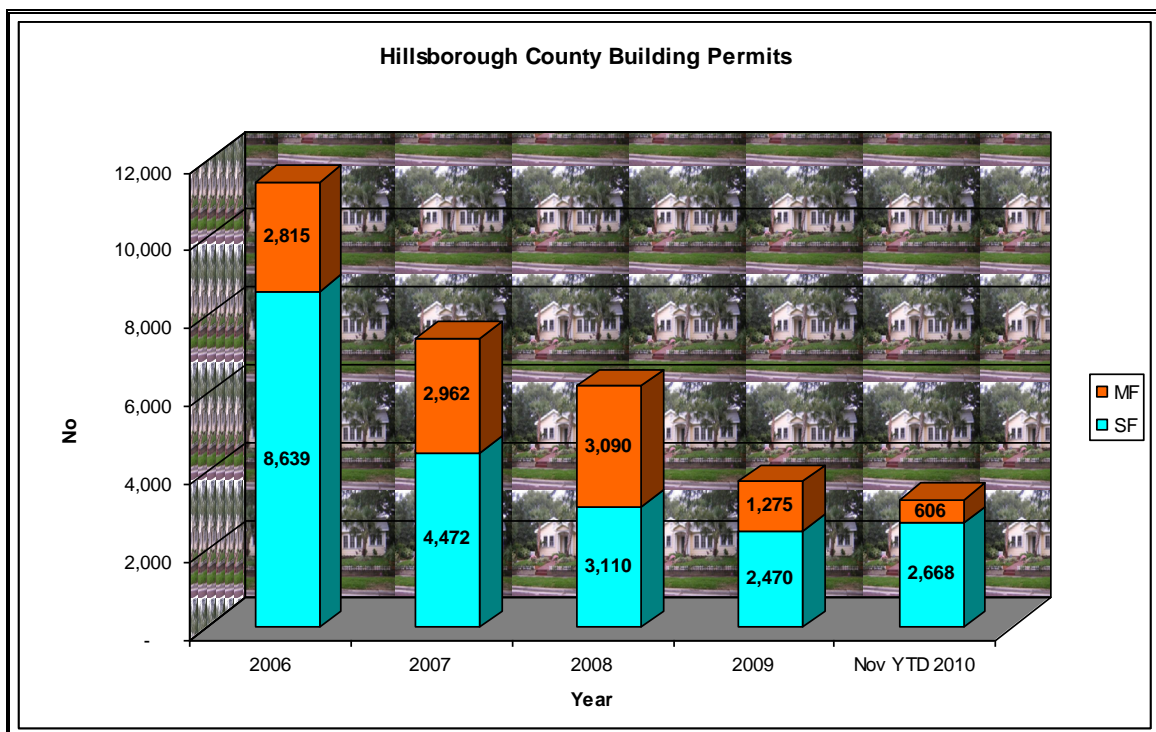


HILLSBOROUGH COUNTY RESIDENTIAL MARKET OVERVIEW

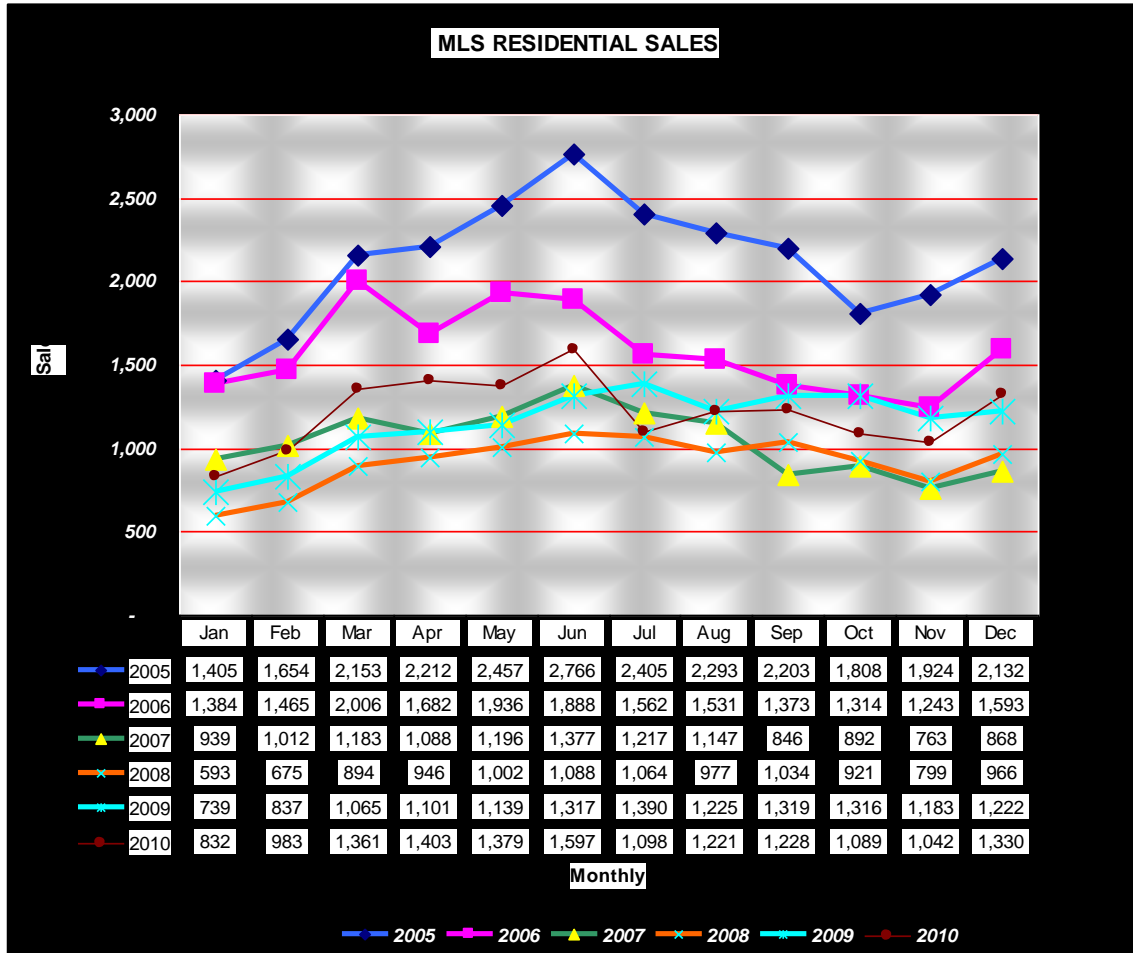
We analyzed the building permits and Multiple Listing Service (MLS) data for single family properties, inclusive of single family residences, villas, townhouses and individual condominium units.

Housing Supply: For an overview of the current Hillsborough County residential market we have studied the historical building permit data as reported by the Bureau of Economic and Business Research (BEER). For comparative purposes the number of single and multi-family permits is shown for each full year for the past four years and November Year-to-Date for 2010.



The number of units decreased 35.10% in 2007 from 2006, decreased 16.60% in 2008 from 2007, decreased 39.60% in 2009 from 2008 and then decreased 12.58% thru November in 2010 from all of 2009. From this data, we can clearly see that the supply of housing units in Hillsborough County has decreased dramatically and demonstrates a straight downward trend from 2006 through 2010. Multi-family permits have declined drastically since 2008, each year being less than half of the number for the previous year.

Housing Demand: In order to gauge the demand for housing in the subject market we have also studied the residential sales statistics as compiled by MLS. The next chart illustrates the demand for housing based on Multiple Listing Service data for single family homes, condominiums, townhomes, patio homes, and villas monthly for years 2006, 2007, 2008, 2009 and 2010 in Hillsborough County.



The graph above shows the trend over the past six years. During 2005 a total of 25,412 residential sales closed with the totals ranging between 1,405 and 2,766 units per month. However, in 2006 a total of 18,977 residential sales closed indicating a 25.32% decline from the previous year with the totals ranging lower between 1,243 and 2,006 units per month. The decline continued in 2007 with total sales of 12,528 units, down 33.98% from the previous year with monthly sales ranging lower from 763 to 1,377 units. In 2008 total sales of 10,084 units were down again, 12.52% from the previous year with monthly sales ranging even lower from 593 to 1,088 units. In 2009 sales turned upward with total sales of 13,853 units with a range of 739 to 1,390 per month. The statistics for 2009 indicate a 37.37% increase over 2008. In 2010 sales turned slightly upward again

with total sales of 14,563 annualized units with a range of 832 to 1,597 units per month. The statistics for 2010 indicate a 5.13% increase over 2009, which may point to 2009 being the bottom in the decline of sales. However, we must point out that during 2009 there were many short sales to avoid foreclosure and the federal government artificially encouraged sales with first time buyer tax incentives. Those federal tax incentives were still in place over the first four months of 2010 and short sales and forced sales have continued throughout 2010.

In order to reflect the changing market conditions within the residential market in the county area, we have made a search in the Multiple Listing Service for all of Hillsborough County. The table below shows the average sales price, the median sales price, the number of sales, and the average days on the market.

Year	Average Sales Price	Median Sales Price	Number of Sales	Average Days on Market
2003	\$184,958	\$147,500	18,875	117
2004	\$208,220	\$167,000	20,906	149
2005	\$255,814	\$209,900	25,412	48
2006	\$277,086	\$225,000	18,977	63
2007	\$282,940	\$222,237	12,528	106
2008	\$231,019	\$180,000	10,959	118
2009	\$171,862	\$135,000	13,853	111
2010	\$167,890	\$125,000	14,753	103

As the table indicates, the number of sales in the county was at its peak in 2005 and from there steadily decreased until 2009 when the number of sales increased over 2008. Both the average and median sales prices generally increased from 2003 to their peak in 2006-07, but have declined since then, to below the levels of 2003. The average days on the market indicate a decrease from 117 days in 2003 to 48 days in 2005, but a steady increase thereafter until it was 118 days in 2008 and then lower in the last two years. These figures indicate that while the average home value appreciated to the peak year of 2006 for the median sales price and 2007 for the average sales price, thereafter, they have declined and the time it takes to sell the homes also increased till 2008, after which, there has been a slight decline each year. Finally, another statistic is the current number of active listings in the market as of December 2010. There are 8,215 single family, townhome, villa and condo residential properties for sale in Hillsborough County with an average list price of \$254,896, median list price of \$147,900 and average days on the market of 123.

Conclusion: The historical building permit data and Multiple Listing Service (MLS) data demonstrate that sales demand for all types of housing in Hillsborough County declined over the years 2006-2010 and 2005-2008, respectively. New construction has been relatively low over the past few years. Various factors have influenced this trend, not the least of which was the decrease in the ease of financing, which previously had been available at high loan-to-value ratios and at low adjustable interest rates. High real estate taxes caused by the rapid increase in property values and high insurance costs due to the hurricane situation in Florida have also had a major impact on the housing market. However, the decline in property values has, lately, been responsible for a similar decline in real estate taxes. Based on all the available data it is difficult to forecast the future prospects for housing in the Hillsborough County market area. It is currently at much lower levels of demand, as well as new supply, than in previous years. The consequence to residential land has been a steep decline in values from the peak of 2006. Although there is evidence of increases in sales over the past two years, until the market returns to normal without artificial incentives, such as federal tax credits, we will not know whether the market has reached its bottom. We may have seen the worst but do not expect a rebound in the very near future until existing supply is absorbed, home prices stabilize and stability occurs in the financial markets.

