



Attorneys' Title Insurance Fund
2009 Real Estate Forecast
Southeast Florida MSA (Broward, Miami-Dade and Palm Beach)

*Prepared by Hank Fishkind, Ph.D.
Chief Economist for The Fund and Principal, Fishkind & Associates, Inc.*

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Overview

RATIONALE

The 2009 Real Estate Forecast, commissioned by Florida-based Attorneys' Title Insurance Fund, was created to provide a snapshot of Florida's real estate outlook for 2009-2012. The forecast was created based on data from The Fund Real Estate Index and analysis from The Fund's Chief Economist and Principal of Fishkind & Associates, Hank Fishkind, Ph.D.

ABOUT THE FUND

Attorneys' Title Insurance Fund, Inc. (The Fund), Florida's leading title insurance underwriter and title information provider, is in business to preserve and facilitate the real estate practices of its members in their protection of the public.

In 2001, The Fund launched a concerted effort to educate Florida consumers on the home-buying and selling process. The Education Campaign includes an informational Web site in English (www.myrealestatestory.com) and Spanish (www.estaesmihistoria.com).

For more information, visit www.thefund.com.

ABOUT THE FUND REAL ESTATE INDEX

Recognizing the need for real estate data to help consumers make informed home-buying and selling decisions, and to help real estate professionals provide sound counsel to their clients, The Fund collaborated with Hank Fishkind to leverage its extensive online system of deed data for Florida counties to develop a Real Estate Index. Fishkind provides independent analysis of data provided by The Fund.

Measuring sales value and volume for single-family homes, condos and time shares throughout the state, The Fund Real Estate Index illustrates the dynamic real estate fluctuations on a county-specific basis. The reports are posted on local Real Estate Council Web sites and are updated monthly.

ABOUT FISHKIND & ASSOCIATES, INC.

Fishkind & Associates, Inc. is an economic and financial consultancy specializing in real estate analysis, market research, feasibility studies, fiscal impact assessments, financing, expert witness testimony, and Econocast, Florida's economic forecast. As one of Florida's premier economic consultants, Fishkind & Associates has extensive experience in economic and fiscal impact analysis, policy studies, forecasting and finance throughout Florida and the United States.

Additionally, the firm is involved in key financial advisory roles to special districts, local governments, redevelopment agencies and real estate developments.

METHODOLOGY FOR FORECASTS

Fishkind & Associates, Inc. maintains macroeconomic models for all 67 Florida counties. The modeling system is a nonlinear, dynamic system of equations. The model is estimated from pooled time-series and cross section data using ordinary least squares regression techniques. Appropriate corrections are applied for serial and spatial autocorrelation.

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National Economic Forecast

The U.S. economy is contracting at its worst rate since the Great Depression. The collapse of the collateralized mortgage-backed securities market in August 2007 devolved into a banking market contraction, which by September 15, 2008 resulted in a full-scale financial panic with the collapse of Lehman Brothers. Since then concerted actions by central banks and treasury departments across the globe have stemmed the crisis, but a great deal of damage was done. The results are a debilitated global banking system and the worst credit crunch since the early 1980s, but this time with low interest rates.

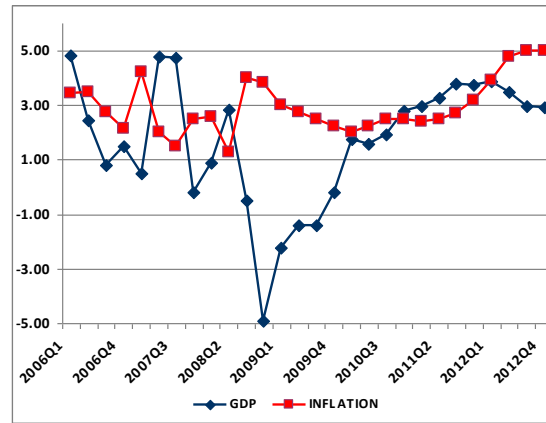
Looking at the data for payroll employment, it is clear that the U.S. economy had fallen into recession in December 2007 when employment began falling (see Figure US1).



The recession is focused in finance and on the household sector. Falling employment has brought with it falling household incomes. Home prices have declined, and stock prices plummeted. As a result, more than \$11 trillion in household wealth has been destroyed. Households have cut back sharply on purchases, particularly for automobiles and housing-related durable goods. This creates further negative feedback loops deepening the recession.

In response, the Federal Reserve has pushed the federal funds rate to just 1 percent with additional cuts likely. Congress and President-elect Barack Obama propose, and will likely pass, another greatly-expanded stimulus package. These actions will produce a recovery in late 2009. However, the trajectory will be modest at first as households rebuild their balance sheets. Figure US2 documents the forecast.

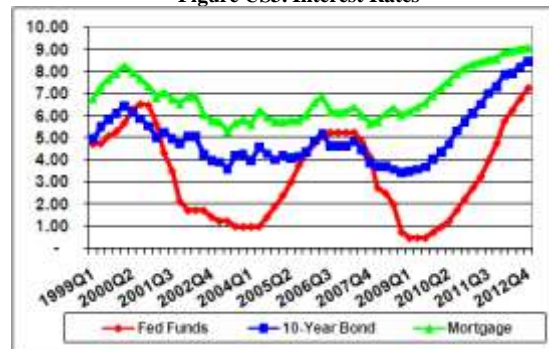
Figure US2. Growth in Real GDP and Inflation



Unfortunately, there are significant consequences to the policies that are necessary to avoid a deeper recession, or worse. Flooding the economy with liquidity and stimulating the economy with record-setting deficit spending will put pressure on prices and interest rates when the economy begins expanding at a normal pace in 2011. It will be virtually impossible for congress and the president to pull spending back under control and thereby reduce the deficit as fast as they were able to expand spending and the deficit. Consequently, prices will escalate, forcing the Fed to raise rates. Furthermore, reducing federal spending, while necessary, also causes growth to slow as Figure US2 shows.

Figure US3 displays the trajectory for interest rates. After touching historic lows this year, which will continue into 2009, the Fed will begin to raise the federal fund's rate slowly at first and then more vigorously. At first, both the 10-year bond and mortgage rates will rise in step with the fund rate. However, once markets realize that the Fed and the Congress are serious about containing the deficit and inflation, these longer term rates will rise more slowly.

Figure US3. Interest Rates



How We Did: Forecast Results From Last Year

ACTUAL VS. FORECASTED

In partnership with Attorneys' Title Insurance Fund, Inc., Fishkind & Associates developed three forecast scenarios as part of the 2008 Fund Real Estate Forecast report titled, Low, Medium, and High.

LOW SCENARIO

When comparing actual 2008 numbers to the Low Scenario figures for total units closed in Florida, projections were 42 percent higher than actual market performance. These projections estimated a total of 320,608 units closed, while the actual total was 225,810 units closed.

Breaking the data down further into specific categories reveals that the Low Scenario projection for the new single-family market deviated from the actual numbers more than the other two scenarios (see Figure 1). The Low Scenario projection for existing condominiums was the closest to actual figures - a difference of only 10,482 units.

Figure 1. Low Scenario: Actual vs. Forecasted for State of Florida in 2008

PRODUCT TYPE	PROJECTED	ACTUAL	DIFFERENCE
New Single-Family Homes	46,991	27,440	19,551
Existing Single-Family Homes	186,472	135,228	51,244
New Condominiums	37,204	23,683	13,521
Existing Condominiums	49,941	39,459	10,482
Total Units	320,608	225,810	94,798

MEDIUM AND HIGH SCENARIOS

Figure 2 shows the total number of units projected to close in the Medium Scenario was 337,193 - a 111,383 unit difference from the actual figure.

Figure 2. Medium Scenario: Actual vs. Forecasted for State of Florida in 2008

PRODUCT TYPE	PROJECTED	ACTUAL	DIFFERENCE
New Single-Family Homes	49,971	27,440	22,531
Existing Single-Family Homes	195,138	135,228	59,910
New Condominiums	40,699	23,683	17,016
Existing Condominiums	51,386	39,459	11,927
Total Units	337,193	225,810	111,383

Figure 3 shows that the total number of units projected to close in the High Scenario was 368,569 - a 142,759 unit difference from the actual figure.

Figure 3. High Scenario: Actual vs. Forecasted for State of Florida in 2008

PRODUCT TYPE	PROJECTED	ACTUAL	DIFFERENCE
New Single-Family Homes	56,530	27,440	29,090
Existing Single-Family Homes	215,004	135,228	79,776
New Condominiums	44,204	23,683	20,521
Existing Condominiums	52,832	39,459	13,373
Total Units	368,569	225,810	142,759

Overall, the 2008 predictions for the performance of Florida's housing markets represented an overly optimistic view of the market.

The original expectation was to see, respectively, 7 percent and 13 percent increases in market performance for both the new and existing single-family homes markets.

The economic downturn and collapse of the collateralized mortgage-backed securities market, however, resulted in 41 percent and 22 percent fewer new and existing home sales across the state.

Although the predictions were substantially more optimistic than actual market performance, the events of the past 12 months have yielded valuable economic information about the viability of new market instruments such as credit default swaps and no document mortgages that were previously unavailable.

Taking the new information into account, we are confident in our revised projections for 2009 and 2010, presented on the following pages.

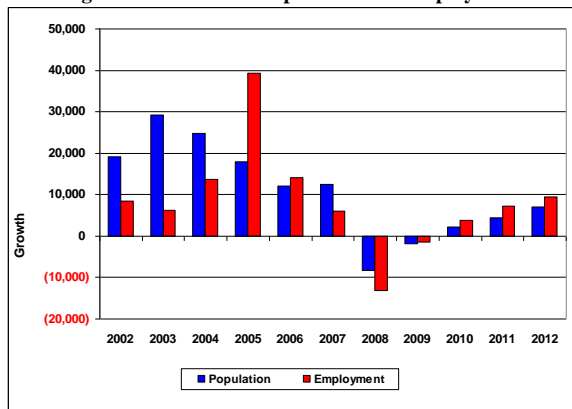
- *Hank Fishkind, PhD*
Fishkind & Associates

Economic Forecasts by County

BROWARD COUNTY

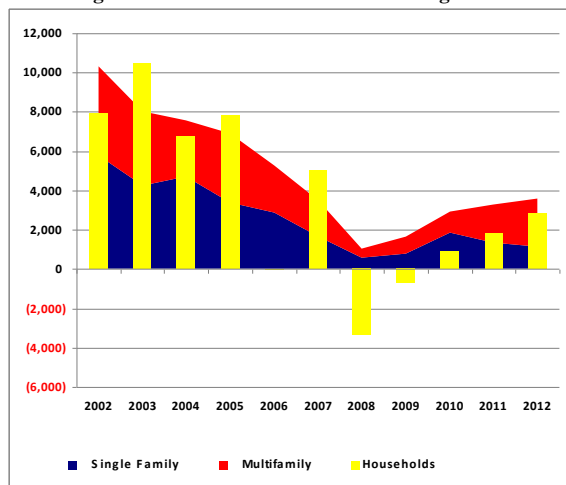
After strong growth over the past several years in Broward County, both employment and population growth have slowed (see Figure 92). Population growth peaked in 2003 with 29,000 new residents. Employment growth reached its highest point in 2005 with around 39,000 jobs created. Population declined by 8,400 during 2008 with corresponding job losses of 13,000 as a result of the recession.

Figure 92. Growth in Population and Employment



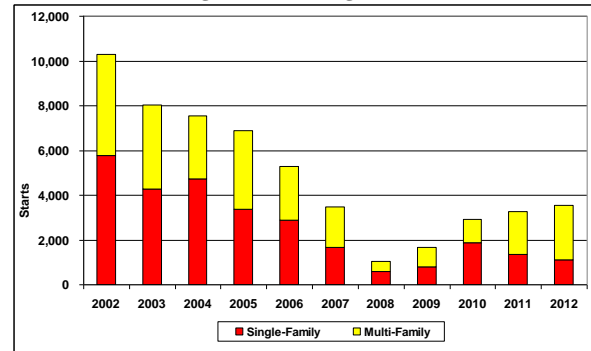
Speculative development in the real estate market didn't occur in Broward County (see Figure 93) due to a lack of buildable land. As a result of the recession, housing starts and household growth will continue at these lower levels compared to growth in the 1990s.

Figure 93. Household Growth to Housing Starts



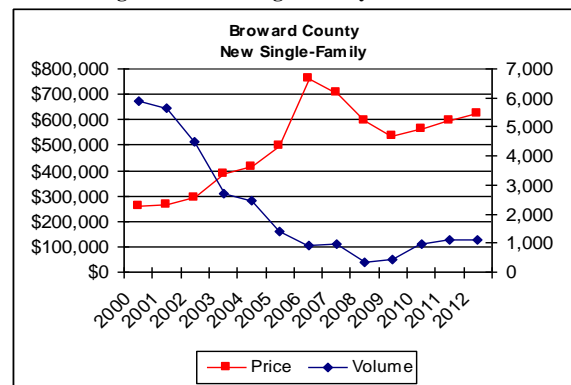
The contraction in housing starts is illustrated in Figure 94. Housing starts peaked in 2002 with more than 10,000 units started. The drop, which began in 2003, is expected to continue through 2008 with limited improvement thereafter as 2012 levels reach only 60 percent of their earlier peak.

Figure 94. Housing Starts



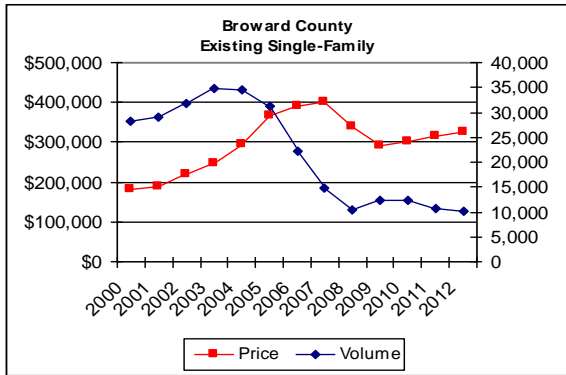
For new single-family home sales, the market appears to have bottomed out during 2008 at fewer than 350 units sold. The sales forecast calls for just over 1,000 new home closings annually by 2012, following another very weak year in 2009. Prices from 2006 through 2009 are forecasted to decline by 30 percent. Figure 95 illustrates both units closed and average prices for the new single-family home market.

Figure 95: New Single-Family Units Closed



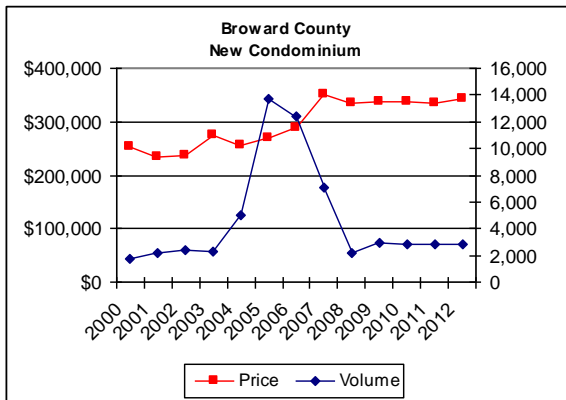
The market for existing single-family homes reached sustainable lows in 2008, off 25,000 units from peak sales. Closings are expected to remain unchanged through 2012. (see Figure 96). Average prices of an existing single-family home will hover near \$300,000 for the next several years.

Figure 96. Existing Single-Family Units Closed



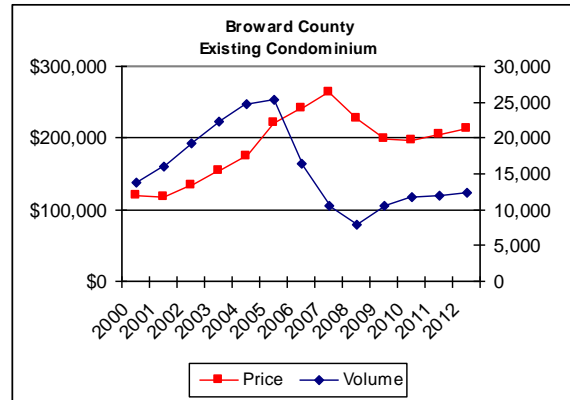
The condominium market is very soft in Broward County. Closing volume for new condominiums declined through 2008, back to sustainable long-term average levels. Figure 97 displays the forecast for Broward County's new condominium market.

Figure 97. New Condominiums Closed



Sales in existing condominiums continue to slide. Closings are off more than 15,000 units from the 2005 peak of 25,000 units, and sales through 2012 are expected to be below 12,500 (see Figure 98). Average existing condominium prices will dip just below \$200,000 in 2009.

Figure 98. Existing Condominiums Closed



Year	New Single-Family		Existing Single-Family	
	Closings	Avg. Price	Closings	Avg. Price
2000	5,902	261,853	28,175	180,774
2001	5,649	263,212	29,016	188,365
2002	4,480	291,936	31,731	220,874
2003	2,713	387,459	34,867	245,947
2004	2,479	414,074	34,619	293,091
2005	1,380	495,542	31,263	365,306
2006	912	761,227	22,215	389,004
2007	968	707,637	14,751	399,979
2008	335	595,156	10,353	339,842
2009	430	532,630	12,339	289,890
2010	987	563,116	12,277	301,885
2011	1,109	593,602	10,733	313,880
2012	1,117	624,088	10,218	325,875

Year	New Condominium		Existing Condominium	
	Closings	Avg. Price	Closings	Avg. Price
2000	1,784	251,877	13,835	120,389
2001	2,129	235,268	16,022	118,379
2002	2,357	237,622	19,307	134,189
2003	2,318	274,446	22,321	154,920
2004	4,967	255,932	24,753	173,941
2005	13,716	268,718	25,248	220,422
2006	12,379	287,625	16,500	240,801
2007	7,038	349,767	10,560	263,889
2008	2,229	334,562	7,993	227,145
2009	2,889	338,153	10,497	198,633
2010	2,814	336,256	11,668	196,631
2011	2,791	334,360	11,890	204,629
2012	2,783	342,463	12,298	212,627

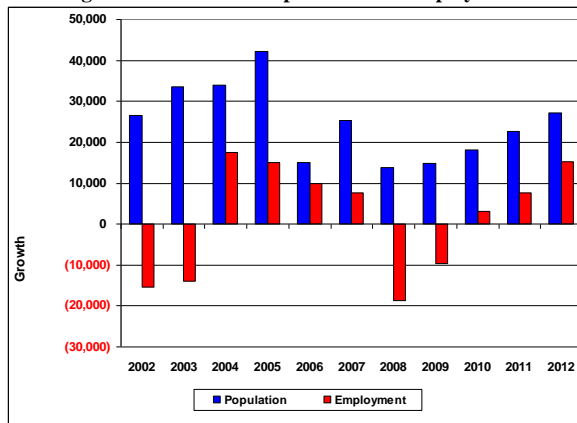
Economic Forecasts by County

MIAMI-DADE COUNTY

The pace of economic activity in Miami-Dade peaked in 2004 and 2005 and has decelerated since (see Figure 99). Population growth peaked in 2005 with around 42,000 new residents, and employment growth reached its highest point in 2004 with around 17,500 jobs created. Job losses in 2008 may exceed 12,000 jobs.

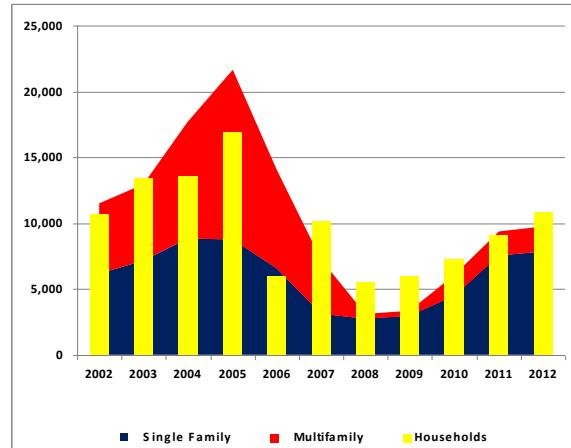
The slowdown in residential construction activity combined with sharply rising oil prices, turmoil in the financial markets and a national recession explain the employment losses in Miami-Dade County in 2008 as well as its slow growth, which will carry over into 2009 and 2010. Population growth is expected to recover by 30,000 by 2011 with employment growth gaining back the 2008 and 2009 losses by 2012.

Figure 99. Growth in Population and Employment



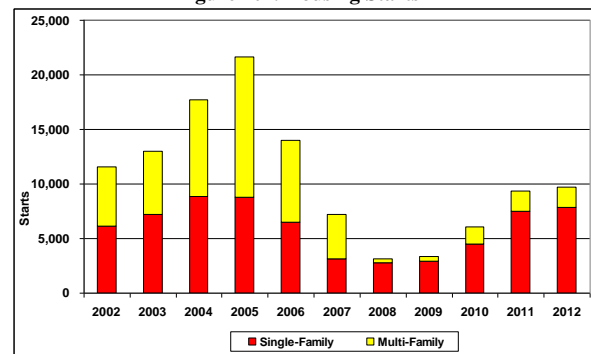
Miami-Dade County experienced speculative excess in its residential housing markets. As Figure 100 shows, housing starts remained above household growth for several years; however a reversal is expected with household growth exceeding housing starts through the forecast horizon.

Figure 100. Household Growth Compared to Housing Starts



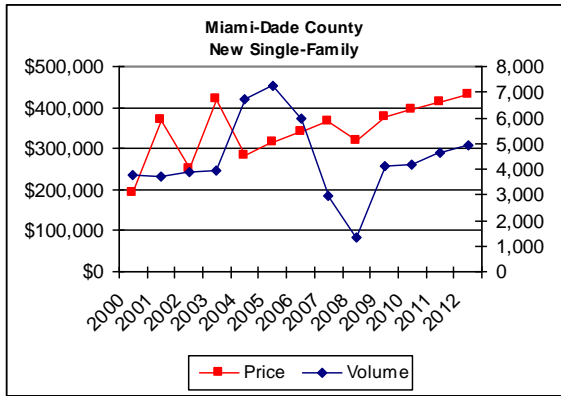
The contraction in housing starts is illustrated in Figure 101. Starts peaked at more than 21,000 in 2005 and fell to 2,500 in 2008. The chance of recovery to 2005 levels for Miami-Dade County is minimal. Projections indicate a gradual growth of starts annually, reaching 9,700 by 2012.

Figure 101. Housing Starts



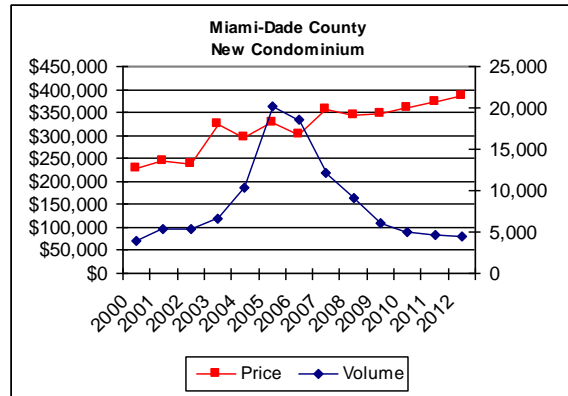
New single-family home closings have fallen from a peak of 7,247 units in 2005 to an estimated 1,300 closings in 2008 (see Figure 102). The new single-family development is expected to regain growth rates of 4,000+ units between 2009 and 2012. While home prices fell 13 percent during 2008, these are projected to regain trajectory by the end of 2009.

Figure 102. New Single-Family Units Closed



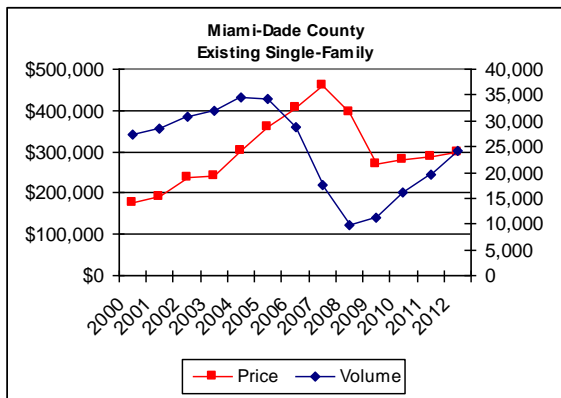
The market for existing homes has bottomed out in 2008 with closings at 25,000 units off their 2005 peak of more than 34,000 units. Only a very small gain in units closed is forecasted in 2009, followed by moderate growth in closings through 2012. Prices will be flat through 2012 following a dramatic 40 percent decline from 2007 peaks through 2009, as Figure 103 shows.

Figure 104. New Condominiums Closed



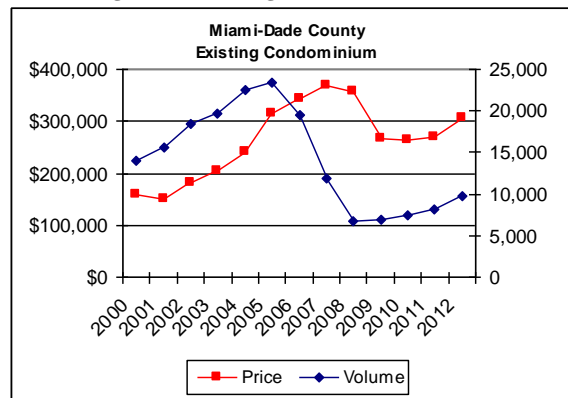
Closing volume for existing condominiums shot up starting in 2000, peaking at more than 23,000 closings in 2005. That volume could not be maintained, and closing volume dropped throughout 2008 (see Figure 105). Some improvement over the 2008 lows is expected by 2011 and 2012, but only to half of the 2005 levels. Average existing condo prices are projected to fall below \$300,000 in 2009.

Figure 103. Existing Single-Family Units Closed



Similar to the rest of the state, Miami-Dade County's condominium market has been adversely affected by a large amount of speculative inventory. The fall-off in demand coupled with limited price declines will cause market sales to decline for the remainder of the forecast (see Figure 104) toward potentially sustainable long-term levels.

Figure 105. Existing Condominiums Closed



Year	New Single-Family		Existing Single-Family	
	Closings	Avg. Price	Closings	Avg. Price
2000	3,750	192,890	27,296	175,486
2001	3,712	370,341	28,628	192,134
2002	3,863	248,694	30,656	237,839
2003	3,955	421,655	31,874	240,758
2004	6,751	282,125	34,644	301,075
2005	7,247	315,409	34,257	361,125
2006	5,998	339,776	28,712	405,251
2007	2,983	366,130	17,505	461,968
2008	1,333	317,774	9,767	394,131
2009	4,089	376,388	11,150	270,306
2010	4,145	394,990	16,158	279,539
2011	4,662	413,591	19,635	288,772
2012	4,918	432,192	24,128	298,005

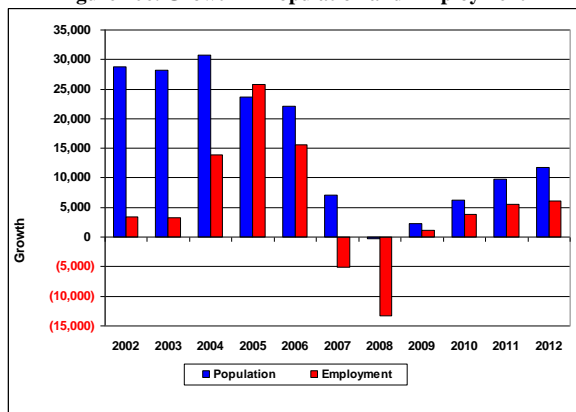
Year	New Condominium		Existing Condominium	
	Closings	Avg. Price	Closings	Avg. Price
2000	3,997	228,274	14,033	158,233
2001	5,319	244,644	15,614	150,629
2002	5,432	236,807	18,472	181,604
2003	6,690	324,760	19,746	204,843
2004	10,344	294,560	22,430	241,154
2005	20,100	328,504	23,467	315,089
2006	18,535	301,321	19,546	342,388
2007	12,123	357,508	11,829	367,627
2008	9,119	342,697	6,792	356,306
2009	6,157	345,787	6,973	267,466
2010	4,972	358,946	7,511	263,496
2011	4,611	372,105	8,150	269,525
2012	4,490	385,264	9,697	305,554

Economic Forecasts by County

PALM BEACH COUNTY

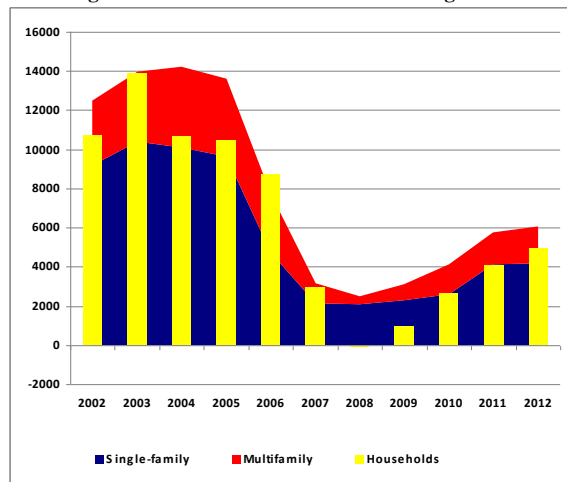
After strong growth over the past several years in Palm Beach County, both employment and population growth have now slowed sharply (see Figure 106). Population growth peaked in 2004, with 31,000 new residents. Employment growth reached its highest point in 2005 with around 26,000 jobs created.

Figure 106. Growth in Population and Employment



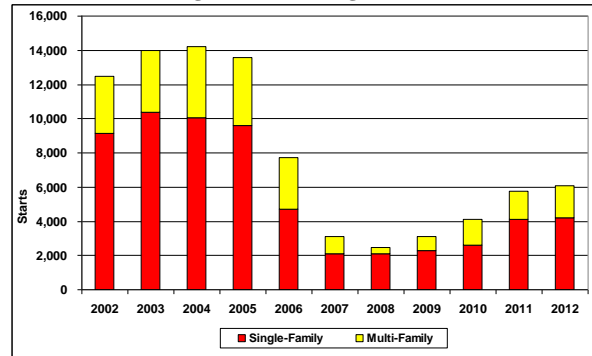
Speculative development occurred in Palm Beach primarily during 2005. However, the fall off in new household growth was dramatic during 2007 and 2008, taking new construction down with it. By 2009, the housing starts market will arrive at a stable-but-sharply lower equilibrium between household growth and housing starts (see Figure 107).

Figure 107. Household Growth to Housing Starts



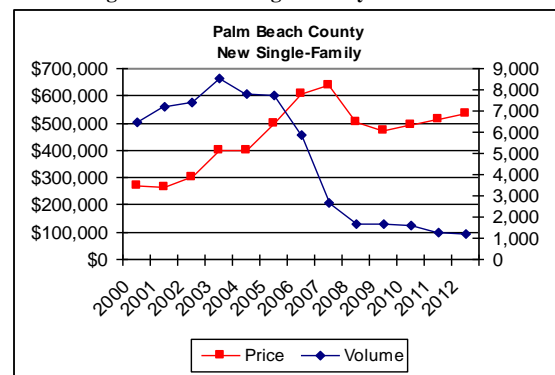
The contraction in housing starts is illustrated in Figure 108. Housing starts peaked in 2004 with more than 14,000 units started. The subsequent drop to 3,000 units in 2007 was caused by an excess supply of inventory and a weakening in demand for homes. No meaningful recovery is expected until 2011 when starts may partially recover to 6,000 units.

Figure 108. Housing Starts



New single-family home sales reached 1,600 units during 2008, down from 8,500 in 2003. These levels are expected to continue eroding through 2012, resulting overall in a striking decline. Prices have fallen more than 20 percent during 2008, and additional but smaller declines are possible in 2009. Figure 109 displays the forecast for Palm Beach County's new single-family market.

Figure 109. New Single-Family Units Closed



For existing single-family units, strong declines of nearly two-thirds between 2005 and 2008 level out by 2009, and stable-but-lower closing levels are expected to continue through 2012 (see Figure 110). The average price of an existing single-family home is expected to fall from the 2006 peak by almost 50 percent to nearly \$300,000 during 2009.

Figure 110. Existing Single-Family Units Closed

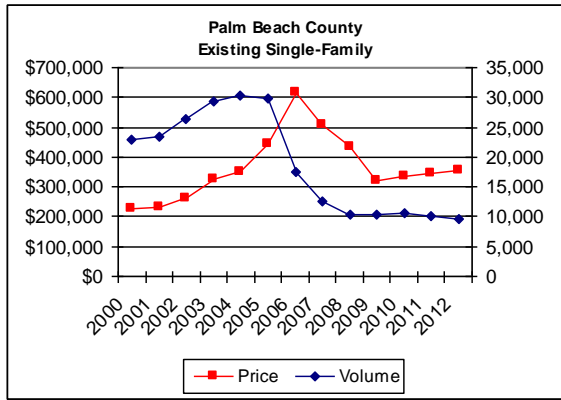
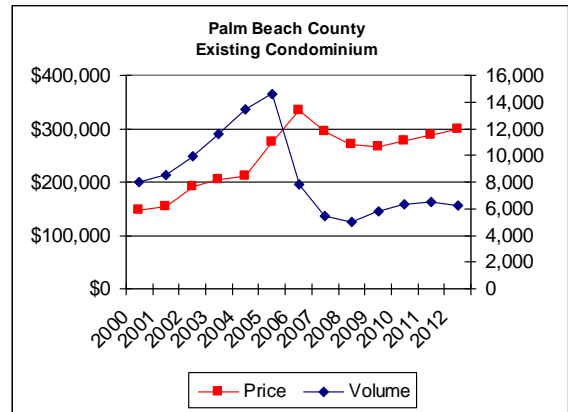
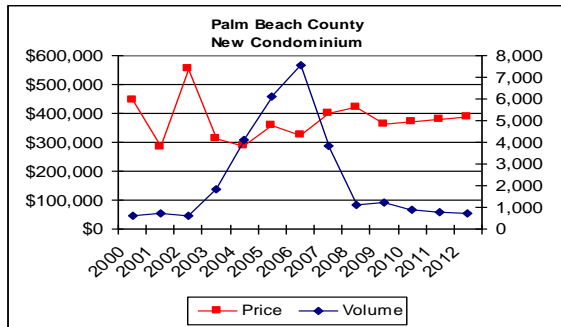


Figure 112. Existing Condominiums Closed



At its peak in 2006, the Palm Beach County market closed more than 7,500 new condominiums; however, new condo sales fell to 1,100 in 2008. No sales volume improvement is forecasted through 2012. As low-priced condo conversions fell off the market, average sales prices for existing units increased to levels that are not sustainable as shown in Figure 111. The average price is expected to decline to between \$360,000 and \$385,000 through the end of the forecast.

Figure 111. New Condominiums Closed



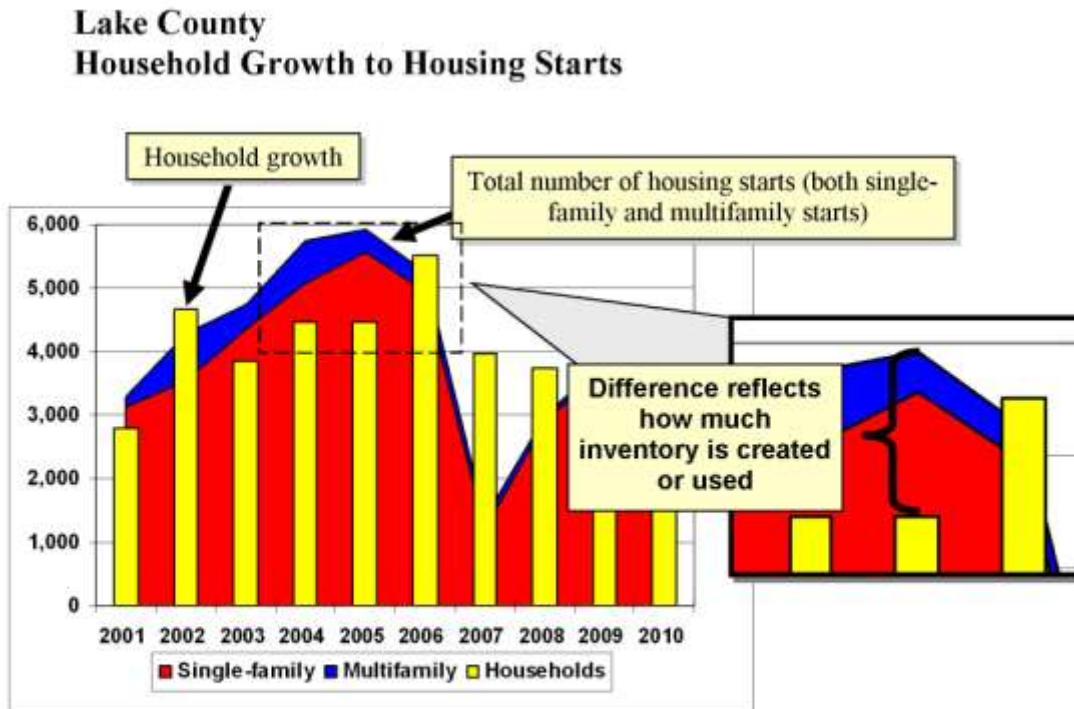
The existing condominium market experienced record closings in 2005 with 14,600 condominiums sold (see Figure 112). By 2008, however, existing condominium unit sales dropped significantly to 5,000, and recovery is expected to reach only 6,200 units by 2012. The average price of an existing condominium sold in 2008 was around \$270,000 and is expected to return to \$300,000 by 2012.

Year	New Single-Family		Existing Single-Family	
	Closings	Avg. Price	Closings	Avg. Price
2000	6,481	270,852	23,013	224,870
2001	7,195	262,158	23,388	229,329
2002	7,382	302,988	26,258	260,279
2003	8,540	396,783	29,245	327,293
2004	7,814	398,136	30,372	351,077
2005	7,718	498,366	29,715	444,313
2006	5,850	609,191	17,505	614,832
2007	2,673	637,404	12,635	506,584
2008	1,651	503,663	10,433	433,213
2009	1,642	469,949	10,327	322,214
2010	1,602	491,784	10,628	333,131
2011	1,285	513,620	10,194	344,047
2012	1,179	535,456	9,716	354,964

Year	New Condominium		Existing Condominium	
	Closings	Avg. Price	Closings	Avg. Price
2000	621	446,988	7,998	146,892
2001	731	283,905	8,519	153,881
2002	602	555,165	9,965	191,074
2003	1,826	313,036	11,645	203,856
2004	4,090	285,705	13,414	211,145
2005	6,099	360,307	14,636	275,493
2006	7,555	323,992	7,834	333,916
2007	3,846	399,353	5,441	293,881
2008	1,121	420,648	5,004	271,313
2009	1,210	360,944	5,842	265,110
2010	883	369,306	6,311	276,489
2011	783	377,668	6,539	287,867
2012	749	386,031	6,282	299,246

FAQs

1.) How do I read the Housing Growth to Housing Starts Graph?



For example — As illustrated by the graph above, in 2005 Lake County had a difference between household growth and total housing starts (single and multifamily) of 1,461 units. Add on to that the inventory leftover from previous years and the total inventory for 2005 equals 3,724 units.

2.) Why isn't there a statewide forecast report similar to the national forecast?

We did not create a comparable Florida Outlook because it would not be completely accurate with only 33 counties providing information.

3.) Why are only 33 counties included in the report?

The Fund Real Estate Index leverages the Fund's extensive online system of deed data for 33 Florida counties. Unfortunately, online deed data is not available in all counties throughout Florida at this time.

4.) Why are the prices included in this report listed as averages rather than medians?

The packaging of the data by the counties limits the Real Estate Index Forecast to only use average prices.

5.) How can I get a copy of last year's Fund Real Estate Forecast?

Please contact Mallory Tacker at mallory.tacker@edelman.com.