

LOCAL ECONOMIC OVERVIEW

During the quarter, the Bureau of Labor Statistics reported year over year job growth in both January and February of 2011, but in March, they once again reported year over year job losses. As of March 2011, the North Port/Bradenton/Sarasota MSA had an employed workforce of 241,500. This was equivalent to the employment level in June 2000. The cyclical high point for North Port/Bradenton/Sarasota employment was the March 2006 level of 285,300 workers. The low point for the MSA workforce occurred in September 2010 when just 235,600 local workers were employed. This marginal job growth since September 2010 has allowed the local unemployment rate to ease over the last couple of quarters.

The North Port/Bradenton/Sarasota-Bradenton MSA lost 200 jobs (Annual Rate) based on the Bureau of Labor Statistics report for First Quarter of 2011, an annual growth rate of -0.1%. For the twelve months ending February 2011, North Port/Bradenton/Sarasota was 150th in the nation for job creation. With the March report, the MSA fell to 300th in the nation for job growth. Over the last twelve months, Orlando added 20,400 new jobs, Miami added 19,600 and Jacksonville added 1,000 new jobs. Tampa lost 800 jobs over the last year.

Figure 1 reflects job creation over the last eight years. All of the employment gains from 2003 – 2007 were eliminated over the last three years. Figure 2 shows the current distribution of job growth/losses by industry. Only three of the ten major employment sectors reported job growth over the last year. The Health and Educational Services sector led the way with 1,000 new jobs. This was followed by the 500 new jobs created mostly in Retail Trade. The Leisure and Hospitality sector (mostly restaurants and hotels) was the hardest hit by job losses over the last year with a reported 700 lost jobs.

Figure 3 indicates the unemployment rate for the North Port/Bradenton/Sarasota MSA. According to the Florida Agency for Workforce Innovation, the March 2011 unemployment rate stood at 10.8%, well above the national average of 8.8%. There were 32,586 unemployed within the North Port/Bradenton/Sarasota MSA. One year ago, the jobless rate was also 12.1% in North Port/Bradenton/Sarasota. As of March 2011, the unemployment rate in Miami was 12.3%, 11.9% in Tampa and it was 10.4% in Orlando.

Figure 1: Change in Non-Agricultural Job Growth

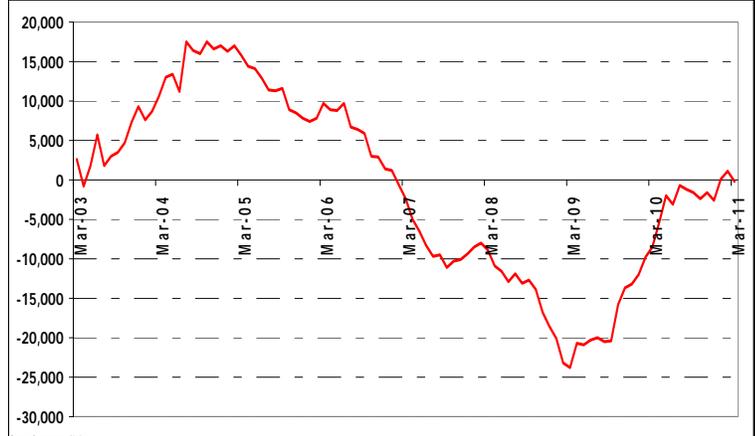
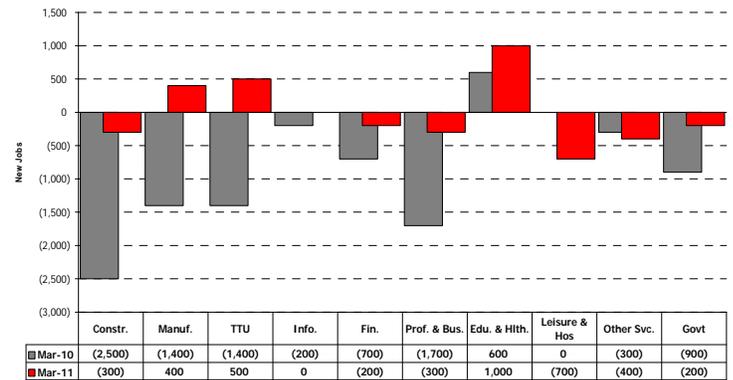
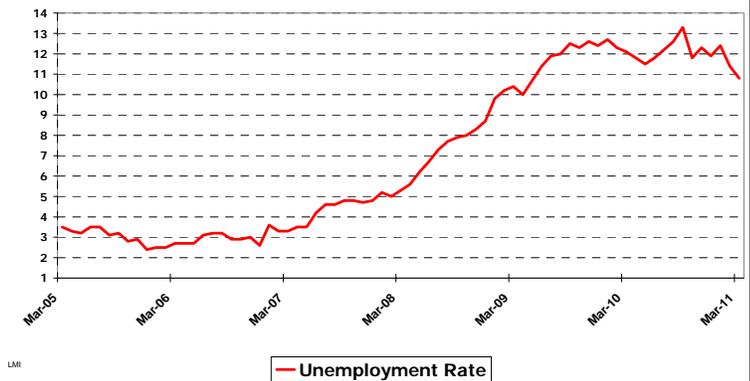


Figure 2: Distribution of Job Growth



Source: Department of Labor

Figure 3: Local Unemployment Rate



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HOUSING MARKET TRENDS

In Sarasota-Bradenton, 424 single-family units were started in the first quarter of 2011. This represents a decrease of 12.6% compared to last year's rate of 485 units. The annual start rate compared to last year increased by 23.9%, to 1,828 annual starts. Figures 4 and 5 reflect the annual starts & closings pace and the quarterly starts & closing pace for the Sarasota/Bradenton market.

Figure 6 shows the price distribution of annual housing starts for the first quarter this year compared to the three previous years.

The table below indicates the current distribution of annual starts by price range.

Price Range	Starts	Closings
\$0 to \$149,999	223	274
\$150,000 to \$199,999	507	544
\$200,000 to \$249,999	370	391
\$250,000 to \$299,999	275	346
\$300,000 to \$349,999	163	228
\$350,000 to \$399,999	72	96
\$400,000 to \$449,999	37	47
\$450,000+	177	232

Single-family quarterly closings totaled 490 units, which is 16.7% higher than the 420 closings in the same quarter last year. The annual closings rate is 2,164 units per year, which is 22.6% above the annual closings rate of 1,765 units per year in the same quarter last year.

Total single-family inventory, which is composed of units under construction, finished vacant and models, equaled 1,227 units on the ground at the end of the first quarter, a 6.8 months supply. Inventories decreased by 21.5% compared to the same quarter last year.

Compared to last year, the under construction inventory fell by 204 units to 541. Finished vacant inventory decreased by 15.7% from 616 units last year to 519 this year. The number of completions exceeded move-ins during the quarter and finished vacant inventory decreased by 71 units.

Model home inventory is down 35 units from last year at 167 total models. Builders in this market are closing 13.0 homes per year, per model, compared to 8.7 last year. By comparison, the market was closing 19 homes per model in 2002 and 25 homes per model at the end of 2005. In March 2000, the market was closing 13 homes per model, a level similar to current efficiencies.

Figure 4: Annual Starts & Closings of New "For-Sale" Housing

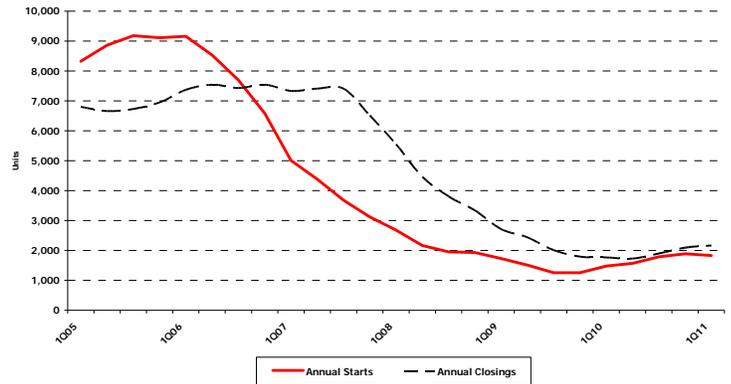


Figure 5: Quarterly Starts & Closings of New "For-Sale" Housing

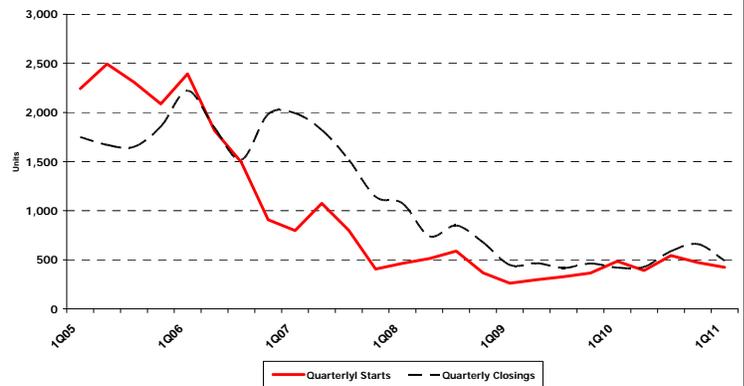
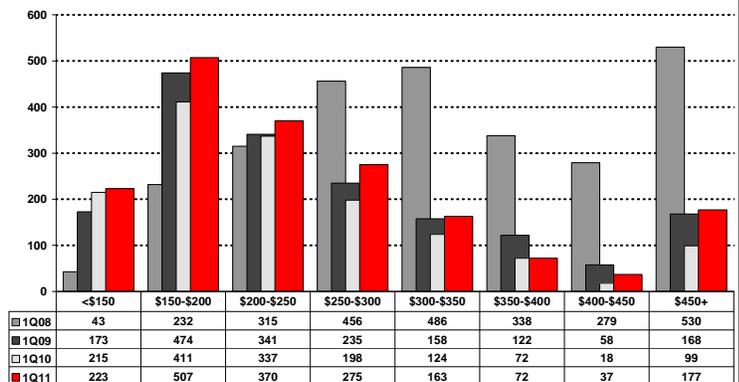


Figure 6: Annual Starts by Price Range



This quarter, we added 3,129 lots to our count as previously developed lots in South Gulf Cove (Charlotte County) were moved from future lots to developed lots for the Sarasota-Bradenton market. Vacant developed lot inventory stands at 41,091 lots, an increase of 6.8% compared to 38,478 lots last year. Based upon the annual start rate, this level of lot inventory represents a 269.7 months supply, a decrease of 43 months compared to last year. Manatee County currently has a 66.5-month supply of developed lots, down from a peak 84.1-month supply of VDL in 2Q2009. Sarasota County has a 106.2-month supply, down from a peak 183.3 months of supply recorded in 4Q2009.

MARKET HIGHLIGHTS

The top three market areas based on annual starts are shown below.

<u>Market Area</u>	<u>Ann Starts (% Chg)</u>
Manatee.....	1,028 (-4.0%)
Sarasota	517 (+55.7%)
Charlotte.....	283 (+349.2%)

The table below ranks the top ten communities in the market by annual starts.

<u>Community (Area)</u>	<u>Ann Starts</u>
Central Park	102
Venetian Falls.....	94
Riverwood.....	93
Lakewood Ranch	88
Forest Creek.....	70
Stoneybrook @ Venice	61
Palmer Ranch.....	59
River Sound	53
Copperstone.....	52
Heritage Harbour.....	51

For the twelve months ending March 31, 2011, new homes starts in price ranges under \$200k totaled 730 units. This was up 16.6% from the 1Q2010 annual activity in prices less than \$200k. Annual new homes starts in prices over \$200k were up 29.0% for the twelve months ending March 31, 2011 versus the twelve months ending 1Q2010. The marginal 350 unit increase in the annual start pace was split: 104 more units under \$200k and 246 additional units above \$200k, a 30/70 split. During the first quarter of 2011 Manatee and Sarasota Counties recorded a drop in housing starts from 4Q2010 levels. For 1Q2011, Manatee County recorded 243 housing starts versus 258 starts in 4Q2010, a 5.8% decline. For 1Q2011, Sarasota County recorded 109 housing starts versus 148 starts in 4Q2010, a 26.4% decline. Activity levels in Charlotte were up 6.1% versus 4Q2010 levels.

Figure 7: Under Construction & Finished Vacant Inventory

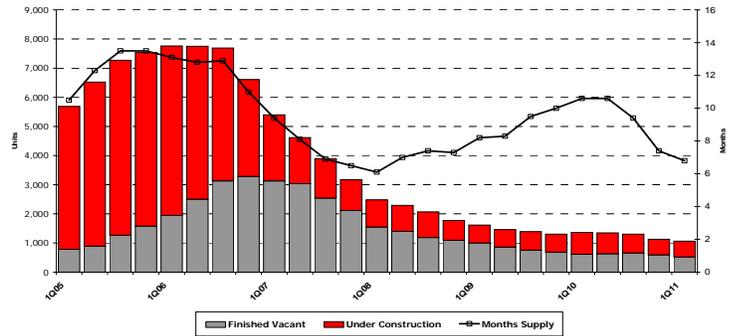


Figure 8: Inventory by Market Area

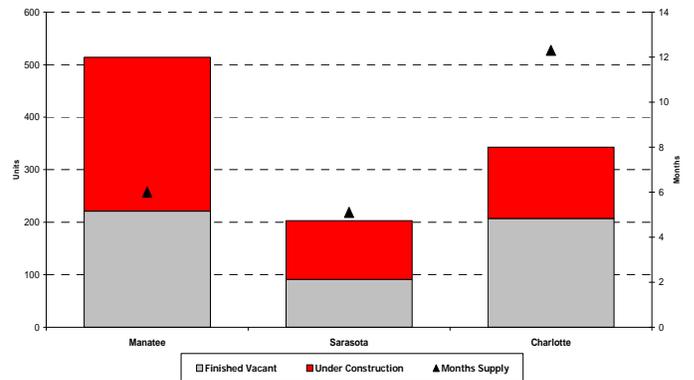
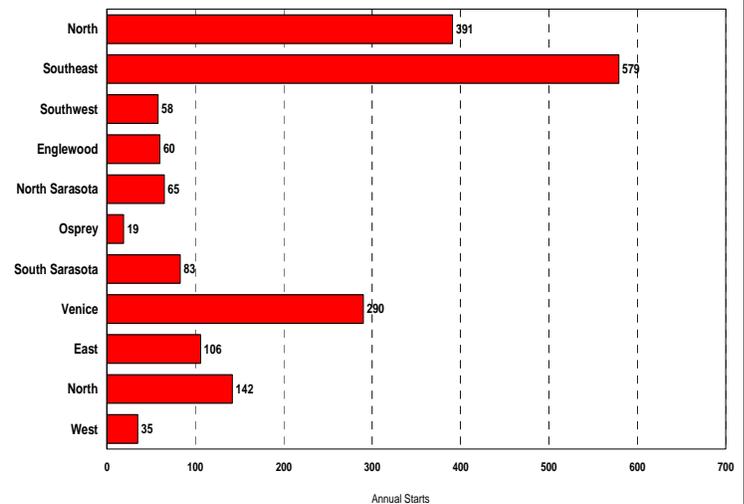


Figure 9: Annual Starts by Submarket



CONCLUSIONS

The worst job losses are now behind us and the market is showing signs of job creation versus September 2010. Mortgage rates remain low, but they have risen from the October lows created by the government's QE2 program of quantitative easing through buying Treasury Bonds. The foundation is in place to see improvements in the housing sector as we move through 2011 and into 2012. We expect modest gains in 2011 in terms of building activity and better percentage and units gains in 2012. The major factors going forward will be: A) retiree sentiment and northern real estate markets and B) consumer confidence and general continued improvement in the local job market. It is highly likely that we will continue to see a local unemployment rate higher than the national average over the next few years.

For the first 2 months of 2011, MLS SF sales were 15.5% higher than the same period of 2010 with 1,628 sales. The strong sales increases were directly attributed to a sharp decline in price. Local housing price started to rise greater than expected by 2000 versus a historic 3.5% appreciation rate. The MLS single family median price has run below that line since the end of 2008. The prior bottom in the MLS median SF price for Sarasota/Bradenton was February 2009 at \$144,000. The February 2011 MLS single-family median price was \$137,700, up slightly from the new cyclical low point of \$136,300 established in January 2011. It is likely that median single family price as reported through MLS will continue to show negative trend, albeit in single digits, for much of 2011.

The other significant trend is finished vacant units. The number of finished vacant housing units has been dropping since 4Q2006. As of March 2011, the months of supply of FV units for Sarasota/Bradenton stood at 2.9 months. This was down from 3.4 months as of December 2010 and down even greater from the 4.2 months as of March 2010. The County by County finished vacant supply indicates that Sarasota County now has achieved an equilibrium level of FV supply at 1.9 months. Manatee County is slightly higher and just slightly above equilibrium levels at 2.2 months. Charlotte County is still oversupplied with vacant finished homes at 6.9 months. While the overall trend in declining finished vacant units is good, the months of supply remain high and require a continued focused approach to sales and marketing, pricing and land acquisition.

Figure 10: Vacant Developed Lot Inventory

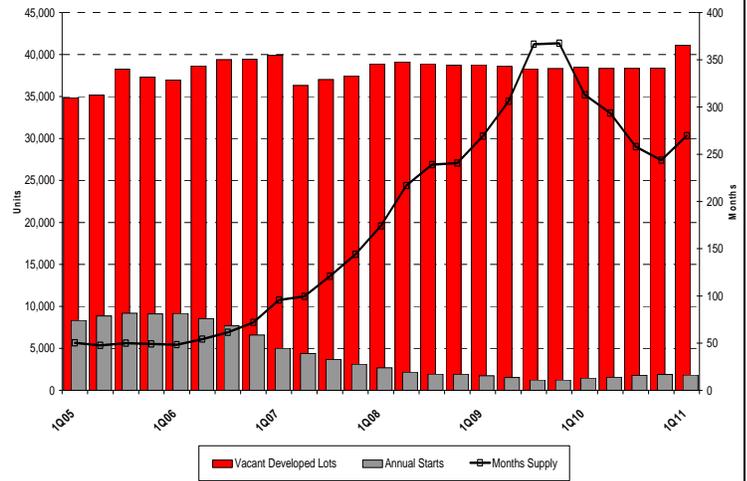
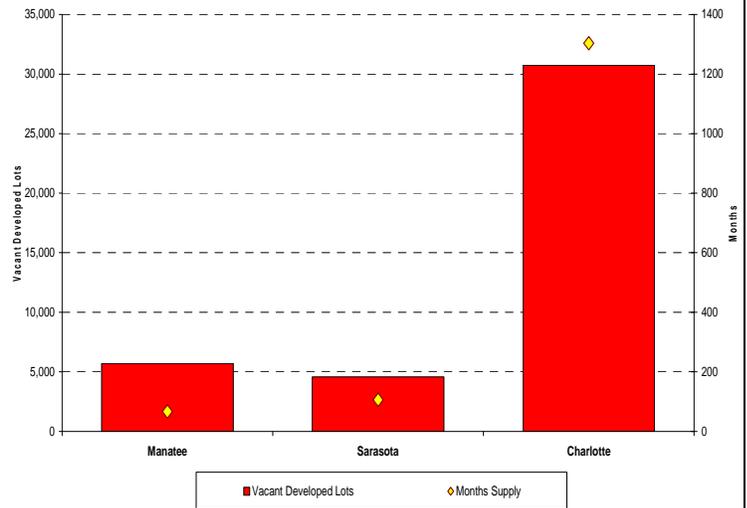


Figure 11: Vacant Developed Lot Inventory by Market Area



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