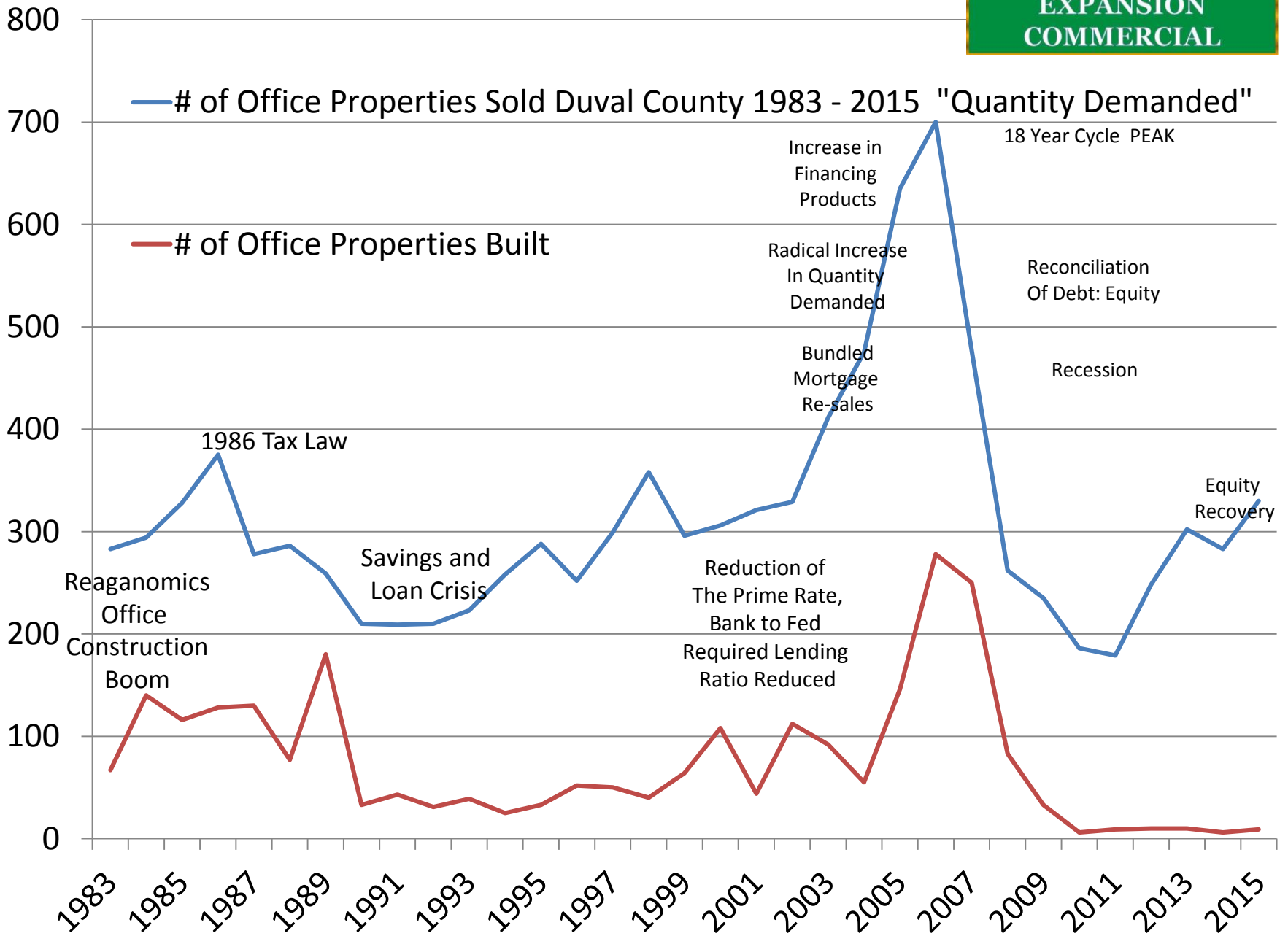


**EXPANSION  
COMMERCIAL**



## The Jacksonville Office Business Cycle: A Mirror of the National Real Estate Cycle

Quantity Demanded: The amount of a product that consumers are both willing and able to buy at a specific price. For real estate, the amount of quantity demanded is affected by the ability of businesses to receive commercial mortgage loans. The Increase in the quantity demanded, also indicates an increase in price, and a decrease in quantity demanded causes a decrease in price, the two factors are directly related.

From the years of the mid eighties, the Suburban Office Market began increasing construction. The 1986 Tax Law affected investors by not allowing Investors to pass through their real estate losses on their tax basis. Many investors had to re-learn the tax laws before they continued with their investments.

The Savings and Loan Crisis of 1989 – 1994 marked the beginning of the early nineties recession, as 20 percent of the banks failed, and the United States government created the Resolution Trust Corporation to collect the real estate assets, catalog them, and sell them to investors. The collection of available assets was generally available in certain public and college libraries for research by the general public. By 1994, the inventory of the Resolution Trust Corporation had sold, and the market expansion continued from the mid nineties.

The mid nineties was additionally a period of a construction boom, as many company headquarters moved to the suburban submarkets where In 1997, the amount of office space in the Southside of Jacksonville, exceeded the amount of office space in downtown Jacksonville. 1999 was the year that the amount of the assets that banks were required to keep in order to maintain their loans from the Federal Reserve were changed. Banks could hold fewer assets, and leverage a greater amount of money.

2001 was the year that the prime rate was lowered by the Federal Reserve in order to balance the “irrational exuberance” of the internet Stock market bubble. Adjustable Rate Mortgages began to be used as a lending product. Loans could be packaged in bundles and sold from bank to bank. This rise in lending practices caused the quantity demanded to increase based on the availability of loans. This increase in property transfers caused an increase in prices from 2001 to 2007.

The contraction of credit which began mid 2007 had extended to the bond financing market for residential and commercial lending. The packaged loans that were sold from bank to bank resulted in a legal backlog, as the number of foreclosures became the primary properties sold.

2011 - 2025; The Restoration of Equity; Investors, partners, businesses, families, and financial institutions are in the process of rebuilding equity positions during this period. Company owners are prepared for the future in reducing their susceptibility to leveraged positions, and returning to equity based financing. The re-introduction of debt based financing is applied with the intelligent use of leverage. In order for the economy to grow, more companies need to be formed, to create more market segmentation in every industry. As the quantity of real estate demanded increases, with the financial abilities to pay with greater equity value positions increase, real estate prices will continue to rise, until the peak of the next business cycle. This next peak in prices could be prolonged, if the average mortgage interest rates remain low.