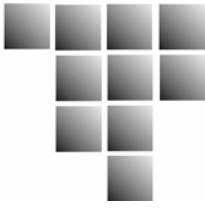


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Central Florida's Housing Markets Flatten

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Central Florida's housing markets have flattened out over the last few months.

Generally, sales of new single-family homes and resales of existing homes remained virtually unchanged in March, April, and May. Condominium sales were weaker. This is a bit surprising since mortgage interest rates actually declined a bit during this same period, and typically when mortgage rates fall, housing activity rises. This flattening of housing activity indicates that pent-up demand has been satisfied and investor demand has peaked; therefore, markets are reaching equilibrium at more sustainable levels given current rates.

However, last week Federal Reserve Chairman Greenspan made it clear that the Fed will continue to increase the federal funds rate at a "measured pace" for some time to come. Also, last week the Chinese government announced that it would revalue the Yuan and let it float against the dollar. This will limit the trade imbalance with China, and, importantly for the outlook for interest rates, it will limit the dollar deposits that build up in the Chinese central bank. China had been recycling the dollars it received due to the trade surplus it enjoys with the U.S. into the U.S. Treasury bond market. This is in part why long-term U.S. interest rates have remained so low for so long even as the Fed increased short-term rates.

Turning now to the market numbers in Orange County, closings for new homes stuck at 664 units in April and May, which was down a bit from March. The average price, though, rose to \$263,278. Existing home closings rose a notch to 2,075 in May, with an average price of \$258,698. In Osceola County 278 new homes closed in May, but this was down for the second month in a row. Resale volume also dipped to 726 in May, down from 801 in April, and prices softened to an average of \$214,684.

In Seminole County only 176 new homes closed in May, down for the third straight month. Resale volume ticked up to 800 units, with an average price of \$245,876. Lake County followed a similar pattern. New home closings were

down for the third month in a row to 377 units. Resales were lower for the second month in a row, but average prices rose \$220,414. Finally, in Volusia County new home closings were up for the third month in a row with 147 closings, but this was still way below the peak reached in the spring of 2004. Resales were essentially unchanged at 1,445, units with an average price of \$189,199.

Central Florida's housing markets have peaked for this business cycle. Activity remains strong, but with the prospect of higher mortgage rates, it is likely that 2005 will be a bit weaker than 2004, and 2006 will be weaker still.

This is Hank Fishkind for 90.7 FM, WMFE News.