

MOODY APPRAISAL
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TRICK OR TREAT (October 23, 2009).



The other day I drove and walked through the Aquatic Gardens Townhome and patio home development north and west of the Publix Supermarket in the Atlantic Plaza Shopping Center on the north side of Atlantic Boulevard a little over 1 mile from the beach; Perfect neighborhood because one could ride a bicycle or walk to the beach. Another thing that is important, this neighborhood appeared to have some reasonably priced housing in it and the dwellings were a good size, important for families or multiple roommates of 2 or 3. Today just before Halloween I am helping a future college student find a place near the beach and near bus lines. Now I'm not a Realtor so I won't be representing him as his buyer's agent, so I won't be making any money off of this effort, a treat for sure. I don't do this type of thing very often, but somehow it seems worthy to educate myself, him and who knows maybe someone else looking for a treat rather than a trick. Now I'm a fan of HGTV's "Property Virgins" and "Real Estate Intervention" so I thought maybe I could help in this situation especially with my real estate background. This task was to find the best price for reasonable living accommodations on the barrier island near the beach that doesn't required extensive updating. He is more interested in the 1,300 to 1,400 square foot townhomes, on two levels with 3 Bedrooms, 2 Baths a kitchen and a combined dining area and living area.

Weeks before I was looking at brand new attached residential units along Beach Blvd. built by DR Horton at Heron's Landing which would have been closer to UNF but four miles from the beach. They had similar amenities in bedroom-bathroom count, floor plan and came with an attached garage and were nearly new (blt 2006). Asking Prices for these dwellings started at

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\$146,900, with recent sales from \$145,000 and \$149,900 for 1354 to 1473 square feet . The rental rates in this neighborhood ranged from \$1,250 to \$1,375 per month with an average monthly rental of about \$1,300. This rental level was a little higher than the future college student wanted to spend per month and a little higher than he could afford to buy and not close enough to the beach. I also looked at Mayport Landing off Wonderwood and A1A for a similar type of townhomes with open parking. Recent sale prices in Mayport Landing were much less between \$50,000 and \$58,700 with an average of \$52,900. These prices looked quite low and may have been short sales or some other distressed sales. The lease rates were also lower ranging from \$745 to \$850 in current asking prices. Now the prices and rental certainly fit the budget but the location was 1.6 miles from the beach. Now the last sales in the Aquatic Gardens neighborhood were a respectable \$151,500 for an updated dwelling and \$65,200 which was something else not considered a market sale. Current lease rates in this neighborhood ranged from \$885 to \$990 per month, within budget and 1 mile from the beach. So what is the real value for these 3Br/2Ba dwellings in Aquatic Gardens especially when I'm aware of three listings at \$89,900, \$129,000 & \$130,000 and the sales for \$65,200 and \$151,000. This spread of prices indicates that there are definitely some tricks and maybe a treat to be had.

All of the living units within Aquatic Gardens are attached single family dwellings, the neighborhood had generally average attractiveness with some of the dwellings that were well kept and having no deferred maintenance and other units needing a roof cover replacement, exterior painting, serious lawn maintenance and other repairs. Most of the dwellings were somewhere in the middle with average upkeep and maintenance. The current active market revolves around the 2 story attached townhome units although there were some smaller 1 story dwellings. Most improvements in this neighborhood were built in 1985 to 1986 making the units 24 to 25 years old. The dwellings in the neighborhood in my opinion have an effective age of 20 to 30 years and a remaining life of 20 to 30 years depending on condition and updating. The housing quality in the neighborhood is average with Obsolescence starting to become an issue with many kitchens, bathrooms and energy efficiency. These items starting to show some lack of function, energy savings and attractiveness. No inharmonious land uses noted, like intruding commercial. Employment shifts are not noted in the neighborhood other than the baby boomers are generally retiring and generally pursuing ad-vocations rather than vocations.. There are anticipated public road improvements to be located to the east of the neighborhood in Royal Palms; the improved drainage and road paving project is in process.

A variety of folks live in this neighborhood, from young to middle-aged, and several of the dwellings were decorated for Halloween, indicating a good contingent of children. The neighborhood is adequately served by community services such as elementary and secondary schools, playgrounds, parks, community halls, libraries, shopping centers, recreation, places of worship and hospitals. Surrounding uses are single family, apartments, and the Publix Shopping Center. Publix will be at its new location south of Seminole Road and Atlantic Blvd. in about a year, known as Seminole Shoppes. Both it and Winn Dixie are in good proximity of this neighborhood just east of Penman and Atlantic and at the corner of Penman and Atlantic which you could walk or ride a bike to. Main transportation however is by motorized vehicle to these shopping centers. Access to community services is enhanced by regular bus service along

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Atlantic and Beach Blvds. and by a Trolley service that runs in most beach areas. There are some bike lanes and sidewalks to promote alternative transportation and a walkable community. Employment is available in the Atlantic Beach and Neptune Beach town-center, in the Jacksonville Beach redevelopment area at Mayo Clinic Baptist Beaches Medical Center and other professional service facilities toward Ponte Vedra Beach. These opportunities are mainly general and professional service and retail jobs with other opportunities being available along J. Turner Butler Blvd. at Southpoint, Deerwood Park and the St. Johns TownCenter.

Overall appeal of this neighborhood is good as compared to competitive neighborhoods in the same market such as the Atlantic Beach attached housing on the west side of Mayport Road and at Mayport Landing. It offers closer proximity to shopping and residential support facilities and the beach. It is about equal in overall attractiveness considering that it does exhibit some deferred maintenance and upkeep. The neighborhood is considered inferior to the newer townhomes/condos, being built along Beach Blvd. by DR Horton, in condition and maintenance with equal proximity to support facilities. The advantage of the Aquatic Gardens neighborhood over these locations is its proximity to the beaches, 1 mile instead of 4 miles and it is somewhat closer to the beach than the Mayport Landing location, 1 mile instead of 1.6 miles.

The neighborhood itself does not generally seem to have foundation or bearing soil problems, water appears to be diverted from the structures away from the foundations, as I viewed them from the street. The off-site improvements running through the neighborhood, includes a paved street surface, curbs, sidewalks, curb cuts, underground electric, streetlights, storm drains, public sewer lines, public water lines and driveway aprons etc. These are typical improvements and what this beach market location would require.

Economic Trends of the neighborhood and general area: O.K. I would agree with you the economy is in the pits right now. The prices for goods have been generally increasing at a faster rate than wage levels effectively eroding purchasing power. This is the foundation as to why the economy has been and is continuing to be in one of the longest recessions since the 1940's. Prices seem to have stabilized somewhat but some economists believe that inflation may slow this nations progress to recovery. Unemployment rates have climbed to their highest levels in recent times, to a 10% level. Hardest hit are the construction, realty, and professional service industries such as mortgage servicing, appraisers and bankers. Retail, Industrial and general service unemployment has also remained significant. The near term projection is that it will go slightly higher before dropping. At the date of my general review the neighborhood had several properties for sale and several rental listings, probably higher than typical (see the market conditions table to follow). Building costs have decreased in this general metropolitan area for all types of construction classes since 10/2007 by 1 to 3% except for wood frame construction, which have remained stable or increasing slightly. There may be lower birth rates and fewer families moving in from other states as a result of the recession, reducing demand some for housing in general.

Vacancies are at a minimum according to my brief viewing of the neighborhood. Overall this location and the townhome residential units appear to have reasonable marketability.

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MARKET CONDITIONS TABLE

Evaluation Date	10/26/2009
12 Months ago	10/26/2008
6 Months ago	4/26/2009
3 Months Ago	7/27/2009

	Prior 7-12 Months	Prior 4-6 Months	Current - 3 Months
Comp Sales	5	7	6
Absorption Rate (sales/month)	0.8	2.3	2.0
Total Active Comps	18	27	23
Months of Housing Supply	21.6	11.6	11.5
Sold Comp Median Sales Price			
	\$132,000	\$125,000	\$134,250
Sold Comp Median DOM			
	44	88	59
All Comps Median List price			
	\$149,900	\$149,900	\$150,000
All Comps Median DOM			
	108	61	113
Sold Comp Median SP/LP%			
	88.06%	89.39%	93.25%

Activity in the general beaches neighborhood market of single family dwellings that would have been competitive with the size and age of dwellings in this neighborhood reflects average selling prices that appear to be holding steady and a Days the On Market to sell these properties as increasing slightly. Listing prices are level and the sold to list price ratio is on an upward swing. This residential market is considered a stable market on the barrier island. The months of housing supply has been reduced, which would be an indication of an improving market.

The availability of financing has been reduced somewhat on the conventional side with higher credit scores required and lower loan to value ratios being offered further exacerbating an active market. FHA financing is available at rates that are approximately 5% per annum on a fixed rate 30 year mortgage for those who can qualify. Conventional rates are commensurate.

The zoning control of properties in and around this neighborhood seems to be reasonably drawn and enforced for single family attached dwellings. The development had protective covenants at one time according to a Realtor living in the neighborhood, however, the neighborhood association is not functioning and covenants may not be in force. Reconstituting the homeowners association and protective covenants would lead to an improvement in long run marketability of this neighborhood. They could possibly be reintroduced with some significant effort. Homeowner occupants are estimated to be 70% of the total occupants with 30% being renters, according to the local Realtor. Drainage and traffic patterns through the neighborhood are adequate.

There didn't seem to be any unusual hazards, odors, excessive noises, offensive nuisances or contaminants in the neighborhood but keep in mind that I only drove and walked through portions of this property and didn't see, hear or smell any obvious problems. The open drainage ditch that I saw might be considered a hazard by some. The future economic life of dwellings in this neighborhood is not shortened except in the few cases where deferred maintenance is heavy.

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SALES AND RENTALS OF NEIGHBORHOOD PROPERTIES

The following table represents unconfirmed sales and rental information from the area Multiple Listing Service in three competing neighborhoods for attached townhomes selling in the Atlantic Beach Area. At the low end price level Aquatic Gardens seems to fall between Herons Landing and Mayport Landing in the investment return that it offers with the risk of capital loss being directly related to this required return on investment. The 10.5% overall rate of return should be reflected at 7.6% based on a current listing in the market at \$89,900 rather than on what is believed to be a below market sale of \$65,200. As the neighborhood perceptions improve toward the higher price range the neighborhood could reflect less risk and less return as reflected by the 4.5% OAR.

Neighborhood S/D	Location	Range of Sale Prices		Avg. Mo. Rental		GRM Range		OAR Range	
Aquatic Gardens	Atlantic Beach 1 mile from Ocean	65,200	151,500	950	950	5.72	13.29	10.5%	4.5%
Herons Landing	Beach Blvd. 4 miles from Ocean	140,000	149,900	1300	1300	8.97	9.61	6.7%	6.2%
Mayport Landing	Wonderwood/A1A 1.6 miles from Ocean	50000	58700	792	792	5.26	6.18	11.4%	9.7%

Aquatic Gardens has a middle range overall rate of return as compared to Herons Landing and Mayport Landing. Generally from the investors point
 Aquatic Gardens has a lower risk of capital loss than Mayport Landing but possibly more than Herons Landing requiring different levels of return.

The following sales were confirmed by the MLS listing sheet and a Realtor; Sale #1, Listing #2, Listing #3 and Listing #4 on Aquatic Drive. The MLS listing sheet was relied on for information of the other sales. The first four properties are from Aquatic Gardens and they are attached townhome properties. The next four properties are from the Atlantic Beach area west of Mayport Rd., They were all detached with one or 2 Car Garage Parking. All the sales are in good condition with some updating except for the #1 sale on Aquatic Dr. which has not updated but was in good condition. It also sold with Bond financing, which may have been below market financing, typically costing more. Listing Property #3 at Aquatic Dr. has a two year old roof and A/C but needed painting. Listing Property #4 at Aquatic Dr. needed painting some wood repair on back, the A/C and roof cover were original, the countertops were green inside.

Recent Sale & Listing Properties		Sale or List Price	Size in Square Feet	Sale or List P.per SF	Parking
#1 Aquatic Drive	Attached	151500 SP	1328	114.0813	1986 Open
#2 Aquatic Dr.	Attached	149900 LP	1328	112.8765	1986 Open
#3 Aquatic Dr.	Attached	129000 LP	1360	94.85294	1985 Open
#4 Aquatic Dr.	Attached	89,900 LP	1378	65.23948	1986 Open
#5 Palm Landing Dr. S.	Detached	132000 SP	1378	95.791	1984 1carGar
#6 Munson Cove Drive	Detached	125000 SP	1282	97.5039	1990 1carGar
#7 Majestic Cypress Dr. N.	Detached	128500 SP	1228	104.6417	1993 2carGar
#8 Destine Lane	Detached	125500 SP	1247	100.6415	1990 1carGar

Looks like if my friend wants to be 1 mile from the beach Sale #3 on Aquatic Dr would meet his criteria, if he can put up with a common wall, open parking and some exterior paint work. Property #4 might be worth the price if the required repairs and renewal is not too extensive. Over \$20,000 in materials might be too extensive since labor would likely match that cost of material. O.K. what's a garage worth, \$5,000? What is a paint job worth? \$2,000? You need to help me be the judge here. Oh, and one other item, what would I need to pay you to have a common wall with another hopefully quiet family, unlike the Munsters! The average sale price of

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the four detached dwellings that are in good shape is \$100 per SF x the average size in Aquatic Gardens of 1349 SF=\$134900, Subtract from this \$7,000 (assuming that you agree with that estimate) for generally superior parking and condition for the detached dwellings then, \$127,900 might be a good indicated average price for a townhome in Aquatic Gardens with a needed paint job and open parking. This might put Listing #3 within the realm of possibility and listing #4 might be possible if the repairs and updating required are not too overwhelming. It is \$39,100 lower than any other dwellings. Count Dracula may lived here which might make the repair cost too high. Let's see a mortgage payment of \$600 would handle an \$80,000 loan, taxes and insurance might be another \$300. This matches the market rent of \$950 per mo. Trick or Treat? I'm informed that the wait on this short sale might be 3 to 6 months. **Call your favorite Realtor and take a look yourself, I'm going to, just to see if these are tricks or treats.**

The purpose of this neighborhood review is to provide information for the first time home buying public, potential investors in property in the immediate market, Realtors, mortgage brokers, correspondent lenders, and lenders. The additional information might help the real estate market regain a certain level of normalcy, (known in the appraisal industry as an arms- length transaction between knowledgeable parties with no undue pressure to complete the transaction). This review will be used as publicity for promoting appraisers and other real estate professionals in the real estate industry.

Generally the effort entailed the observation of property in a general neighborhood and surrounding neighborhoods, the research of sales and rental data, and the gathering of other pertinent information that might impact the general neighborhood.