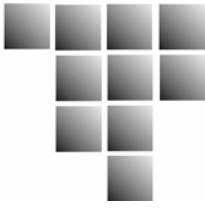


**FISHKIND
& ASSOCIATES**



What is The Real Economic Base of a Community?

July 5, 2005

So what if the current real estate boom is only a speculative bubble, it has still helped the economy hasn't it?

A questioner asked me this after one of my speeches last week. No, I said, the real estate bubble is not building the economy. Sure, it is building the skyline in some places. Yes, real estate development creates jobs and incomes in the short run. But if the boom is not sustainable, then what is really happening is that real estate development that might have naturally occurred in the future, at a sustainable pace, is being accelerated and simply transferred from tomorrow into today. And when the bubble bursts, growth will slow substantially and the markets will regain equilibrium between real demand and supply.

What really builds a community's economy is growth in what economists call the export-base sectors of the economy: economic activities that bring money into the system from the outside on a consistent basis. In central Florida our economic base is composed of tourism, business meetings and conventions, retirement, defense contracting, software development, colleges and hospitals, and those other businesses that cater to clients outside of our community. When these basic sectors generate higher levels of activity, these are translated into additional economic activity by our locally serving businesses and institutions.

The demand for condominiums ultimately is dependent upon retirees moving here, jobs creation which gives rise to local demand for those condominiums, and some seasonal residents. Pure speculators and investors in these real estate products provide initial demand, but their activities alone are not sustainable without growth in the overall demand for residential real estate. Investment activities alone do not create this type of sustainable demand.

This is Hank Fishkind for 90.7 FM, WMFE News.