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Prepared for: Ronnie Gilley Properties  
Prepared by: Suzette Greer, Chief Market Analyst

Coastal Market Study  
La Borgata – Panama City Beach, FL  
October 2006

## Components of this Market Study

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<b>I.</b>	<b>Executive Summary</b>	<b>3</b>
	a. Coastal Market Study (CMS) Key Points	4
	b. Conclusion	6
<b>II.</b>	<b>La Borgata</b>	<b>8</b>
	a. Site Description	8
	b. Celebrity Endorsement	8
	c. Niche Market Description	9
	d. Features & Amenities	10
	e. Target Market	10
<b>III.</b>	<b>Market Overview</b>	<b>13</b>
	a. Panama City Beach/Bay County	13
	b. Northwest Florida	16
	c. Florida – State-wide	17
	d. Hurricane Statistics	18
<b>IV.</b>	<b>Industry &amp; Economic Impact</b>	<b>19</b>
	a. Military & Defense	19
	b. Travel & Tourism	21
<b>V.</b>	<b>Market Conditions</b>	<b>27</b>
<b>VI.</b>	<b>Media Lists &amp; Accolades/Latest NAR Report Summary</b>	<b>35/39</b>



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## **I. Executive Summary**

This Executive Summary is meant as an overview of the Coastal Market Study; the **Key Points** and **Conclusion** will be covered in this section.

The objective of this Coastal Market Study (CMS) is to analyze the past, present and future trends and potential for the Bay County/Panama City Beach Real Estate Market, and how that data affects the **La Borgata** development project. Although this analysis is focused specifically on the **La Borgata** development, the conclusions reflect the overall health of the region.

In addition to current numbers, trends and statistics for the real estate industry, it was necessary to consider the substantial economic impact of:

- **Defense/Military** (**\$6 billion+ annually** in Northwest Florida)
- **Tourism** (Bay County - **\$1.5 billion+ annually**)
- **Transportation** (There is future potential of the Panama City Beach/Bay County International Airport to produce a sizeable economic impact. A study of the existing Ft. Myers Southwest Florida International Airport – a similar coastal community/airport - shows how it impacted the local economy by over \$2 billion in 2000 – excerpts from that study are included in section IV)

Each of these three industries combined, reflect a significant role in the future of this region, and further influenced the Coastal-Edge LLC conclusions and probable future outlook for La Borgata.

It was evident throughout the research phase of this study that Panama City/Bay County & surrounding counties, have invested significant monetary, physical and human resources to move forward and compete with other highly successful regions within the state, and throughout the southeast. The results of those efforts weighed heavily in the outcome of this study.



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### **CMS Key Points**

**An in-depth study of the *La Borgata* development and the surrounding area, produced a very highly rated and positive outlook by Coastal-Edge.**

The following are key points that are demonstrated through detailed analysis, comments and statistical data of this report.

### **Real Estate Market**

**(See Market Conditions Section V for detailed charts)**

- 2000-2006 Bay County surpassed all of its previous real estate sales records
- 2002 sales year was the last normal sales year before the beginning of the “speculator spike” changing the trend of sales (see below)
- 2003 began a steeper climbing trend-line, but in 2004 and 2005 sales numbers went above and beyond what could be called normal, and could be best described as off-trend, these years show a very clear “speculator spike” in bar graph format (see chart section V)
- 2006 Bay County Single Family Residential (SFR) sales volume should surpass the last normally trending year, 2002, by an approximate **\$1 billion** dollars in closed transactions
- Regional appreciation rates are substantially above most other Metropolitan Statistical Areas (MSAs) (OFHEO.gov House Pricing Index – See attached chart in section V)
- Financial media-based publications have recently rated Panama City Beach as
  - #1 Fastest Growth (*CNNMoney, Moody's*)
  - #1 Strongest Real Estate Market (*CNNMoney*)
  - #11, #14 Best Small City for Doing Business/Overall Best (*Inc.com*)

### **Military Impact (see Section IV)**

- The built-in military aspect draws a host of high-tech, high-paying job relocations through defense affiliated contracts -- these related industries should be expanding along the same rapid growth patterns that is aligned with the construction of the new airport and the expected growth in the area
- Retiring military personnel contribute to the net migration (the difference between the number of people moving in and out) of permanent residents to the area



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- The BRAC (Base Relocation And Closures) impact will directly affect the Bay County economy significantly

### **Travel & Tourism (see Section IV)**

- **Panama City Beach is a “sleeper city,”** only recently being portrayed more openly for its dynamic growth and attractive investments
- Panama City/Bay County gets about 7 million visitors a year who vacation, or own second homes in the Panhandle, of which 85% to 90% come by car from cities such as Houston, Atlanta, Birmingham, Nashville, Knoxville & Louisville
- The new Panama City Beach/Bay County International Airport will help make it easier for additional tourists, homebuyers and investors to enter the market from Europe, Latin America and other affluent U.S. cities in the Midwest and Northeast
- The Panama City/Bay County International Airport also aligns this region to compete as an \*inter-modal transportation destination. (Others in that category include Tampa Bay, Naples/Ft. Myers, Daytona/Port Canaveral, Palm Beach, and Miami Beach)

\*Inter-modal transportation is demonstrated when a city facilitates easy access to inter-state highway systems, international air travel, a viable deep-water port that can accommodate Cruise-line Ports-of-call, as well as the option of a functioning passenger rail service

- As a marketplace, it is beginning to cater to the rapidly expanding business demographics of high-tech industry, military, aviation and aerospace
- This is all in addition to the vacation/tourism market as well as becoming a second-home magnet for migrating baby boomers



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### **Project-Specific Key Points**

1. The design elements of **La Borgata** should capture the trend of buyers of upscale, resort-styled mixed-use communities.
2. The **La Borgata** development blends active lifestyle amenities, that include a salt-water (soft-water) pool, fitness center, and children's play areas, with quaint boutique-scaled shops and restaurants. This positions **La Borgata** as multi-generational and should provide a direct hit with the target market.
3. The **La Borgata** development is aptly positioned to receive excellent media-related publicity coverage through the celebrity endorsement of country music icon Alan Jackson.
4. **La Borgata** is strategically located within a day's drive of the largest metropolitan areas in the southeast.
5. The new Panama City/Bay County International Airport will be located off Hwy 79, presently this road is accessed off of Hwy 98 (the main road located near La Borgata), which should provide exceptional future exposure during air travel arrival, and departure commutes.
6. The close proximity of the **La Borgata** development to the highly publicized 900,000+sf Pier Park Mall (Simons Properties) should increase traffic flow along Hwy 98 (in front of the development), and provide sale, and re-sale exposure.

### **Conclusion**

Through in-depth research of this region, county, city and more specifically the **La Borgata** development project, Coastal-Edge, LLC has reached the opinion that: **the viability of this project is very high, with an extremely positive outlook.**



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**Additional Notes regarding this Coastal Market Study (CMS)**

Coastal-Edge LLC Coastal Market Studies (CMS) are primarily numbers-based. This allows the final conclusion to be easily substantiated. This CMS is numbers-based with the addition of outside ratings, market comparisons and correlating projections.

When compiling the real estate property and transaction data for this study, a variety of methods were used, including tracking closed sales and active listings over a period of six years using data provided through Metro Market Trends, and BCAR, Bay County Association of Realtors website.

Sources for data contained in this report are not limited to, but include:

- FDIC
- Moody's
- ACCRA Cost of Living Index, Q4 05
- CNNMoney.com
- Inc.com
- The Haas Center for Business Research and Economic Development
- Population: U.S. Census Bureau, 2000
- Median Family Income: U.S. Department of Housing and Development, 2005
- Median Home Prices: Fiserv Lending Solutions, National Association of Realtors, 2005
- Historical change: Fiserv Lending Solutions, OFHEO, 2001 – 2005
- Market forecasts: Fiserv Lending Solutions and Moody's Economy.com, June 2006 – June 2007
- Military Public Affairs and Finance Departments and FY 05 Reports
- NOAA's National Climatic Data Center
- NAR (National Association of Realtors)
- Bay County Association of Realtors
- Enterprise Florida
- Metro Market Trends
- Bay County Chamber of Commerce
- Bay County Economic Development Alliance
- Panama City Port Authority
- Panama City Beach Chamber of Commerce
- Panama City Beach Convention and Visitors Bureau
- ERA Neubaur – Panama City Beach
- Lee County Port Authority
- Condé Nast Traveler
- Floridasgreatnorthwest.com
- 1-888Baysite.com

***Please read this disclaimer carefully.*** All work completed for Coastal-Edge LLC clients is believed to be reliable and accurate. Nonetheless, this information should not be regarded as a substitute for professional legal, financial or real estate advice. The conclusions stated herein are the weighted opinions of Coastal-Edge LLC Market Analyst, Suzette Greer. You are cautioned to seek the advice of your own industry specific trained consultants, before making any investment decisions. Coastal-Edge, LLC, its owners, employees and related entities will not be held liable for any loss that may incur due to the reliability of this data, nor for the performance of the developer or builder, or due to inaccuracies alleged by outside sources that were used in this report.



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## **II. La Borgata – Site Description & Comparison**

### **Location – Access, Conveniences & Exposure**

#### **Comments on the site location**

- **La Borgata** is a mixed-use, avant-garde development that is situated on a 14.5-acre site just south of Highway 98, in Panama City Beach on the Florida Panhandle. The site is within walking distance of nearby Gulf beaches
- The Panama City Beach area has garnered several recent highly acclaimed ratings, including *CNN.com Money Magazine 2006*, who rated Panama City Beach “#1 Top City Forecasted for Fastest Growth in the Nation”
- The location is adjacent to the lavish, higher-end area of south-eastern Walton County. This area includes Rosemary Beach, Alys Beach, and Seacrest Beach. These developments boast world renowned architects and price-tags in excess of \$1000 psf
- **La Borgata** will join Carillon Beach and Wild Heron as a gateway into an emerging luxury market that is moving eastward from Walton into Bay County. This is further enhanced by a Bay County, Panama City Beach Redevelopment Plan
- Although set back from the road, the site is highly visible from Hwy 98, and lies across from the entrance to the renowned Greg Norman’s Shark’s Tooth Golf course, and the private gated community of Wild Heron

### **Celebrity Endorsement**

#### **Comments on celebrity endorsement**

- The **La Borgata** development boasts the images and endorsement of country music icon Alan Jackson. Various newspapers, magazines and web-sites have run or posted stories of this celebrity endorsement, and provided advance publicity and marketing exposure prior to the project breaking ground
  - Alan Jackson has recorded 16 albums to date, nine of them achieving No. 1 status on the Country Albums chart. Jackson has sold more than 44 million



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**La Borgata – Panama City Beach, FL**  
**October 2006**

albums and won more than 95 industry awards. The power behind his endorsement is a contributing factor to the Coastal-Edge very high rating

- The high-profile endorsement aspect is not new to this area, as in the case of neighboring Wild Heron, and PGA/world champion golfer, Greg Norman's partnership in that development and his Shark's Tooth golf course. Local, national and international press is frequently posted regarding his developments
- Celebrity endorsement is also not a new approach for Ronnie Gilley Properties (RGP). RGP has used this "star-power" successfully in the past. RGP partners with music legends, such as George Jones, who is the RGP national spokesperson and also has unique partnerships with country music artists Kix Brooks, Tracy Lawrence, and Darryl Worley

### **Niche Market Description**

#### **Comments on Comparable Projects**

- RGP stated that the concept for the site was inspired by the resort-styled gated community of Seacrest Beach, which is 4 miles to the west on 30-A. Seacrest has proven to be one of the most successful developments on 30A, for both previous sales and rentals
  - The most significant difference found was that **La Borgata** pricing is more in-line with a more affordable Bay County price structure, even though the developments seem to share an equal standing in both quality and design
- Both communities are designed to have an all-inclusive, family-friendly, luxury resort feel, with lush common area landscaping, exotic pools and low-rise, up-scale architectural details
- Panhandle property-buyers have come to expect a certain level of quality and community "presence." Many developers on the Gulf have turned to production-style construction and have fallen short of these expectations. The plans and elevations for La Borgata break new ground for what is becoming a new emerging luxury market for Panama City Beach



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## **Features & Amenities**

### **The Residential Component, Features & Amenities**

- The residential component features 189 expansive, innovative town homes and condominiums [45 4-bedroom/4.5 bath luxury town homes and 96 luxury 3-bedroom/3 bath condominiums]
- The artist/architects renderings show up-scale, inviting and well-apportioned residences

### **Amenities include:**

- Two heated saltwater swimming pools
  - This is a new concept for many in the south, and would be more aptly name “soft-water pool” instead of salt-water. While saltwater seems to be associated with the Gulf, studies have proven that this type of pool is actually healthier, more cost effective in the long-run and easier to maintain. It is also easier on the skin, eyes, and bathing suits than traditional chlorine
- Children’s playgrounds
- Clubhouse with fitness center
- Neighborhood retail stores and boutique-style on-site specialty retail shops
- Wide-paved sidewalk to the nearby Gulf Coast beaches
- A public boat launch facility is close by for access to the largest coastal dune lake in Florida, the 700+ acre Lake Powell coastal sanctuary

## **Target Market**

The **La Borgata** sales literature describes the target market as: “...designed for the individual who is looking for the best and who appreciates the finer things in life.” Additionally, it refines the description by adding that “At **La Borgata** you are in the middle of it all...” leading one to believe that this will be a development that caters to a refined, active lifestyle... Those three words describe the baby boomer generation in entirety.



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- This has proven to be a good thing. The baby boomer generation includes some **78 million persons** who were born between 1946 and 1964, the first of whom begin turning 60 this year
- This generation is not only the country's largest, but also its highest paid and most educated. Comprising some 26 percent of the U.S. population, baby boomers represent the wealthiest generational group, with **more than \$2 trillion in estimated spending power**
- Boomers have already shaped housing markets and contributed to rising levels of homeownership. Retiring boomers influence demand for housing as they downsize, trade up, and invest in second homes

According to the Senior Forecast Economist for the NAR, baby boomers are buying second homes now and plan to someday make them primary homes when they retire. Boomer buying patterns will keep a bust from happening in housing and will help shift hot spots to different parts of the country.

### **Boomer Demographics**

- The median age of all baby boomers is 50
- Forty-six percent are still in their 40s
- Seventy-eight percent of boomers own their own home
- Twenty-seven percent have children under 18 residing in the home
- Nearly all baby boomers view homeownership as a good financial investment
- Thirty-seven percent of boomers live in the suburbs, 24 percent live in an urban area, and 40 percent live in a small town or rural area
- Baby boomers plan to live in their current home a median of five more years
- Five percent of baby boomers own at least one vacation home

### *The Demographics of Housing Demand*

(source: FDIC, Spring 2006)

...Most baby boomers are poised to enjoy a longer, healthier, and more active retirement than any previous generation. Observers predict this will shape postretirement lifestyles and home-buying decisions.

Traditional determinants of housing demand, particularly interest rates, do not restrict this group as strongly as they do most other age cohorts. According to Pulte Homes, a developer specializing in active adult communities, 50 percent of clients in



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this market pay in cash, which makes this segment of the population relatively "rate insensitive."

How strongly will boomers affect the housing market as they enter retirement? According to the results of the Pulte Homes' May 2005 Baby Boomer Survey, more than half the respondents intend to purchase a new home for retirement, and at least 40 percent will downsize.

Developers are anticipating this influx of boomer retirees. According to the National Association of Home Builders (NAHB), seven of the ten top U.S. home builders are designing and building housing for adults older than 55. In fact, during the first half of 2005, one-third of the revenue of Pulte Homes was attributed to homes for older buyers, and the company predicts this could grow to 40 percent of its business.

The Baby Boomers' demand for particular types of housing is expected to increase, and industry experts expect boomers' housing choices to deviate from prior generations of retirees. The three factors that will make up the Boomers' choices are: location, lifestyle, and leisure.

This Coastal Market Study found that the **La Borgata** development addresses all three of these, in addition to being attractive to a younger group that will be comprised of local high-tech career professionals, and young families vacationing in the area.



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### **III. Market Overview - Panama City Beach/Bay County, Northwest Florida & Florida**

Beyond the immediate Panama City Beach area, the success of **La Borgata** has an in-direct correlation to the success of the State of Florida, and Florida's northwest region. -- Anticipating the demand for owner-occupied housing involves the analysis of factors that affect the area from a state-wide and regional basis, as well as within the related county market. This includes interest rates, local economic conditions, population growth, and affordability.

This Coastal Market Study (CMS) incorporates these broader overviews to help balance the evaluation of the project. The focus will be narrowed and specific **La Borgata** area details are discussed in section II.

#### **Panama City Beach/Bay County**

##### **Panama City Beach**

The extensive redevelopment that Panama City Beach is currently undergoing is designed to cater to an emerging luxury market, which is rapidly expanding from the western side of the Emerald Coast, and specifically on 30A. This redevelopment should prove a benefit to **La Borgata**. Similarly, the caliber of the **La Borgata** development will benefit the area by re-enforcing the luxury-resort experience as a gateway between Walton and Bay counties.

The redevelopment initiative started in 2001. It involves replacing aging motels and other structures with new hotels, condominiums, and resorts. There are more than 47 new properties currently being developed and refurbished. By the beginning of 2008, Panama City Beach's accommodations inventory will grow to more than 38,000 rooms.

At first read, this would seem as a detriment because of increased inventory, but when one takes into consideration that many of these new developments will be replacing older, outdated structures, the long-term impact will eventually result in greater appreciation values.



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**October 2006**

### **Shopping, Recreation & Restaurants**

- Landmark improvements and major attractions that are currently in planning phases and several already in progress in the area include: Pier Park, Life in the Wild and Celebrity Coast Theme Park
- Additionally, Panama City Beach's upscale restaurant market is expanding with the recent addition of Bonefish Grill and Carrabba's Italian Grill, and the confirmed upcoming openings of Ruth's Chris Steak House, PF Changs, The Cheesecake Factory and discussions of Chops opening soon

### **Area Facts:**

- Over 7,000,000 tourists visit the Panama City Beach area annually. In addition, an approximate net of 500 permanent residents are moving into the city per month. These rates are based on an astronomical rate of 1,000+ net new residents daily for the entire State of Florida

### **Bay County**

Forward Bay County Resource Matrix -- a set of 31 initiatives in a strategic plan to promote technology growth for Bay County

[http://www.1-888baysite.com/Downloads/31\\_Strategic\\_Initiatives.pdf](http://www.1-888baysite.com/Downloads/31_Strategic_Initiatives.pdf)

### **The Forward Bay County – Resource Matrix list of 31 Initiatives**

1. Assure availability of the Qualified Target Industry Tax Refund (QTI)
2. Promote the Qualified Defense Contractor Tax Refund (QDC)
3. Apply a more pro-active approach to workforce training
4. Participate in the Florida Enterprise Zone Program
5. Explore other states' unique incentive programs
6. Seek to expand the use of Quick Response Training initiative (QRT)
7. Link post-secondary education directly with workforce development
8. Establish an apprentice program
9. Attract venture capital
10. Improve Certified Capital Company Act (CAPCO) funding
11. Creation of a Bay County Affordable Housing Trust Fund



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- |   |   |
|---|---|
| 12. Drafting of Affordable Housing Zoning Ordinances                      | 23. Create Doctorate program in ECE at FSU-Panama City          |
| 13. Promotion of downtown redevelopment                                   | 24. Establish a Technology Incubator in Bay County              |
| 14. Expediting the new airport  | 25. Follow-up on value-added expansion of pillar firms          |
| 15. Improving highway access  | 26. Determine the cost-benefit to Bay County of incentive deals |
| 16. Improving trucking services   | 27. Coordinate workforce training                               |
| 17. Reviving rail passenger service                                       | 28. Coordinate management, technical, and marketing assistance  |
| 18. Meeting needs at the Port   | 29. Prepare tentative "Road Fund" applications                  |
| 19. Implement St. Andrews Bay water taxi                                  | 30. Prepare prospectus for target industries                    |
| 20. Complete the strategic plan for Bay District Schools                  | 31. Promote an Undersea Technology cluster in Bay County        |
| 21. Encourage more students to obtain bachelor's degrees or higher        |   |
| 22. Encourage a shift in focus from "soft" courses to technical education |   |

### **Cost of Living**

Residents of Northwest Florida are still experiencing a cost of living below the national average as shown by the data collected in the 4th quarter of 2005 (below). The benchmark for comparison is the U.S. Constant Index Value of 100.0 percent. This is the average of all the participating areas in the United States and Canada. According to the Accra Index, the two main driving forces behind the lower average are low housing and utilities costs in comparison with the rest of the country.

\*The average cost of living for all three areas combined is 94.4 percent.



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**Cost of Living Index**

ACCRA Quarter 4, 2005								
	Total	Grocery	Housing	Utilities	Trans.	Health	Misc.	Avg Rent
Panama City, FL	95.4	108.4	79.5	86.3	114.4	96.9	101.4	860
Fort Walton Beach, FL	93.5	95.5	88.6	82.0	99.7	92.7	98.5	870
Pensacola, FL	94.3	100.9	97.4	90.8	105.3	97.4	96.4	863

Source: ACCRA Cost of Living Index, Q4 05

**Regional Outlook: Northwest Florida**

Regionally, Florida's Northwest (known as the "Great Northwest") comprises 16 counties covering 13,000 square miles of land. The region has a labor force of more than 550,000.

Northwest Florida is filled with copious amounts of readily available land and cost effective utility and labor rates, reducing overall business operating costs. Additionally, the area has the infrastructure necessary to support businesses, including Interstate 10 (running east-west across the entire region), 3 deep water seaports (2 of which are designated Foreign Trade Zones) and 4 commercial airports.

The region also has a strong government and military influence which has further developed a highly-skilled labor force and facilitated the growth of the area's key industries: Aviation/Aerospace/Defense, Semiconductors and Information Technology.

Numerous companies in the Aviation/Aerospace/Defense industry are clustered in the community to supply the several military installations in the vicinity.

Additionally, the area is being prepped for the Microelectronics industry by having one certified Semiconductor site opportunity available, and three more certifications currently in process.

Well-known educational institutions and special research centers in the region include Florida State University's National High Magnetic Field Laboratory, University of West Florida's Institute of Human and Machine Cognition, and the University of Florida's Graduate Engineering Research Center.





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**Hurricane Statistics**

**150+ Year Hurricane History**

The storm history provided for Bay County represents a 153 year analyses (1851-2004). Based upon this analysis, the default values in the module have not proven to be representative of the actual values for a Cat 1-3 frequency storm in Bay County. No data for Cat. 4/5 storm for Bay County could be found at this time.

Bay County has not had a recorded category 4 or 5 Hurricane in more than 150 years.

CAT 1	CAT 2	CAT 3	CAT 4	CAT 5
9/1873	10/1852	8/1851		
9/1877	10/1867	8/1856		
9/1880	8/1880	10/1877		
9/1885	6/1886	9/1882		
9/1885(#2)	6/1886(#2)	10/1894		
6/1893	7/1887	9/1926		
8/1898	7/1896	9/1975		
9/1924	9/1903	8/1985		
10/1929	9/1915	10/1995		
8/1932	9/1917	9/2004		
7/1936	11/1985			
8/1939	8/1998			
10/1941				
9/1953				
9/1956				
9/1979				
8/1995				



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## **IV. Industry & Economic Impact**

### **Military & Defense**

Panhandle military bases are expanding their missions amidst the growing need for global security and the accelerated competition for limited resources. This expansion has added additional economic resources and will spur additional hi-tech support industries to relocate to the area with the construction of the new airport.

- Currently, there are over 120 aerospace and defense suppliers/contractors in Northwest Florida, including Boeing, BAE Systems, Chromalloy, General Dynamics and Lockheed Martin
- The financial and job-growth impact of the military/defense components of this region are a major factor in the outlook and conclusions of this study

### **Direct Economic Impact of 2005 Base Realignment and Closure (BRAC)**

- 3 Military Units locating to Eglin AFB
- \$600M MILCON, \$700M+ in potential construction/repair requirements expenditure (BRAC and non-BRAC)
- \$473.6M in annual recurring spending due to personnel relocations
- Construction spending will support 6,437 non-recurring jobs
- Beginning Fiscal Year 09, Eglin will add 5,000 additional military personnel and 7,000 dependents. It has been reported that the Base Realignment and Closure (BRAC), will include an incoming attachment of a fighter training wing to the base (all the jobs described above). Civilian/commercial air traffic is not compatible (prohibited) with this; and, the Ft. Walton Airport has until 2010 to move (mandatory) off the base
  - This would mean an expansive move of all civilian aviation related business to the new Panama City/Bay County International Airport and will provide an additional and definite economic impact for Bay County



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<b>Existing Military's Impact on Northwest Florida</b>				
	<b>Tyndall Air Force Base</b>	<b>Naval Support Activity</b>	<b>Coastal Systems Station</b>	<b>Eglin Air Force Base</b>
<b>Economic Impact</b>	\$471M annually*	\$440M annually*	\$336M annually	<b>\$3B annually, \$5B for the entire Eglin Complex, including Hurlburt and Duke Fields</b>
<b>Employs</b>	More than 4,400 military, 635 DoD and contact civilians, and 471 NAF and other employees. More than 2,160 secondary jobs are created by Tyndall AFB expenditures. Serves 8,879 retirees	Over 4,651 civilians, military personnel and badged contractors	2,000 civilian and military personnel	11,000 military personnel and an additional 11,000 civilians, supports 65,000 retirees
<b>Location</b>	29,000 acres in Bay County	665 acres along St. Andrews Bay	648-acre tract along St. Andrews Bay with direct, deep-water access to the Gulf of Mexico	<b>World's largest Air Force Base covering 724 square miles</b> in Okaloosa County, 123K sq. miles of water test ranges, and 134K sq. miles Total Restricted Airspace

\* Tyndall AFB and the NSA are the largest contributors to Bay County's economic base.  
 Source: Military Public Affairs and Finance Departments and FY 05 Reports.



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## Travel/Tourism

### **Panama City/Bay County International Airport**

**La Borgata**, through Ronnie Gilley Properties, has entered the Panama City Beach market at one of the greatest shifting points of this area's history. The new airport will significantly enhance the region's economic future. It will help attract additional technology companies and higher-educated professionals (for the high-paying tech, military defense support jobs) and accompanying the airport's completion, the aerospace industry. Those higher-paid employees are future re-sale purchasers of **La Borgata**.

- Bay County economic-development officials say the newly FAA approved Panama City-Bay County International Airport, will make it easier for tourists, homebuyers and investors to visit from places such as Europe, Latin America as well as affluent U.S. cities in the Midwest and Northeast
- Currently, most people who vacation or own second homes in the Panhandle drive there from nearby Southern states. A spokesman for St. Joe, says the region gets about 9 million to 10 million visitors a year, 7,000,000 of those coming into Bay County. Of those, 85% to 90% come by car from cities like Houston, Atlanta, Birmingham, Nashville, Knoxville & Louisville. The new international airport will bring more people from other parts of the country, and around the world
- Opening the region up to air-travelers will greatly impact the ongoing success of **La Borgata**. It will also accelerate demand for hotels, restaurants and retail shops, all of which will lift the region's economy
- The new airport will create an estimated 14,000+ jobs for Bay County and generate hundreds of millions in additional revenues
- Although St. Joe will not directly benefit from the transfer of the airport land, the word "direct" is misleading. The company owns about 96% of the 78,000 acres next to the proposed airport site, which will surely become ripe for commercial development. The new airport will be good for St. Joe's bottom line, but also for the entire region



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**October 2006**

### **The Ft. Myers Model - Southwest Florida International Airport**

To determine the future impact of the new airport on the Bay County economy, a correlation was drawn with the Southwest Florida International Airport. In 2000, an Economic Impact Study was conducted to analyze the airport's direct and indirect contributions to the area's economy. Data showed that the airport generated \$2 billion in economic output, almost 44,000 jobs, and salaries of \$885 million in Southwest Florida.

The study estimates that the equivalent of an additional 28,397 jobs were created throughout the region in the hospitality, entertainment, and retail sectors as a result of the 980,000 visitors who arrived in Southwest Florida via the airport. Another 363 jobs in travel agencies were supported by airport operations. The payroll for these 30,147 jobs and those created indirectly – a total of 43,938 positions – was more than \$885 million.

In September 2005, the new \$438 million Midfield Terminal Complex opened. The airport's facilities have a yearly design capacity of 10 million passengers.

Southwest Florida International is one of the busiest airports in the United States and is projected by the Federal Aviation Administration to be the eighth fastest growing airport in the nation to the year 2010.

This year was the busiest August in the airport's 22-year history and the 20th consecutive record-breaking month in freight activity. Overall, cargo volume remains strong for the year with an increase of more than 12 percent.

Southwest Florida International Airport served more than 7.5 million passengers during 2005 and ranks among the top 50 busiest U.S. airports. The original terminal reached capacity seven years earlier than predicted.

### **Airport Design/Description**

According to the Panama City Beach Convention and Visitors Bureau, the new Panama City Beach Airport design calls for a 100,000-square-foot facility with floor-to-ceiling windows providing views from 90 percent of the interior space. The design aims to showcase the destination's natural beauty, and its interior courtyard, separated by glass, will bring nature into the terminal. Rooftop louvers will admit



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October 2006**

sunlight, while also helping to control interior temperatures and maximize passenger comfort.

**Tourism**

<b>Tourist Profile</b>
<b>Annual visitors:</b> 7 million ⇒ 4 million stay average 4 nights, 3 million visit for the day ⇒ 74% repeat visitors
<b>Economic impact in Bay County:</b> \$1.5B annually ⇒ \$163M in accommodation sales
<b>Average size of travel party:</b> 3.11 ⇒ <b>Median age:</b> 38 ⇒ <b>Average median income:</b> \$60,000
<b>Transportation:</b> 82% arrive via automobile ⇒ <b>Majority travel from:</b> Houston, Atlanta, Birmingham, Nashville, Knoxville, Louisville
<b>Top travel purposes:</b> leisure, sports, winter residents, meetings and conventions

**Accolades:** Panama City Beach was recognized as **one of America's Best Beaches** in the Feb. 2006 issue of *Condé Nast Traveler*. Panama City Beach is one of eleven epic beaches on America's East Coast that, as stated in the magazine, "marries the outstanding physical assets of location with distinctive local character." Specifically, Panama City Beach was cited for its "soft white sand, beautiful beaches, rich tropical wildlife and large variety of accommodations," among other assets.

The prominence on the *Condé Nast Traveler* list demonstrates that the city's hard work to preserve the world-class beaches is proving successful.



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**La Borgata – Panama City Beach, FL**  
**October 2006**

## **Pier Park**

Pier Park is positioned to become the 'new downtown' for Panama City. It is a 900,000 square-foot/93 acre outdoor mall, running from Front Beach Road at the Pier, to the heavily traveled Highway 98.

- The retail destination will mix higher-end shopping, dining and entertainment. Construction has begun on Southern Theatres' Grand 16 Theatre, which is scheduled to open in summer 2007, and there is a Target store currently open for business. The Grand Opening of a large section of the project is scheduled for spring 2008

### **Economic Impact**

- When Pier Park opens, the trade area population is projected to be approximately 150,000 and is expected to rise to 170,000 by 2010. The annual growth rate of 4.5 percent will be more than four times the national average of 0.9 percent

### **Retail Description**

- Restaurants and retailers scheduled to open in the development include: Back Porch Seafood House, Reggae J's Island Grill, Ron Jon's Surf Shop, Panera Bread, Old Navy, Johnny Rockets, Longhorn Steakhouse, Starbucks, Dillards, Borders, Ruby Tuesday, AmSouth Bank, VanGuard Bank, Margaritaville, Subway, Ben and Jerry's Ice Cream, Guglielmo's Italian Restaurant, Camille's, Planet Beach Tanning, Coldwater Creek, White House Black Market, The Loft and American Eagle. Proposed businesses include: Black and White, Chicos, Cheesecake Factory, PF Chang, Fresh Market, Bungalow's Mens Wear, Shipwreck LTD, Solace Day Spa, Mole Hole, Learning Express, Gymboree and Gamestop

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## **Life in the Wild- Jim Fowler, "Mutual of Omaha's Wild Kingdom"**

Jim Fowler, host of "Mutual of Omaha's Wild Kingdom", and Crestview developer Barbara Farris, owner of Blue Dolphin II, are partnering to bring the \$35-million 'Life in the Wild' wildlife resort to Holmes and Washington counties. Blue Dolphin II plans to subsequently open an entertainment amphitheater and Celebrity Coast Theme Park at an additional \$150-million investment.



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October 2006**

**Economic Impact**

- A recent University of West Florida Haas Center study estimates the wildlife park alone could draw a quarter-million tourists a year and create up to 500 jobs. Holmes County leaders estimate the park will generate \$200 to \$500 million over the next 10 years

**90 minute drive time**

**90 mile radius**



- Tourists will be an important market segment for the proposed wildlife facility. Figures from the American Zoological and Aquarium Association estimate that 20 percent of visitors to similar facilities come from outside of the local area
- In the park's opening phase, "tourist" visitors will likely be those drawn from those already visiting in the residential market area – primarily from south Walton County and Panama City. This will in effect increase the primary resident market area by an additional 1.6 million people as overnight visitors to the beaches are drawn to the park for a daytrip during their stay.

**Description**

- The Fowler Center has contracted with The Holmes County Development Commission for a straight sale of 789 acres of land south of I-10 in the area known as Smith Lake. This is the first of several parks to be built throughout the nation. Guests will go on safari in specially constructed vehicles through natural animal habitats. The park will be the centerpiece of a unique planned



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**October 2006**

resort community with hotels, shopping, parks, a golf course, housing and amenities. The park is scheduled to open in spring of 2008.

- Blue Dolphin has contracted to purchase 6,000 acres: 400 additional acres for the wildlife park, 250 for the amphitheater and theme park, and the balance for commercial, retail and residential development. The 15,000-seat amphitheater will have an estimated 30 to 40 musical acts performing annually.
- The Celebrity Coast Theme Park will be a traditional theme park with rides.

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### **Tram System**

- The City of Panama City Beach's Community Redevelopment Board is continuing to address improvements to the roadways feeding Front Beach Road in an active effort to implement a tram system within the next 2 to 3 years. A site for the tram system operation, located on Thomas Drive south of Front Beach Road, is under contract with a review period currently in progress.



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**October 2006**

## V. Market Conditions

Although the housing industry continues to argue about the current state of the housing market, many agree that there are still markets nationwide, we will call them "sleeper markets," that have not yet seen their true potential for a variety of reasons. Panama City Beach/Bay County has just been rated the number one "sleeper market" (our terminology) in the country.

In an October 2006 study/ranking by *CNNMoney.com* Panama City Beach was **ranked number one in the entire country as the "Strongest Real Estate Market."**

**Article text:** A small city needs one of two things to jack up housing demand: more people or wealthier people. Unlike the rest of Florida, Panama City hasn't really attracted either, mainly because it's isolated on Florida's Panhandle.

The interstate highway system bypasses it, and the runway at the local airport isn't long enough to support anything beyond regional jets. But now Panama City is poised to host big airliners, more visitors - and a lot more buyers.

State and local governments and a top regional developer, St. Joe Co., are planning to build a new airport by 2008 at a cost of more than \$300 million. Locals expect the new facility to open up the region the way Southwest Florida International Airport in Fort Myers helped drive a housing boom along Florida's southwestern coast in the 1980s.

In an Oct. 20 note, from Richard Berner, chief U.S. economist at Morgan Stanley stated...

"The latest data suggest that the intensity of the housing decline may be fading somewhat, and with it some of the concurrent downward pressure on housing prices," he adds. "If so, one of the biggest perceived risks to the U.S. economy may be smaller than feared."



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**La Borgata – Panama City Beach, FL**  
**October 2006**

The National Association of Home Builders (NAHB) told Congress (9/14/06):

“...The current downswing in home sales and housing production following the record housing boom of 2004-2005 is expected to bottom out around the middle of next year and gradually move back up toward trend by late 2008.”

There is a great deal of interest, and some differences of opinion on the state of the real estate market in Bay County and Northwest Florida. This section of the report will look at a detailed snapshot of key market segments and then put the information into perspective by looking back over the previous five years.

Throughout this section, reference is made to a “Speculator Spike.” This phrase was derived from the obvious spike in bar graphs charting real estate sales trends between 2004 and 2005.

## **Bay County & Northwest Florida Real Estate Market Analysis**

- **3<sup>rd</sup> QTR 2005 –vs- 3<sup>rd</sup> QTR 2006**
- **Historical Five year trend – Bay County**
- **A Decade of Record Breaking Real Estate Sales**
- **The “Speculator Spike”**

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This information was compiled by ERA Neubaur, Panama City Beach Florida, but has been edited, redefined and reformatted for use in this specific report format. Also, the data is not from the Multiple Listing Service, but is based on recorded deeds compiled by Metro Market Trends – a Pensacola based company, and so includes all transactions, rather than just those involving a real estate brokerage company.



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 La Borgata – Panama City Beach, FL  
 October 2006**

**Third Quarter Unit Sales '00-'06**

	9/2000	9/2001	9/2002	9/2003	9/2004	9/2005	9/2006
Single Family							
New Homes	485	537	646	805	939	957	786
Resale Homes	2137	2208	2424	2,889	3579	3295	2,269
Total Single Family	2622	2746	3070	3,694	4518	4252	3,055
Condominium/Townhomes							
Total New Sales	137	149	97	256	627	1098	1201
Total ReSales	916	980	1040	1,264	1817	1142	610
Total Condo/Townhome	1053	1129	1137	1,520	2444	2240	1,811
Mobile/Manufactured Homes	370	324	386	465	696	707	459
Residential Lots	1421	1427	2003	2,192	3133	3624	1,626
Commercial & Other IMPRV	263	269	277	403	461	500	378
Commercial & Other VACNT	262	207	202	281	343	362	176
Total	5991	6101	7076	8,555	11595	11685	7,505
Total Foreclosures	45	54	42	44	47	23	23

- The chart above shows the 2000-2006 Bay County Unit Sales. These transaction numbers surpassed all of its previous real estate sales records over the past decade
- 2002-2003 sales years were the last normal sales years before the beginning of the "speculator spike" changing the trend of sales
- 2003 began a steeper increasing climbing trend-line, but in 2004 and 2005 sales numbers went above and beyond what could be called normal, and could be best described as off-trend, these years show a very clear "speculator spike" in bar graph format



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 La Borgata – Panama City Beach, FL  
 October 2006**

**Third Quarter Volume '05-'06**

Single Family	YTD 2005	YTD 2006	
New Homes	212,403,453	190,209,414	-10.45%
Resale Homes	871,339,200	549,485,500	-36.94%
Total Single Family	1,083,742,653	739,694,914	-31.75%
Condominium/Townhomes			
Total New Sales	423,978,880	420,278,500	-0.87%
Total ReSales	409,026,800	190,051,300	-53.54%
Total Condo/Townhome	833,005,680	610,329,800	-26.73%
Mobile Homes	68,125,300	40,646,300	-40.34%
Residential Lots	420,583,500	152,376,900	-63.77%
Comm/Other Improved	639,128,784	274,374,300	-57.07%
Comm/Other Unimproved	260,974,100	136,344,100	-47.76%
Total	3,305,560,017	1,953,766,314	-40.89%
Total Foreclosures	6,578,800	9,421,500	43.21%

**Third Quarter Volume '00-'06**

	9/2002	9/2003	9/2004	9/2005	9/2006
New Homes	101,795,147	127,019,988	167,182,163	212,403,453	190,209,414
Resale Homes	292,790,300	413,144,300	685,092,000	871,339,200	549,485,500
Total Single Family	394,585,447	540,164,288	852,274,163	1,083,742,653	739,694,914
Condo/Townhomes					
Total New Sales	27,045,609	96,590,246	196,807,840	423,978,880	420,278,500
Total ReSales	142,712,300	231,416,100	497,203,400	409,026,800	190,051,300
Total Condo/Town	169,757,909	328,006,346	694,011,240	833,005,680	610,329,800
Mobile Homes	17,318,900	35,893,600	51,621,000	68,125,300	40,646,300
Residential Lots	98,087,300	125,540,000	272,522,700	420,583,500	152,376,900
Commercial IMPRV	115,235,313	242,841,786	378,155,694	639,128,784	274,374,300
Commercial VACNT	21,425,400	52,808,800	169,406,200	260,974,100	136,344,100
Total	815,410,269	1,325,254,820	2,417,991,267	3,305,560,017	1,953,766,314
Total Foreclosures	3,495,500	3,747,700	4,404,900	6,578,800	9,421,500

- 2006 Bay County Single Family Residential (SFR) sales volume should surpass the last normally trending year, 2002, by an approximate \$1 billion dollars in closed transactions
- As stated before, every year in this decade has been a record sales year in Bay County, and 2004 and 2005 were above and beyond normal
- The point of this comparison is that 2002 and 2003 were very good in terms of real estate markets – both were record years, and therefore, today's numbers should be looked at as a return to a NORMAL trend



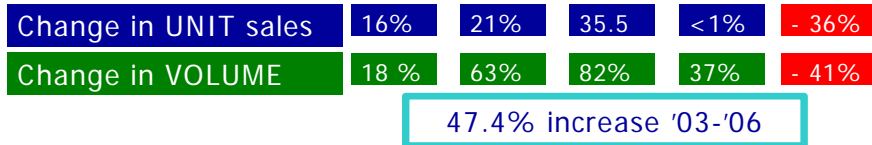
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 October 2006

6-Year History 3<sup>rd</sup> Qtr Snapshot  
 Bay County Real Estate Sales Volume

	9/2000	9/2001	9/2002	9/2003	9/2004	9/2005	9/2006
New Homes	65,591,322	79,755,747	101,795,147	127,019,988	167,182,163	212,403,453	190,209,414
Resale Homes	235,006,900	245,631,500	292,790,300	413,144,300	685,092,000	871,339,200	549,485,500
Total Single Family	300,598,222	325,387,247	394,585,447	540,164,288	852,274,163	1,083,742,653	739,694,914
Condo/Townhomes							
Total New Sales	30,186,600	52,984,425	27,045,609	96,590,246	196,807,840	423,978,880	420,278,500
Total ReSales	116,125,200	125,384,400	142,712,300	231,416,100	497,203,400	409,026,800	190,051,300
Total Condo/Town	146,311,800	178,368,625	169,757,909	328,006,346	694,011,240	833,005,680	610,329,800
Mobile Homes	12,755,000	12,857,900	17,318,900	35,893,600	51,621,000	68,125,300	40,646,300
Residential Lots	59,510,200	58,481,200	98,087,300	125,540,000	272,522,700	420,583,500	152,376,900
Commercial IMPRV	96,371,200	84,125,296	115,235,313	242,841,786	378,155,694	639,128,784	274,374,300
Commercial VACNT	95,701,900	32,315,300	21,425,400	52,808,800	169,406,200	260,974,100	136,344,100
Total	711,248,422	691,335,708	815,410,269	1,325,254,820	2,417,991,267	3,305,560,011	1,953,766,314
Total Foreclosures	3,543,400	4,677,300	3,495,500	2,747,700	4,404,900	6,578,800	6,434,500



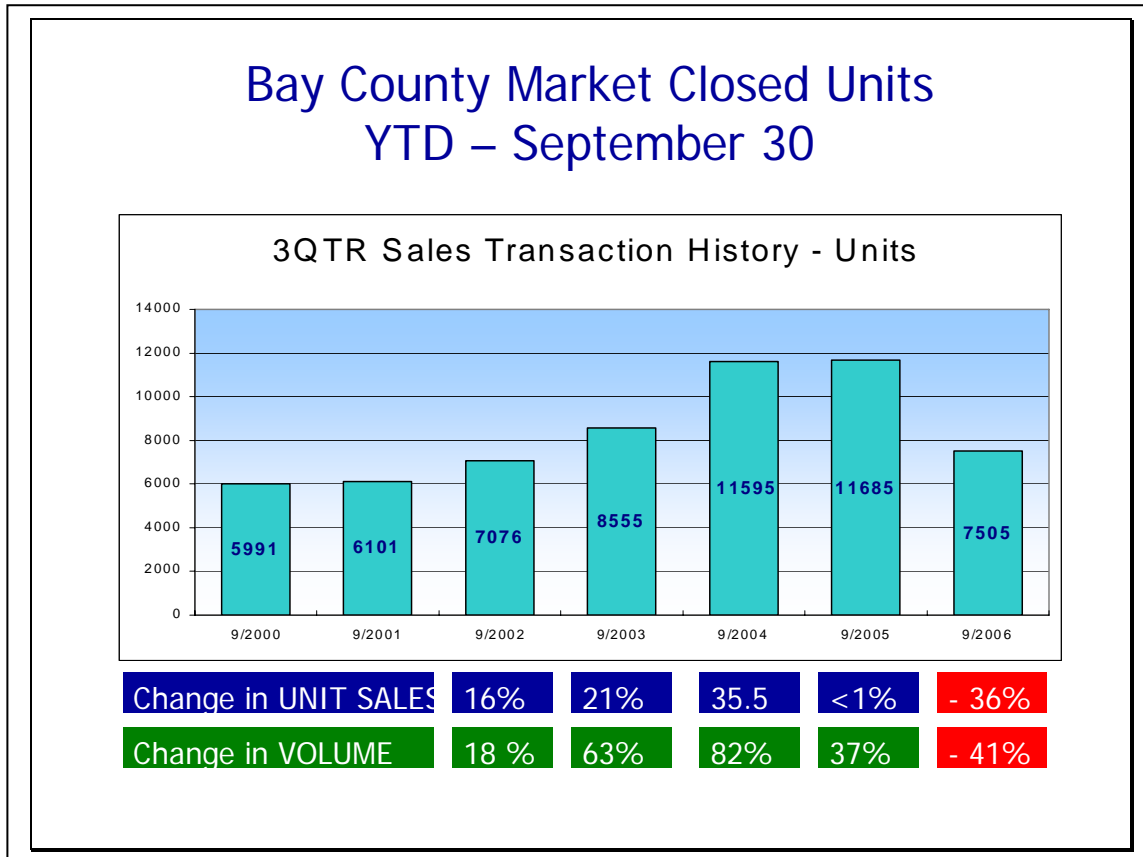
- While the number of transactions is the best measure of sales activity, sales volume gives a better perspective on market growth
- This chart compares the change in number of transactions – units sold – as compared with the change in volume – (actual closed \$ volume)
- It is clear that the rapid appreciation in property values that occurred in 2003 and 2004 had leveled off by the 3<sup>rd</sup> Qtr 2005



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 October 2006



- For 2006, the drop in both unit sales and volume is reflected, but again, if the volume for 2006 YTD is compared to 2003 YTD, a healthy growth is observed
- The disparity between unit sales and volume is especially noticeable in 2003 and 2004 with very little difference in 2002
- 2003, a 21% increase in UNIT SALES –vs- 63% increase in VOLUME
- 2004 35.5% increase in UNIT SALES and 83% in VOLUME
- 2005 – less than 1% increase in UNIT SALES, and 37% in VOLUME
- This disparity, also called a “Speculator Spike,” was the signal that value increases were not sustainable. The correction actually began in 2005 and appears likely to continue through next year. This is reflected by the 2006 YTD figures, which show dramatic decreases of 36% in units and 41% in volume

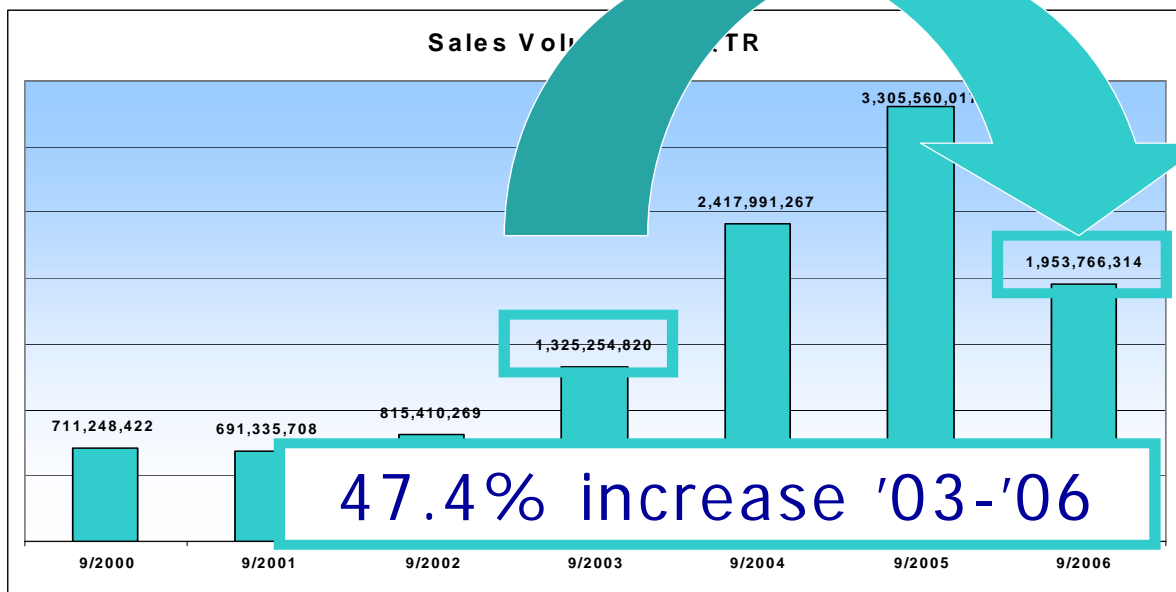


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October 2006

## Bay County Market Closed Volume YTD – September 30.



Above is a visible perspective of the trend in Total Market Transactions.

- Note, if the 2004-2005 “Speculator Spikes” were removed from the equation, there is still a dramatic increase between 2003 and 2006. This increase is more in line with the normal, yet impressive growth cycle of Panama City Beach, Bay County

This chart clearly confirms the Coastal-Edge conclusion, and the national media analysts’ predictions, that this “sleeper city,” Panama City Beach, is headed for a healthy future of upward trending real estate sales, and **La Borgata** is positioned to be part of some significant growth



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**La Borgata – Panama City Beach, FL**  
**October 2006**

### **Media Lists & Accolades:**

During the course of this Coastal Market Study, Coastal-Edge looked at a variety of sources to uncover information that would contribute to an overall rating for this project. This section deals with accolades from well-known national media analysts who have chosen to highlight the Panama City Beach area. These numbers were derived from outside sources and are cited below each chart or after italicized statements.

### **Overall Panama City Beach Ratings:**

*CNNMoney.com* - October 2006 - Ranked by *CNNMoney.com* Business 2.0  
Top 10 cities: Where to buy now

#### ***# 1 Strongest Real Estate Markets.***

- |                                  |                        |
|----------------------------------|------------------------|
| 1. <b><i>Panama City, FL</i></b> | 6. San Luis Obispo, CA |
| 2. Vero Beach, FL                | 7. Wilmington, NC      |
| 3. Bridgeport, CT                | 8. Manchester, NH      |
| 4. Lakeland, FL                  | 9. Fort Collins, CO    |
| 5. McAllen, TX                   | 10. Atlanta, GA        |

#### **72% Projected gain in home prices (5-year)**

*CNNMoney.com* article text: A small city needs one of two things to jack up housing demand: more people or wealthier people. Unlike the rest of Florida, Panama City hasn't really attracted either, mainly because it's isolated on Florida's Panhandle.

The interstate highway system bypasses it, and the runway at the local airport isn't long enough to support anything beyond regional jets. But now Panama City is poised to host big airliners, more visitors - and a lot more buyers.

State and local governments and a top regional developer, St. Joe, are planning to build a new airport by 2008 at a cost of more than \$300 million. Locals expect the new facility to open up the region the way Southwest Florida International Airport in Fort Myers helped drive a housing boom along Florida's southwestern coast in the 1980s.



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*CNNMoney.com* – 2006 Annual Rating

***#1 Fastest Growth in Florida, and the Nation, Panama City Beach***

Forecasters at Fiserv Lending Solutions and *Moody's Economy.com* predict a radical shift in the top 10 list of fastest growers for the 12 months beginning in June. Only one California city, El Centro, will be represented. Instead, Washington State will dominate, with five of the top 10 cities.

Wenatchee, Washington, which lies about 150 miles southeast of Seattle, is predicted to gain the most of any city in the state, 16 percent.

That won't be enough to beat Panama City, Florida, where prices are expected to rise 21 percent. That's impressive, but it's still quite a comedown from the previous five years when price gains among the top 10 fastest growing cities averaged about 20 percent a year. Panama City, FL is the only city where the percentage exceeds that 20% number.

*Gains are expected to rise in excess of 21 percent from June 2006 to June 2007.  
(Chart follows this section)*

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*MOODY'S ECONOMY.COM*

**"Panama City is an economy waiting to break out,"** says Steven Cochrane, chief regional economist for *Moody's Economy.com*. Other factors increasing demand: Property prices are still low by Florida standards, and the local market has already absorbed a price correction after peaking last year.

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*CONDÉ NAST TRAVELER* – February 2006

***One of America's Best Beaches - Panama City Beach, Fla.***

PCB is recognized as one of America's Best Beaches in the Feb., 2006, issue of *Condé Nast Traveler*, available this week on newsstands nationwide. The destination is one of eleven epic beaches on America's East Coast that "marries the outstanding physical assets of location with distinctive local character," the magazine said.



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Specifically, Panama City Beach was cited for its soft white sand, beautiful beaches, rich tropical wildlife and large variety of accommodations, among other assets.

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*Inc. Magazine, Inc.com* - 2006 ratings - Best Cities for Doing Business

**#11 - Best/Hottest Small Cities - Panama City-Lynn Haven, Florida:  
#14 - Overall Best (Small) Cities - Panama City-Lynn Haven, Florida**

As part of their annual report, *Inc.* studied 393 population centers across the nation, identifying job creation and other signs of business vitality. Their results found that big cities are idling, and the real entrepreneurial hot spots are on the periphery -- where low costs and favorable regulatory environments make it possible to thrive.

Tourists pump nearly \$1.5 billion into the economy, providing more than 14,000 jobs. Uncle Sam also provides a boost, with an Air Force base and Naval Support Center that farm out business to local contractors.

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www.Coastal-Edge.com

Prepared for: Ronnie Gilley Properties  
 Prepared by: Suzette Greer, Chief Market Analyst

Coastal Market Study  
 La Borgata – Panama City Beach, FL  
 October 2006

CNNMoney.com – 2006 Annual Rating

**#1 - Fastest Growth in Florida, and the Nation, Panama City Beach**

2006-2007 Forecasts for Florida Metropolitan Areas			
	Median Price	Historical Gain 2001 - 2005	Forecast June 2006 - June 2007
<b>Panama City-Lynn Haven</b>	<b>\$124,555</b>	<b>102.70%</b>	<b>21.20%</b>
Lakeland	\$170,000	85.50%	13.90%
Ocala	\$161,000	86.40%	12.90%
Cape Coral-Fort Myers	\$189,000	141.80%	9.30%
Naples-Marco Island	\$407,000	149.00%	9.30%
Palm Bay-Melbourne-Titusville	\$210,000	130.80%	8.40%
Jacksonville	\$200,000	78.10%	8.00%
Port St. Lucie-Fort Pierce	\$250,000	153.50%	7.70%
Orlando	\$257,000	109.60%	7.60%
Deltona-Daytona Beach-Ormond Beach	\$200,000	122.70%	7.20%
Sarasota-Bradenton-Venice	\$285,000	132.70%	6.20%
Tampa-St. Petersburg-Clearwater	\$214,000	105.40%	6.00%
Tallahassee	\$173,000	67.70%	5.90%
Vero Beach	\$204,000	125.00%	5.90%
Pensacola-Ferry Pass-Brent	\$166,000	82.70%	4.80%
Gainesville	\$188,000	77.10%	4.40%
Fort Lauderdale-Pompano Beach-Deerfield Beach	\$328,000	145.70%	3.40%
Punta Gorda	\$135,000	148.30%	2.80%
Miami-Miami Beach-Kendall	\$311,000	150.30%	0.80%
Fort Walton Beach-Crestview-Destin	\$218,000	125.70%	0.70%
<b>State Average</b>	<b>\$219,528</b>	<b>96.04%</b>	<b>12.32%</b>

Sources: Population: U.S. Census Bureau, 2000 • Median Family Income: U.S. Department of Housing and Development, 2005 • Median Home Prices: Fiserv Lending Solutions, National Association of Realtors, 2005 • Historical change: Fiserv Lending Solutions, OFHEO, 2001 – 2005 • Market forecasts: Fiserv Lending Solutions and Moody's Economy.com, June 2006 – June 2007



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### **Latest NAR Report Summary (an article excerpt from RealtyTimes.com)**

October 27, 2006 -- In the National Association of Realtor's latest report, numbers indicated that existing-home sales eased last month. Does this mean the housing market is stabilizing?

That's what the NAR thinks. David Lereah, NAR's chief economist, notes, "Considering that existing-home sales are based on closed transactions, this is a lagging indicator and the worst is behind us as far as a market correction -- this is likely the trough for sales. When consumers recognize that home sales are stabilizing, we'll see the buyers who've been on the sidelines get back into the market, and sales will be at more normal levels in the wake of the unsustainable boom that we saw last year."

So how much have the markets eased? Total sales were down 1.9 percent this September from the month before. Sales were down 14.2 percent, however, from the year before. There is good news for sellers, though, as total housing inventories fell 2.4 percent. Fewer homes on the market mean less competition.

NAR President Thomas M. Stevens from Vienna, Va., said the industry is encouraged that the number of homes on the market is starting to decline. "It appears we have passed a cyclical peak in terms of the number of homes on the market. The good news is that fewer new listings are coming online. A stable sales pace is expected to draw down the number of listings to a supply balance that will support positive price growth within a few months. Taking the long view is always the best way to approach housing decisions, and right now, buyers are in a very favorable market."