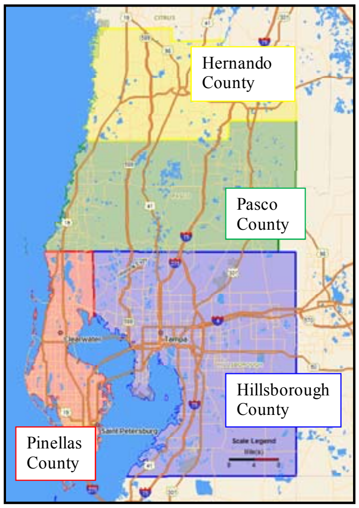
THE CONCORD GROUP

Tampa Bay Housing Market Outlook

September 2010

The following outlines The Concord Group's ("TCG") analysis and outlook for the Tampa Bay housing market. TCG's conclusions draw from historical data, demographic and employment driven demand assessments, surveys of currently selling properties, lot inventory and land sale analysis and various tools for evaluating recovery timelines. The housing market forecast drives immediate acquisition, planning and disposition decisions. Our conclusions are derived within the context of our ongoing analyses in the region for developers, builders, capital sources and public agencies.



Executive Summary

TCG's key findings and conclusions include:

- Third largest MSA in Southeast after Atlanta and Miami
- Cumulative 9% job loss and 13% unemployment; recovery forecast 2011-2015
- New sales volume 5,000 units annually, down 80% from peak and 66% from 15,000 unit historical average
- New home pricing down 20%+ non-mix adjusted, 40%+ same product from peak
- Most recent quarter volumes down significantly post tax credit expiration, prices down 2% q/q
- Average suburban new home = $170K, 1,900 square feet, $90 PSF
- Suburban lots at $750-$850 front foot finished, $5-8K per blank
- Current supply homes, finished lots and competitive foreclosures of 50,000 units
- Recovery, defined as 3-4 sales per month per project, single digit appreciation and demand for new finished lots, forecast mid 2012 assuming 2011 economic rebound.

Background

The Tampa MSA is defined as Hillsborough, Pasco, Pinellas and Hernando counties. Hillsborough County includes the metro hub, Tampa, and in the south, significant housing development. Pinellas County is coastal, mostly built out and includes St. Petersburg and Clearwater. Pasco County to the north of central Tampa has been historically rural, but with improved transportation corridors, has become a major growth node. Hernando, north of Pasco, saw development during the recent boom, but with falling prices and increasing supply in closer markets, has mostly reverted to its established small town and agricultural roots.

The Tampa area was generally undeveloped until the late 1800's when phosphate discoveries, fishing, cigar manufacturing and tourism began to drive growth. After World War II, Tampa benefitted from the general migration to the Sunbelt from the Midwest and Northeast. The metro area is currently the second largest in Florida after Miami in households, gross product and housing starts. Exhibit A compares the Florida metros. Current population is 2.8 million with $90 billion of gross metro product. Major economic drivers continue to include historical stalwarts tourism and natural resources, but have expanded with financial services (e.g. Raymond James), education (e.g. University of South Florida), military (e.g. McDill Air Force Base and U.S. Central Command), healthcare and high technology, driven by the Florida "High Tech Corridor" regional initiative with Orlando. The Port of Tampa is by tonnage the 7th largest in the USA and largest in Florida and is also a major cruise launch point. The Federal stimulus package includes significant financing for high speed rail development between Tampa and Orlando. The economy is thus diverse versus similar size Orlando's greater dependence on tourism.

251 Kearny Street, 6th Floor, San Francisco, California 94108 | Phone: 415.397.5490
130 Newport Center Drive, Suite 230, Newport Beach, California 92660 | Phone: 949.717.6450
77 Summer Street, 7th Floor, Boston, Massachusetts 02110 | Phone: 617.451.1100
www.theconcordgroup.com

Exhibit A – Florida Metros Comparison

	Households		GMP		%	Housing Starts: Peak		Housing Starts: Current		
Metro	**#**	**% FL**	**$MM**	**% FL**	**Unemployed**	**#**	**% FL**	**#**	**% FL**	**% Δ**
Jacksonville	536,105	7%	$46,633	6%	12.3%	23,862	9%	4,504	10.3%	-81%
Miami	2,058,462	28%	$209,320	28%	11.9%	41,816	15%	3,283	7.5%	-92%
Orlando	805,054	11%	$82,515	11%	12.3%	33,902	12%	5,697	13.1%	-83%
Tampa	1,156,562	16%	$89,295	12%	13.0%	32,730	12%	8,431	19.3%	-74%
Total Top 4 Metros	**4,556,183**	**61%**	**$427,763**	**57%**	**-**	**132,310**	**49%**	**21,915**	**50.3%**	**-83%**
Florida Total	**7,455,767**	**100%**	**$753,600**	**100%**	**12.1%**	**272,700**	**100%**	**43,600**	**100.0%**	**-84%**

Source: University of Central Florida; DataQuick

Current Environment

The Tampa economy, similar to other high growth markets, has suffered worse than the overall nation from the current recession. Tampa population and employment had grown at more than twice than national average from the late 1990's to 2007. This growth was driven by continuing in-migration, economic diversification and the housing boom. Since 2007, however, Tampa has lost 125,000 jobs or 9% of the employment base. Unemployment has reached 13%, higher than both the 10% national and 12% Florida averages. Excluding construction (down 40%), job losses have been around 10% in professional services, leisure and hospitality and finance with only education, health services and government showing slight growth. Most forecasters predict 2010 flattening with 2-4% growth in 2011 to 2015. These forecasts generally assume a broader national economic recovery.

The Tampa housing market has both driven and been severely impacted by this downturn. Current trailing twelve month new home volume of 5,200 units reflects an 80% drop from the 27,000 peak in 2006 and more pointedly, a 66% drop from the 15,000 unit long term average. New home sales were 32% of all sales at the peak and now represent only 12% of the total. This reduced ratio reflects the relative strength in resale volumes which have grown 30% to 41,000 units in the current trailing year from a 2008 low. This resale volume is driven by distressed and foreclosure sales with overall prices declining 40%+. New home prices overall have held up better with an average decline of 20% from the 2006 peak, though same product prices are down 35%+. Exhibit B outlines historical trends.

Exhibit B – Historical Home Closings and Median Price

	Year														Quarter			
Period:	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**L4Q**	**3Q09**	**4Q09**	**1Q10**	**2Q10**
New Home Closings																		
Tampa MSA	6,630	7,969	8,998	9,588	11,296	13,259	15,657	20,211	26,648	27,267	15,783	7,652	5,116	5,282	1,252	1,496	1,018	1,516
Growth (%)		20%	13%	7%	18%	17%	18%	29%	32%	2%	-42%	-52%	-33%			19%	-32%	49%
% Buy New	12%	13%	14%	14%	16%	17%	19%	20%	23%	32%	29%	20%	12%	11%	11%	13%	10%	12%
Resale Closings																		
Tampa MSA	48,823	53,613	55,551	56,751	60,584	64,127	67,713	80,510	88,607	56,721	37,750	31,389	37,817	41,096	10,387	10,451	8,821	11,437
Growth (%)	N/A	10%	4%	2%	7%	6%	6%	19%	10%	-36%	-33%	-17%	20%			1%	-16%	30%
Median New Home Price (000s)																		
Tampa MSA	$130	$130	$137	$144	$146	$152	$157	$173	$200	$225	$224	$198	$182	$180	$184	$178	$182	$179
Growth (%)		1%	5%	6%	1%	4%	3%	10%	15%	13%	-1%	-12%	-8%			-3%	2%	-2%
Median Resale Price (000s)																		
Tampa MSA	$74	$78	$83	$87	$95	$105	$120	$138	$172	$190	$184	$155	$122	$120	$125	$120	$113	$120
Growth (%)		6%	6%	5%	9%	11%	14%	15%	25%	10%	-3%	-16%	-21%			-4%	-6%	6%
Case Shiller Index																		
Tampa MSA	90.2	94.0	99.9	110.1	120.2	132.2	145.6	174.1	226.8	230.9	200.1	156.0	138.9	138.6	142.6	138.9	136.5	138.6
Growth (%)		4%	6%	10%	9%	10%	10%	20%	30%	2%	-13%	-22%	-11%			-3%	-2%	2%

Source: DataQuick; Case Shiller

Public builders are extremely active in Tampa with the market top 10 including Lennar, DR Horton, Standard Pacific, Taylor Morrison, Ryland, Centex, KB and Beazer. As in most markets, builders have reduced home sizes to bring down overall price. Current average size including townhomes is around 1,900 square feet with an average net price of $170,000. These prices include concessions of around 5% with most price drops reflected in base pricing. Detached homes average 2,100 square and $190,000. Lifetime project absorptions have averaged 1.5-2.0 units per month, but have slowed to one per month since the expiration of the tax credit. Prices, generally flat through 2010, are off 2% same product over the last three months. The majority of activity is in lots between 4,000 and 6,000 square feet.

Outlook

TCG develops forecasts for a) a recovery in the retail home market and b) renewed demand for new improved land. Home market recovery is defined as an environment where builders can expect 3-4 home sales per project per month and single digit price appreciation. Land recovery is defined as an environment where raw land holders will find a strong market for new finished lots. Both recovery timelines depend on demand recovery and working through the current overhang.

The current run rate of 5,000 new home sales per year is significantly below historical levels. As outlined earlier, average new home sales since 1997 are 15,200. In the “normalized” 2002-2003 period before the boom, sales were 13,300 and 15,700. Boom market sales were 26,000 and 27,000 in 2006 and 2007. Setting aside these momentum and investor driven peaks, historical trends support sales forecasts in the mid-teen thousands annually.

These demand levels are underpinned by demographic analysis. Tampa currently has 1.1MM households with 742,000 in income categories able to afford homes over $110,000, the absolute bottom of the attached market. The 742,000 income qualified households are forecast to grow 2.5% annually or 18,000 households per year annually over the next five years. Assuming 60% buy, this supports demand for new homes over 10,000 per year before factoring in turnover or obsolescence in the current household base. With this demand from the current population, TCG estimates overall income qualified demand of 16,000 homes per year.

With the current economic environment, the market is unlikely to reach this demographically supported demand level for 24 months. TCG estimates sales for the next year will continue at current sluggish levels, with a recovery rate of approximately 11,000 units annually in the year following. This timeline is supported by broader economic forecasts (i.e. low job creation will hamper sales independent of underlying household growth) and the amount of pre-selling of current year demand during the peak years.

TCG estimates an overhang of 29,000 units in the Tampa MSA. This total includes 16,000 currently selling and mothballed homes and lots and 13,000 competitive foreclosures. TCG estimates current and future competitive foreclosures (i.e. foreclosures on homes built since 2003 as older homes do not compete directly with new supply) and nets REO sales. Certain sources identify an additional 20,000 vacant finished or partially improved lots in the market, though most are in outlying, secondary locations and unlikely to impact the key development areas.

Sales will reach four units per month per project when inventory is 18-24 24 months or mid 2012. At 100 units per project, a run rate to absorb in two years (50 per year) will drive four units a month sales. Assuming the current 5,000 unit run rate for 12 months and the recovery rate of 11,000 units for the following 12 months, supply in 24 months will be 13,000 units. Depending on the sales forecast and potential additional supply from non-marketed lots, this implies a supply of 12 to 24 months and most likely recovery at the project level. These sales rates will also drive moderate price increases.

TCG estimates demand for new finished lots occurs when active and mothballed lot supply is 12 months. When supply reaches these levels, builders will begin demanding new finished lots to ensure availability as inventory burns down. Based on the recovery timeline outlined above, this framework forecasts demand for new finished lots in mid to late 2012. This analysis is outlined in Exhibit C.

Exhibit C – Market Recovery

Tampa Bay Metrics	Market Total
Annual Sales Rates	
Last 4 Quarter Closings (1)	5,282
Near Term Recovery Rate (2)	10,900
Demographic Demand (3)	16,182
Supply	
Units / Lots Remaining (1) (4)	16,124
Competitive Foreclosures	13,190
Total Active Inventory	29,314
Market Outlook	
Months @ L4Q Sales Rate	12
Remaining Supply Balance in 12 Months	24,032
Months @ Near-Term Recovery Rate	12
Remaining Supply Balance in 24 Months	13,132
Months @ Demographic Demand Rate	10
Months Supply (1)	**34**
Market Normalization (5)	**2Q 13**
Lot Sales Start	**2Q 12**

(1) L4Q closings, units remaining and months supply as of 8/1/10; Source: Hanley Wood/TCG
(2) Average of L4Q Closings and Demographic Demand Rate
(3) TCG estimate
(4) Per DataQuick/Hanley Wood; Includes standing inventory, models, under construction units and finished lots in actively marketed projects
(5) Market normalization defined as 3-4 sales per month per product line and low single-digit appreciation

Exhibit D

Year	Median Income (1) $	Median Income (1) % Δ	Median New Home Price (2) $	Median New Home Price (2) % Δ	% Income to Housing
1997	$33,965	3.7%	$129,500	N/A	27%
1998	$35,237	3.7%	$130,300	1%	24%
1999	$36,556	3.7%	$136,500	5%	25%
2000	$37,924	3.7%	$144,300	6%	27%
2001	$39,094	3.1%	$146,000	1%	24%
2002	$40,300	3.1%	$151,900	4%	23%
2003	$41,544	3.1%	$156,900	3%	21%
2004	$42,826	3.1%	$173,100	10%	23%
2005	$44,147	3.1%	$199,900	15%	26%
2006	$45,509	3.1%	$225,000	13%	30%
2007	$46,913	3.1%	$223,825	-1%	29%
2008	$47,068	0.3%	$197,846	-12%	25%
2009	$47,223	0.3%	$181,651	-8%	20%
2Q10	$47,630	0.9%	$178,500	-2%	19%
			Cycle Average (Peak to Peak):		**25.1%**
Median Home Price Yielding Cycle Averge Affordability Ratio					
	$47,223		**$213,801**	**19.8%***	25.1%

(1) Income growth straightlined from following basis: 1990 and 2000 Census; 2007 American Community Survey; 2009/10 Claritas Estimate
(2) Median home price data from DataQuick - see Exhibit I-3
* Change from 2Q10

While TCG uses flat pricing through 2012 followed by single digit appreciation in most base cash flow forecasts, an upside pricing scenario is supported based upon current affordability. As outlined in Exhibit D, income to housing ratios are currently 19%, versus a long term average including the boom of 25% in the MSA. Homes are at extremely affordable levels versus historical averages. A return to the 25% income to housing and 5.5% mortgage rates implies a 21% pop in home prices. A return to 2002-2004 levels of 23% implies a 9% price pop. Bullish investors, especially after studying the rapid price appreciation during recovery cycles in other markets nationwide, are building in one year of rapid price increase when the market comes back.

Land Market

Current finished lot values in typical suburban markets are $750-$850 per front foot. This is approximately 30-40% above the 2008-2009 bottom of low $600's per front foot. Peak values were over $1,100 per front foot. The market has shown some recent strengthening with significant purchases by major public builders. These finished lot trades do not support demand for new improved lots, as these are transactions for positioning and rebuilding specific inventories within the current overhang.

The raw land market in Tampa has been very active. Large private equity firms have taken long raw land positions in the market in recent months. These institutional plays highlight the market consensus that current run rates are far below demographically supported levels and that the diversified Tampa economy should recover strongly post 2011 or 2012. Current raw "blank" values are typically to $5,000 to $7,000 in mid-tier suburban locations. Per blank values have been occasionally above $10,000 in "A" locations.

About The Concord Group

The Concord Group is a leading real estate strategy firm with offices in San Francisco, Newport Beach and Boston. TCG's consulting staff completes hundreds of assignments annually in the U.S., Europe, Asia and Latin America. Our services include market and consumer analyses, transaction due diligence and asset valuation. Recent private equity assignments have included multiple analyses of distressed assets of commercial banks and new acquisitions for next-cycle development. We also continue to assist developer, builder and financial clients on value maximization of owned-assets. We cover all property types (commercial, residential and land), in all metro areas and work under tight due diligence deadlines. The research and key conclusions presented in this analysis were generated by Andrew Borsanyi, Brian Fogarty and Daniel D'Orazi.

San Francisco
415-397-5490

Andrew Borsanyi
Principal
aab@theconcordgroup.com

Tim Cornwell
Engagement Director
tmc@theconcordgroup.com

Brian Fogarty
Engagement Manager
baf@theconcordgroup.com

Daniel D'Orazi
Engagement Manager
dwd@theconcordgroup.com

Newport Beach
949-717-6450

Richard M. Gollis
Principal
rmg@theconcordgroup.com

Marta Borsanyi
Principal
mb@theconcordgroup.com

John Shumway
Principal
jshum@theconcordgroup.com

Robert McFarland
Principal
rsm@theconcordgroup.com

Boston
617-451-1100

Jeffrey Glew
Engagement Director
jrg@theconcordgroup.com