|-------------------------------|--------------|------------------|----------------|--------------|--------------------------|
| REGION | # PROPERTIES | SF SURVEYED | SF VACANT | % VACANT | ASKING RENTS* |
| DOWNTOWN | 25 | 1,075,753 | 90,280 | 8.39% | \$21.00 - \$28.00* |
| NORTHEAST | 43 | 1,295,743 | 24,121 | 1.86% | \$16.00 - \$25.00 |
| NORTHWEST/WEST | 22 | 1,435,077 | 170,993 | 11.92% | \$14.00 - \$16.00 |
| SOUTHEAST | 23 | 2,615,128 | 220,096 | 8.42% | \$12.00 - \$18.50 |
| TOTAL | 113 | 6,421,701 | 505,490 | 7.87% | \$12.00 - \$25.00 |

Survey of buildings 10,000 SF minimum. Rents adjusted to full service. Downtown is CBD. Used with permission from Chip Hartung, CCIM, SIOR, Coldwell Banker Hartung and Noblin, Inc.

all vacancy of 7.87% according to Chip Hartung's recent survey. This compares favorably with the state average of 15%.

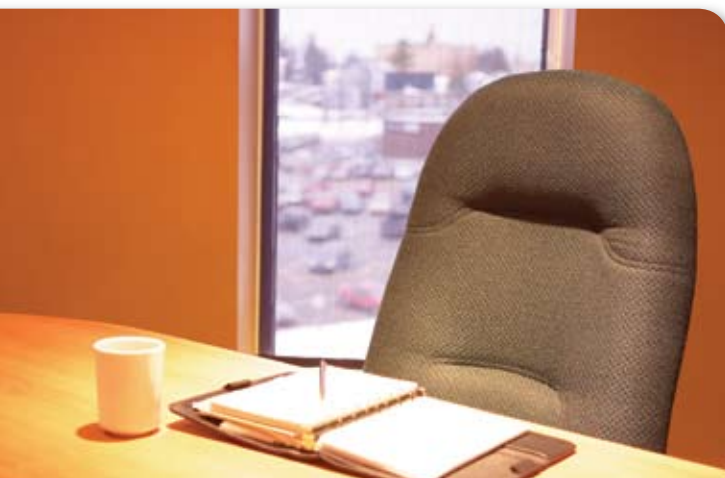
Midway, in Gadsden County, is expected to be a popular industrial venue. Permitting is encouraging, I-10 accessibility is ideal, and the cost remains reasonable. We expect continued development of office warehouses in this area.

Multifamily rentals require a cautious approach. Novice investors on the real estate bandwagon

in recent years purchased property based on market prices without proper regard to cash flow. Increased interest rates and lack of adequate resources will impact this segment of the market.

Overall we expect prime to have a small increase and remain stable. The interest rate outlook, while higher than recent years, remains positive for investors. Proper cash flow analysis remains critical. Many investors have learned a tough lesson by thinking a fresh coat of paint would dramatically improve rents and occupancy. ♦

Send comments on this article to: markettracker@premierbnk.com.



WHO'S SAYING *what* (from page 1)

FALLSCHASE RISES AGAIN. Expect to see a lot more activity on Tallahassee's east side, now that AIG Baker Shopping Center Properties, LLC closed on Fallschase in March. Word is that some of the original sales staff from SouthWood are joining their team.

According to the AIG Baker Web site, the development will include:

- Approximately 1,500 single family, town home and condo residences
- 750,000 square feet of retail space, anchored by Costco and a Super Wal-Mart

• And, "the largest open-air shopping center in the city."

Retail delivery is planned for summer 2007, and residential ground breaking is anticipated this summer.

Not quite as flattering is AIG's positioning statement for Fallschase: "Tallahassee, particularly its northeastern suburbs, has traditionally been underserved due to extraordinary development/entitlement barriers to entry." ♦

Read more: www.aigbaker.com/properties_FL_fallschase.asp



THE VIEW *from here* (from page 1)

INFLUENCERS: CONDOS, APPRECIATION. Condo and town home sales were up in the first quarter of this year, as this market segment helps fill the affordable housing gap. But some builders are reporting price resistance in certain town home markets as a result of growing inventory. The flippers are gone and parent investors in kiddie condos will also decline as they are influenced by a weakening national real estate market.

Tallahassee's MLS had the lowest price appreciation (7.4%) of any Florida metro market from 2003 to 2005, according to FTN Financial. Insurance costs are rising in Florida and the long-term impact on coastal markets is expected to be dramatic.

Discouraged? Don't be, as this could be great news for our Capital Region. Six of the top 10 markets for home appreciation over the last three years were in Florida. The trend of greater numbers of retirees cashing in on appreciation in other Florida markets and

relocating to the Big Bend has just begun. Pasco and Hernando counties boomed in the early 1980s as developers created new communities out of old orange groves and scrub oak hammocks. You will not find beautiful beaches in Port Richey, but

a view of the water is an easy drive to show the relatives and golf is abundant.

Let's face it – retirement and Florida go hand in hand and non-coastal retirement is bound to grow as insurance and affordability issues escalate on the coast.

A GOOD STRATEGY IS STAYING POWER.

Strategic planning is critical for your business to survive and thrive in the years to come. Invest in yourself – attend this year's Greater Tallahassee Chamber of Commerce annual retreat at Amelia Island. Find out about local business trends, then visit some model homes in that area for fresh ideas. We need to understand areas like Scottsdale, Tampa Bay and similar sunshine markets to determine what the boomers are looking for. Caged pools, outdoor kitchens, dual master suites, nearby RV parking, hurricane rooms and standby generators may be very popular.

Of course, if you guess wrong it can be costly, so model homes with option packages are a great way to manage overhead.

This is the "Big Bend" and our area is developing as a region residentially and commercially for the first time. Wakulla led the way in market expansion over recent years. Midway is clearly the new frontier.

"LET'S FACE IT – retirement and Florida GO HAND IN HAND AND non-coastal retirement IS BOUND TO GROW AS insurance and affordability issues ESCALATE ON THE COAST."

Gadsden County housing cost differentials are finally significant enough to overcome historical concerns over

education resources. Some major horsepower has been devoted to residential development in this county. Gadsden will be very successful over time but let's be careful of the herd mentality – excessive starts hurt everyone. Tie up some lots,

build a good model and let the buyer pay the interest expense of construction. Our staple dual income, government employee family will decide to call Gadsden County home more often than most of us can imagine, if the lot costs stay reasonable.

Keep an eye on Thomasville, too. We may not think of it as an extension of Tallahassee but the family moving here from Detroit or Charlotte will look at us as a metro area.

Finally, if you did not build up some cash and make a good profit in the last three years it may be time to consider a career change. We have been living in the good times – it will not get any easier. Use a good accountant to guide you financially, talk to Realtors regularly, and look outside of our market for fresh ideas that work with changing demographics. ♦

Send comments on this article to: markettracker@premierbnk.com.



BACKWARD GLANCES (from page 2)

In fact, Gadsden County had 174 new homes on the market at the time the report was generated, and only 29 sales. Wakulla had 188 listings with only 74 sales. The northeast posted a smaller gap, 92 listings and 52 sales, followed by northwest (30 listings, 44 sales) and southwest (59 listings, 52 sales).

Of the homes built in 2005/2006 and sold, 76% were 2,000 sq. ft. or less. Three bedroom, two full bath designs were the most popular, representing 72% of the overall sales.

HEY, HOW 'BOUT THOSE SALES.

Clearly, the favorite price range (27% of the total) was \$150,000 to \$175,000; about 56% of the total sales were under \$200,000.

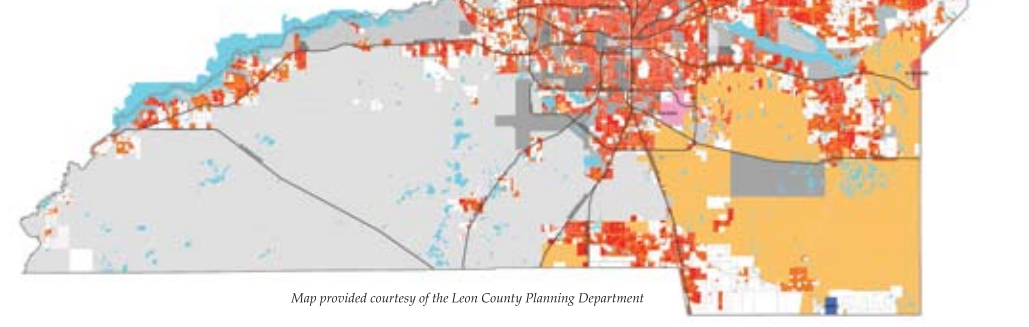
Though 93 new construction homes (about 14% of the total) were currently listed at \$400,000 and above, the chart showed only 24 – or 6% – had sold in the same range.

The nice thing about Pickett's chart is that you can sort numerous ways and draw your own conclusions. Hats off to the Tallahassee Board of Realtors for investing in the technology and services and providing the numbers.

A different chart that Pickett provided, "New Construction Sold Analysis," indicated that builders were getting nearly 100% of their asking price for homes. Pickett says, "That's significant." It's a sign that they're pricing them right for the market. This is likely also a reflection that there's a demand for new construction homes and builders are matching the needs of today's buyer with their design.

WHERE'S THE LOT INVENTORY OF THE FUTURE?

More than a year ago, Realtor Penny Herman sounded the alarm that Tallahassee and Leon County were running out of inventory – there just aren't that many



Map provided courtesy of the Leon County Planning Department

LARGE Landowners

WHERE'S THE FUTURE? As Realtor Don Pickett points out, Tallahassee is landlocked because of the surrounding large property owners (plantations) with no interest in developing. That's why builders are fanning out to other counties. Don't expect demand to slow any time soon, either. As coastal regions lose their appeal due to insurance costs and the threat of hurricanes, interior counties stand to benefit.

new subdivisions on the drawing board, she said.

While a number of developers point to difficulties in permitting, Pickett has a different theory. "Tallahassee is like Key West. They're surrounded by water and are limited on where they can develop. We're surrounded by large property owners (plantations) with no interest in developing."

He points to a map that he asked the planning department to create last year. It is color coded, including small parcels by acreage, and names of plantations.

Referring to the map, Pickett points out that while Leon County's southwest border is the Apalachicola National Forest and southeast is St. Joe, the majority

of the north – from east to just west of Lake Jackson – includes: Welaunee, Baker Place, Horseshoe and Ayavalla, among others.

"That's why builders are fanning out (to other counties)," Pickett says. "They have to."

City and County commissioners say the answer is infilling, but Pickett says even if you can find the lots to build on within the city, the price for raw land limits the builder. They can't sell the improved property for what it costs to build.

Until there's a motivating factor for these large landowners to sell, it will continue to be a competitive market for raw land.

That is, if you can find it. ♦