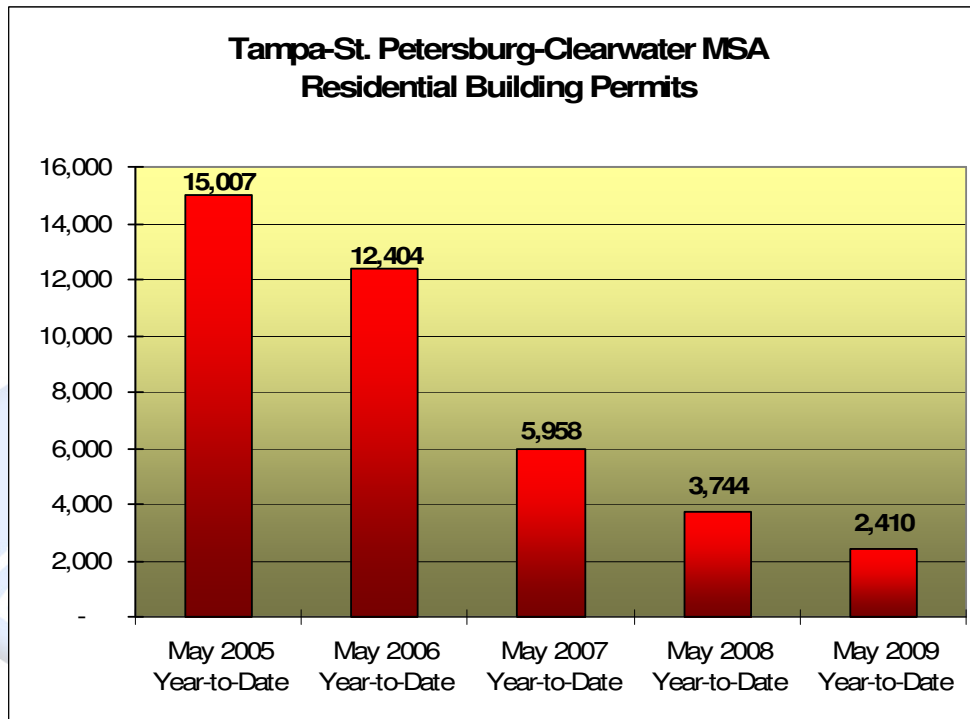


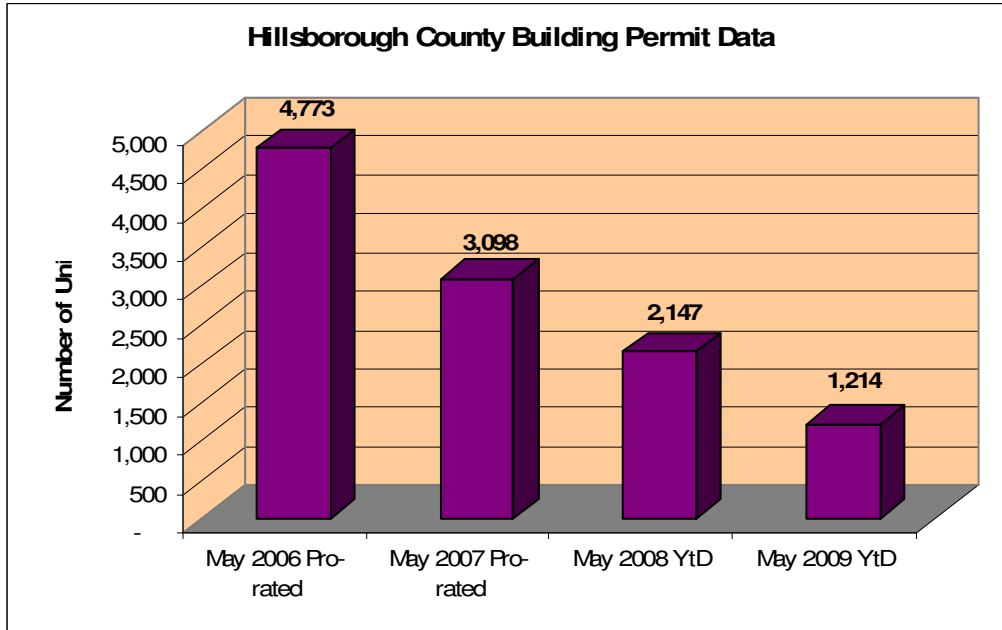
RESIDENTIAL HOUSING MARKET

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 June year-to-date for the past five years, since that was the latest data available for 2009.



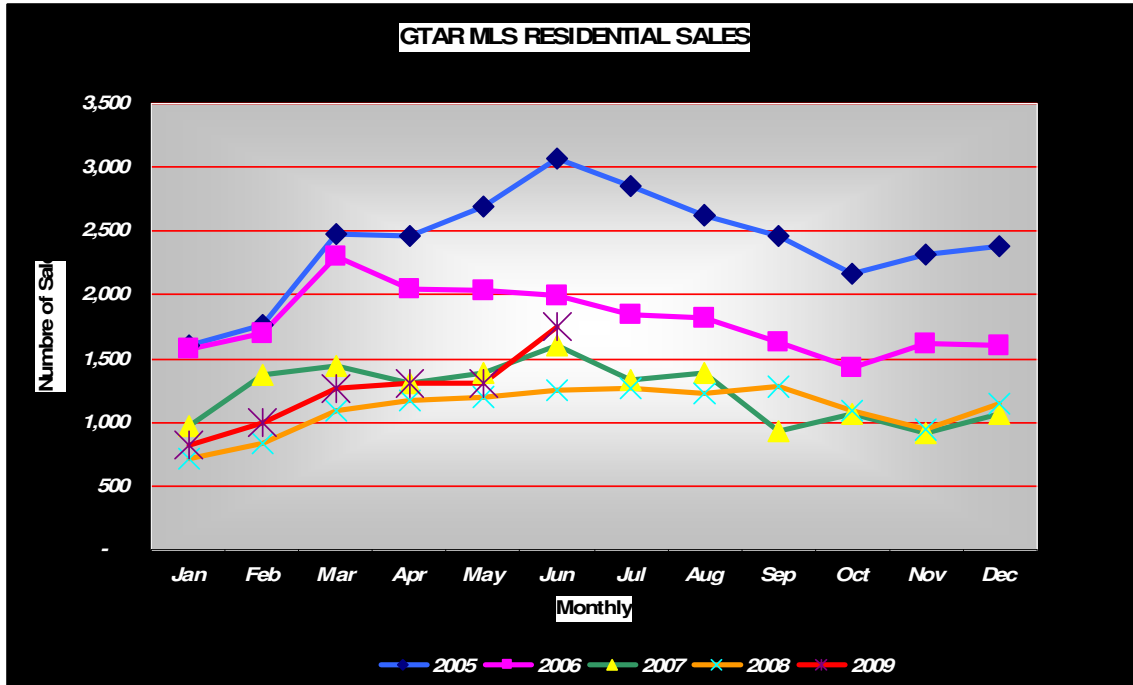
The data indicates a downward trend for the past five years; that the number of units permitted for 2006 through May was 12,404 units, down from 15,007 units for 2005 through May or a decrease of 17.35%; for 2007 through May, was 5,958 units, or a decrease of 51.97% from the year before; and for 2008 through May, it was 3,744 or down another 37.16%; and for 2009 through May it was 2,410 units or down 35.63% from the year before.

The residential building permit data for Hillsborough County for the years 2008 - 2009 (January through May) and pro-rated for the years 2006 and 2007 (monthly figures were not available) were as follows:



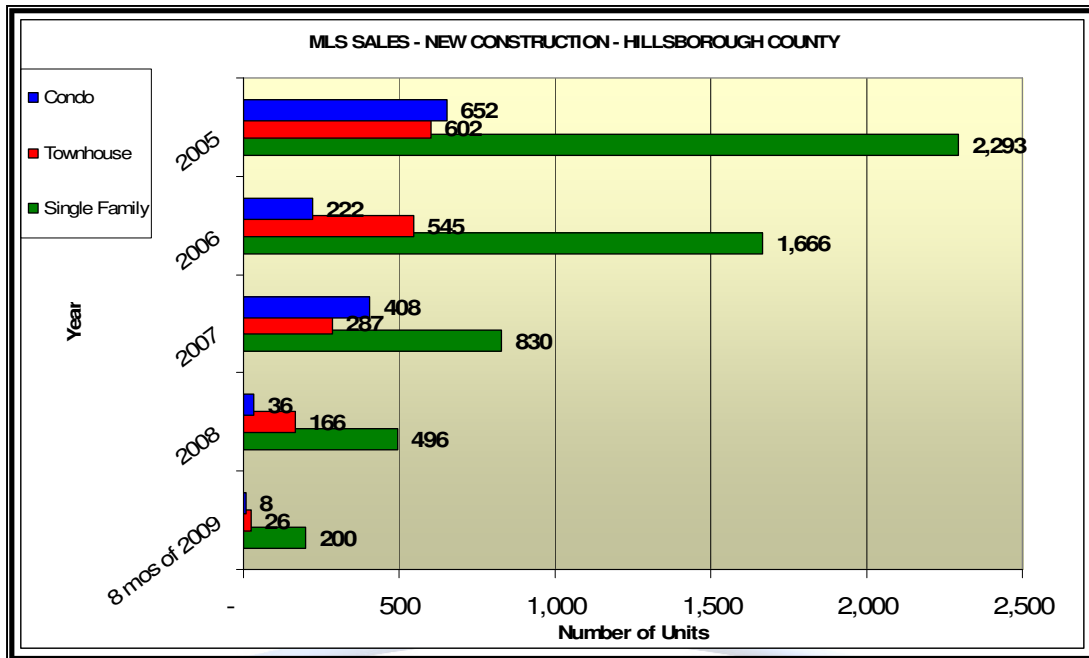
The number of units decreased 35.09% in 2007 from 2006; minus another 30.70% in 2008 May YTD; and down another 43.46% in 2009 May YTD. From this data, we can clearly see that the supply of housing units in the MSA and in Hillsborough County decreased dramatically and demonstrates a straight downward trend over the past four years. From this point it is not clear if 2009 will be the bottom or the trend will continue into 2010 before there is an upturn.

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 Greater Tampa Area Realtors the greater Tampa area, which is primarily Hillsborough County. The next chart illustrates the demand in the for housing based on Multiple Listing Service sales reports for single family homes, condominiums, townhomes, patio homes, villas, vacant land, duplexes, tris and quads.



The graph above shows the trend over the past five years. During 2005 a total of 28,856 residential sales closed with the totals ranging between 1,599 and 3,069 units per month. However, in 2006 a total of 21,583 residential sales closed indicating a 25.20% decline from the previous year with the totals ranging lower between 1,430 and 2,300 units per month. The decline continued in 2007 with total sales of 14,750 units, down 31.66% from the previous year with monthly sales ranging even lower from 917 to 1,602 units. In 2008 total sales of 13,203 units were down again, 10.49% from the previous year with monthly sales ranging even lower from 707 to 1,281 units. June 2009 year-to-date sales were 7,446 units which was a range of 822 to 1,758 per month. The statistics for the first six months of 2009 indicate a slight increase over 2008 which may point to a bottom in the decline in sales after the steady declines over the past four years.

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 though the first 8 months of 2009 in Hillsborough County based on closed MLS sales data. The new single family sales decreased from 2,293 units in 2005 to 1,666 units (-27.34%) in 2006 to 830 units (-50.18%) in 2007 to 496 units (-40.24%) in 2008 to 200 units (-39.52% projected) in the first 8 months of 2009. The new townhouse sales decreased from 602 units in 2005 to 545 units (-9.47%) in 2006 to 287 units (-47.34%) in 2007 to 166 units (-42.16%) in 2008 to 26 units (-79.51% projected) in the first 8 months of 2009. And the new residential condominium sales decreased from 652 units in 2005 to 222 units (-65.95%) in 2006 to 408 units (+83.78%) in 2007 to 36 units (-91.18%) in 2008 to 8 units (-66.67% projected) in the first 8 months of 2009. All types of new housing sales decreased from 2005 though 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 present. 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 to three years.

Finally, we include these paragraphs from newspaper articles in the *St. Petersburg Times* by Tampa Business reporter, James Thorner, which sum up the current Tampa Bay residential real estate market:

- August 13, 2009 – Another 6,767 Tampa Bay area properties drifted into foreclosure in July, a 6 percent decline from the 7,216 foreclosure cases reported in June. The numbers come from the firm RealtyTrac, which said foreclosures struck one of every 194 households in July.
- More than half of all homeowners with mortgages in the Tampa Bay area owe more than their property's worth. The latest troubling news on "underwater" mortgages emphasizes how real estate could remain a stickler even as the overall economy improves. First American CoreLogic said 50.6 percent of Tampa Bay residential mortgages, worth \$59.3 billion, were upside down as of June 30. That comes to about 351,980 mortgage holders out of roughly 700,000 in the region. "Negative equity continues to be the dominant driver of the mortgage market because it leads to foreclosures in the event a borrower experiences some kind of economic shock: job loss, illness or other adverse situation," First American economist Mark Fleming said.
- August 21, 2009 - Tampa Bay property owners sold 2,822 single family homes in July. That was a 30 percent improvement over the 2,174 homes that sold in July 2008. The latest report from the Florida Association of Realtors also notes a 19 percent price drop over the year, from \$176,500 in July 2008 to \$143,100 in July 2009. To give you some historical perspective, the July sales numbers are slightly better than those in July 2002 and slightly worse than those in July 2003. "I think we're on the road to recovery and even though most markets report they've seen the bottom, it's going to be a long climb," said Timothy Becker, director of the University of Florida's Bergstrom Center for Real Estate Studies. The sales rise was visible statewide. Of Florida's 19 largest real estate markets, only Gainesville's sales declined year over year. Statewide sales were 15,882 in July, up 37 percent from 11,595 in July 2008. The sales rise was visible statewide. Tampa Bay's home sales in July were down a hair from the 2,848 that sold in June, but the median sale price increased from the \$139,400 recorded in June. Prices appear to have flattened - or even risen a little - since bottoming in January.
- August 21, 2009 - For the first time in three years, Tampa Bay area home prices showed a modest uptick, suggesting that the worst of the housing decline may be over. The S&P Case-Shiller home price index reported prices rose locally 0.4 percent from May to June. The annual numbers are still lousy. From June 2008 to June 2009, Tampa Bay home values are down 19.5 percent. The improvement occurred across the whole home price index, which takes in 20 large cities. Tampa was actually a laggard: The national home price improvement from May to June was 1.4 percent, versus the 0.4 percent in Tampa. "For the second month in a row, we're seeing some positive signs," says David M. Blitzer, Chairman of the Index Committee at Standard & Poor's. In the Tampa Bay area, prices have been, with minor variations, largely stagnant since February and March. But that's a good sign after 3 years of depreciation that's exceeded 40 percent overall. Tampa Bay

Realtors actually reported a median price decline from May to June, from \$141,100 to \$139,400. That's why I usually take monthly changes with a grain of salt until you can cobble together a 6 month trend. Note that our home values in Tampa have retreated to August 2003 levels based on the CaseSchiller Index.

- August 26, 2009 - Builders active in Florida such as KB Home are quietly starting to buy housing lots again: Homebuilders that spent the past three years selling off land and writing down the value of property holdings are scouring markets in Sacramento, Phoenix, Denver and Orlando -- cities synonymous with the real estate bubble -- looking for deals on ready-to-build lots as they prepare for a rebound. I wouldn't get too excited. The market is so forward looking these days that land purchases - and stock price rises - usually predate recoveries by more than a year. Home builder stocks have been appreciating in anticipation of better news in 2010/11. But I see little but agonized hand wringing among Tampa Bay builders these days. How could it be otherwise? Builders have to compete with thousands of barely lived in speculator built houses from 2005-07. Foreclosures are pushing down prices.

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 three 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.