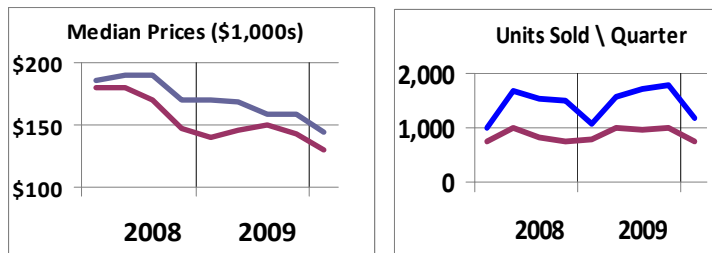


Introduction

The underlying premise of our newsletters is that the market will function more efficiently with informed buyers, sellers, Realtors, and lenders. Our first newsletter provided a historical perspective for the current real estate market by reviewing data back to 2003 showing the rise and fall of the real estate market, including the fact that residential prices in the 4th quarter of 2009 were consistent with those in 2003 and 2004, information that provided a statistical basis to demonstrate where the real estate market was at the end of 2009. This and future issues will include more details on recent history in relation to the current market providing an indication of the near-term direction of the market. At some point in the future an increase in the volume of sales and higher prices will provide an indication that the market is on the road to recovery.

Residential Market:



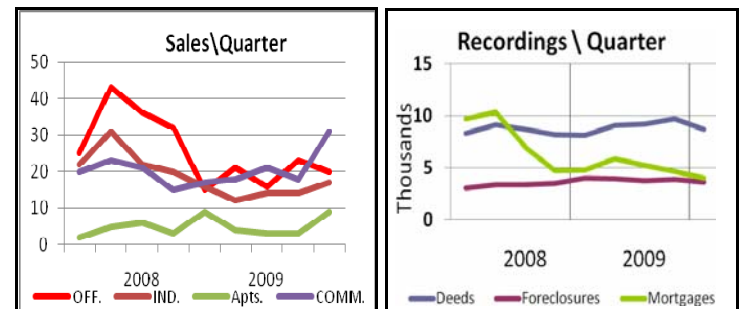
Single Family & Condo—Source: Pinellas County Property Appraiser

Observations from these charts include:

- These are only “Qualified” sales and exclude foreclosure and short sales.
- Median prices of single family homes and condominiums fell significantly (8+%) from the 4th quarter of 2009 to the 1st quarter of 2010. Half of this decline was due to smaller average home size and the other half was due to lower price per square foot.
- Median prices reported by the Pinellas County Property Appraiser are now below 2004 levels and similar to 2003.
- Unit sales were lower in the 1st quarter, consistent with historical experience that showed the number of 1st quarter sales have typically been lower than the other 3 quarters.
- Over the past few years median prices of residential properties have frequently increased in the second quarter above the levels of the first quarter.
- The Pinellas County Property Appraiser’s office expects significant declines in assessments, which should result in lower property taxes next year.

- Moody’s reports that the “Rent Ratio” (the purchase price of a home divided by its annual rent) has declined in the Tampa Bay area from 23.6 in 2005 to 14.3 in 2009 indicating that housing is more affordable to buy versus rent.
- An area investor recently stated that housing prices have declined to a level that makes economic sense to purchase homes for rental purposes.

Additional market information includes:



Source—Pinellas County Clerk

Reviewing this data, the following observations are made:

- Foreclosure filings (42 foreclosure filings per 100 deeds recorded) continue to be at very high levels and are depressing the market. In some segments of the market foreclosure or short sales essentially make the market.
- There were increases in the number of industrial, commercial and apartment property sales. This likely reflects reduced prices which make properties more attractive to buyers. A higher level of sales will be needed for the market to recover.

Residential Listing Statistics

Month	Mos. Supply	Days on Market	Units Sold
Mar. 08	23	113	794
Mar. 09	16	107	980
Mar. 10	6	92	1,246

Source--Pinellas Realtor Organization

- Data from Pinellas Realtor Organization shows that marketing time of “sold” homes has decreased. They also report an increase in the number of units sold in March 2010 versus the two prior years, and that the supply of listings has declined.
- It is harmful to the market to have it filled with overpriced listings. The sight of streets lined with “For sale” signs has a negative effect on neighborhood property values.

Commercial & Investment Properties

Data on commercial and investment properties is more difficult to quantify than residential sales. Prices in many markets have now declined to levels that provide economic returns to the investors.

There is a significant gap between sale prices and asking prices in some segments of the market. For example, some older industrial properties (10,000+ sq. ft.) have sold for well under \$50 per square foot, while many similar properties are listed for more than \$60 per square foot.

There have been sales of smaller single tenant office buildings for under \$100 per square foot, which is 30% to 40% below peak prices. Discounts are especially high for properties that are in poor condition or are dated and require renovation.

A number of smaller concrete block apartment buildings in mid-county have been selling for less than \$50,000 per unit. Prices of apartments were bid up significantly a few years ago and some were sold based on pro-forma income and expense projections which were very optimistic. Current sale prices provide buyers with a reasonable return on their investment.

Overall Economic Outlook:

- The economy is coming out of the recession. Many economic indicators, including manufacturing, consumer confidence, personal expenditures, and gross domestic product are improving.
- Pinellas County's unemployment rate was 12.3% in February 2010. This is lower than the 12.7% rate in January, and hopefully signals an improvement in the employment outlook.
- Since the area has a large number of pending foreclosures, unemployment is above the national average and there was significant overbuilding during the real estate boom, Pinellas County may lag behind the rest of the country coming out of the recession.

Risk:

There are two types of risk associated with investment real estate. They are:

Market Risk - the risk that a property's income and value will not perform as expected. Market risk may be the greatest for properties purchased at the peak of the market since they frequently sell for high prices that do not provide an economic return on the purchaser's investment. To achieve the expected return both rents and market value would have to increase significantly over the holding term, a very risky prospect in a cyclical real estate market.

At the bottom of the market investment properties typically sell at prices low enough to provide positive cash flows. Due to the cyclical nature of the real estate market, an investor who purchases at the bottom of the market has the opportunity to experience above average increases in rents and market value as the economy improves. In the current market, investors usually purchase properties based on current, not projected rents. As a result, when the economy improves it is common for investors to receive above average returns on their investment.

Financial Risk - additional risk for real estate investments based on the property's financing. If the value of a property decreases by 25%, the market loss would represent 25% of the property's value. If there is a 75% loan on the property, a 25% decline in property value would result in a total loss of the investor's equity.

Investors should not assume excessive risk at this stage of the real estate cycle. Investors should reduce their debt on properties and minimize their debt on new acquisitions. Factors to consider when buying a property may include:

- Do you have business or personal use for the property?
- Does the investment property provide a reasonable return with conservative assumptions?
- Does the property have a good location, design, and site?
- Do you have the experience and skills necessary to manage the property?
- Can you comfortably afford the property if income falls below projected levels?

Comments and Conclusions

- When purchasing properties, buyers can reduce their risk by reducing the amount borrowed for the property.
- There has been an increase in seller financing. This may be a good alternative to institutional loans. Sellers are also likely to obtain higher interest than they can get from other investments.
- Brokers have reported that national companies are looking for sites with plans to build retail stores to open in 2011 as the economy recovers.
- There are good opportunities to buy properties at favorable prices, especially for those who have a use for the property. Investment property should be purchased at prices that provide positive cash flows.
- Some property owners gifting properties or doing estate planning are taking advantage of reduced market values to save taxes.
- There is wisdom in the old adage of buying when people want to sell and selling when people want to buy. Many people have done well in real estate following this philosophy.

Late News—UF's Bergstrom Center of Real Estate Studies reports that Cap Rates in the Tampa Bay area have decreased for most property types in the first quarter of 2010. This is a positive development.

Pinellas Update includes information on the current real estate market to assist people in making more informed real estate decisions. Please contact us with any comments for improving this newsletter or if you have any property valuation questions.

If you want to be on the distribution list for future newsletters please email Vinc@Tampabay.rr.com and include "Newsletter" in the subject line.