

Market Report for the 5-month Period ended May 31, 2008.

The Charleston real estate market continued its downward slide through the spring. Based on MLS data, the five-month period ended May 31, 2008 recorded the lowest number of transactions since the recessionary period of 2001. Total transactions were down 35% from the same five-month period in 2007. They were down 49% from the first five months of 2006. Table 1 shows a year by year comparison of the number of transactions during the 5-month period from 2004-2008 for the Tri-County Region, Charleston County, and other selected areas.

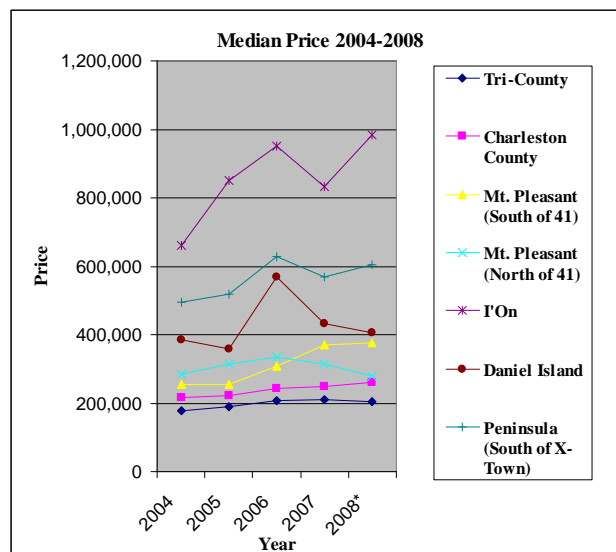
Table-1 (Transactions for first 5 months of Year)

	2004	2005	2006	2007	2008	Average
Tri-County	5,174	6,859	6,891	5,382	3,496	5,559
Charleston County	3,079	3,906	3,608	2,776	1,851	3,043
Isle of Palms	87	112	68	40	11	64
Wild Dunes	121	88	122	43	21	79
Sullivan's Island	22	17	28	5	6	16
Mt. P (S of 41)	599	740	720	542	392	598
Mt. P (N of 41)	238	334	286	223	147	245
I'On	21	21	27	28	25	24
Daniel Island	127	320	202	107	106	172
Chas Peninsula (Inside X-town)	209	241	185	130	123	177
North Chas (Inside 526)	97	116	130	112	71	105
Summerville/Ridgeville	350	497	524	460	252	416

The Isle of Palms was hardest hit with transactions down 73% from last year. Taken together, the Isle of Palms, Wild Dunes, and Sullivan's Island recorded 38 sales during the first five months of 2008 compared to 218 for the same period in 2006. That's a drop of 83%! Obviously, fewer people are purchasing second homes these days.

I'On continues as a bright spot in the market. The median price for the 25 homes sold in the neighborhood year to date is \$985,000 - 18% higher than the median price of \$832,000 for homes sold during 2007. The graph in Table 2 shows median prices for 2004-2007 and the first five months of 2008. You can see that, like the Charleston peninsula, I'On experienced a price correction in 2007. Things look better in 2008 though we anticipate the median price to drop through the balance of the year. In January we predicted 63 total sales with a median price of \$924,517.64 for 2008. We're holding to that prediction.

Table 2



Because I'On has managed to hold its own in a market that has experienced steep declines in total transactions, the neighborhood's market share has dramatically increased. From the standpoint of total transactions, one out of every 40 homes sold in Mt. Pleasant during the first five months of 2004 was located in I'On. In the first five months of 2008, that share was one in 21. Limiting the study to single-family detached homes that sold for \$600,000 or more (the type of home and price range available in I'On), that share during the first five months of 2008 was about one out of four sold in Mt. Pleasant!

Of the 25 homes sold in I'On year to date, 19 were interior homes, 2 were on the marsh, 2 on a lake, and 2 on a canal. The average home was four years old and sold for \$1,021,460 (\$314 per square foot). The median price was \$985,000. The average home sold for 91% of its listed price. It's important to note the list prices for 21 of the 25 homes were marked down from their original list price. The average home sold for 82% of original list price. Those homes that were not marked down

Table 3 tracks median prices for selected areas from 2004-2007 and the first five months of 2008. Also shown is (a) the change in median sales price between 2007 and the first five months of 2008; (b) the median list price for homes currently on the market; and (c) the percentage spread between median list price and median sold price in 2008.

Table 3

Area	Median Sold Price					-a-	-b-	-c-
	2004	2005	2006	2007	2008*	% Change 2007-08	Median List Price	Spread b/w 2008 LP & SP
Tri-County	177,000	190,000	206,000	210,326	205,010	-3%	299,000	46%
Charleston County	215,000	223,000	243,500	250,000	258,500	4%	395,000	53%
Isle of Palms	630,000	750,000	988,000	1,312,500	892,000	-32%	1,199,000	34%
Wild Dunes	670,000	777,500	860,000	871,250	662,500	-24%	995,000	50%
Sullivan's Island	1,210,000	1,502,500	2,045,000	1,950,000	987,500	-49%	1,800,000	82%
Mt. P (S of 41)	254,959	256,000	309,000	370,000	375,000	1%	482,250	29%
Mt. P (N of 41)	283,699	314,250	335,000	313,900	278,250	-11%	374,900	35%
I'On	660,000	849,900	950,000	832,000	985,000	18%	1,160,000	18%
Daniel Island	384,454	359,000	569,000	431,495	405,000	-6%	585,000	44%
Peninsula (S. of X-Town)	495,000	520,000	629,500	570,000	603,320	6%	695,000	15%
N. Chas (Inside 526)	90,000	102,000	100,000	119,800	146,750	22%	134,950	-8%
Summerville/Ridgeville	162,454	172,478	197,000	210,400	195,000	-7%	233,000	19%

*Includes median price for homes sold in first five months of 2008. Years 2004-07 include median price for homes sold in entire year.

Table 3 shows the primary reason why inventory levels continue to climb while sales continue to fall:

ASKING PRICES ARE HIGHER THAN THE MARKET WILL BEAR!

For example, the median price for homes listed in Charleston County is \$395,000 while the median sold price thus far in 2008 is \$258,500. This means the median asking price is 53% higher than the median sold price!¹ The difference at I'On is 18% - better than other parts of the County, but still too high to inspire offers and reduce home inventory. To get a prospective buyer to even look at a home, sellers and their agents should contemplate the following:



¹ The *average* list price of a home on the market in Charleston County (\$537,733) is 81% higher than the *average* sold price thus far in 2008 (\$296,657). The extremely high average list price is partly due to the 1,093 homes (16% of the total listed) that are priced at \$1 million or more in Charleston County. 1,093 homes represents a 43-month supply based on the 305 \$1 million plus homes that sold over the last 12 months.

Price matters to absorption levels. The market for homes on Daniel Island provides an instructive example. In 2006, 202 homes changed hands in the first five months of the year. The median price for a home sold that year was \$569,000. With the declining market, sales in the first five months of 2007 fell by almost half the 2006 level to 107 transactions with median price dropping 24% to \$431,495. The median price fell another 6% to \$405,000 during the first 5 months of 2008. However, at least the number of transactions during the first five months (106) kept pace with 2007 – that’s more than can be said for most areas.

Mt. Pleasant provides another interesting scenario. Table 3 reveals that in the years 2004-2006 the median price of a home located in the area north of Hwy. 41 exceeded that of a home located in the area south of Hwy. 41. In 2007, these price levels reversed as the median price of a home south of Hwy. 41 continued to climb from its 2006 high, while the median price north of Hwy. 41 declined. This trend continued in the first five months of 2008 with the median price of a home south of Hwy 41 increasing by 1.4% over the 2007 median to \$482,250. Meanwhile, the median price of homes sold north of Hwy. 41 fell 11.4% from the 2007 median price of \$313,900 to \$278,250. The 2008 median price for homes sold north of Hwy. 41 is off 17% from its 2006 high, and is now lower than the median price of 2004.

Gasoline at \$3.82/gallon (the Charleston area average as reported in the 6-3-08 *Post and Courier*) is making that big home far from town less attractive than it might’ve been in 2005 when gas cost \$2/gallon. Few anticipated gas prices increasing 90% in three years. Just as demand for fuel efficient cars is expanding as the market for SUVs is collapsing, expect the demand for homes built close to job centers and life’s daily needs to continue to increase.

We are at the forefront of an historic shift as the age of inexpensive energy draws nigh. From the standpoint of the way we live on the land and travel about, this shift will have major local, national, and international implications in the years ahead.

Table 4 shows the increase in available home inventory resulting from inflated asking prices. In June of 2005 the total inventory of homes for sale in the Tri-County area stood at 3,722. Today, the number of homes for sale stands at 10,573 - almost triple the amount from three years ago. Based on the sales pace for the Tri-County area of the last three months, this means there is 18 months worth of inventory on the market. The Isle of Palms once again provides the most unfortunate localized example. In June of 2005 there were 50 homes available for sale. Today that number has increased more than five fold to 258. Based on the sales pace of the last three months, that equates to 11 **YEARS** worth of available inventory currently on the market for that area.

Table 4

Area	Months of Available Inventory Based on Sales Pace of Last:		
	1 month	3 months	12 months
Tri-County	15	18	12
Charleston County	18	22	15
Isle of Palms	93	133	66
Wild Dunes	44	59	59
Sullivan's Island	31	63	27
Mt. P (S of 41)	12	19	13
Mt. P (N of 41)	17	19	14
I'On	11	20	19
Daniel Island	16	18	11
Peninsula (S. of X-Town)	23	32	22
N. Chas (Inside 526)	17	20	11
S-ville/Ridgeville	14	16	9

Table 5 outlines available I'On homes in different price ranges. It shows the number of homes sold in each price range over the last 12 months and computes the months of available inventory based on this absorption pace.

Table 5

Price Range	Current Inventory	Sales in Last 12 Months	Months of Inventory*
\$500-599,999	4	1	48
\$600-699,999	10	11	11
\$700-799,999	10	8	15
\$800-899,999	7	8	11
\$900-999,999	5	7	9
\$1,000-1,199,999	13	6	26
\$1,200-1,399,999	14	8	21
\$1,400-1,599,999	11	0	?
\$1,600-1,999,999	7	4	21
\$2,000,000 and up	4	1	48
Total	85	54	19

* Based on Sales during last 12 months.

Currently, 19 firms have 85 homes listed for sale in I'On. Of the 25 homes sold in the neighborhood this year, 23 of them were listed by one of five firms: Carolina One (formerly Prudential), I'On Realty, Keller Williams, Places, and William Means. Each of these firms has agents who live in the neighborhood. Table 6 provides a performance comparison of different brokerage companies working in I'On.

Table 6

Firm	# Current Listings	Avg Price of Current Listing	Listings Sold in 2008	Avg Price of Listing Sold
Carolina One	12	\$997,956	3	\$1,028,166
I'On Realty	17	\$1,401,022	8	\$1,251,562
Keller Williams	15	\$963,800	4	\$882,250
Places	18	\$1,197,994	5	\$867,800
William Means	1	\$895,000	3	\$1,024,666
Carriage Properties	5	\$1,531,800	0	None Sold
Daniel Ravenel	3	\$1,246,333	0	None Sold
Century 21	2	\$1,677,500	0	None Sold
East Islands	2	\$1,287,500	0	None Sold
Others	10	\$986,250	2	\$748,750
Total/Average	85	\$1,180,980	25	\$1,021,460

As you can see from Table 6, I'On Realty continues to outperform all competing brokers. Roughly 1/3 of all homes sold thus far in 2008 were listed by I'On Realty. Furthermore, the average price of a listing sold by I'On Realty is 22% higher than the next highest average of companies that have sold homes in I'On this year.

We hate to see people leave the neighborhood. Based on I'On's performance relative to other places, as well as the outlook for the housing market, we feel that selling now to move somewhere else in America may be a serious financial mistake. Nevertheless, we understand that in our transient culture, people are always looking somewhere over the rainbow. Bear in mind that where the grass might appear greener on the other side of the fence, the water bill over there is usually higher. Through the next five months, prospective home buyers will be distracted by recession talk and the upcoming elections. Furthermore, a glut of inventory gives them a confusing amount of available choices. These factors will make selling a home even more challenging than usual. If you must sell your home, here are some suggestions to give you an edge:

1. Place a realistic price on your home that is readily perceived as a value in the market (see cartoon on Page 2).
2. Assure your home and its landscaping is clean, well maintained, and cared for. Prospective buyers are looking for reasons *NOT* to buy. Do all you can to limit these reasons.

3. Look for an agent with a proven ability to implement an effective marketing campaign. (Note: this involves more than plopping a “For Sale” sign in the front yard and taking out an ad in the *Post and Courier*).
4. Seek a realtor who is passionate about I’On, has a track record of selling homes in the neighborhood, is respected by their peers, has a thorough knowledge base of current market conditions, and possesses a strong network of prospective buyers.

Now a word from our sponsor: Morris Square (www.morris-square.com), our downtown project on Morris Street two blocks from Ashley Hall School, continues its strong performance. The neighborhood’s 12 closings in the first five months of 2008 represent 10% of all homes sold on the Charleston Peninsula inside the Crosstown (south of US 17). Limiting the study area to homes priced from \$420-750,000 (the price range that was available in Morris Square), that share during the first five months of 2008 was about one out of four sold in this area! Coincidentally, this 25% share is the same percentage that I’On has enjoyed in the Mt. Pleasant single-family detached home market for the first 5 months of 2008. We have one home remaining in the first phase of Morris Square - an elegant 3 bedroom, elevator-ed townhome overlooking a city park. If you know someone interested in a downtown home, please contact Carey Burnett (cburnett@iongroup.com) or David Kiernan (dkiernan@iongroup.com) or call 971.1662.

Also of interest: the first homes of Mixson, our new neighborhood in the Park Circle area of North Charleston, are coming together nicely as they approach completion in July. Check the neighborhood out at www.insidemixson.com, or better yet, come see for yourself. A drive from I’On to Mixson takes less time than a drive from I’On to Hwy. 41 in the northern part of Mt. Pleasant. Actually, to provide further perspective, North Charleston High School in the Old Village section of North Charleston is closer to I’On than Wando High School.

To get there from I’On, cross the Cooper River Bridge and go west on I-26 for 6 miles to the Montague Exit. Turn right, then 3/4 miles to the second light at Mixson Avenue. Right again on Mixson Avenue, drive down a bit and you will see the first homes going up on your right. For further information, contact David Kiernan (dkiernan@iongroup.com) or Jennifer Tyler (jtyler@iongroup.com). David and Jennifer’s office (Phone #746.9696) is located at 1081 East Montague Avenue in the Old Village of North Charleston – 3 doors up from Evo Pizza - the best pizza in the Charleston area. Good beer and wine selection too. Come take a walk...you’ll see.

Finally, some real estate advice to pass along to friends and family members who do not live in I’On and are trying to sell their home: (A) Follow steps 1-4 above to get their house sold; (B) If in the market for a home priced at \$500,000 or more, purchase one of the 85 on the market in I’On, or buy a lot to build a custom home – builders are looking for work; (C) If in the market for a jewel of a home priced from \$160,000 to \$350,000, purchase one of the sturdily built, LEED certified, energy-efficient, conveniently located, beautiful new homes in Mixson; and (D) Drive less while living more simply, efficiently, and happily ever after;-)

Best wishes for a great start to the summer.

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