

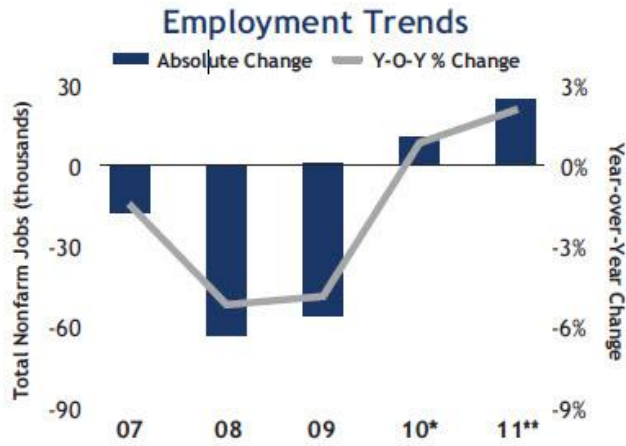
APARTMENT MARKET OVERVIEW

To cover the major residential markets for which the subject might have development potential we have also looked at the current status of the apartment market. Marcus & Millichap provides multifamily residential market studies for the Tampa Bay area. We have included their multifamily investment market report for Tampa 1st Quarter 2011. It shows in their overall ranks in cities throughout the country, that Tampa's 2011 rank is 36 (out of 44 major markets), up four places from its 2010 rank of 40. The following is excerpted from their report for the Tampa Metro Area entitled, *Rents Make Headway Toward Recovery as Development Falls*.

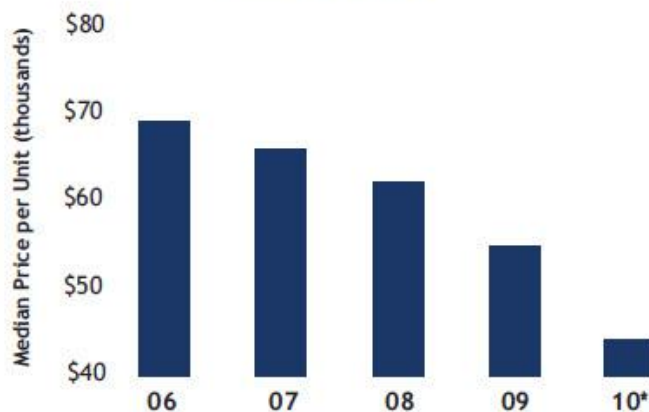
"An accelerated pace of job creation and a depleted construction pipeline will drive improvements in Tampa apartment operating conditions during 2011. Last year marked a transition in the market, as modest employment growth and the release of pent-up demand sparked the absorption of nearly 5,000 apartments. Effective rents in most of the 17 submarkets, however, remained substantially less than when the recession began. As 2011 progresses, restoring effective rents to those levels will remain a challenge for many owners. For investors who purchased properties at peak pricing and must manage significant monthly debt service, a slight increase in tenant demand this year will provide an opportunity to bolster income and avert loan-related difficulties. The ability for all owners to regain pricing power, though, rests upon a successful spring and summer leasing season that greatly boosts occupancies and supports more substantial rent growth.

Minimal multifamily rental development and improving NOIs this year will provide a solid foundation for the next significant upswing in the market and boost investment activity. Distress will linger, with well located properties under financial or operational difficulty presenting viable value-add opportunities for capable operators. Institutional-grade Class A assets in the Hillsborough or Pinellas County submarkets will also garner interest. Cap rates for these properties fell to about 6 percent last year and may compress slightly more in 2011 while low interest rates persist. Owners contemplating a sale will increasingly take advantage of the competitive bidding climate for top-grade properties and seek to dispose assets in the year ahead. Lower-quality properties will also continue to sell, with cap rates ranging up to 10 percent on the lowest-quality Class C/D buildings."

The following charts from that report demonstrate the prior trends and forecast trends for 2011 for Tampa Bay.



Sales Trends



* Estimate ** Forecast

Sources: Marcus & Millichap Research Services, CoStar Group, Inc., RCA

The next entry from the Marcus & Millichap Report summarizes their forecast 2011 outlook.

2011 Market Outlook

- **2011 NAI Rank: 36, Up 4 Places.** Above-average employment growth boosted Tampa four places in the ranking, though high vacancy kept the market in the bottom half of the index.
- **Employment Forecast:** Total employment will expand 2.1 percent, or by 24,000 positions, in 2011. Last year, 10,000 jobs were created in the metro.
- **Construction Forecast:** Developers will complete only 500 units this year, one of the lowest annual totals on record. In 2010, approximately 1,600 rentals were delivered in projects located primarily in Hillsborough County.
- **Vacancy Forecast:** During 2011, marketwide vacancy will decline 100 basis points to 7.5 percent on minimal supply growth and steady improvement in demand; vacancy dropped 220 basis points in 2010. Hillsborough County vacancy will fall 100 basis points this year to 7.5 percent, while an 80 basis point decline to 7.2 percent will occur in Pinellas County.
- **Rent Forecast:** In 2011, asking rents will rise 2.7 percent to \$828 per month, while effective rents will increase 3.4 percent to \$784 per month.
- **Investment Forecast:** Investors will focus on properties in established core areas, such as the neighborhoods surrounding the University of South Florida and employment nodes like downtown Tampa, St. Petersburg, Clearwater and Westshore.