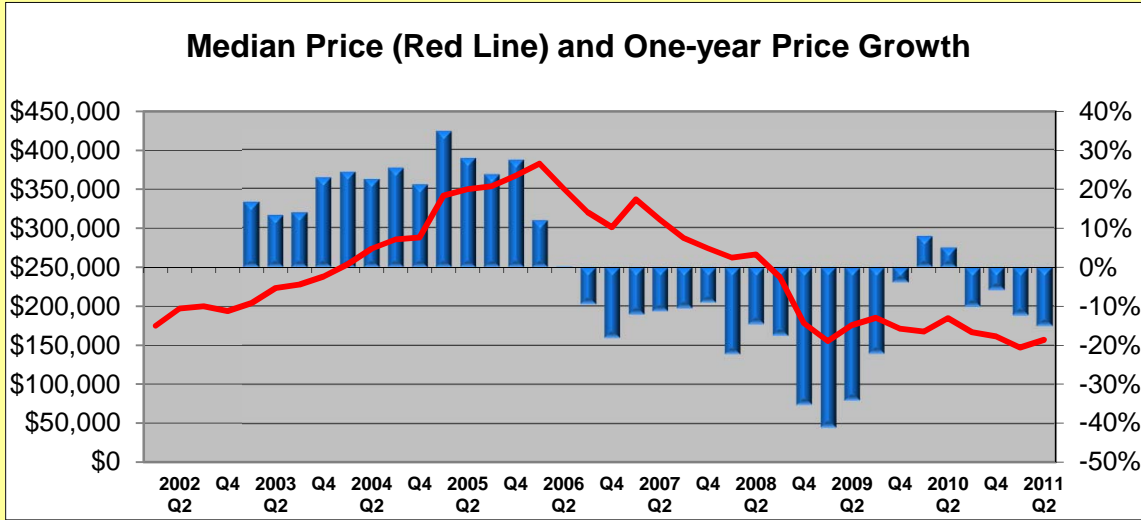


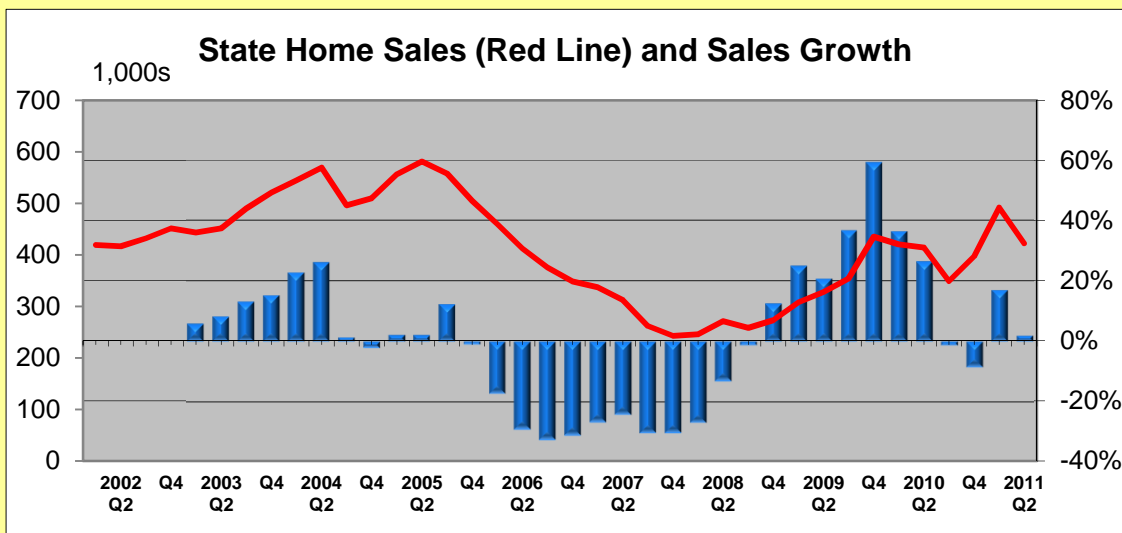
# Sarasota-Bradenton-Venice Area Local Market Report, Second Quarter 2011



## Today's Market...



	Sarasota	U.S.	Local Trend
<b>Price Activity</b>			
Current Median Home Price (2011 Q2)	\$157,000	\$171,567	Prices are down compared to a year earlier and continue to weaken
1-year (4-quarter) Appreciation (2011 Q2)	-15.0%	-2.9%	
3-year (12-quarter) Appreciation (2011 Q2)	-41.1%	-17.5%	
3-year (12-quarter) Housing Equity Gain*	-\$109,400	-\$36,500	The local housing price correction eliminated all of the equity gained during the housing boom
7-year (28 quarters) Housing Equity Gain*	-\$116,900	-\$22,400	
9-year (36 quarters) Housing Equity Gain*	-\$40,200	\$7,733	
*Note: Equity gain reflects price appreciation only			
<b>Conforming Loan Limit**</b>	\$442,500	\$729,250	Most buyers in this market have access to government-backed financing
<b>FHA Loan Limit</b>	\$442,500	\$417,000	
<b>Local Median to Conforming Limit Ratio</b>	35%	not comparable	
**Note: the 2009 loan limits for FHA and the GSEs were extended through 2010.			

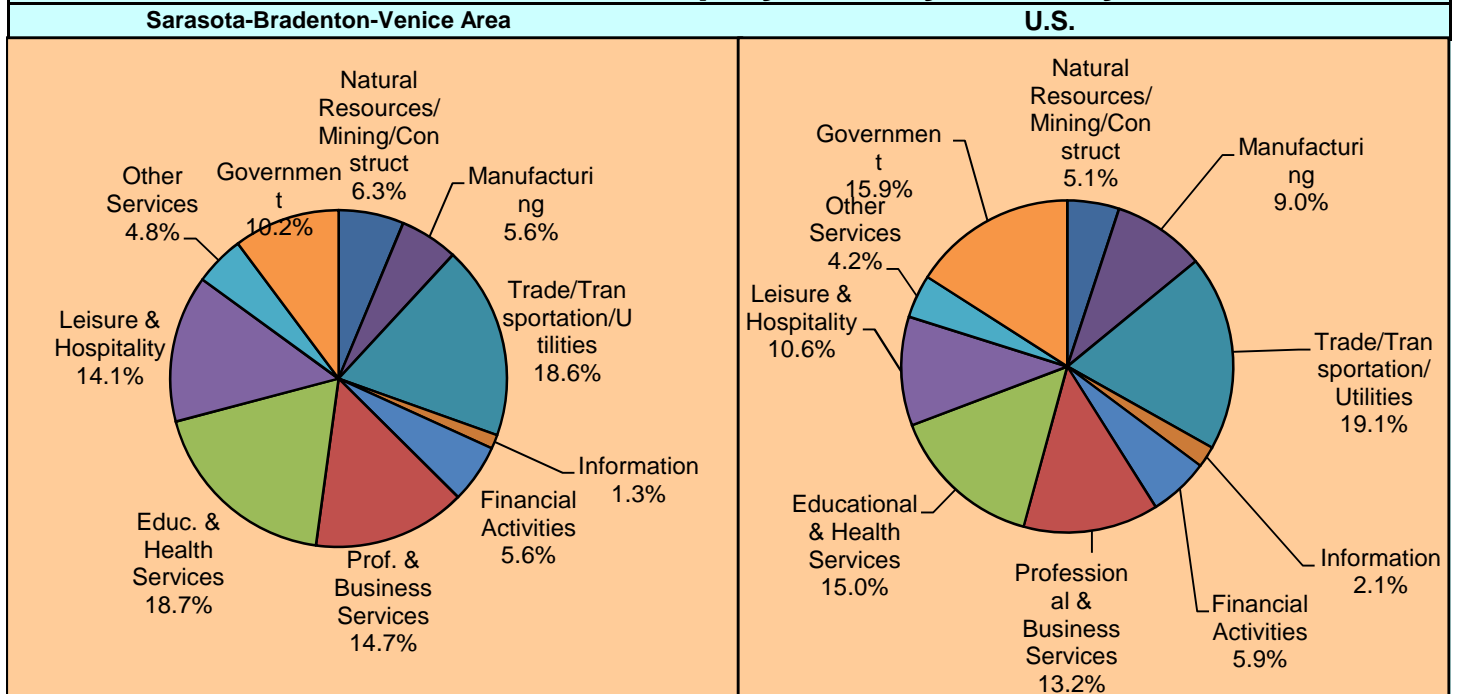


Home Sales	Florida	U.S.	
State Existing Home Sales (2011 Q2 vs 2010 Q2)	1.9%	-12.7%	Sales growth during the second quarter was positive and improving

# Drivers of Local Supply and Demand...

Local Economic Outlook	Sarasota	U.S.	
12-month Job Change (Jun)	-500	Not Comparable	Job losses are a problem and will weigh on demand, but layoffs are declining, a trend that could help buyer confidence
12-month Job Change (May)	-2,600	Not Comparable	
36-month Job Change (Jun)	-23,900	Not Comparable	Sarasota's unemployment rate lags the national average, but has improved relative to the same period last year
Current Unemployment Rate (Jun)	10.9%	9.2%	
Year-ago Unemployment Rate	11.9%	9.5%	Local employment growth is poor and needs to improve
1-year (12 month) Job Growth Rate	-0.2%	0.5%	

## Share of Total Employment by Industry



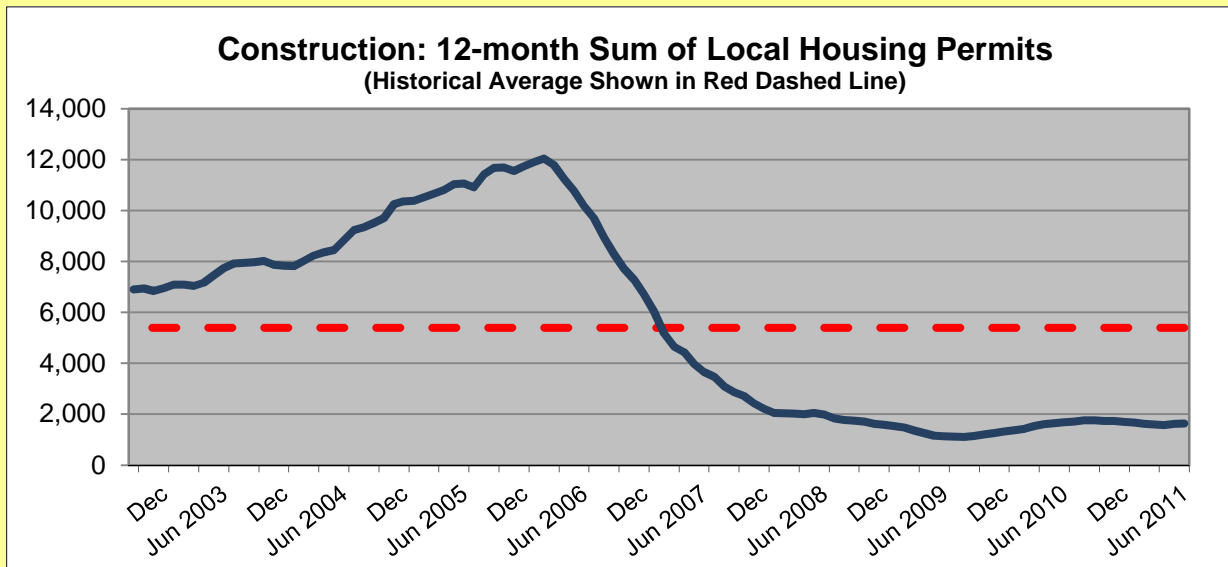
### 12-month Employment Change by Industry in the Sarasota-Bradenton-Venice Area (Jun - 2011)

Goods Producing	NA	Information	-100
Natural Resources/Mining/Construction	-300	Financial Activities	-200
Natural Resources and Mining	NA	Prof. & Business Services	-1,000
Construction	NA	Educ. & Health Services	1,000
Manufacturing	400	Leisure & Hospitality	800
Service Providing Excluding Government	NA	Other Services	-200
Trade/Transportation/Utilities	400	Government	-1,300

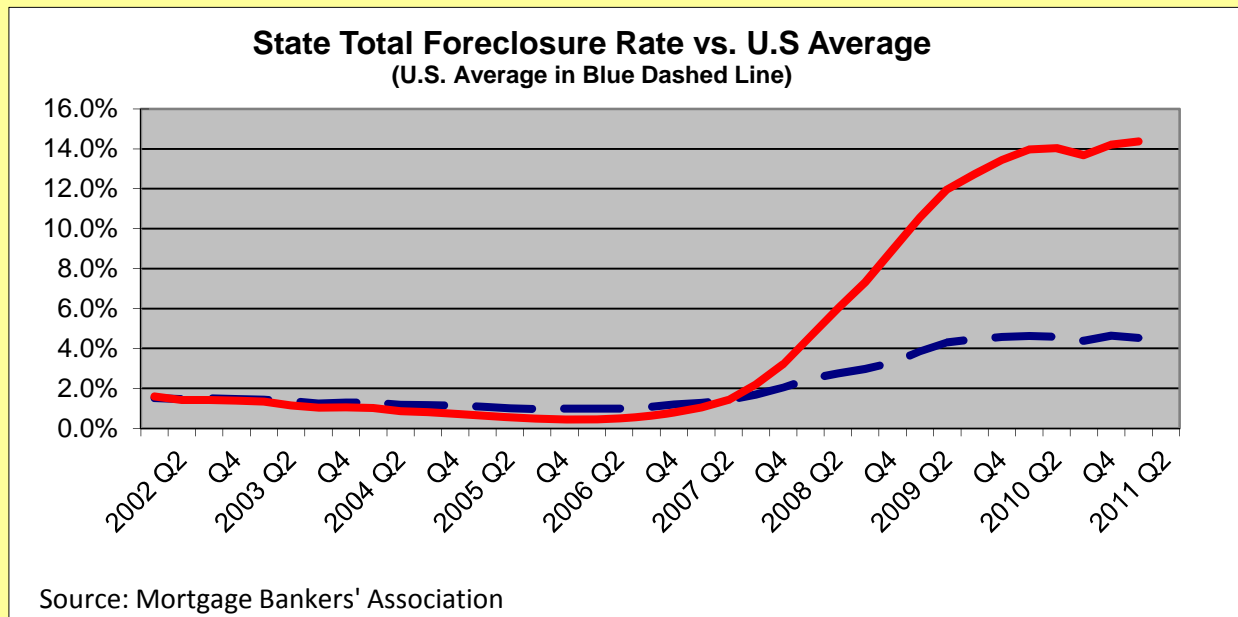
State Economic Activity Index	Florida	U.S.	
12-month change (2011 - Jun)	0.9%	2.2%	The economy of Florida is growing more slowly than the rest of the nation, but improved modestly from last month's 0.80% change
36-month change (2011 - Jun)	-8.7%	-4.3%	

## New Housing Construction

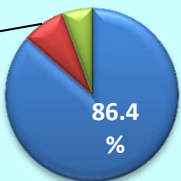
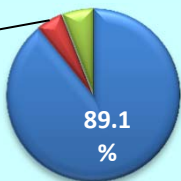
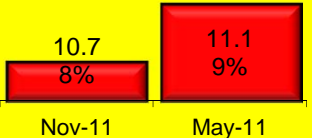
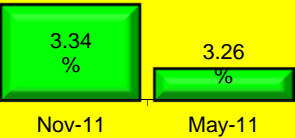
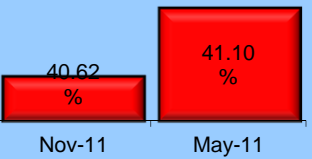
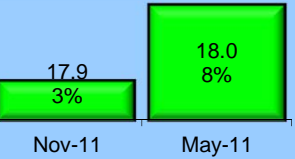
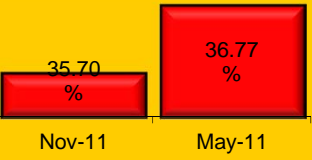
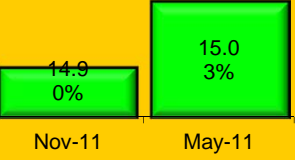
Local Fundamentals	Sarasota	U.S.	
12-month Sum of 1-unit Building Permits through Jun 2011	1,629	not comparable	The current level of construction is 69.8% below the long-term average
8-year average for 12-month Sum of 1-Unit Building Permits	5,388	not comparable	Reduced construction will limit new supply to the market, allowing demand to catch up with the inventory more quickly
Single-Family Housing Permits (Jun 2011) 12-month sum vs. a year ago	-3.2%	-14.5%	Construction continues to decline from last year



While new construction is the traditional driver of supply in real estate, foreclosures now have a strong impact on inventories, particularly at the local level. Rising inventories, through construction or foreclosure, place downward pressure on the median home prices.



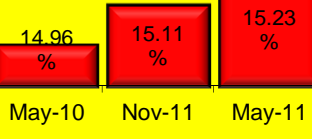
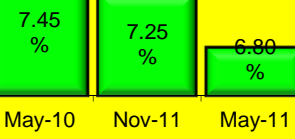
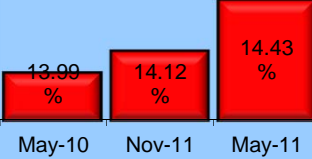
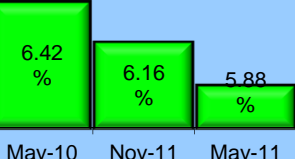
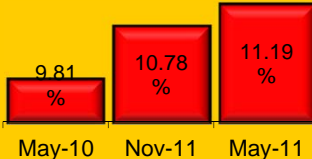
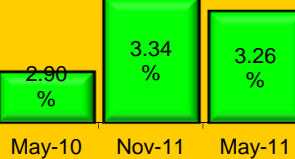
## Foreclosures by Type

Monthly Market Data - May 2011	Sarasota	U.S.	
<b>Market Share:</b> Prime (blue), Alt-A (green), and Subprime (red)			Suprime mortgages make up a larger than average share of the Sarasota market, but rising prime foreclosures are also becoming a problem
<b>PRIME:</b> Foreclosure + REO Rate			There was small local increase relative to November of last year  The current local prime rate is high compared with the current U.S. average
<b>SUBPRIME:</b> Foreclosure + REO Rate			There was modest increase locally compared to 6 months earlier  The current local rate is high given the U.S. average
<b>ALT-A:</b> Foreclosure + REO Rate			The alt-A foreclosure rate rose slightly over the most recent 6 months  The current rate for Sarasota is high compared with the U.S. average

The "foreclosure + REO rate" is the number of mortgages, by metro area, that are either in the foreclosure process or have completed the foreclosure process and are owned by banks divided by the total number of mortgages for that area.

Source: First American CoreLogic, LoanPerformance data

## Prime Foreclosures and Delinquencies in Process

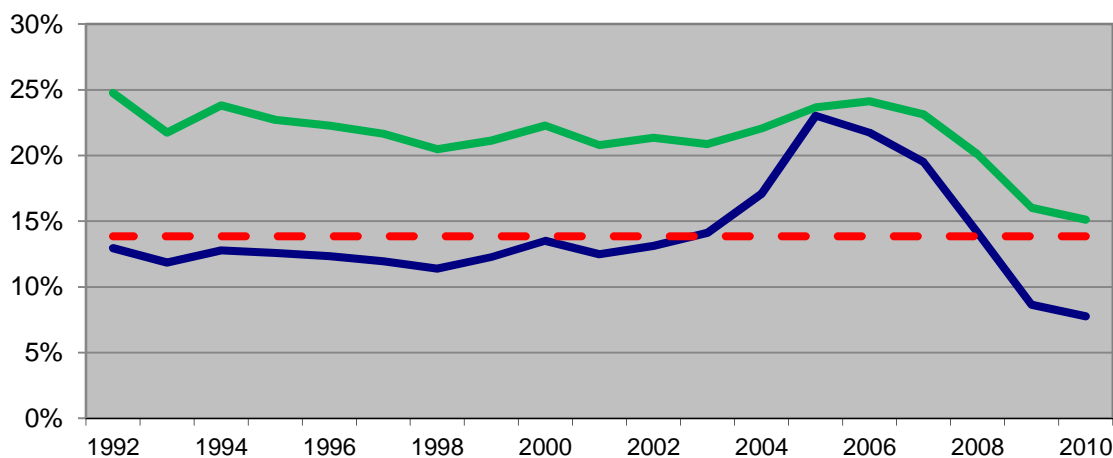
Monthly Market Data - May 2011	Sarasota	U.S.	
<b>Prime: 60-day Delinquent</b>			The 60-day delinquency rose over the 6 months ending in May suggesting that the 90-day delinquency rate is likely to rise in the near future
<b>Prime: 90-day Delinquent</b>			Sarasota's 90-day delinquency rate climbed faster than the national average over the most recent 6-month period suggesting a bulge of foreclosures in the future
<b>Prime: Foreclosure + REO Rate</b>			The increase in both the 60 and 90-day delinquency rates over the most recent 6-month period will press up on local prime foreclosure rate in the near future.

Source: First American CoreLogic, LoanPerformance data

# Affordability

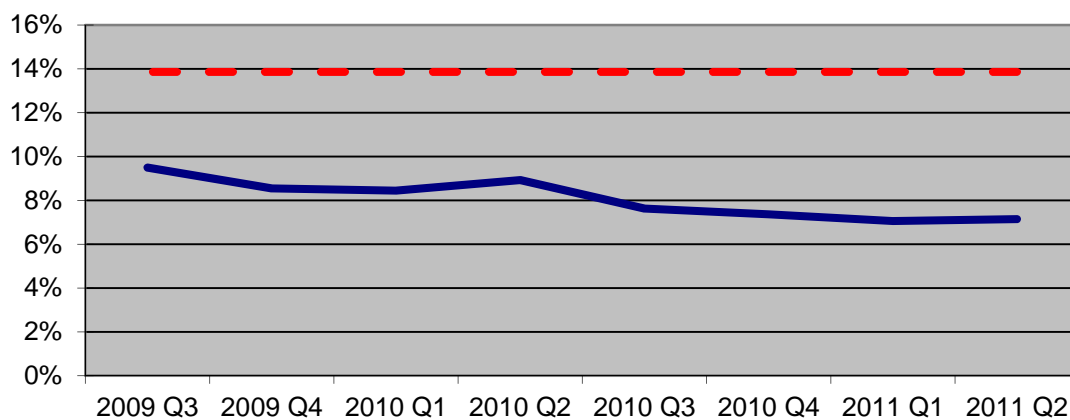


**Long-Term Trend: Ratio of Local Mortgage Servicing Cost to Income**  
(Local Historical Average Shown in Red, U.S. Average in Green)

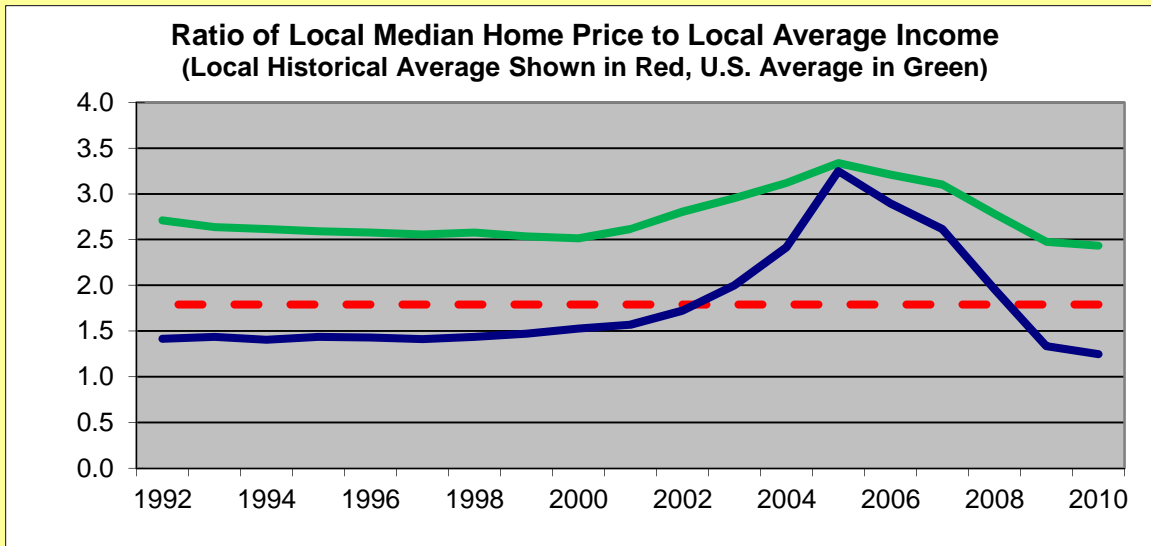


Monthly Mortgage Payment to Income	Sarasota	U.S.	
Ratio for 2009	7.8%	15.1%	Historically strong, but weaker than the first quarter of 2011
Ratio for 2011 Q2	7.1%	14.7%	
Historical Average	13.9%	22.0%	More affordable than most markets

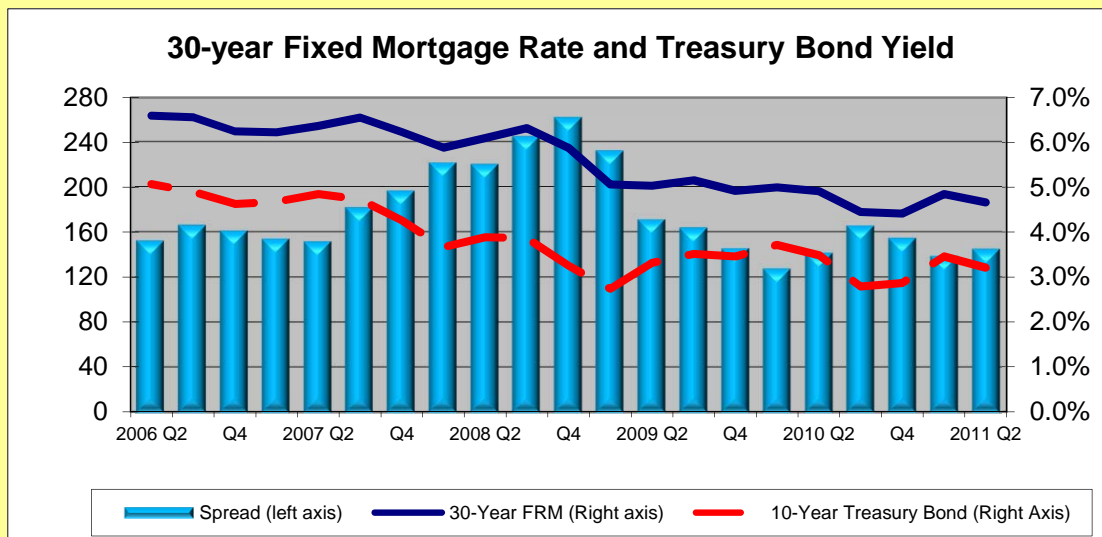
**Recent Trend - Local Mortgage Servicing Cost to Income**  
(Historical Average Shown in Red Dashed Line)



Median Home Price to Income	Sarasota	U.S.	
Ratio for 2010	1.2	2.4	The price-to-income ratio rose, but is better than the historic average
Ratio for 2011 Q2	1.2	2.4	
Historical Average	1.8	2.7	Affordable compared to most markets



## The Mortgage Market

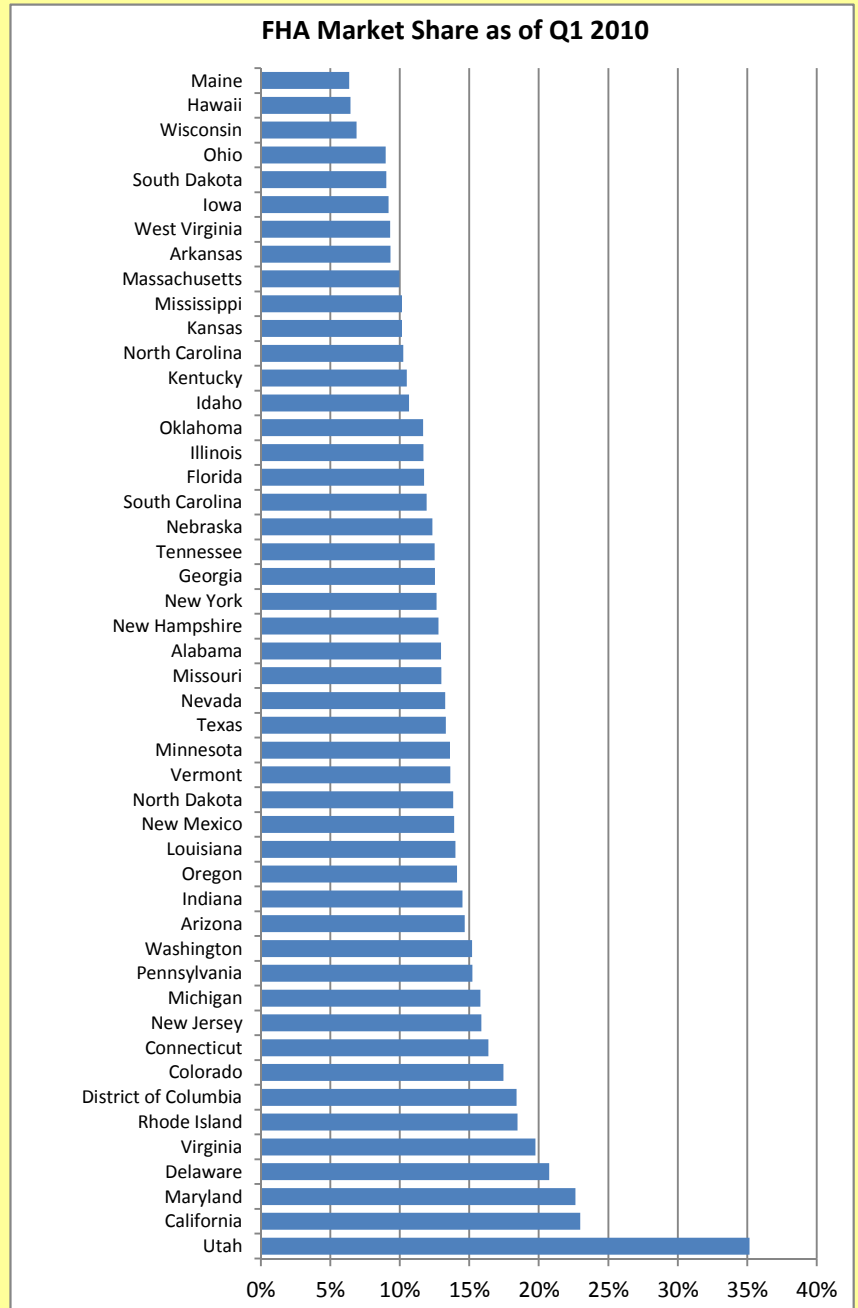


A steady flow of progressively weaker economic news reported in May and June combined to weigh on Treasury bonds in the 2nd quarter, driving the yield on the 10-year Treasury near record lows. The rate on the 30-year fixed rate mortgage followed suit, but the gap between the two opened up as investors sought out better returns than MBS as well as to avoid the risk of refinances. Concerns about the U.S. government's debt along with the sluggish economy are unlikely to be resolved in the near term. Furthermore, the Federal Reserve has made it clear that it will actively support an environment that would foster economic growth through low rates. As result, mortgage rates are expected to remain low through the fall and into 2012. The low rates will help consumers and businesses alike to navigate this economic soft patch, but they will also remove a layer of urgency from the home buying process, which could drag on home sales.

# A Closer Look...FHA Role Locally

FHA Market Share	Florida	U.S.
2010 FHA Originations	64,097	989,842
2010 Market Share	16.2%	20.2%
2011 Q1 Market Share	11.7%	0.1

FHA's market share fell sharply during the housing boom. Home sellers preferred to work with non-FHA lenders in order to avoid the FHA's more stringent and time consuming underwriting. Since the power in the housing market resided with the sellers at that time, usage of FHA loans fell off. As the real estate market shifted, so did the FHA's market share. FHA's market share this year is higher than the historical average, but down from the height of last year's tax-credit induced sales surge. The tax credit brought in many low-income and first time buyers, FHA's target market. Locally, the FHA's share of originations in Florida fell from 16.2% in 2010 to 11.7% in the first quarter of this year. The FHA's market share is likely to remain historically elevated until the housing market returns to normal in the coming years.



## Geographic Coverage for this Report

The Sarasota area referred to in this report covers the geographic area of the Sarasota-Bradenton-Venice metro area as officially defined by the Office of Management and Budget of the U.S. Government. The official coverage area includes the following counties:

Manatee County and Sarasota County

More information on the OMB's geographic definitions can be found at [http://www.whitehouse.gov/omb/inforg\\_statpolicy/](http://www.whitehouse.gov/omb/inforg_statpolicy/)