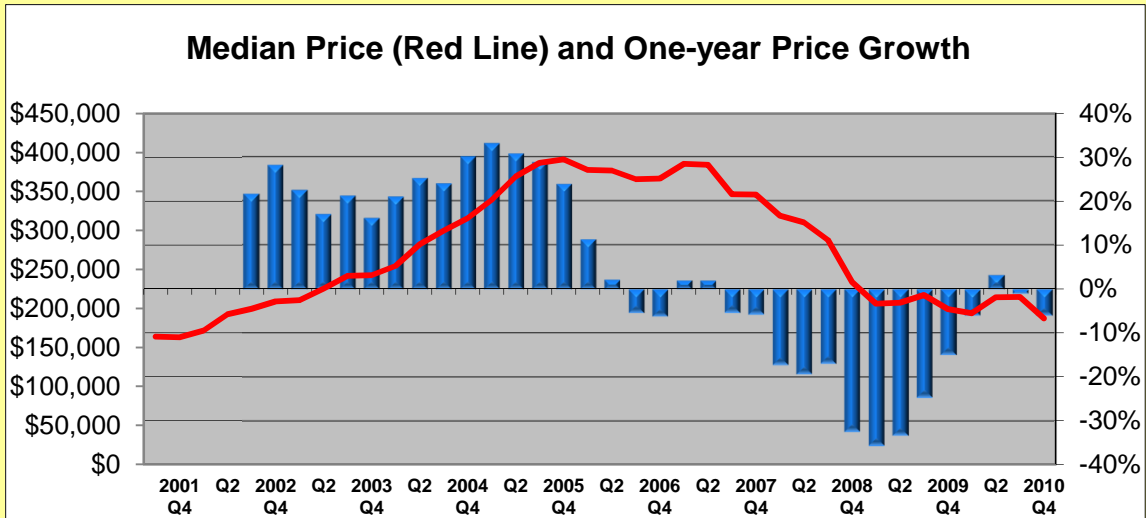


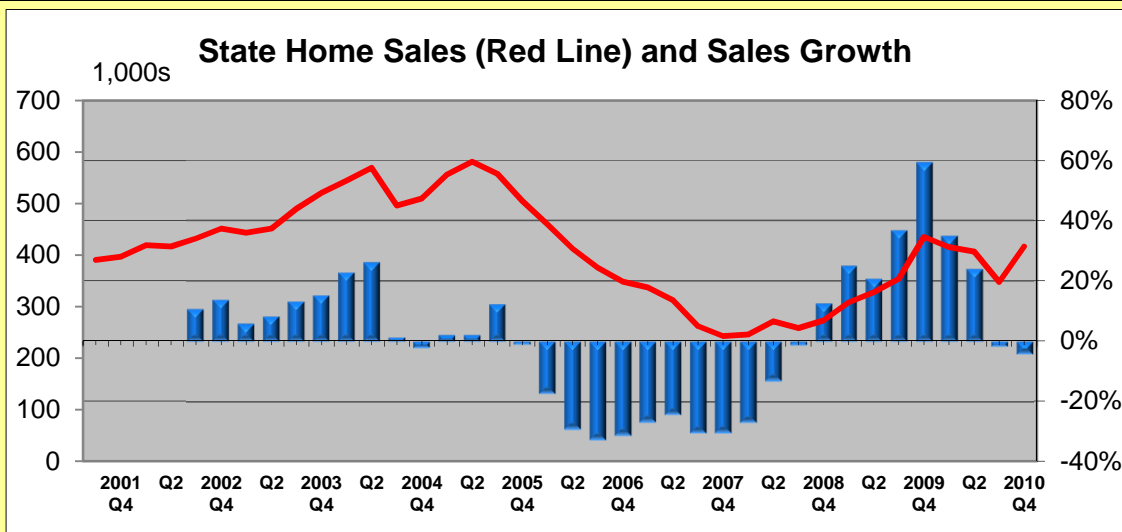
# Miami-Fort Lauderdale-Miami Beach Area Local Market Report, Fourth Quarter 2010



## Today's Market...



	Miami	U.S.	Local Trend
<b>Price Activity</b>			
Current Median Home Price (2010 Q4)	\$187,300	\$169,800	Prices are down compared to a year earlier and continue to weaken
1-year (4-quarter) Appreciation (2010 Q4)	-6.0%	-0.6%	
3-year (12-quarter) Appreciation (2010 Q4)	-45.9%	-18.2%	
3-year (12-quarter) Housing Equity Gain*	-\$158,600	-\$37,767	The relatively recent correction in local home prices wiped out most of the equity gained over the last 7 years
7-year (28 quarters) Housing Equity Gain*	-\$55,300	-\$11,433	
9-year (36 quarters) Housing Equity Gain*	\$24,500	\$15,933	
*Note: Equity gain reflects price appreciation only			
<b>Conforming Loan Limit**</b>	\$423,750	\$729,250	Most buyers in this market have access to government-backed financing
<b>FHA Loan Limit</b>	\$423,750	\$417,000	
<b>Local Median to Conforming Limit Ratio</b>	44%	not comparable	
**Note: the 2009 loan limits for FHA and the GSEs were extended through 2010.			

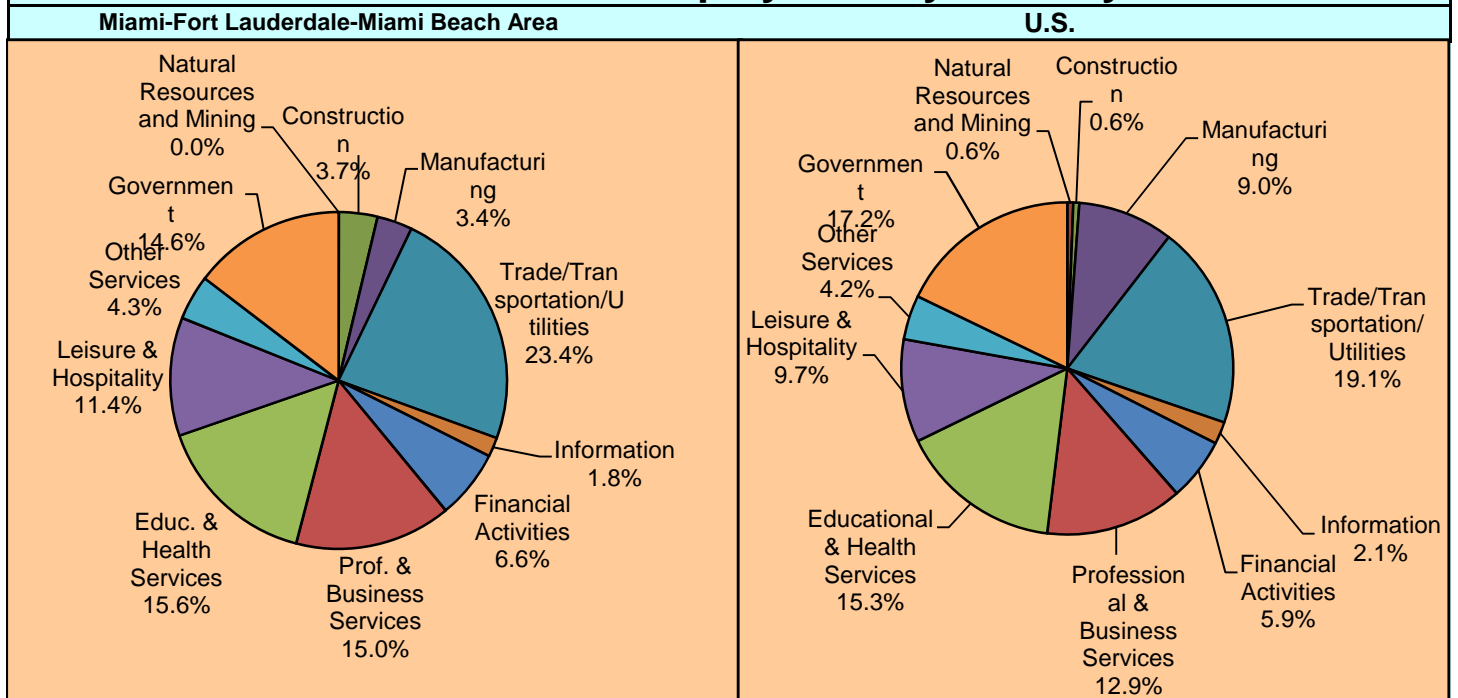


Home Sales	Florida	U.S.	
State Existing Home Sales (2010 Q4 vs 2009 Q4)	-4.2%	-19.5%	Local sales growth continues to be weak

# Drivers of Local Supply and Demand...

Local Economic Outlook	Miami	U.S.	
12-month Job Change (Dec)	4,800	Not Comparable	Employment growth has eased, but remains positive
12-month Job Change (Nov)	4,900	Not Comparable	
36-month Job Change (Dec)	-251,400	Not Comparable	Miami's unemployment situation is worse than the national average and weighs on confidence
Current Unemployment Rate (Dec)	11.8%	9.4%	
Year-ago Unemployment Rate	11.1%	9.9%	Local employment growth is respectable compared to other markets
1-year (12 month) Job Growth Rate	0.2%	-0.8%	

## Share of Total Employment by Industry



### 12-month Employment Change by Industry in the Miami-Fort Lauderdale-Miami Beach Area

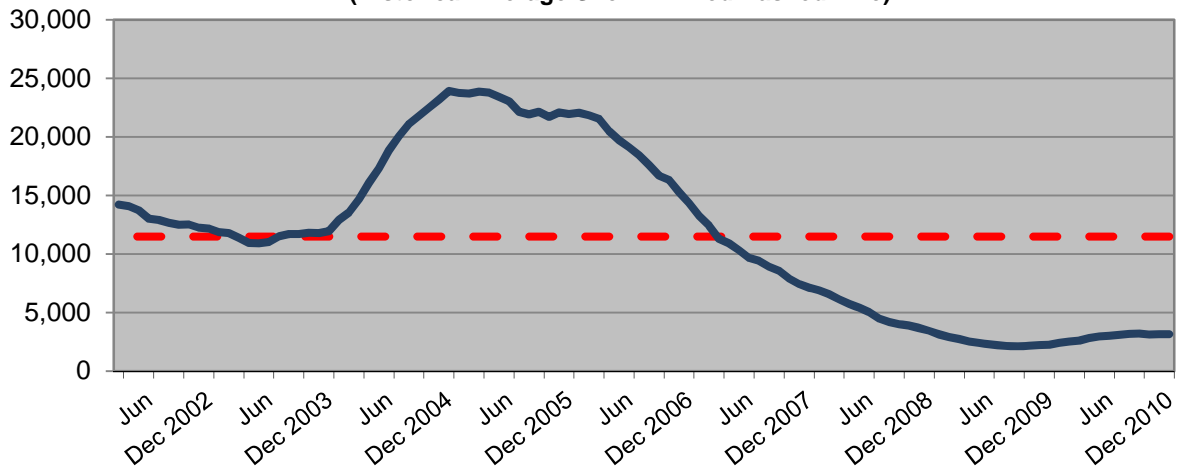
Goods Producing	NA	Information	-1,900
Natural Resources/Mining/Construction	NA	Financial Activities	-3,300
Natural Resources and Mining	0	Prof. & Business Services	1,100
Construction	-10,500	Educ. & Health Services	9,900
Manufacturing	-1,700	Leisure & Hospitality	2,700
Service Providing Excluding Government	NA	Other Services	2,000
Trade/Transportation/Utilities	8,400	Government	-1,900

State Economic Activity Index	Florida	U.S.	
12-month change (2010 - Dec)	0.5%	2.2%	The economy of Florida is growing more slowly than the rest of the nation, but improved modestly from last month's 0.45% change
36-month change (2010 - Dec)	-12.1%	-5.1%	

## New Housing Construction

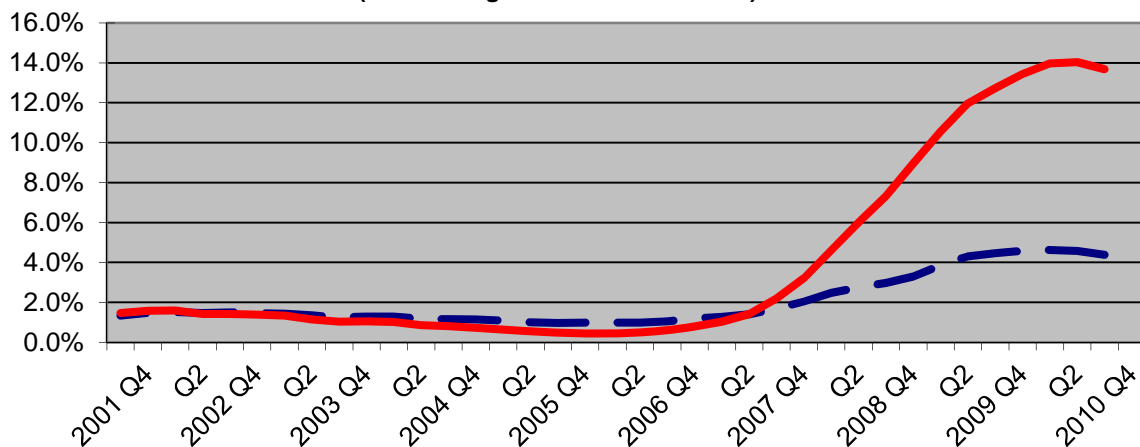
Local Fundamentals	Miami	U.S.	
12-month Sum of 1-unit Building Permits through Dec 2010	3,162	not comparable	The current level of construction is 72.5% below the long-term average
8-year average for 12-month Sum of 1-Unit Building Permits	11,486	not comparable	Excess supply reduction could result in price escalation over the longer-term if, in the future, there is a rapid and robust increase in demand
Single-Family Housing Permits (Dec 2010) 12-month sum vs. a year ago	39.2%	2.6%	Construction is on the rise relative to last year, suggesting that the local inventory has stabilized

**Construction: 12-month Sum of Local Housing Permits**  
(Historical Average Shown in Red Dashed Line)



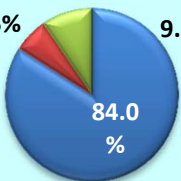
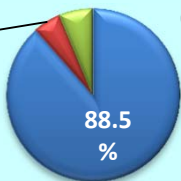
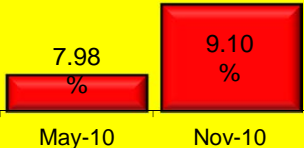
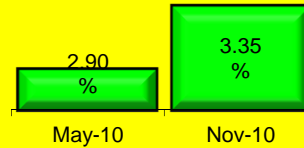
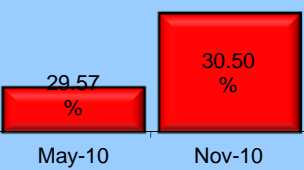
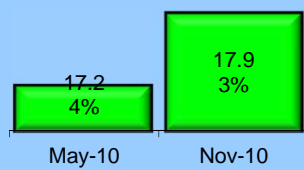
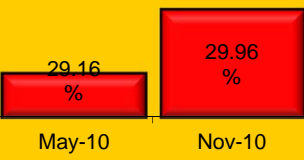
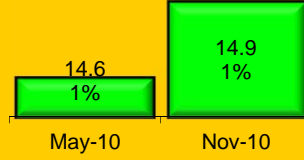
While new construction is the traditional driver of supply in real estate, foreclosures now have a strong impact on inventories, particularly at the local level. Rising inventories, through construction or foreclosure, place downward pressure on the median home prices.

**State Total Foreclosure Rate vs. U.S Average**  
(U.S. Average in Blue Dashed Line)



Source: Mortgage Bankers' Association

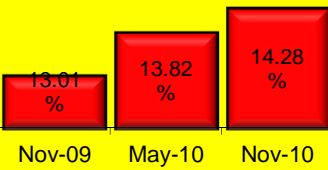
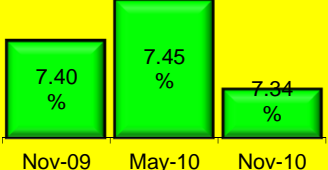
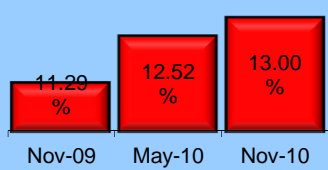
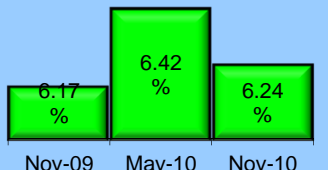
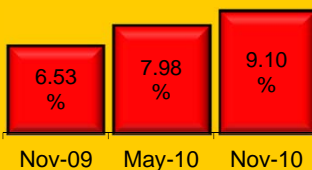
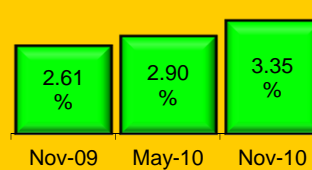
## Foreclosures by Type

Monthly Market Data - November 2010	Miami	U.S.	
<b>Market Share:</b> Prime (blue), Alt-A (green), and Subprime (red)			The Miami market has a lower share of subprime loans than the average market, but rising prime foreclosures are becoming a problem
<b>PRIME:</b> Foreclosure + REO Rate			There was a substantial increase versus May 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 Miami 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

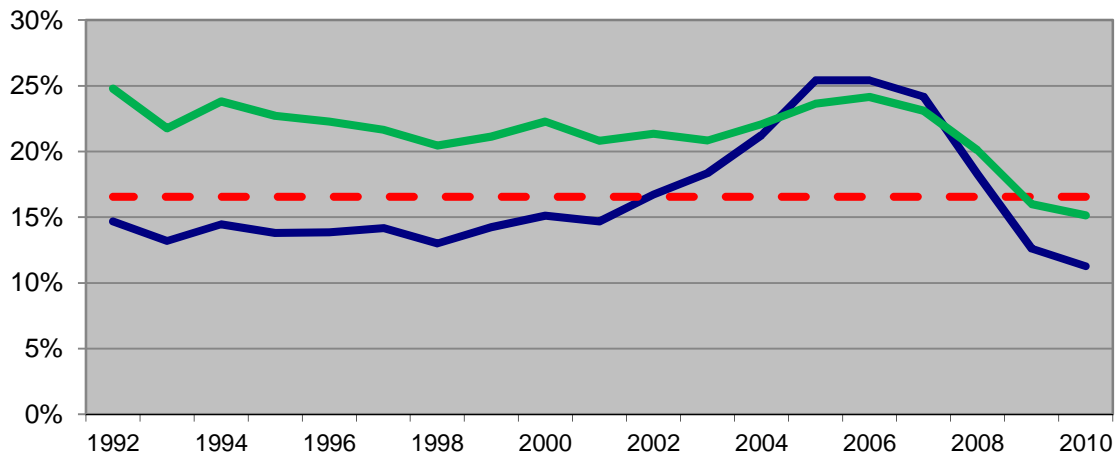
Monthly Market Data - November 2010	Miami	U.S.	
<b>Prime: 60-day Delinquent</b>			The 60-day delinquency rose over the 6 months ending in November suggesting that the 90-day delinquency rate is likely to rise in the near future
<b>Prime: 90-day Delinquent</b>			Miami's 90-day delinquency rate climbed 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

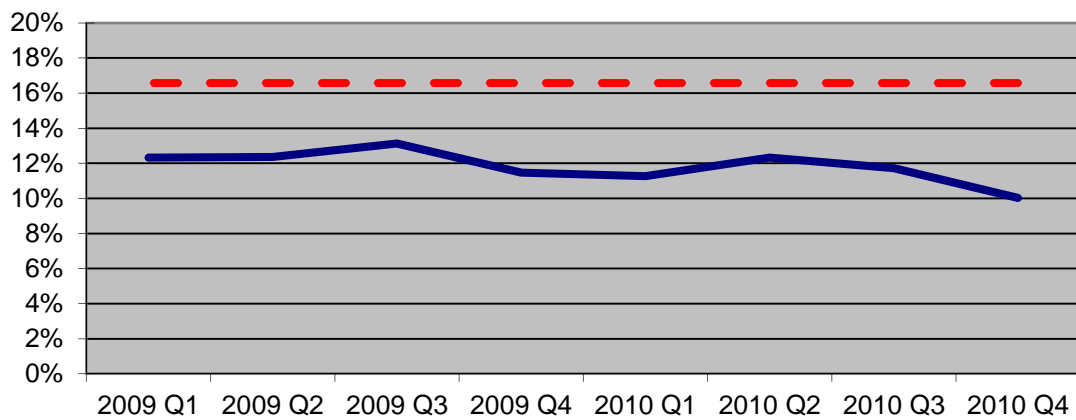


**Long-Term Trend: Ratio of Local Mortgage Servicing Cost to Income**  
(Local Historical Average Shown in Red, U.S. Average in Green)

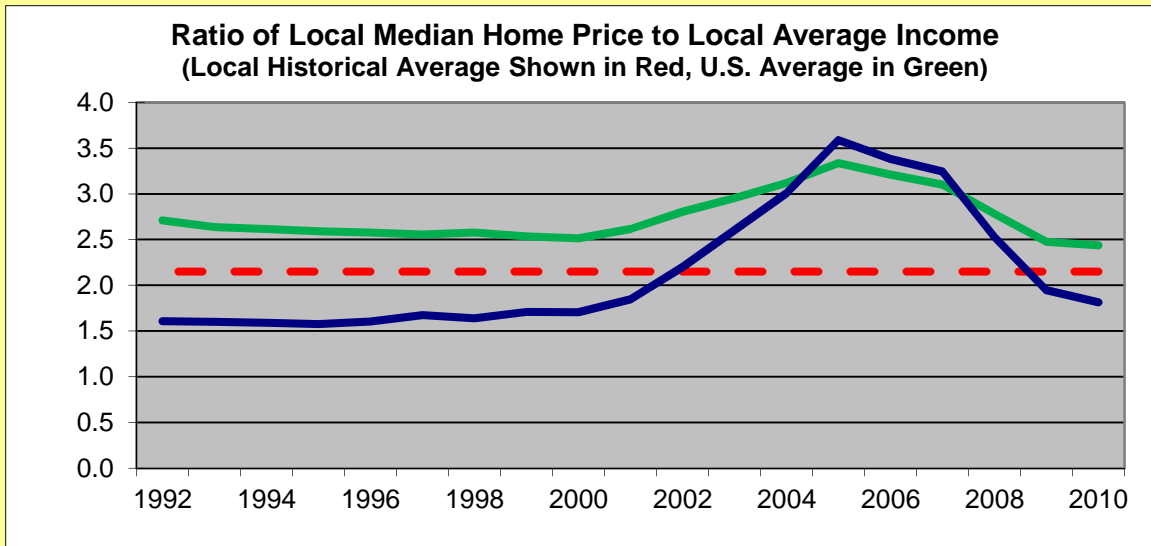


Monthly Mortgage Payment to Income	Miami	U.S.	
Ratio for 2009	11.3%	15.1%	Historically strong and an improvement over the third quarter of 2010
Ratio for 2010 Q4	10.0%	14.1%	
Historical Average	16.6%	22.0%	More affordable than most markets

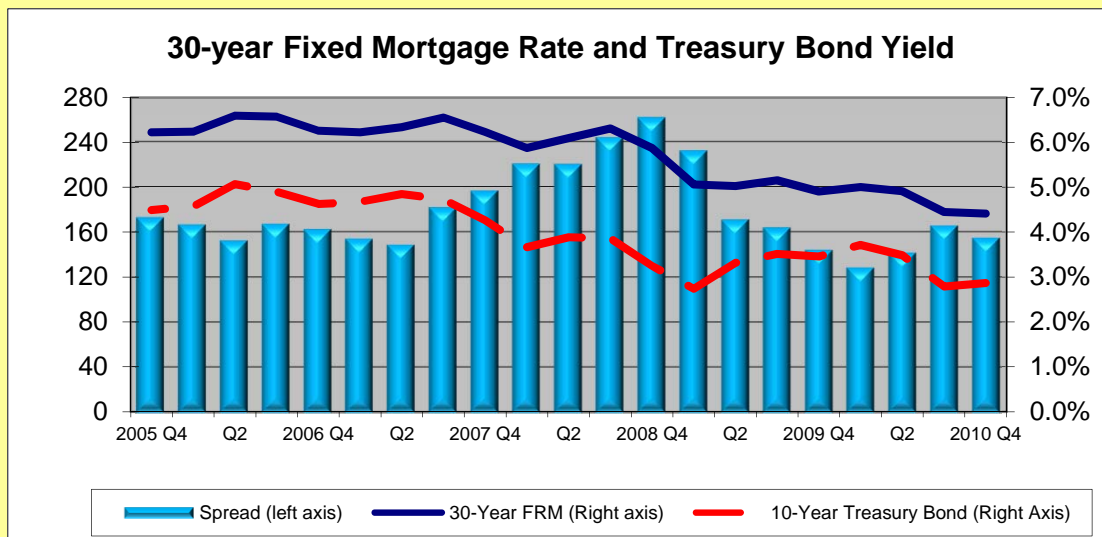
**Recent Trend - Local Mortgage Servicing Cost to Income**  
(Historical Average Shown in Red Dashed Line)



Median Home Price to Income	Miami	U.S.	
Ratio for 2010	1.8	2.4	The price-to-income ratio has fallen and is below the historical average
Ratio for 2010 Q4	1.7	2.3	
Historical Average	2.2	2.7	Affordable compared to most markets

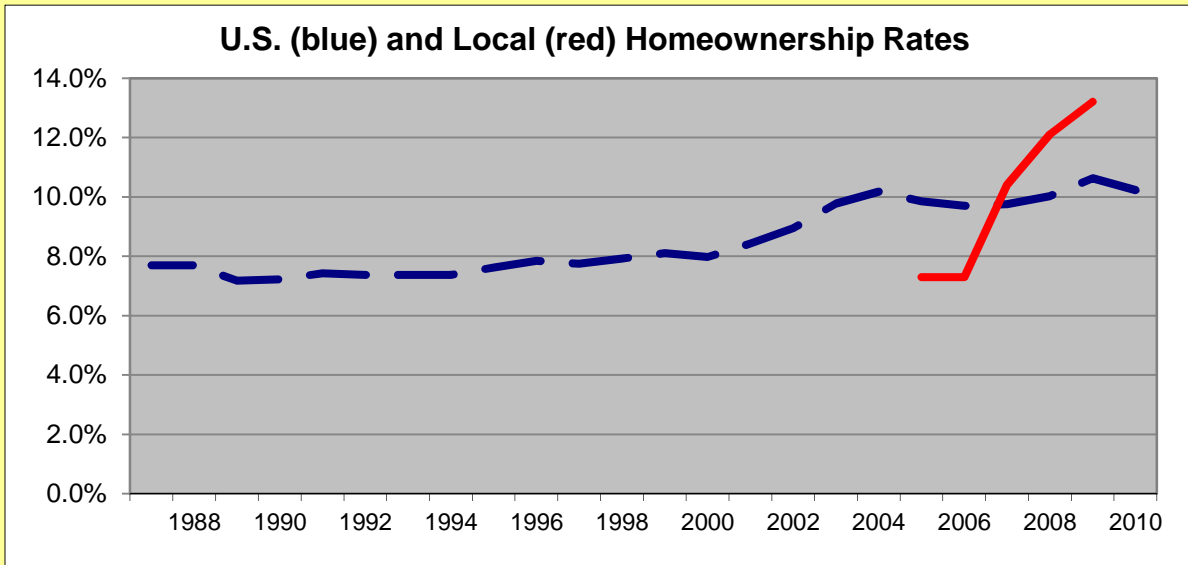


## The Mortgage Market



The 10-year Treasury climbed 10 basis points to 2.9% in the 4th quarter of 2010, while the average 30-year fixed rate mortgage held steady at 4.4%. Consequently, the spread eased slightly to 155 basis points. The 4th quarter got off to a bad start with weak economic news and the “robo-signing” scandal, which threatened to slow the pace of foreclosures sales and weigh on home prices. Treasury and mortgage rates slid in October and November as a result. The 30-year fixed rate mortgage reached a record low of 4.17% in the 2nd week of November as measured by Freddie Mac. However, news of resilient consumer spending and improved production figures coupled with modest gains in employment in December and relatively strong news on the pace of home sales caused the 10-year Treasury to climb and mortgage rates followed suit. Mortgage rates remain historically low and are forecast by NAR Research to rise to 5.3% by the end of 2011.

# A Closer Look...Rental Vacancy Rates



Homeownership Rate	Miami	U.S.	
Ratio for 2009	13.2%	10.6%	The rental vacancy rate in Miami rose in 2009
Ratio for 2010 Q4	9.0%	9.4%	
Historical Average	10.1%	8.6%	

After hovering around 8.0% for much of the late 1990s, the national rental vacancy rose to 10.2% in 2004 at the height of the real estate boom. However, as the housing market slowed, the rental vacancy rate eased slightly before jumping to 10.6% in 2009. Instead of shifting demand from home buying to renting, the sharp economic recession has forced many would-be renters to move in with parents or extended family causing the rental vacancy rate to remain elevated. Locally, there was an increase in the rental vacancy rate for Miami from its recent peak of 12.1% in 2008 to 13.2% in 2009.

## Geographic Coverage for this Report

The Miami area referred to in this report covers the geographic area of the Miami-Fort Lauderdale-Miami Beach 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:

Broward County, Miami-Dade County, and Palm Beach County

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