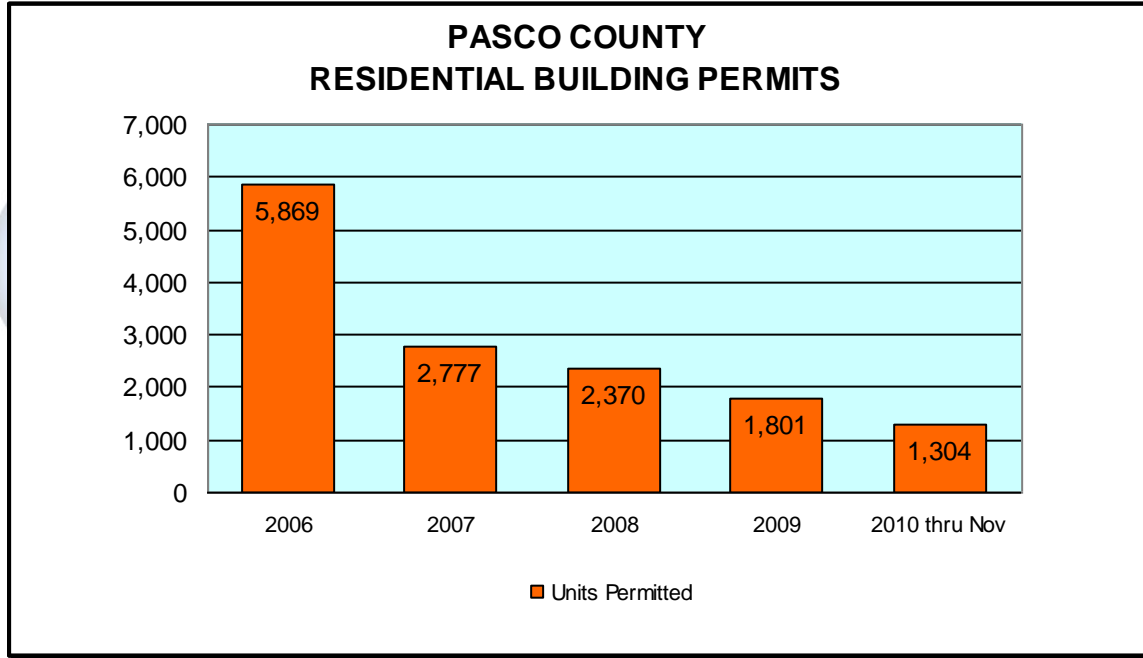


PASCO COUNTY RESIDENTIAL MARKET ANALYSIS

In our research for this appraisal we interviewed a number of market participants including sales agents, lenders, and investors. All participants echoed the same feelings that the once hot market from approximately 2001 to 2005 began cooling in 2006 and we may or may not have reached the bottom of that cycle. For this reason we surveyed various data sources to understand the current real estate market for the subject property.

Supply: For an overview of the current residential market we have studied the historical building permit data for Pasco County. This data was obtained from reports prepared by the Bureau of Economic and Business Research, from the University of Florida. For comparative purposes the number of residential permits is shown for each full year for the past four years, as well as the 2010 annualized data from January through November.



The residential market experienced increasing demand through 2005, and the number of building permits also increased during this time. However, the market began to cool in 2006. As shown in the chart above, building permits decreased significantly from 2006 through 2009, indicating a 69% total decline. Residential permit activity decreased 53% from 2006 to 2007, another 15% from 2007 to 2008, another 24% from 2008 to 2009, and another 27% from 2009 to 2010 (thru November). From this data, we can clearly see that the supply of housing units in Pasco County has decreased dramatically over the last few years. While the decline appears to be slowing recently, it is still not clear if we have hit the bottom of the market.

Demand: We have researched the Multiple Listing Service (MLS) for all residential sales in Pasco County to define an overall trend in the market. The following table summarizes this data. The table below shows the number of sales, the average sales price, and the average days on the market.

MULTIPLE LISTING SERVICE (MLS) STATISTICS FOR RESIDENTIAL UNITS IN PASCO COUNTY				
Year	Number of Sales	Median Sales Price	Average Sales Price	Average Days on Market
2003	9,621	\$106,900	\$124,557	280
2004	11,126	\$129,802	\$151,478	44
2005	12,578	\$177,000	\$200,488	36
2006	8,529	\$197,400	\$217,052	55
2007	6,113	\$177,000	\$198,208	101
2008	5,619	\$139,500	\$156,911	120
2009	6,598	\$118,000	\$132,902	119
2010	6,621	\$111,000	\$125,881	112

As the table indicates, the number of sales in Pasco County was at its peak in 2005 and from there steadily decreased through 2008. The 2009 and 2010 statistics indicate an increase in sales activity. However, we estimate a portion of the recent sales volume is attributed to the foreclosure market, which typically sells at a lower price point. This has become evident over the last two years as the average sale price for homes in the county has decreased dramatically. The average sale price for homes in 2009 was \$132,902, which is a 39% decline from the high experienced in 2006 of \$217,052. The average days on the market indicates a decrease from 280 days in 2003 to a low of 36 days in 2005, but a steady increase thereafter until it was 120 days in 2008, which is an increase of 233% from the low in 2005. These figures indicate that while the average home value appreciated to the peak year of 2006, thereafter they have declined, and the time it takes to sell the homes has also increased. Finally, another statistic is the current number of active listings in the subject area as of January 2011. There are currently 6,137 residential units for sale in the county (listed with the MLS). We conclude from all of these MLS statistics that, currently, marketing time remains longer and asking prices have declined over the last few years to levels nearer that experienced in 2003.

Conclusion: There has been a significant downturn in the residential market since the highs experienced in 2004, 2005 and into 2006. The market was overbuilt during the boom from 2001 through 2005. And we must point out although there was an increase in demand starting in 2009, it was during 2009 that 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 (foreclosures) have continued throughout 2010. This excess inventory of units has caused a

decrease in pricing and an increase in marketing time. Based on all the available data it is difficult to forecast the future prospects for housing in the Pasco County market area. It is currently at much lower levels of demand, as well as 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 or holdups with procedure in foreclosures, 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.

