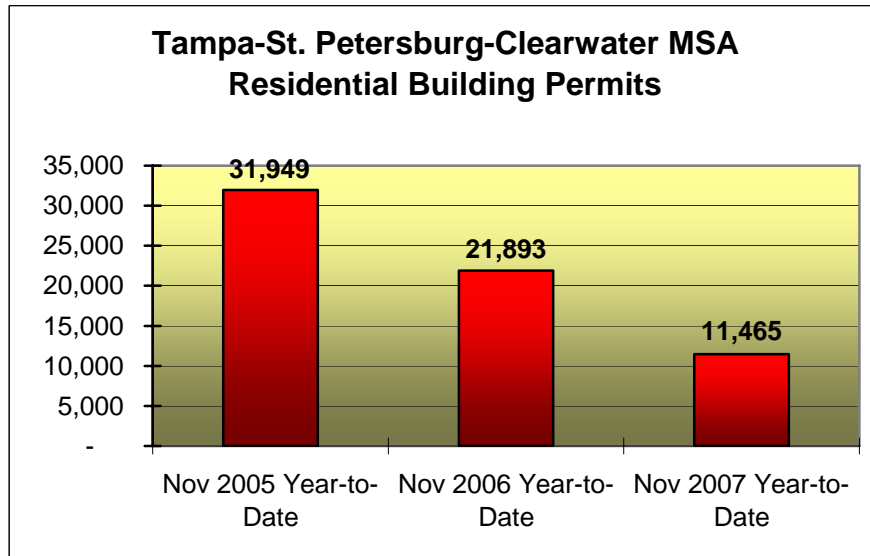


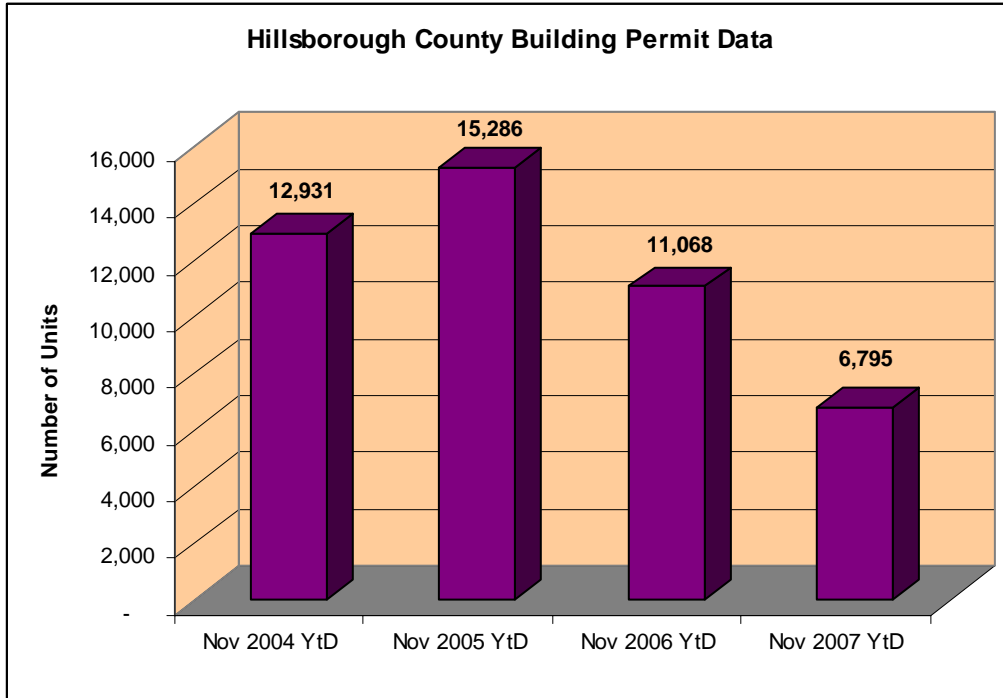
## RESIDENTIAL MARKET OVERVIEW

**Housing Supply:** For an overview of the current residential market we have studied the historical building permit data as reported by the counties in the Tampa-St. Petersburg-Clearwater MSA and specifically Hillsborough County. For comparative purposes the number of permits for the MSA is shown through November year-to-date for the past three years, since the December 2007 data was not yet available.



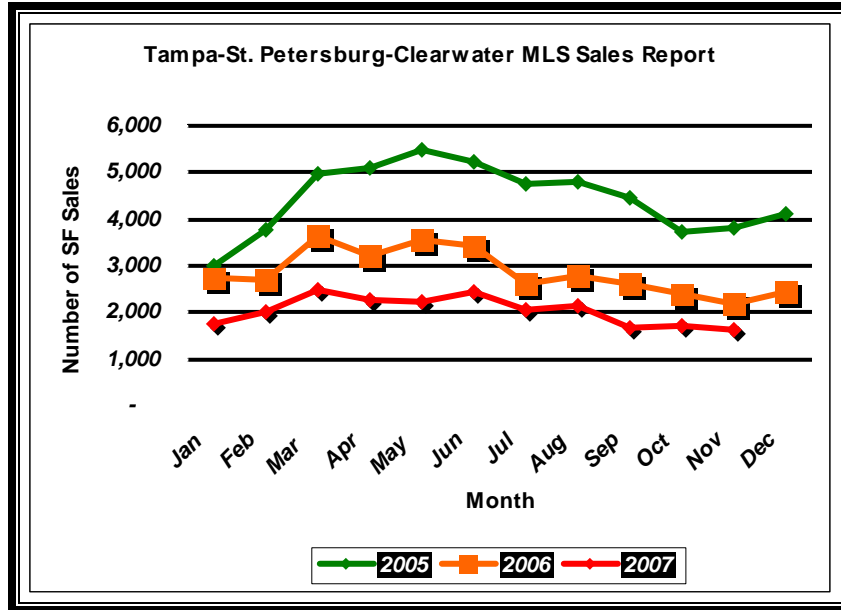
The data indicates that the number of units permitted for 2006 through November was 21,893 units, down from 31,949 units for 2005 through November 2005 or a decrease of 31.48% and for 2007 through November, was 11,465 units, down from 21,893 units November year-to-date 2006 or a decrease of 47.63%.

The residential building permit data for Hillsborough County for the years 2004- 2007 (January through November) were as follows:



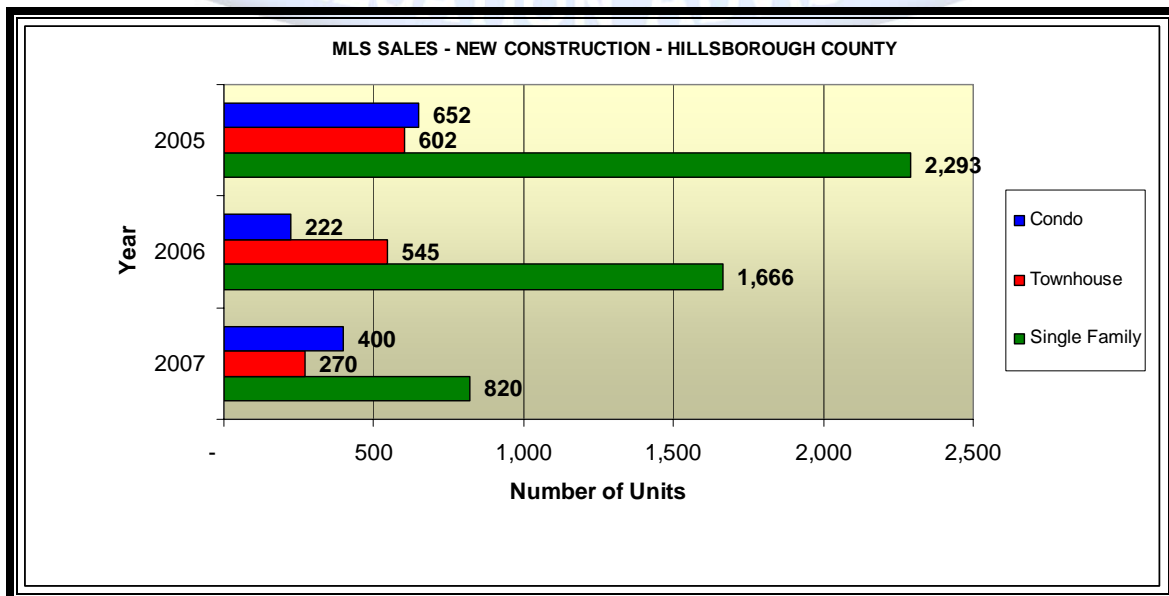
The number of units increased 18.21% in 2005 from 2004, but began a steady decline in the subsequent years, minus 27.59% from 2005 to 2006 and minus 38.61% from 2006 to 2007. From this data, we can clearly see that the supply of new housing units in the MSA and in Hillsborough County decreased dramatically over the past two years.

***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 the Florida Association of Realtors® for the Tampa-St. Petersburg-Clearwater MSA and specifically for Hillsborough County. The next chart illustrates the demand in the MSA for housing based on Multiple Listing Service sales reports for existing single family units.



During 2005 a total of 53,183 residential sales closed with the totals ranging between 2,995 and 5,482 units per month. However, in 2006 a total of 34,322 residential sales closed indicating a 35.46% decline from the previous year with the totals ranging lower between 2,182 and 3,659 units per month. The decline continued in 2007 with the monthly sales ranging even lower from 1,644 to 2,502 units. November 2007 year-to-date sales declined 30.14% from the November 2006 year-to-date sales.

More specific Hillsborough County MLS sales statistics for new single family, new townhouse and new condominium sales are illustrated in the next chart.



This data indicate the demand for new condominium, townhouse and single family units from 2005 through 2007 in Hillsborough County based on closed sales. The new single family sales decreased from 2,293 units in 2005 to 1,666 units (-27.34%) in 2006 to 820 units (-50.78%) in 2007. The new townhouse sales decreased from 602 units in 2005 to 545 units (-9.47%) in 2006 to 400 units (-26.61%) in 2007. And the new residential condominium sales decreased from 652 units in 2005 to 222 units (-65.95%) in 2006 to 400 units (+80.18%) in 2007. All types of new housing sales decreased from 2005 through 2007, except condominiums in 2007. This increase can be attributed to the sales of units in several mid-rise/high-rise buildings that began construction in 2005 and were completed in 2007. In our survey of comparable land townhouse sales, we studied the activities of about a dozen parcels, which sold between 2004 and the end of 2007. We noted that only one of the older townhouse land sales had been developed and it was only partially built with 14 of the 46 townhouses planned and only seven of those 14 units sold. One other land sale had 5 of 35 townhouse units only partially built. For all the other townhouse land sales the land was still vacant and undeveloped, due to the sharp decline in demand over the past two years. A couple of these parcels are currently offered for sale.

The U.S. Commerce Department just reported that new home sales tumbled in November (2007) from October to a seasonally adjusted annual sales pace of 647,000, the slowest sales pace since April 1995. All regions of the country declined except the West (rose 4%) with the South having the smallest decline of 6.4%.

According to a January 7, 2008 article in the Orlando Business Journal:

*“The Florida housing market has flattened and is expected to begin its recovery, according to a report released Monday by Attorneys’ Title Insurance Fund, Inc.*

*The 2008 Fund Real Estate Forecast shows every county in the Sunshine State experienced a slowdown last year. The markets flattened in spring 2007 before the subprime mortgage crisis in August knocked markets down another 10% across the state, the Report says.*

*The forecast shows that Orlando continues to be the state’s strongest market due to the large number of fast-growing industries, including tourism, health care, education and defense manufacturing.*

*‘ Florida has a very large and powerful economy that has gone through a cyclical downshift, but it is still outperforming compared to the rest of the nation’, says economist Hank Fishkind, who created the report, in a prepared statement. ‘The market has some indigestion now, but housing markets will return to normal during the next few years.’ “*

In a December 29, 2007 news article in *The Tampa Tribune* it was reported that the Tampa Bay Metro area is second in the nation this year (2007) for falling prices, down 11.8% in October, but more homes have sold in the Tampa Bay metro area this year than in any other Florida area, with 1,700 existing home sales taking place in October. The article went on to say that the Florida Association of Realtors (FAR) recently reported that during the first 10 months of 2007 a total of 20,810 existing homes sold in the Tampa-St. Petersburg-Clearwater MSA, next was the Orlando MSA at 14,901, followed by Jacksonville MSA with 10,939, Ft. Lauderdale MSA with 5,311 and Miami MSA with 4,690 existing home sales. According to Jack McCabe owner of McCabe Research Consulting in Deerfield Beach, "More homes are moving in Tampa because the prices are more affordable." The FAR statistics indicated that the median sales price for an existing home in Tampa was \$209,000, while Miami's was \$354,800. When asked if this data means that the Tampa Bay real estate market is rebounding, Sean Snaith, director of the Institute for Economic Competitiveness at the University of Central Florida, stated, not yet, but it does show that the market is equalizing. "More transactions mean an area will move toward stabilization more quickly, but we still have a couple quarters and maybe the rest of 2008 before we see really good news," predicted Mr. Snaith.

**Conclusion:** The historical building permit data and Multiple Listing Service (MLS) data demonstrate that demand for all types of housing in Hillsborough County has declined over the past two years, which has effected a decline in the supply of new construction. Various factors have influenced this trend, not the least of which was the decrease in the easy availability 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. 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 supply than in previous years. It is our opinion that while this correction may not be over, we have probably seen the worst but do not expect a rebound in the very near future until existing supply is absorbed and stability occurs in the financial markets.