Market Review – Second Quarter 2009
for Naples, Bonita, Estero Market Areas

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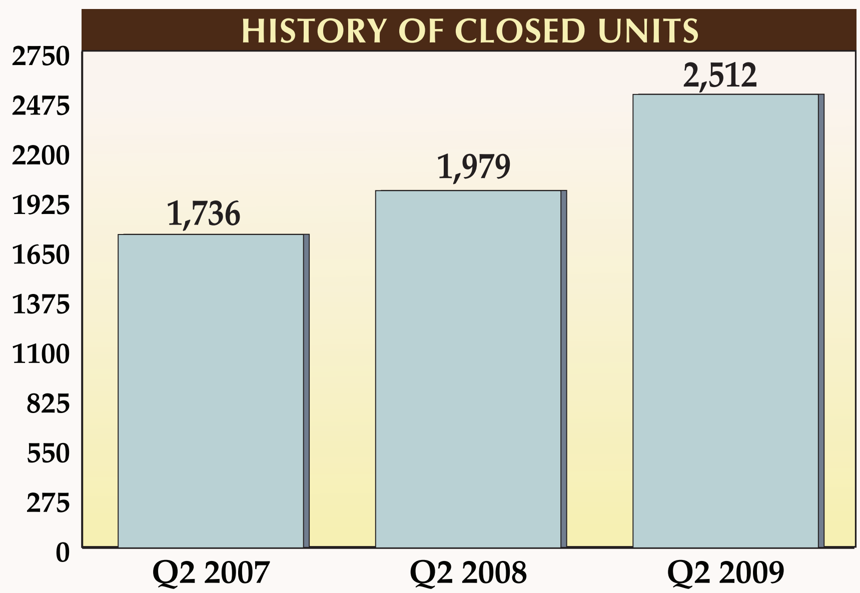
The symbol of local knowledge.

The market continued to gain momentum in the second quarter, posting a 27% increase in closed units over second quarter 2008.

CLOSINGS AND INVENTORY

Closed sales reached their highest quarterly level since 2005, with a 48% increase over first quarter 2009, and a 27% increase over second quarter 2008. The increase over first quarter is the highest in 10 years, and substantially above the average historical change from first to second quarter. Properties priced below $250,000 continue to represent 63% of all second quarter closed sales. However, for the first time since the onset of the market correction, available inventory in this segment *appears* to be stabilizing. At the end of first quarter 2009, the category was showing a 26% increase in inventory over Q1 2008. By the end of the second quarter, this had dropped to a 4% decrease over same period 2008, A decrease in inventory in this segment is very positive, and once sustained, will benefit the market at large.



CURRENT INVENTORY BY PRICE SEGMENT

PRICE SEGMENT	2007	2008	2009
$0 – $250,000	1,984	4,063	3,917
$250,000 – $500,000	6,500	4,767	3,429
$500,000 – $750,000	2,454	1,815	1,309
$750,000 – $1,000,000	1,174	980	876
$1,000,000 – $2,000,000	1,361	1,132	1,055
$2,000,000 – $5,000,000	730	662	680
Over $5,000,000	131	132	128

NEW LISTINGS / CLOSED SALES AND PENDED SALES

The number of new listings placed in inventory in the second quarter continued to decrease over the same period 2008. The largest drop occurred in the first quarter when 11% fewer new listings were taken than in Q1 2008. Second quarter drop over prior year is 7% and overall inventory is down 16% over the past 12 month period.

The ratio of *closed* sales compared to the number of new listings taken increased from its Q2 2008 level of one sale for each three new listings, to one closed sale for each 2.2 new listings in second quarter 2009. This is a substantial drop when compared with the one closed sale for each six new listings recorded in early 2008. *Pended* sales, the leading indicator of current market activity, shows an even stronger ratio with *one pended sale for every 1.3 new listings*! This is a significant indicator and currently at its highest level since mid-2005.

PENDED SALES/NEW LISTINGS HISTORY

YEAR	NUMBER PENDED	RATIO: NEW LISTINGS: PENDED SALES
Q2 2006	1,894	3.6 : 1
Q2 2007	1,988	3.2 : 1
Q2 2008	2,449	2.5 : 1
Q2 2009	4,124	1.3 : 1

Pended sales continue to show increases over prior year on a quarterly basis. The first time that this indicator turned positive was second quarter 2008 when pended sales increased 23% over second quarter 2007. The trend has continued every quarter since, with the current quarter showing a 68% increase in pended sales over Q2 2008.

SUMMARY

Inventories are down in almost every price category when compared with their levels 12 months ago. Even the under $250,000 category is showing a slight decrease for the first time and it appears the consistently large inventory in this category may finally be stabilizing. The exceptions are condominiums between $2,000,000 and $5,000,000 which are showing a 6% inventory increase; condominiums over $5,000,000 which are exactly even with one year ago; and single family homes in the $2,000,000 - $5,000,000 segment which showed only a 1.5% inventory increase. Based on the current level of activity in the market over $2,000,000, we will probably see decreases here as well in the near term.

On an annualized basis, current inventory in the overall Naples, Bonita Springs, Estero market represents approximately a 19- month supply. This is down from a 30- month supply a year ago. Average price is at its lowest level in the period 2000 – 2009 and median price has remained fairly constant since January 2009. Recent media reports indicate that areas such as Orlando, Florida have already returned to a normal balance between supply and demand. It appears that Naples – Bonita Springs – Estero is on track to return to such a balance in the near future. When this happens, while we do not anticipate that prices will increase at their 2004 – 2006 levels, it is probable that *normal* historic gains will return. The window of opportunity for value purchases appears to be limited.