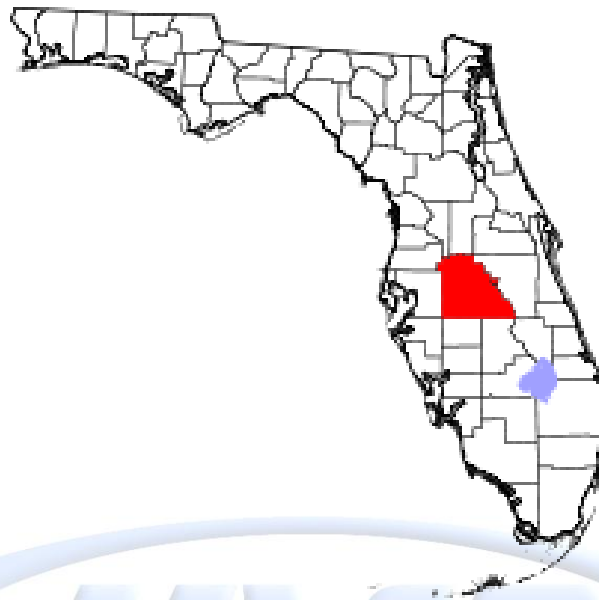


Polk County Area Analysis



Polk County is located in the center of Florida approximately 25 miles east of Tampa and 35 miles southwest of Orlando. Polk County is part of the Lakeland-Winter Haven MSA and is bordered to the north by Sumter, Lake, and Orange Counties, to the south by Manatee, Hardee, and Highlands Counties, to the east by Osceola and Okeechobee Counties and to the west by Hillsborough and Pasco Counties. Polk County encompasses a land area of approximately 1,875 square miles and an inland water area of 135 square miles making it the fourth largest county in Florida. There are 17 municipalities located in Polk County with the county seat located in Bartow. The two largest cities are Lakeland and Winter Haven respectively. Other cities include Auburndale, Davenport, Fort Meade, Haines City, Lake Wales, Mulberry, and Polk City.

Population

As of 2009, Polk County was the ninth most populous county in the state with a population of 584,343, which was up 100,419 from 2000 (483,924). This reflects a 2.3% increase over a 9-year period, which is higher than Florida's population growth as a whole, which was 1.9% from 2000 to 2009. Both Polk County and the State of Florida are anticipated to experience continued growth, however at lower rates than those experienced in the past.

Employment

Polk County's economy has been historically based on three industries: phosphate mining, agriculture, and tourism. In the past phosphate mining had been a staple industry in the county and in 1998 Polk led the state in phosphate rock mined with 14.7 million tons. Currently the county is home to the Mosaic Company, which is the world's largest phosphate provider. However low prices and weak demand led to a loss in sales and currently Mosaic Company is the last operating phosphate company in the county. Based on the most recent information, phosphate mining and fertilizer production account for over 10,000 jobs in the county. However, according to information obtained from the Polk County Chamber of Commerce, phosphate mining is anticipated to decline with mining activity moving south into Hardee and Desoto Counties.

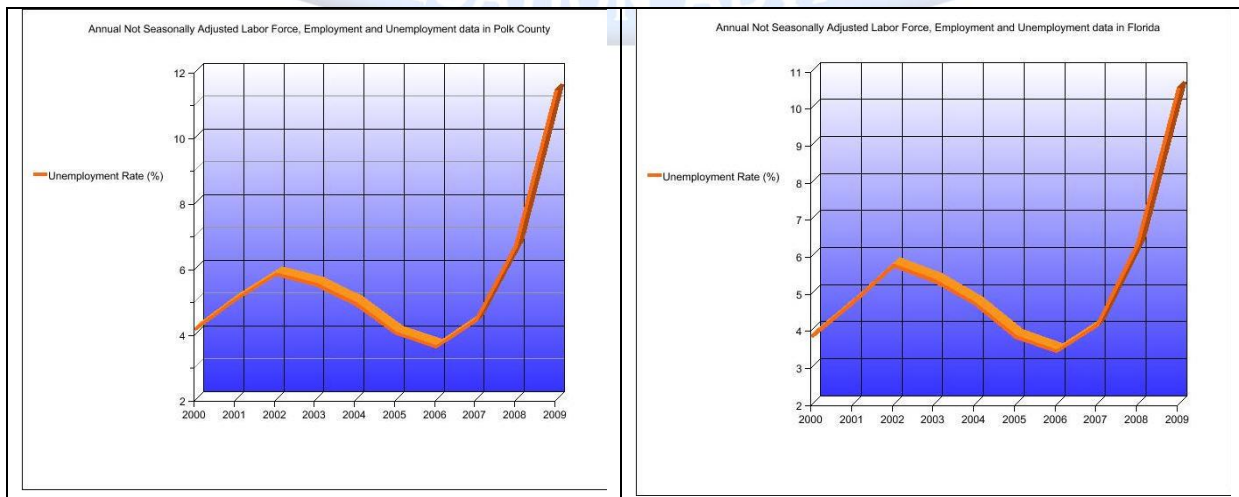
According to the United States Department of Agriculture and an analysis report of the contributions of agribusiness to Polk County published in 2006 and prepared for the Polk County Farm Bureau, the food and fiber industry is the second largest industry in Polk County. The following information/statistics reflect findings from this analysis:

- Polk County has 3,114 farms totaling 626,634 acres (2nd largest amount of any county in the state)
- Polk County farms, ranches and agricultural operations produce \$285 million in total annual sales (5th among Florida counties and 81st among all counties in the U.S.)
- Agriculture production and processing account for almost 24,000 jobs in the county
- Polk County is ranked 1st in the state with 86,398 acres of commercial citrus groves and is the number one producer of tangerines and number 2 producer of oranges in the U.S.
- Polk County is ranked 3rd in the state in the number of beef cattle with 102,000 heads.

Tourism is another strong economic force in the county. In a 2006 article in the Lakeland Ledger regarding Polk County Tourism, VISIT Florida, Florida's tourism marketing office estimated that 15,500 people work in the leisure and hospitality industry in Polk County with a payroll of \$225 million. Major attractions include Bok Tower Gardens in Lake Wales, the former Cypress Gardens in Winter Haven, which is in the process of being renovated into Legoland and scheduled for a 2011 opening, and the Sun 'n' Fun Air Museum in Lakeland. In addition Polk County serves as the spring training headquarters for the Detroit Tigers (Lakeland).

Despite the significant presence of these three major industries, Polk County's fastest growing segment of its employment base is Business Services, represented by continued hiring by GEICO Direct, Summit Consulting, Lockheed Martin, Marriott International Vacation Club and GC Services in Lakeland and State Farm Insurance and Accent Marketing in Winter Haven. According to the Central Florida Development Council, "For the years 2001-2006, the Business Development Team—working with our economic development and community partners announced 55 projects representing new private capital investment of \$542.8 million and the creation of 3,881 jobs. This impressive scorecard represents new companies locating in Polk County and existing companies expanding to provide improvements across all sectors of our community's economy." Some of the top businesses landing in Polk County in the past five years that include Ford Motor Company, Coca-Cola, McKesson Pharmaceuticals, Home Depot, JC Penney, Haverty's, Hanson Pipe Company, Polyglass USA, Best Buy, Sun Publications, Metromont, Technology Research Consultants, The Kegel Company and Southern Wine and Spirits. Progress Energy, Star Distribution, Pepperidge Farm, ButterKrust Bakeries, W.S. Badcock Corporation, Celleyne Corporation, MonierLifeTile, Paver Module, Arr-Maz Custom Chemicals and Composites One represent existing businesses which have made significant expansions during the past several years.

According to the Bureau of Labor Statistics (labormarketinfo.com) employment trends for both Polk County and the State of Florida have followed a similar pattern since 2000, and from 2002 to 2006 this pattern was very positive as the unemployment rate steadily decreased. However at the end of 2006 the unemployment rate began a steep climb as shown in the charts below.



The unemployment rates as the end of 2009 were 11.6% for Florida and 12.7% for Polk County.

The varied composition of the region's and state's employment base and an examination of its major employers indicate a diversified economy that is not dependent upon any particular sector. Therefore, Polk County and the State of Florida should be less susceptible to cyclical fluctuations that have occurred in other areas dominated by a single industry. The top industries are similar for Polk County and the State of Florida as evidenced by the following chart:



Average Annual Employment by Industry (2008)		
Industry	Polk County	Florida
Natural Resource and Mining	2.9%	1.2%
Construction	6.1%	6.7%
Manufacturing	8.0%	4.8%
Trade, Transportation, & Utilities	22.8%	20.5%
Information	1.0%	2.0%
Financial Activities	5.7%	6.8%
Professional & Business Svc.	14.3%	14.9%
Education & Health Svc.	13.8%	13.2%
Leisure and Hospitality	8.3%	12.3%
Other Services	2.6%	3.3%
Government	14.4%	14.1%

Source: Florida Legislature Office of Economic and Demographic Research – March 2010

The county's major private sector employers are identified in the following chart:

2007 Major Polk County Employers (Private)		
Rank	Name	Employees
1	Publix Super Markets	9,500
2	Wal-Mart	5,100
3	Lakeland Reg. Medical Center	4,600
4	MOSAIC	4,000
5	Winter Haven Hospital	2,500
6	GEICO	2,000
7	State Farm Insurance	2,000
8	Watson Clinic	1,500
9	GC Services	1,000
10	Florida Natural Growers	1,000

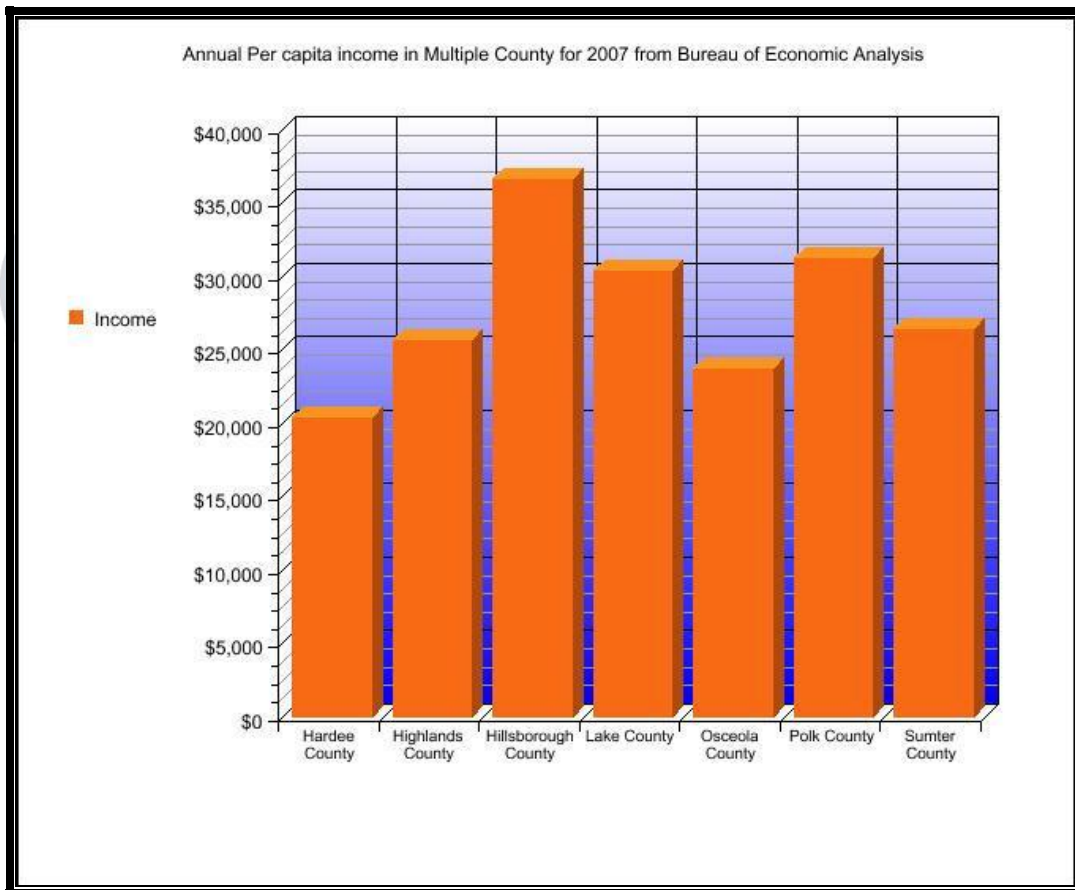
Source: eFlorida .com – April 2010

Income

Personal income is also a significant factor in determining the real estimate demand in a given market. Polk County's per capita income has historically achieved a growth rate similar to that of the United States.

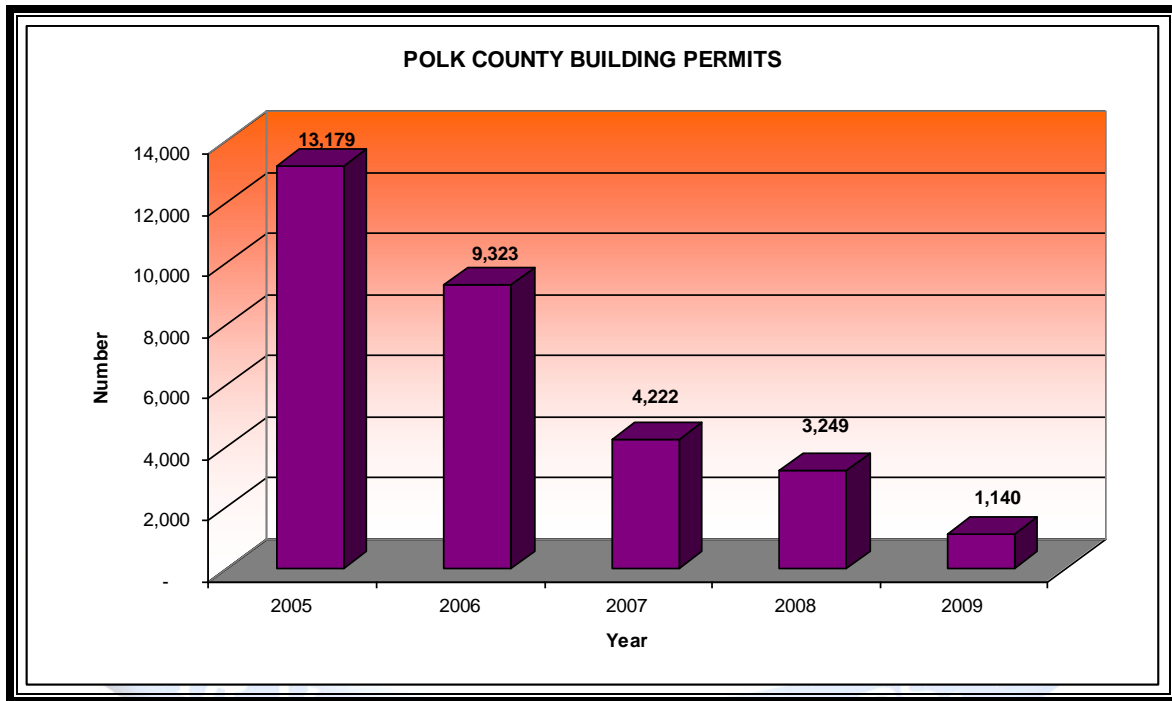
According to the Florida Legislature Office of Economic and Demographic Research, from 2000 to 2006, Polk County achieved per capita income growth at an average annual compound rate of 3.9%. For the same time period, the average annual compound rate of growth for Florida was 3.68% and 3.0% for the United States.

Per Capita Income (2007) The following chart compares the per capita income of Polk County with adjacent counties including Sumter, Lake, Osceola, Hillsborough, Hardee, and Highlands and the state of Florida average.



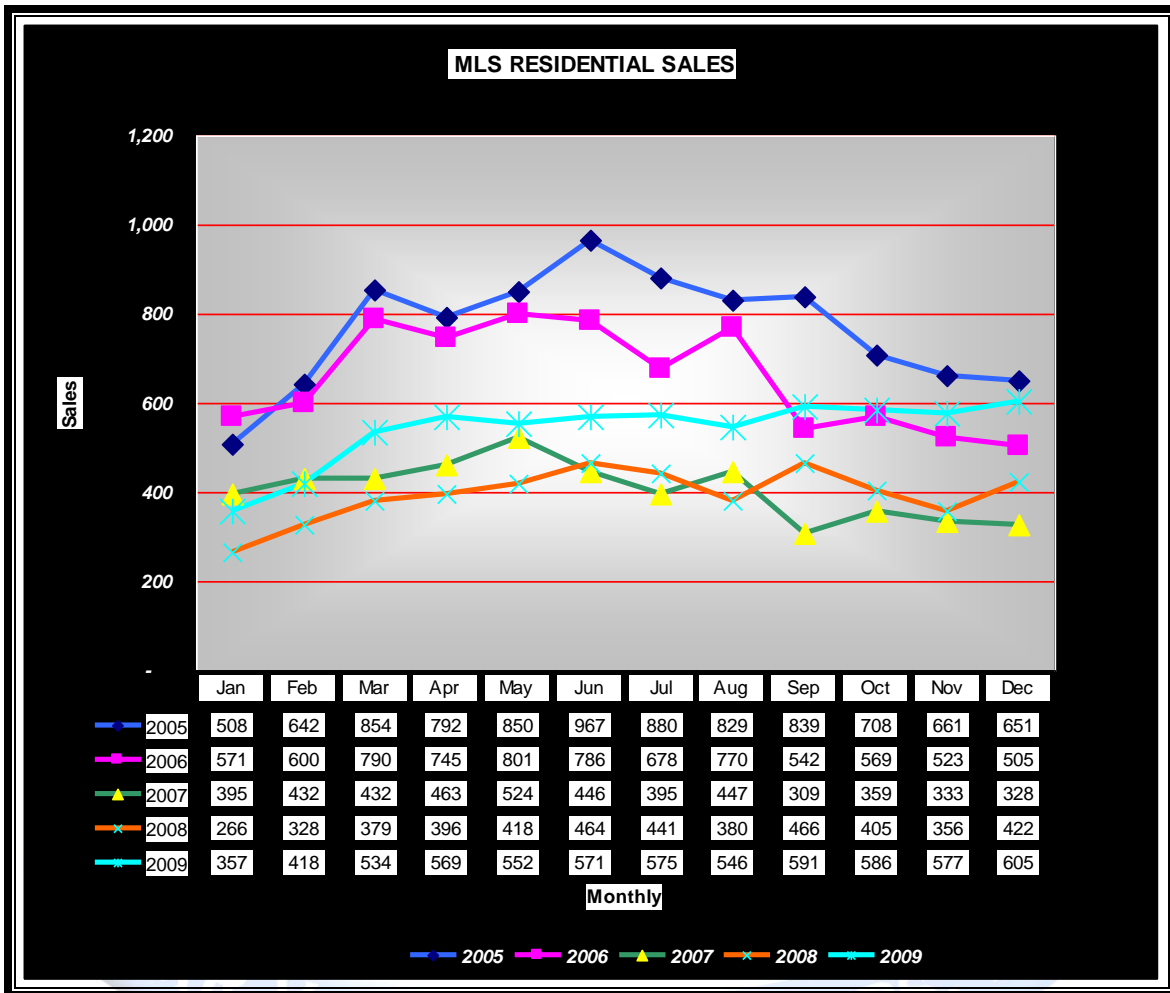
Housing

For an overview of the current 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 five years.



The number of units decreased 29.26% in 2006 from 2005, decreased 54.71% in 2007 from 2006, decreased 23.05% in 2008 from 2007; and decreased 64.91% in 2009 from 2008. From this data, we can clearly see that the supply of housing units in Polk County has decreased dramatically and demonstrates a straight downward trend over the past five 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 MLS. The next chart illustrates the demand for housing based on Multiple Listing Service data for single family homes, condominiums, townhomes, patio homes, villas, duplexes, tris and quads monthly for years 2005, 2006, 2007, 2008 and 2009.



The graph above shows the trend over the past five years. During 2005 a total of 9,181 residential sales closed with the totals ranging between 508 and 967 units per month. However, in 2006 a total of 7,880 residential sales closed indicating a 14.17% decline from the previous year with the totals ranging lower between 505 and 801 units per month. The decline continued in 2007 with total sales of 4,863 units, down 38.29% from the previous year with monthly sales ranging lower from 309 to 524 units. In 2008 total sales of 4,721 units were down again, 2.92% from the previous year with monthly sales ranging even lower from 266 to 466 units. In 2009 there were 6,481 units which was a range of 357 to 605 per month. The statistics for 2009 indicate a 37.28% increase over 2008 which may point to a bottom in the decline in sales after the steady declines over the past three years. 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. Given the abundance of inventory remaining on the market it is estimated that stabilization may take 1 – 3 more years.

Education

The Polk County School system is among the nations 40 largest school systems. With 160 school campuses Polk County Public Schools serve more than 95,000 students in grades K-12 with thousands of adults served through technical and adult school programs. The School Board is made up of seven elected members who serve staggered four year terms. Higher education is offered by Florida Southern College, Warner Southern College, and the University of South Florida. Florida Southern College is located in Lakeland and is affiliated with the United Methodist Church. The school, founded in 1883, has a liberal arts core, as well as pre-professional programs (including business, communications, pre-medical, pre-law, nursing, education, sciences, as well as others). The student population includes 1,800 full time, 96 graduate, and 218 part time students. Warner Southern College is located in Lake Wales and is a Christian college founded in 1968. The curriculum includes over twenty different liberal arts and professional preparation fields for specialized study. The student population includes 1,192 undergraduate and 126 graduate students. The University of South Florida is the third largest in the state of Florida with a total enrollment of 47,122 for the 2009 academic year. While its main campus is located in Tampa, a satellite campus located in Lakeland was established in 1988. USF Lakeland serves over 2,000 students offering over 20 complete undergraduate and graduate degrees through the areas of Arts and Sciences, Business, Education, Engineering, and Information Technology. The campus also supports a number of individual classes, electives, web-based courses, certificate programs and program partnerships with the main campus in Tampa.

Transportation

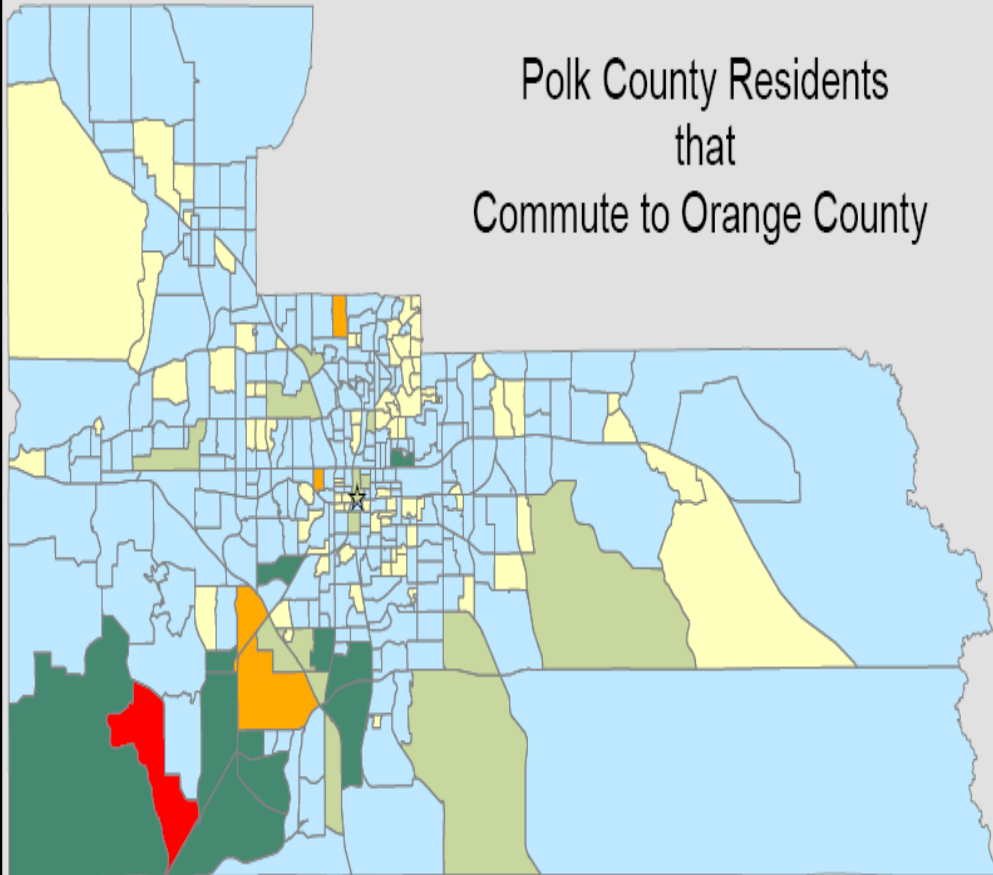
Considering the central location between the Orlando and Tampa markets, the county's road and rail systems are integral to the economy. Polk County is served by one Federal Interstate Highway (I-4), one State toll road operated by Florida's Turnpike (Polk Parkway), two Federal Highways (US 27 and US 98), and one state highway (SR 60).

The interstate serving the area (I-4) is an east-west, limited access thoroughfare that connects Tampa to the west with Orlando and ultimately Daytona Beach on the East Coast of Florida. Interstate 4 is currently six lanes wide from Memorial Boulevard west to Tampa and through much of the Orlando region. However, I-4 has only four lanes from Memorial Boulevard to the Osceola County line and an average of 63,000 vehicles daily, which is over capacity (according to the Florida Department of Transportation FDOT). Interstate 4 often creates traffic problems during rush hours and during holidays. Currently, construction is under way for the \$221 million widening of I-4 from four lanes to six. One lane will be added in each direction, which will provide a 29.5-mile, six-lane interstate highway through Polk County, which is near completion. The longer-term plans for I-4 in Polk County are to increase the roadway to ten lanes with a high-speed rail system in the median.

The Polk Parkway or State Toll Road 570, is a four-lane, 25-mile, "limited access" toll road. It extends southward from I-4 near County Line Road, loops around the Lakeland area and rejoins I-4 just east of Plant City. It is an expansion project of the Florida's Turnpike, Florida Department of Transportation. The fourth of ten expansion projects, the Polk Parkway links south Lakeland, Auburndale and the western suburbs of Winter Haven with Interstate 4. The Parkway relieves congestion on major arterial roadways including the north-south routes of South Florida Avenue (SR 37) and U.S. Highway 98, and the east-west routes of U.S. Highway 92, Drane Field Road and S.R. 540. The Parkway is part of the 449-mile Turnpike system. The Florida Legislature in 1998 designated the first seven miles of the Polk Parkway (from the western interchange with Interstate 4 to South Florida Avenue) as the James Henry Mills Parkway.

Commuters: According to 2006 labor market statistics, there are approximately 76,577 persons living in Polk County who commute to either Hillsborough County or to Orange County for private-sector jobs. This makes Polk County an attractive location to live. Map 1 below demonstrates that 16,173 or 21.0% of Polk County Residents commute to Orange County for work. Map 2 demonstrates that 16,996 or 22.2% commute to Hillsborough County on a daily basis for work. This equates to a difference of only 1.2% between commuting areas.

Polk County Residents that Commute to Orange County

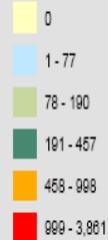


For Polk County residents:

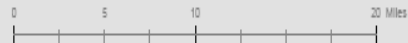
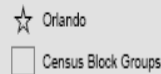
- 76,577 commute outside of Polk County for a private-sector job.
- The majority commute to:
 - Hillsborough County (16,996; 22.2%)
 - Orange County (16,173; 21.0%)

Legend

Commuters

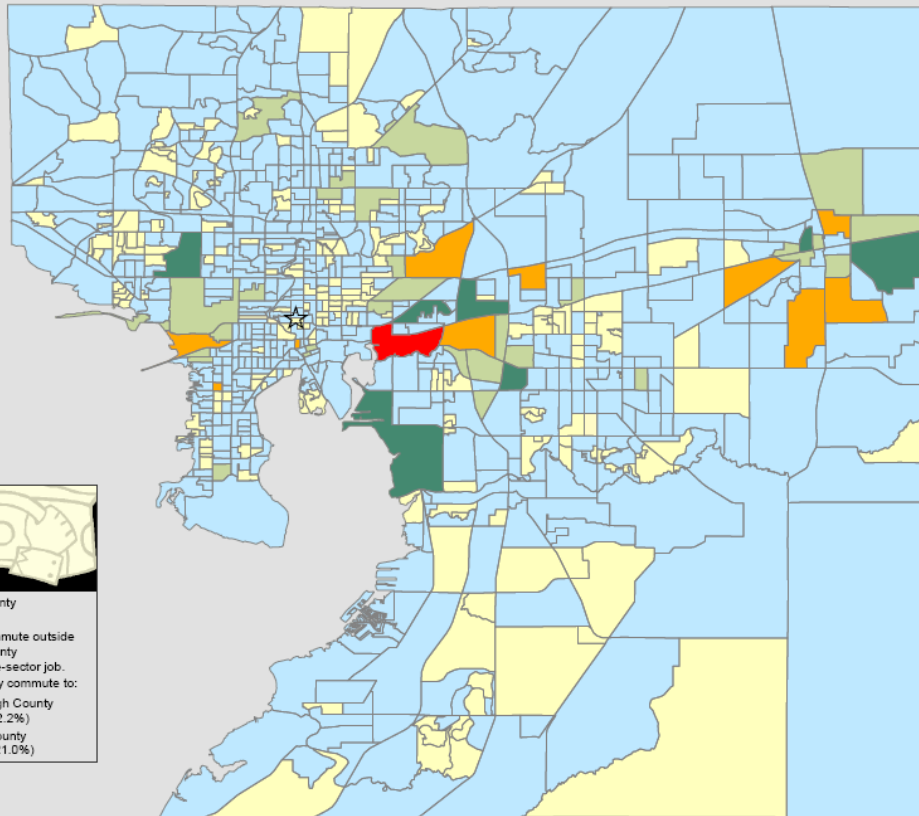


Other



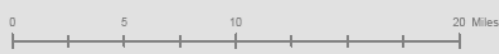
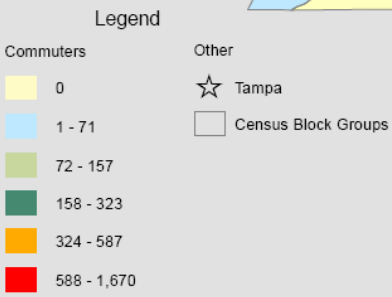
Note: Data are displayed by Census 2000 block groups from block level data.
 Source: US Department of Commerce, Census Bureau, Local Employment Dynamics (LED), Origin-Destination Matrix (2nd Quarter 2003, private-sector primary jobs).
 Prepared by: Florida Agency for Workforce Innovation, Labor Market Statistics, February 2006.

Polk County Residents that Commute to Hillsborough County



For Polk County residents:

- 76,577 commute outside of Polk County for a private-sector job.
- The majority commute to:
 - Hillsborough County (16,998; 22.2%)
 - Orange County (16,173; 21.0%)



Note: Data are displayed by Census 2000 block groups from block level data.
 Source: US Department of Commerce, Census Bureau, Local Employment Dynamics (LED), Origin-Destination Matrix (2nd Quarter 2003, private-sector primary jobs).
 Prepared by: Florida Agency for Workforce Innovation, Labor Market Statistics, February 2006.

Quality of Life

Medical facilities in Polk County include but are not limited to Bartow Memorial Hospital, Heart of Florida Regional Medical Center, Lake Wales Hospital, Lakeland Regional Medical Center, Watson Clinic, and Winter Haven Hospital. Additionally, several nursing and convalescent homes serve the area.

Polk County contains a total of 4,303 acres of public parkland that is owned and managed by both the county and municipalities. The Board of Commissioners owns and manages approximately 2,461 acres of this total parkland acreage. Lake Kissimmee State Park, which consists of 48,156 acres, is also located in Polk County. In addition to public parks, Polk has approximately 104,000 acres of pastoral lands open to the public for resource-based recreation such as fishing, boating, hunting, nature study, bird watching, and similar passive recreation pursuits. With 554 freshwater lakes, Polk County is a haven for the boating and fishing enthusiast. The Florida Fish and Wildlife Conservation Commission estimate that over 74,000 people fish Polk County's lakes annually. Pleasure boating is also a popular outdoor activity. Polk County owns and maintains 41 boat ramps. For the golfing enthusiast, Polk has 32 public and 12 private golf courses located throughout the county.

Organized activities within the County are also abundant. Recurring annual events include the Florida Citrus Festival, Haven Art Festival, and Mayfair by the Lake.

Summary and Conclusion

Despite negative factors regarding unemployment and the downturn in both the residential and commercial real estate markets and the credit crisis, the overall long term economic outlook for Polk County and the State of Florida is still positive. Total population for both areas is projected to increase slightly. More importantly, both areas are projected to experience employment growth in the future. Based on this analysis, it is anticipated that the State of Florida and Polk County will continue to grow and prosper, albeit at a slower pace than at the height of the real estate market of a few years ago. In time, the expected growth should provide an economic base that supports demand for real estate in the subject neighborhood and for the subject property. These conditions should stimulate increases in general property values over the long term.