INSIGHT.ANALYSIS.FORECAST.

METRO PHOENIX LAND AND HOUSING FORECAST

WELCOME

About Us

Organization
Founded in 1987

Affiliates
Land Advisors Capital

Capital firm that strategically brings land and capital clients together in scenarios such as conventional equity provision, distressed debt joint ventures, recapitalizations and M&A opportunities.

Integral Property Tax Services

State and local tax consulting firm specializing in real and personal property tax reductions.

Core Competencies

- Exclusive focus on land-related services (brokerage, sourcing capital, property tax assessment)
- Investment land, platted and finished lots, commercial/industrial and master planned land, and distressed land-related assets

Personnel

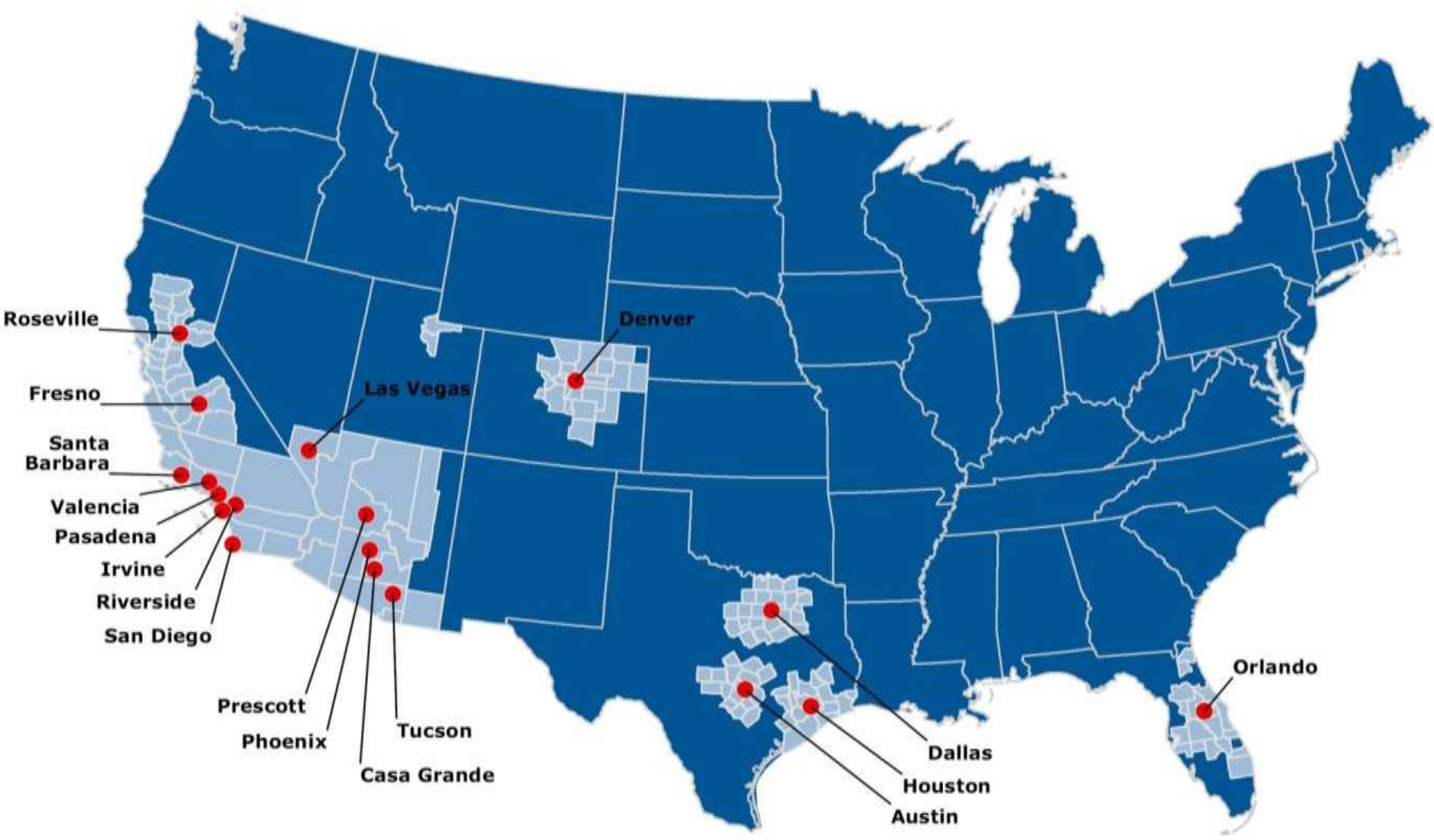
- Grown to 77 team members: 53 agents, 4 information/GIS specialists and 20 support specialists including marketing, escrow, and financial operations

Performance

- Closed over $10 billion in land transactions
- Currently have over $5.2 billion (+/-206,700 acres) in exclusive listings
- Unparalleled database containing over 300,000 property owners
- Established relationships with the largest and most respected real estate investment and development companies in the country
- Currently represent nationwide banks and institutions in the evaluation and disposition of their land related assets including JPMorgan Chase, Bank of America, Wells Fargo, AmTrust Bank

LAO Offices

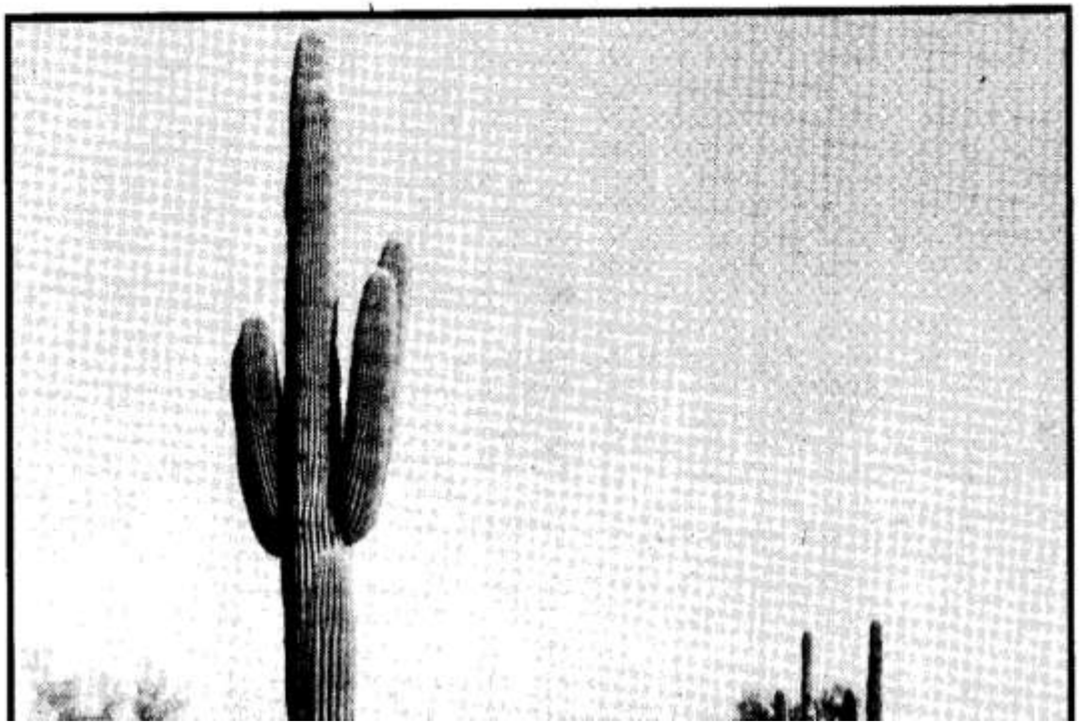
ARIZONA | CALIFORNIA | COLORADO | FLORIDA | NEVADA | TEXAS




Elliott. Must you wear that get-up every time we go through the economic forecasts?

Phoenix Descending

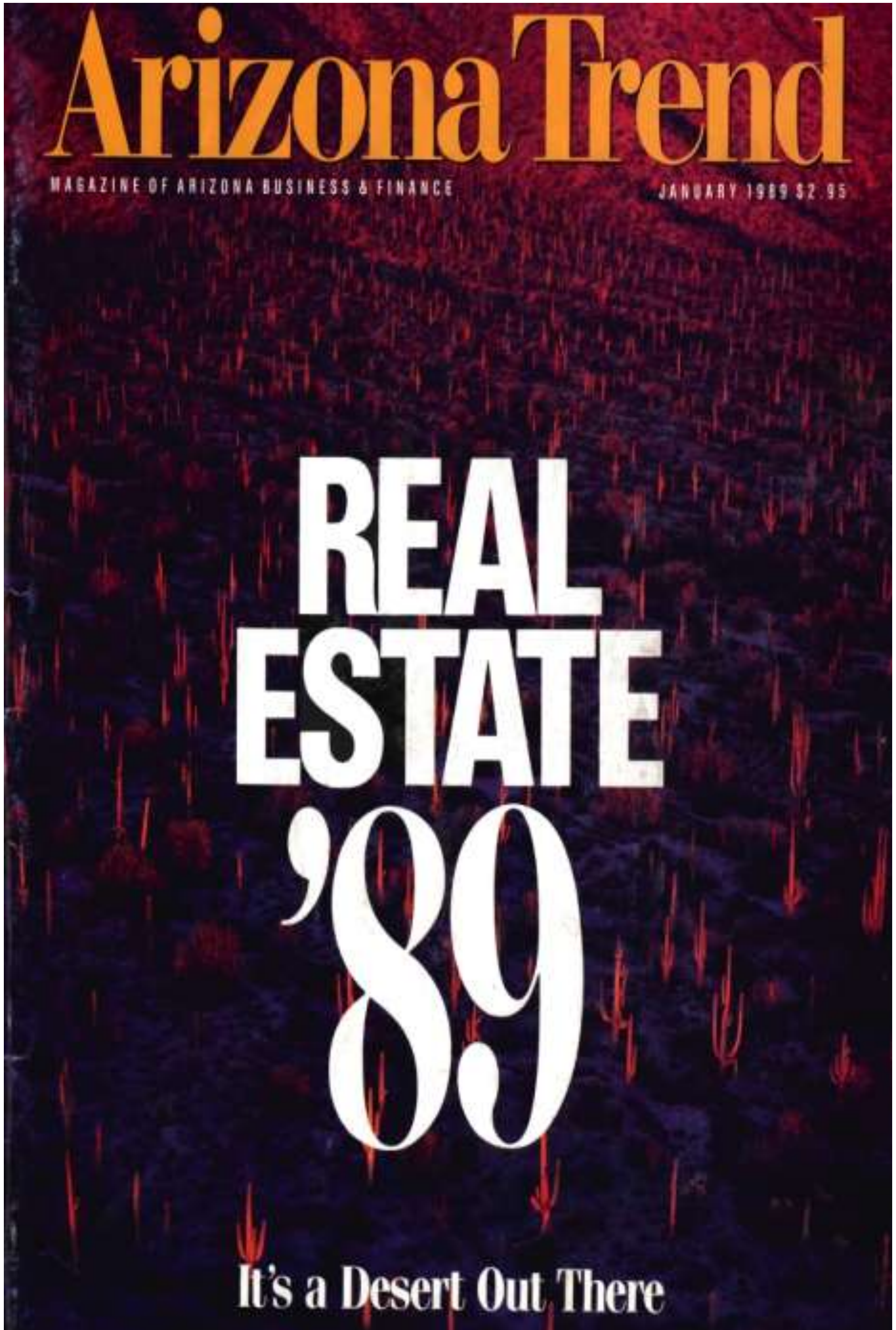
Is Boomtown U.S.A. Going Bust?

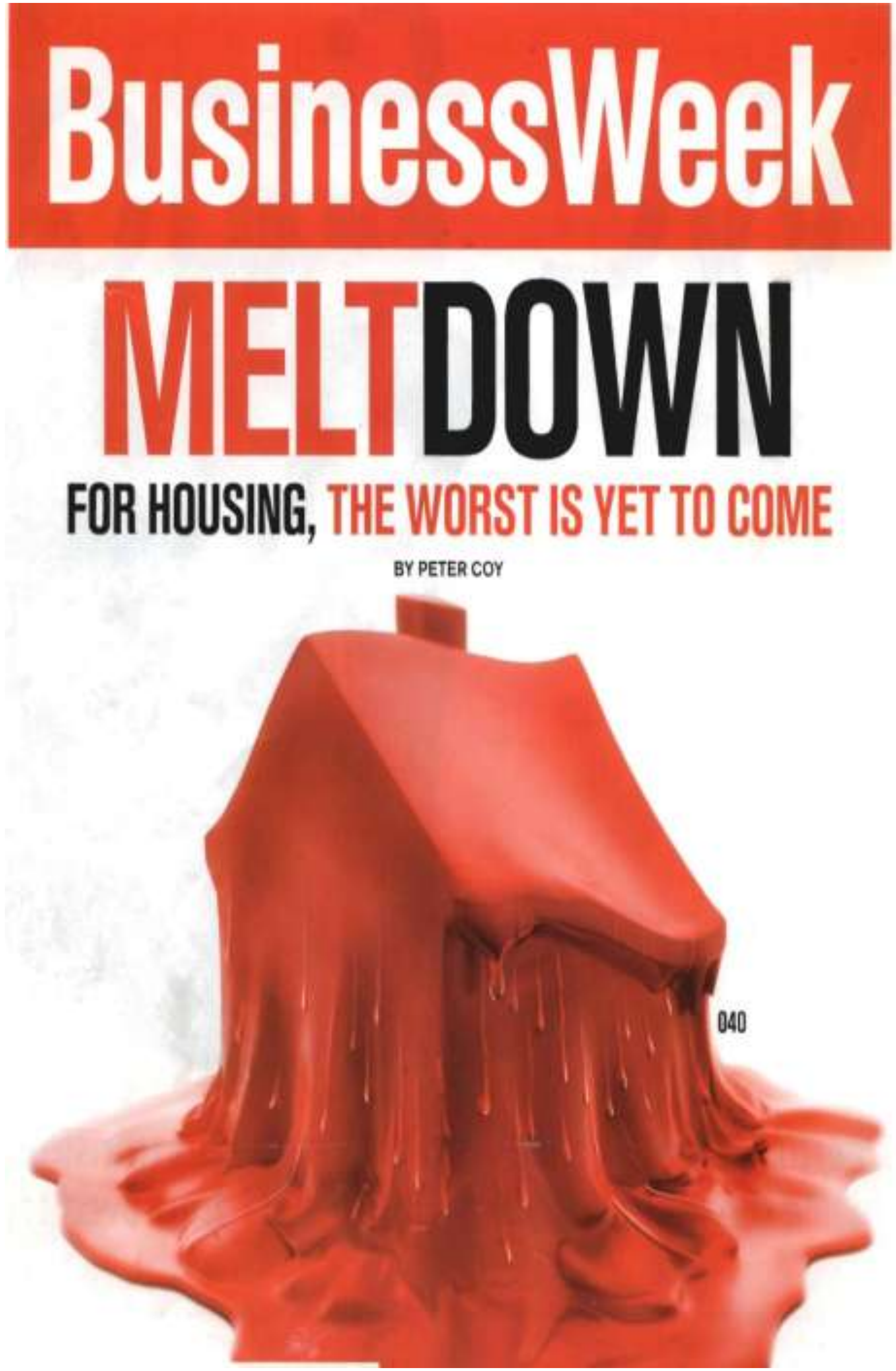


real estate and, by extension, the area's economy as a whole. Indeed, unmistakable signs of a deep and protracted real-estate bust are rapidly accumulating.

The problem first surfaced a few years ago in the office building, apartment and retail mall sectors where tax-shelter-driven investment unleashed a torrent of new construction activity. Office vacancy rates, for example, soared past 20% in the Phoenix area by 1986 and have remained at that level ever since, despite the 1986 Tax Reform Act, which took away nearly all the tax benefits from such categories of real estate. The absorption rate of new space simply never materialized at expected levels.

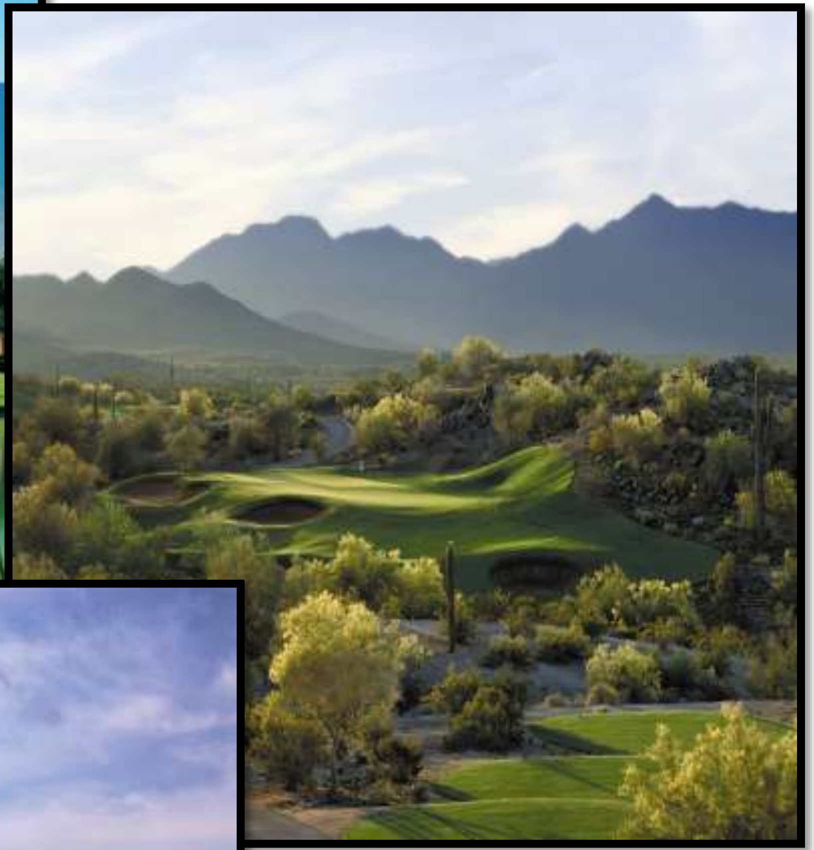
The contagion has only spread in recent months. According to Arizona State University's authoritative Real Estate Center, apartment vacancies surged to a record 17% in the second quarter. Not even the seasonal arrival of winter visitors from the North, the so-called


Arizona Trend
MAGAZINE OF ARIZONA BUSINESS & FINANCE
JANUARY 1989 $2.95
REAL ESTATE '89
It's a Desert Out There



January 2008

Source: Google images



Source: *Estrella Mountain Ranch*

Projected Population Growth 2000 - 2030

TOP 10 MOST POPULATED STATES IN 2030

RANK	STATE	2000 POPULATION	2030 POPULATION
1	California	33,871,648	46,444,861
2	Texas	20,851,820	33,317,744
3	Florida	15,982,378	28,685,769
4	New York	18,976,457	19,477,429
5	Illinois	12,419,293	13,432,892
6	Pennsylvania	12,281,054	12,768,184
7	North Carolina	8,049,313	12,227,739
8	Georgia	8,186,453	12,017,838
9	Ohio	11,353,140	11,550,528
10	Arizona	5,130,632	10,712,397
28	Nevada	1,998,257	4,282,102

2009 ARIZONA POPULATION:
6,683,129

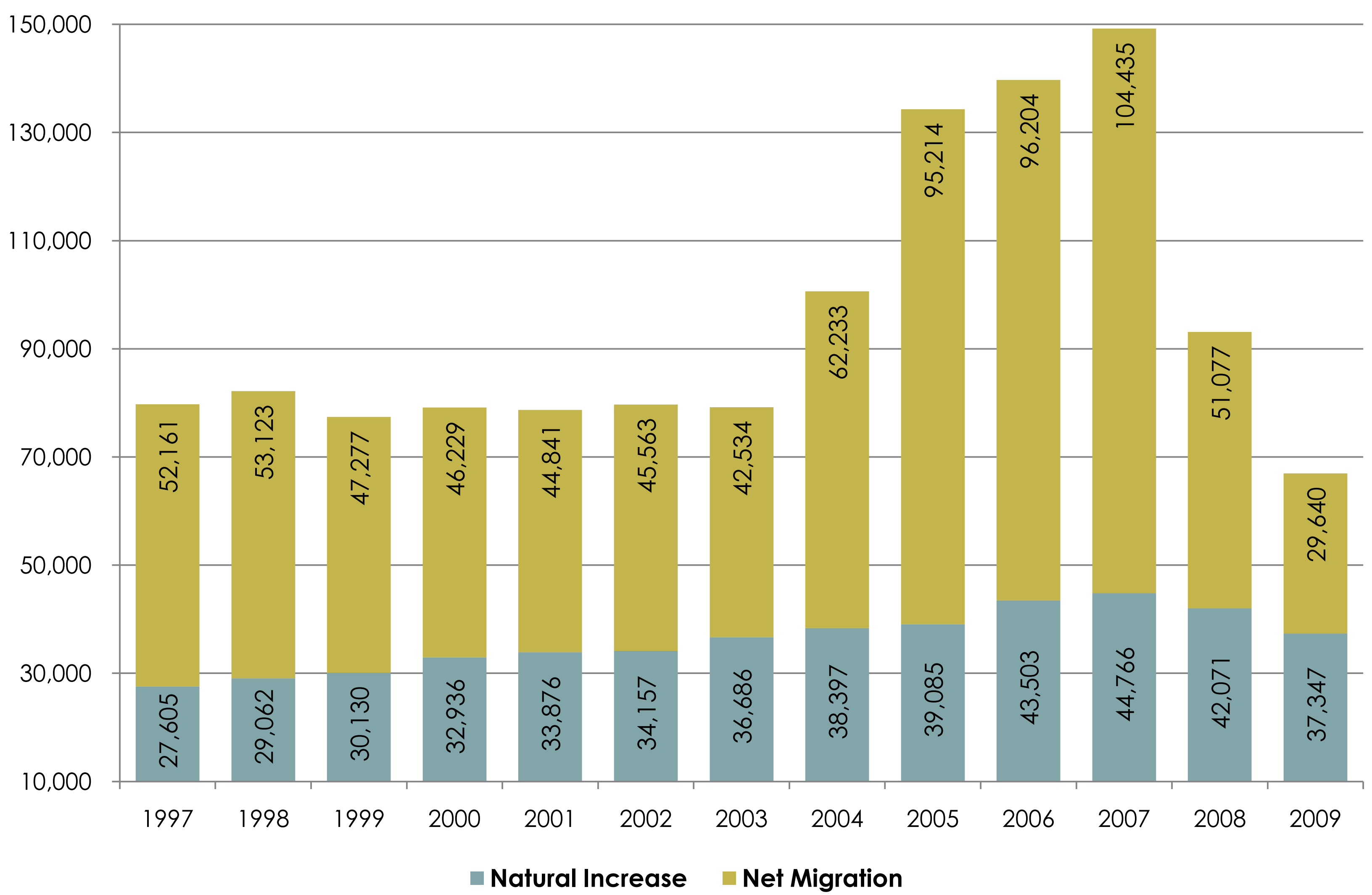
2009 METRO PHOENIX POPULATION:
4,379,634

FASTEST GROWING STATES

STATE	% GROWTH
Nevada	114%
Arizona	109%
Florida	80%
Texas	60%
Utah	56%
United States	29%

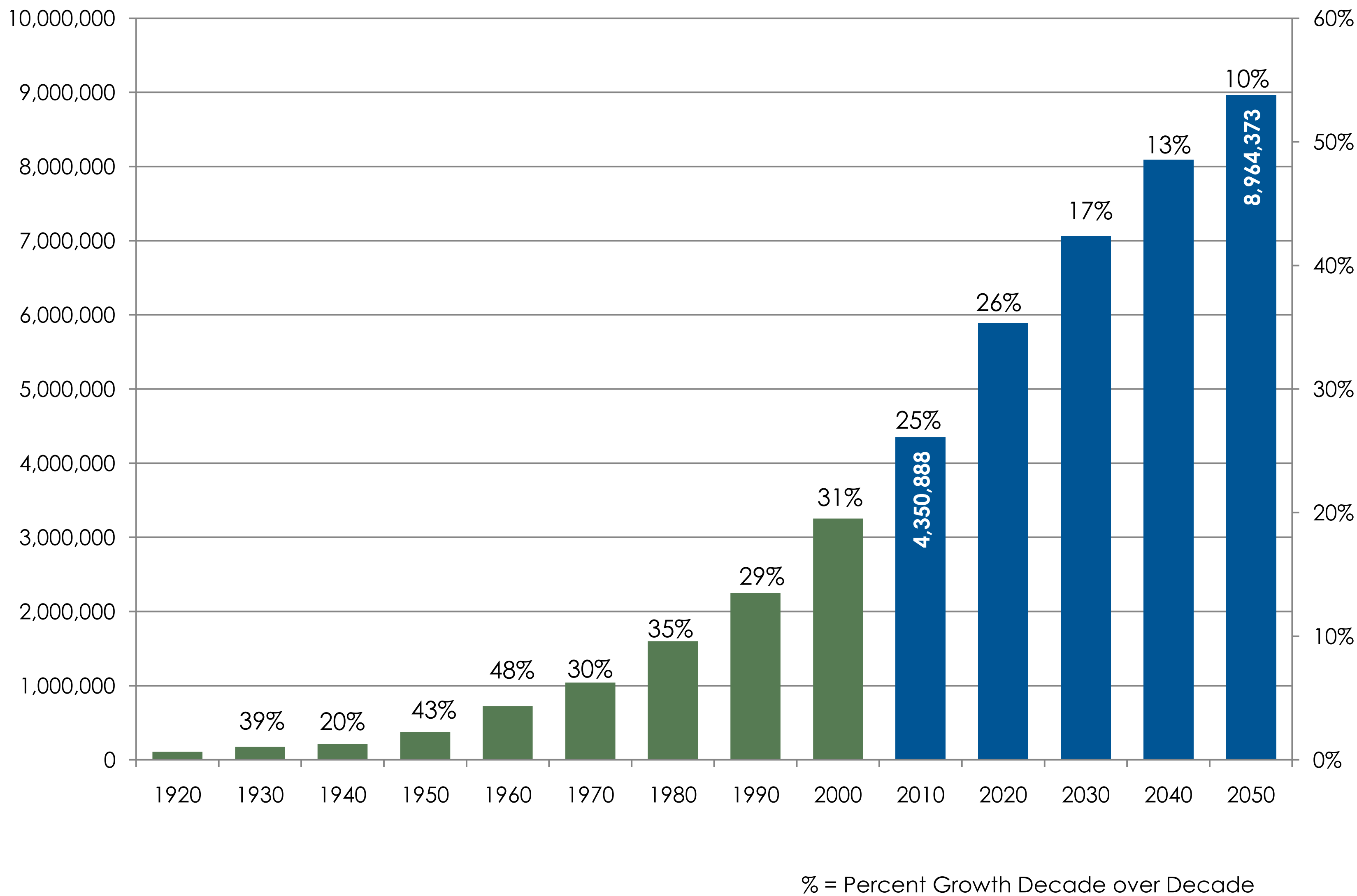
Source: U.S. Census Bureau; Eller College of Management; ADOC, Dec 2009

Maricopa/Pinal Counties Natural Increase/Net Migration



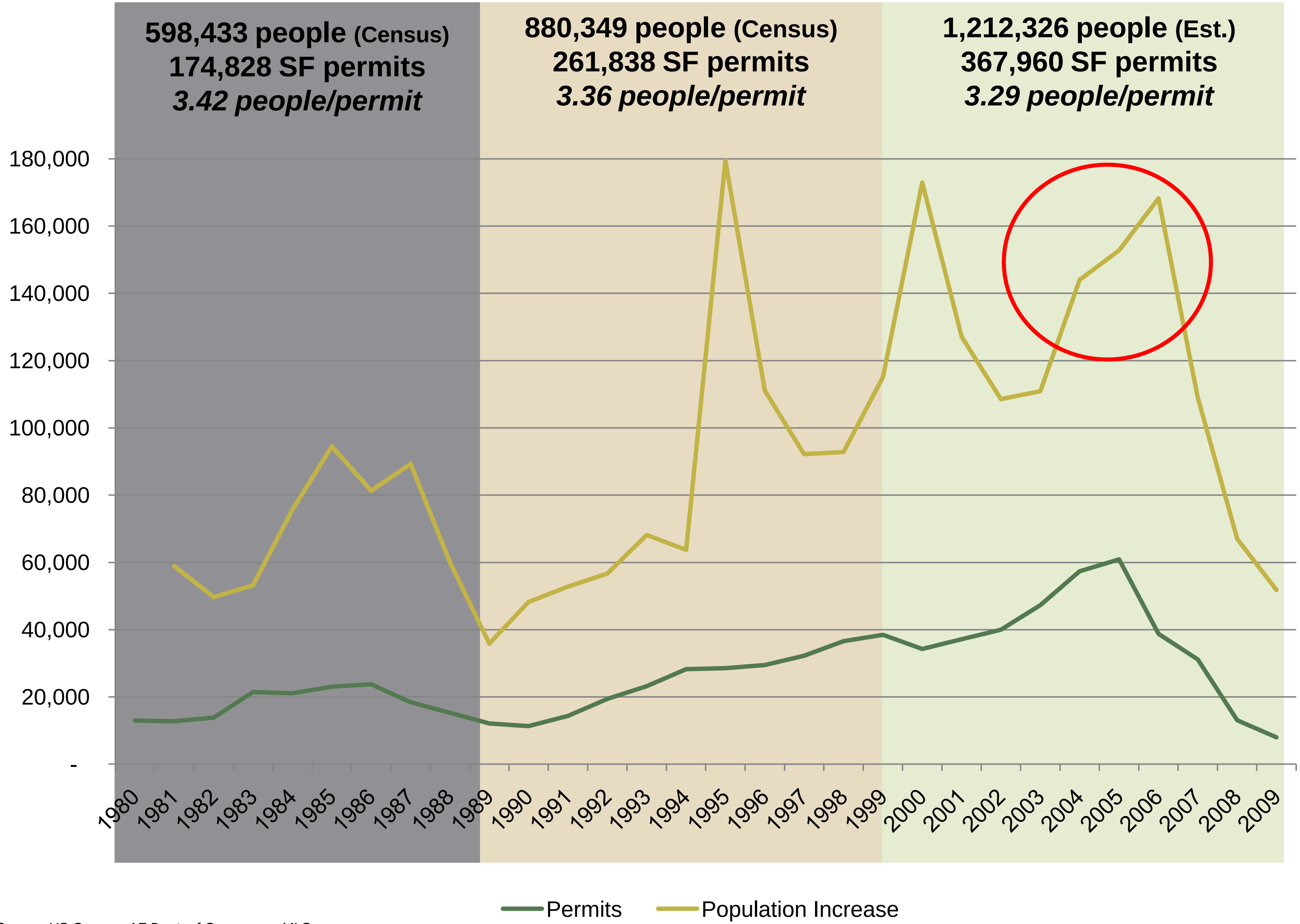
Source: Arizona Department of Commerce; U.S. Census Bureau

Projected Population Growth



Source: Arizona Department of Commerce

Metro Phoenix New Housing and Population



Source: US Census, AZ Dept. of Commerce, MLS

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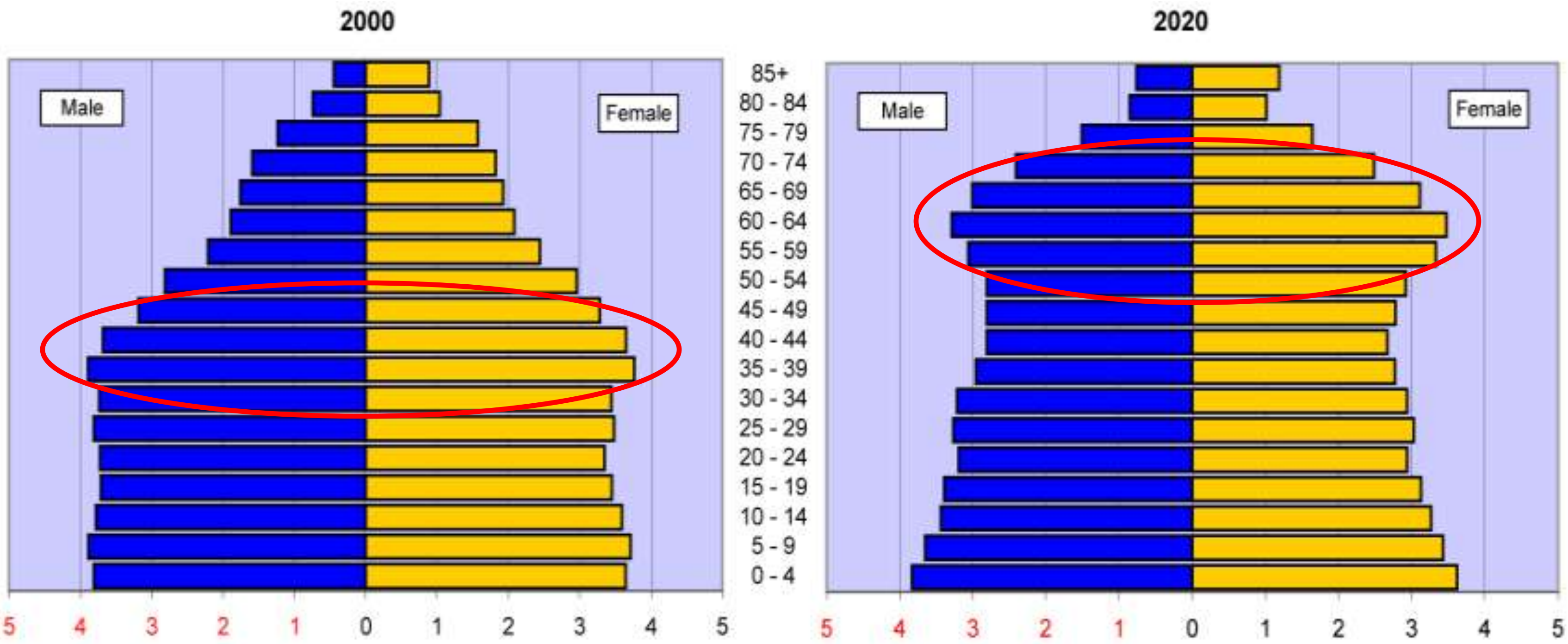
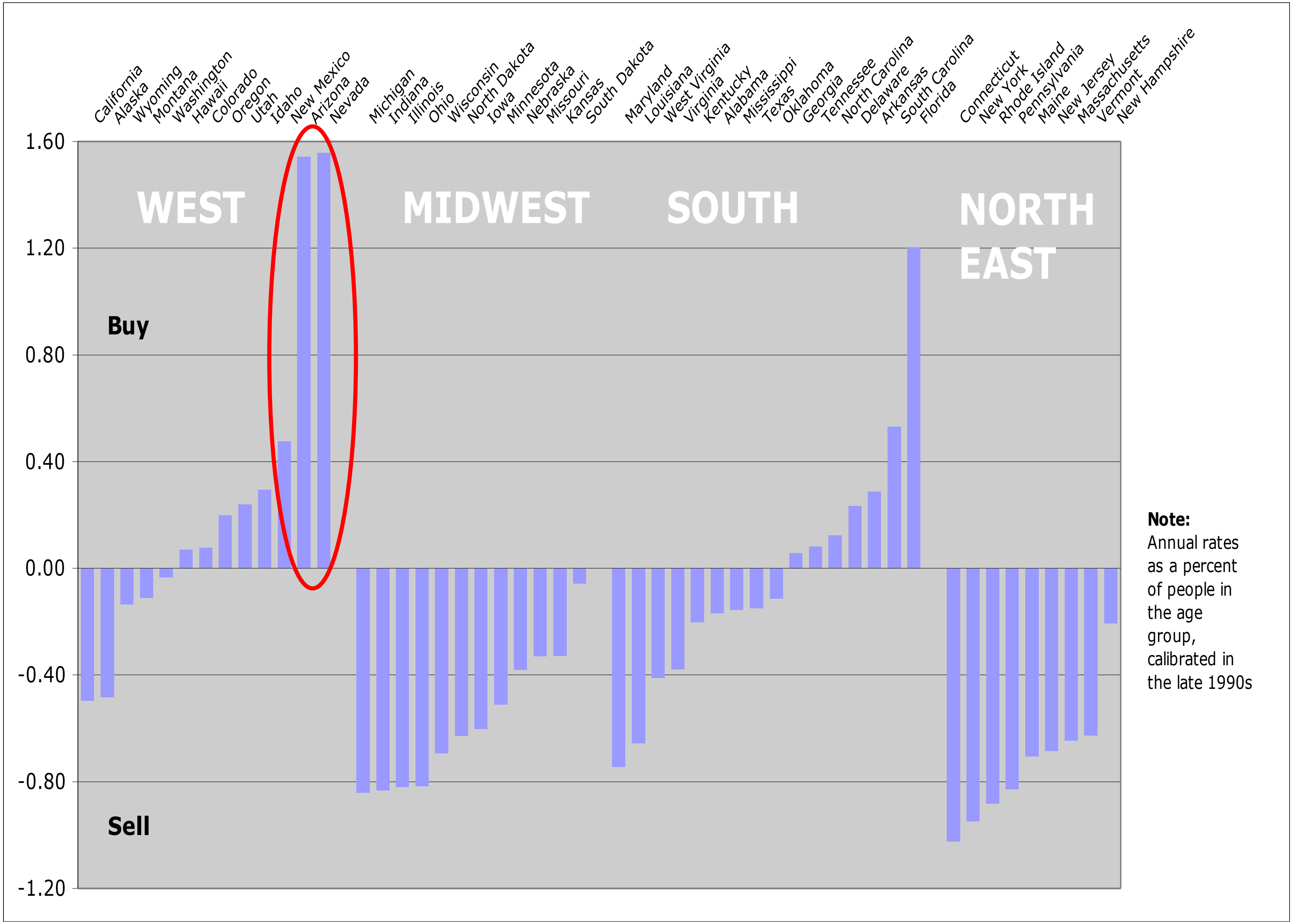
Baby Boomers in Arizona

Percent of Total Population



Source: US Census

Arizona: Prime Retirement Location



Source: Journal of the American Planning Association, 2008

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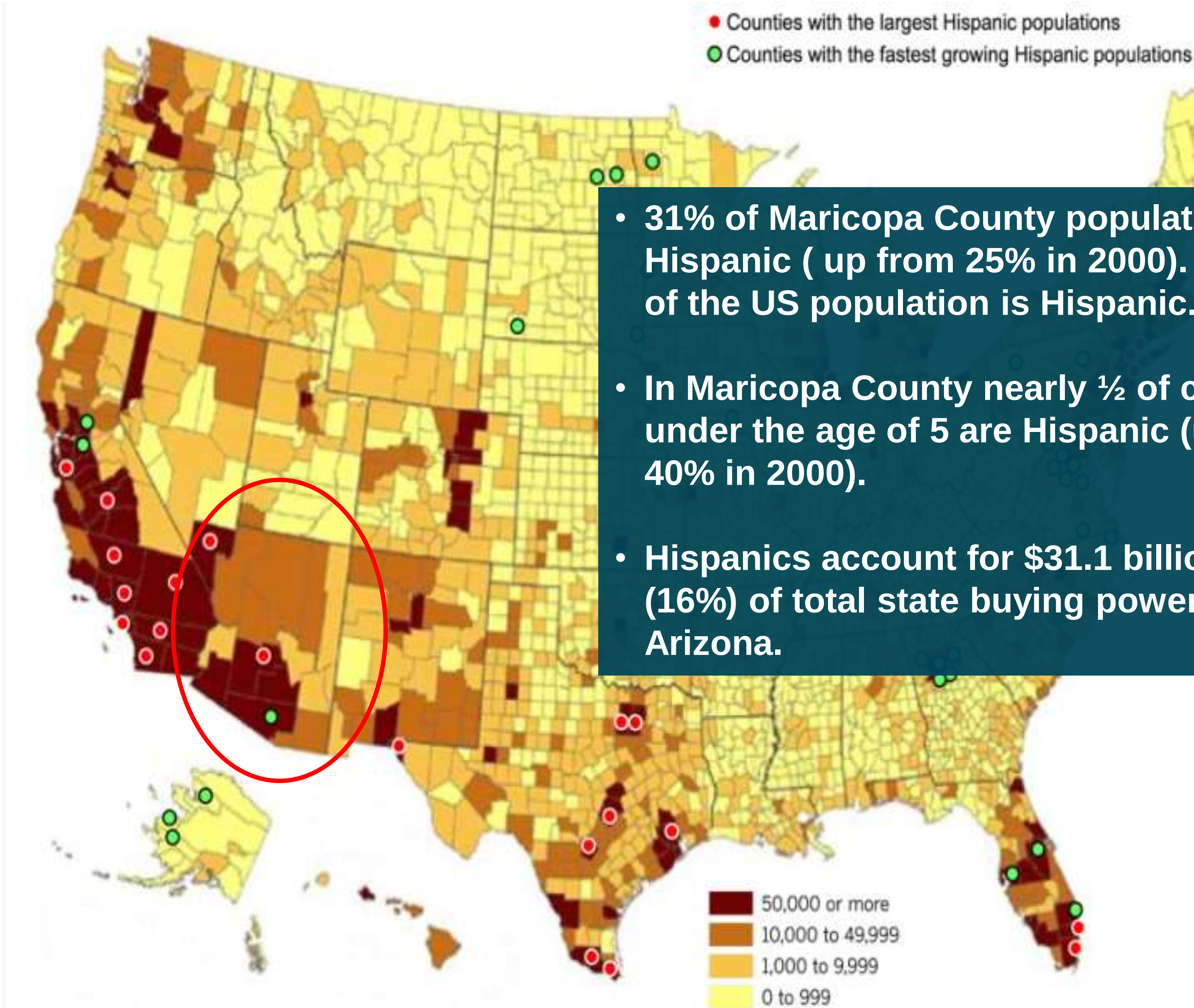
Hispanic Growth: 2007



- **31% of Maricopa County population is Hispanic (up from 25% in 2000). 15.4% of the US population is Hispanic.**
- **In Maricopa County nearly ½ of children under the age of 5 are Hispanic (up from 40% in 2000).**
- **Hispanics account for $31.1 billion (16%) of total state buying power in Arizona.**

Source: Pew Hispanic Center, 2008

Metro Phoenix Consumption of Land

6.2 People = 1 Acre Consumed

1980	2009	2030
1.6M 1980 Population (260K acres)	**4.3M** 2009 Population (690K acres)	**7.1M** 2030 Projected Population (1.1M acres)

2.7M / 6.2 people =

Over 400K acres over the next 20 years

Source: US Census, Land Advisors Organization

Co-Housing

Young adults are moving back in with Mom, Dad

1 in 7 sets of parents nationally reports 'boomerang kids' with no job options

ASSOCIATED PRESS

WASHINGTON — Faced with limited job options, many young adults are turning to an old standby to weather the recession: moving back in with Mom and Dad.

Nearly one in seven sets of parents with grown children report having a "boomerang kid" [illegible] back home in the past [illegible]rding to a study being release[illegible]y by the Pew Research Center. In a turnabout in the rite of passage in which a college graduate finds a job and an apartment, many are returning to their parents' empty nests because of tight finances or as they pursue an advanced degree.

"The journey home for Thanksgiving won't be quite so far this year for many adults," said researchers Wendy Wang and Rich Morin, who wrote the report. "Instead of traveling across country or across town, many grown sons or daughters will be comin[illegible] down the [illegible]

Pew's survey and analysis of [illegible]rnment data found that the [illegible] adults 18 to 29 who lived alone [illegible]lined from 7.9 percent in 2007 [illegible] 7.3 percent this year. Drops of that magnitude were also seen during or immediately after the recessions of 1982 and 2001.

Roughly one-third, or 35 percent, of boomerang kids said they had lived independently at some point in their lives but had to move back in with their parents. About half of the grown children worked full- or part-time, while 25 percent were unemployed and 20 percent were full-time students.

The findings are the latest to highlight the sweeping social impact of a recession that began in December 2007. The effects have included declining immigration and U.S. migration among states, as well as increased carpools, use of public transit and "doubling up" of families in single-residence homes.

Data released earlier this year showed that older Americans will make up virtually all of the growth in the U.S. workforce in the coming years as a nearly unprecedented number hold onto jobs and younger people decide to stay in school.

Among 16- to 24-year-olds, less than half, or 46.1 percent, [illegible] employed, the smallest share since the government began collecting such data in 1948. At the same time, a record high of about 11.5 million Americans ages 18 to 24, or nearly 40 percent, attended college in October 2008.

"Boomerang kids are a major trend, and they represent a shift in cultural norms," said David Morrison, president and founder of Twentysomething Inc., a marketing and research firm. "Young adults are the first to feel the brunt of a bad economy and the last to feel the benefits of a recovering economy. So, the first way you hedge your bets is to minimize your expenses."

Saying there is now less of a stigma in moving back home, Morrison predicted that the trend of boomerang kids may lessen somewhat but still continue after the economy recovers. That could create longer-term ripple effects in social relationships, from multigenerational family tensions to delayed marriage, he said.

According to the latest Pew survey and census data:

- About 20 million people ages 18 to 34 live at home with their parents, roughly 30 percent of that age group. That's up from about 18 million, or 27 percent, in 2005.
- About 12 percent of young adults 18 to 34 said they were forced to move in with a roommate because of the poor economy.
- Fifteen percent of adults 18 to 34 said they had postponed getting married due to the recession. That share increases to 21 percent for adults ages 25 to 34, when many people tend to get married.
- Fourteen percent of adults 18 to 34 say they delayed having a baby.

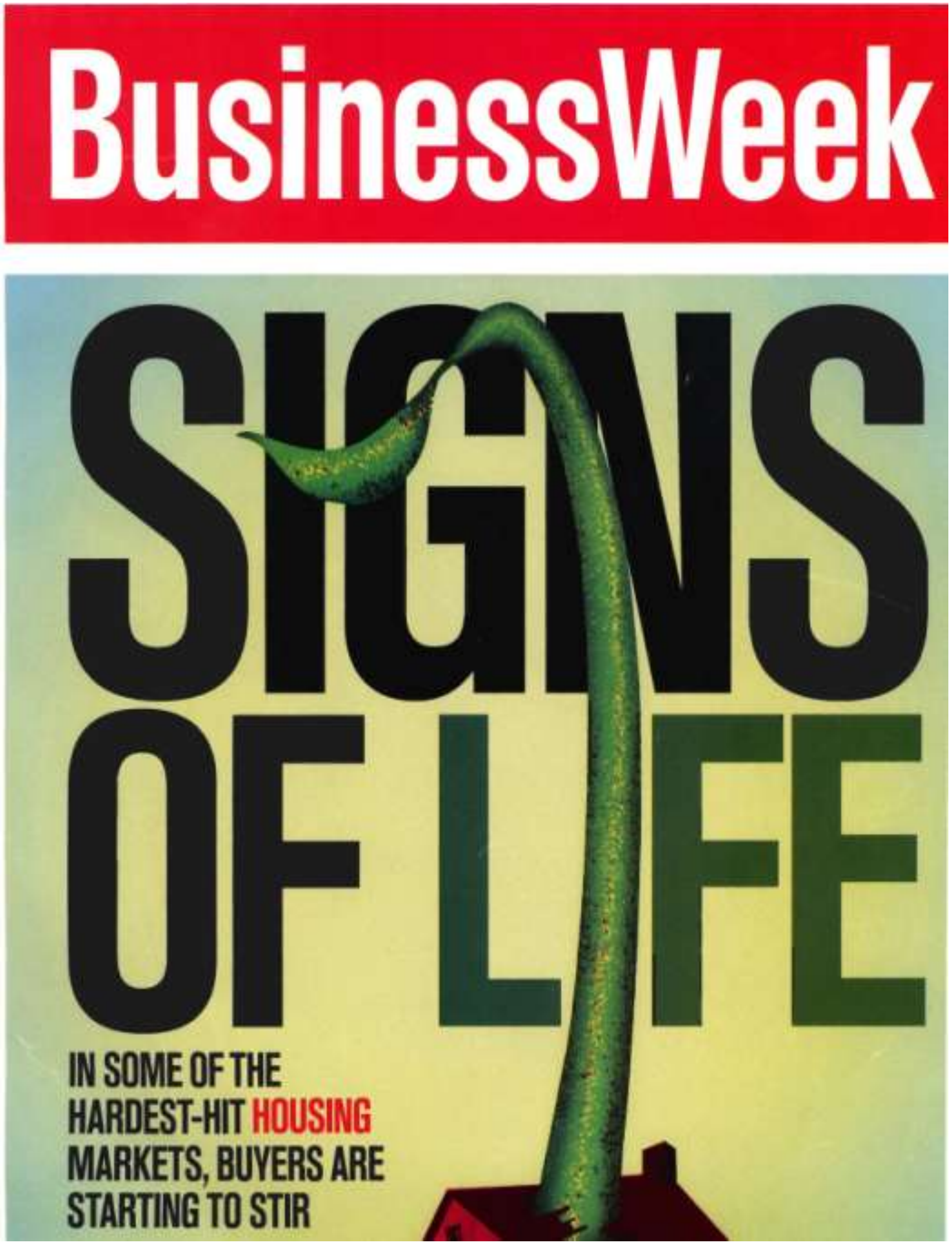
Pew based its findings on data from the Bureau of Labor Statistics and the Census Bureau. It also interviewed 1,028 people ages 18 and older by cellphone or landline from Oct. 21 to 25. The poll had a margin of error of plus or minus 3.9 percentage points.

Nearly 1 in 7 sets of parents with grown children report having a "boomerang kid" move back home in the past year.

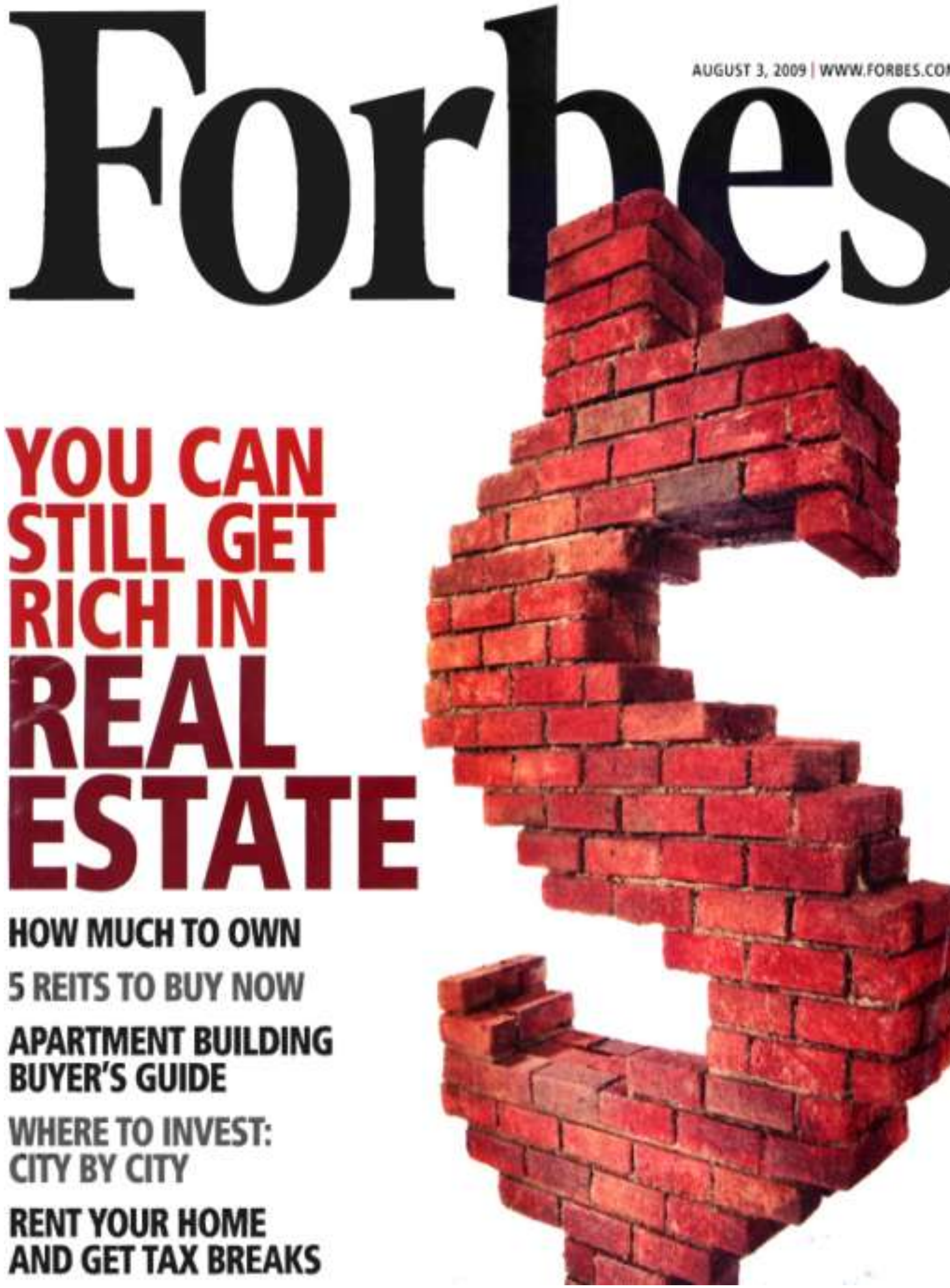
Adults 18 to 29 who lived alone declined from 7.9% in 2007 to 7.3% this year.

Among 16-24 year olds, ONLY 46.1% are currently employed.

Source: Arizona Republic, Nov 2009


BusinessWeek
SIGNS OF LIFE
IN SOME OF THE HARDEST-HIT HOUSING MARKETS, BUYERS ARE STARTING TO STIR

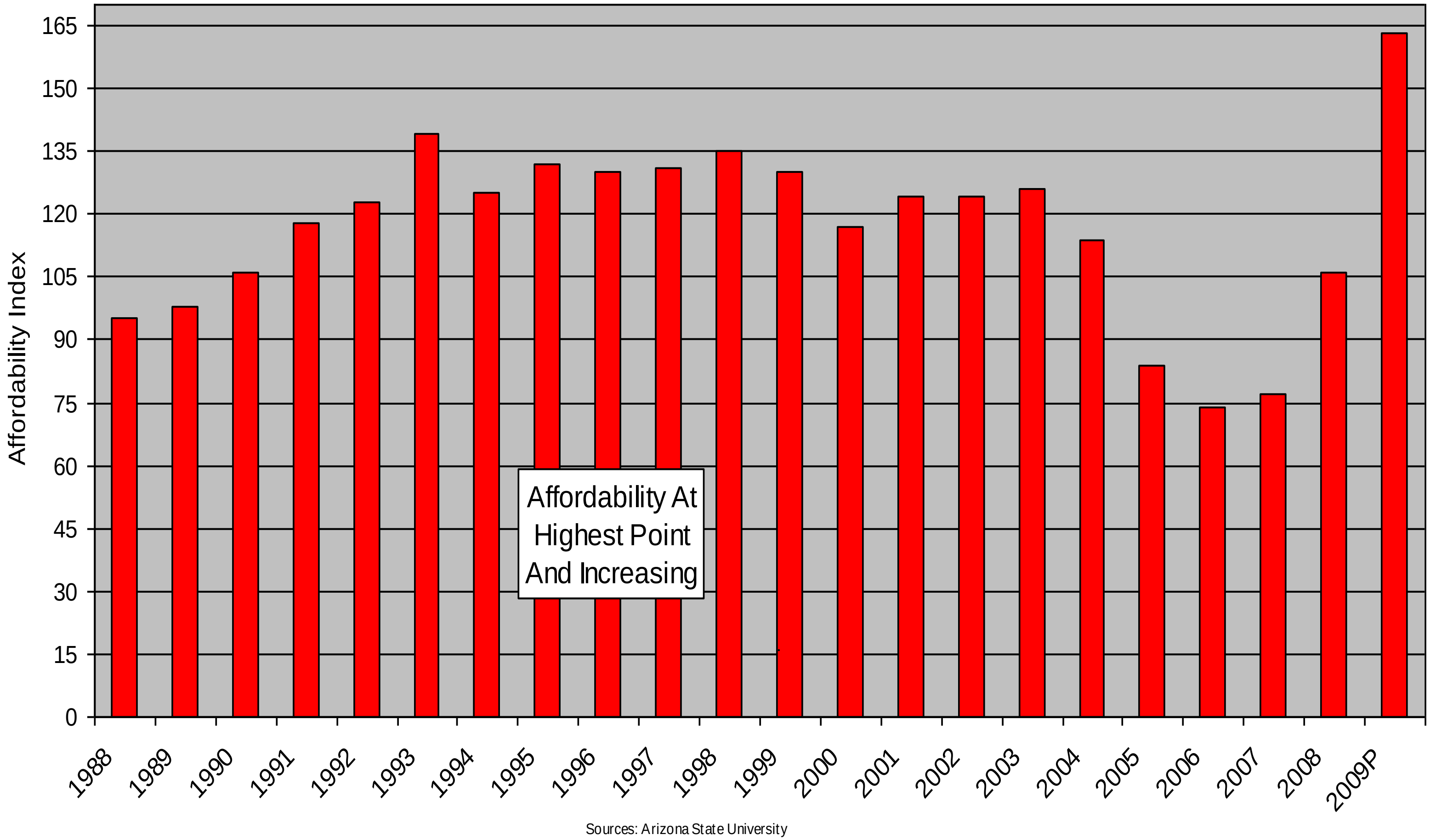
April 2009


Forbes
AUGUST 3, 2009 | WWW.FORBES.COM
YOU CAN STILL GET RICH IN REAL ESTATE
HOW MUCH TO OWN
5 REITS TO BUY NOW
APARTMENT BUILDING BUYER'S GUIDE
WHERE TO INVEST: CITY BY CITY
RENT YOUR HOME AND GET TAX BREAKS

August 2009


REAL ESTATE
FREE MAJOR APPLIANCES WITH PURCHASE OF A HOUSE
RETAILERS
FREE HOUSE WITH PURCHASE OF MAJOR APPLIANCES
www.venturacountystar.com/greenberg steve@greenberg-art.com
VENTURA COUNTY STAR '08

Affordability



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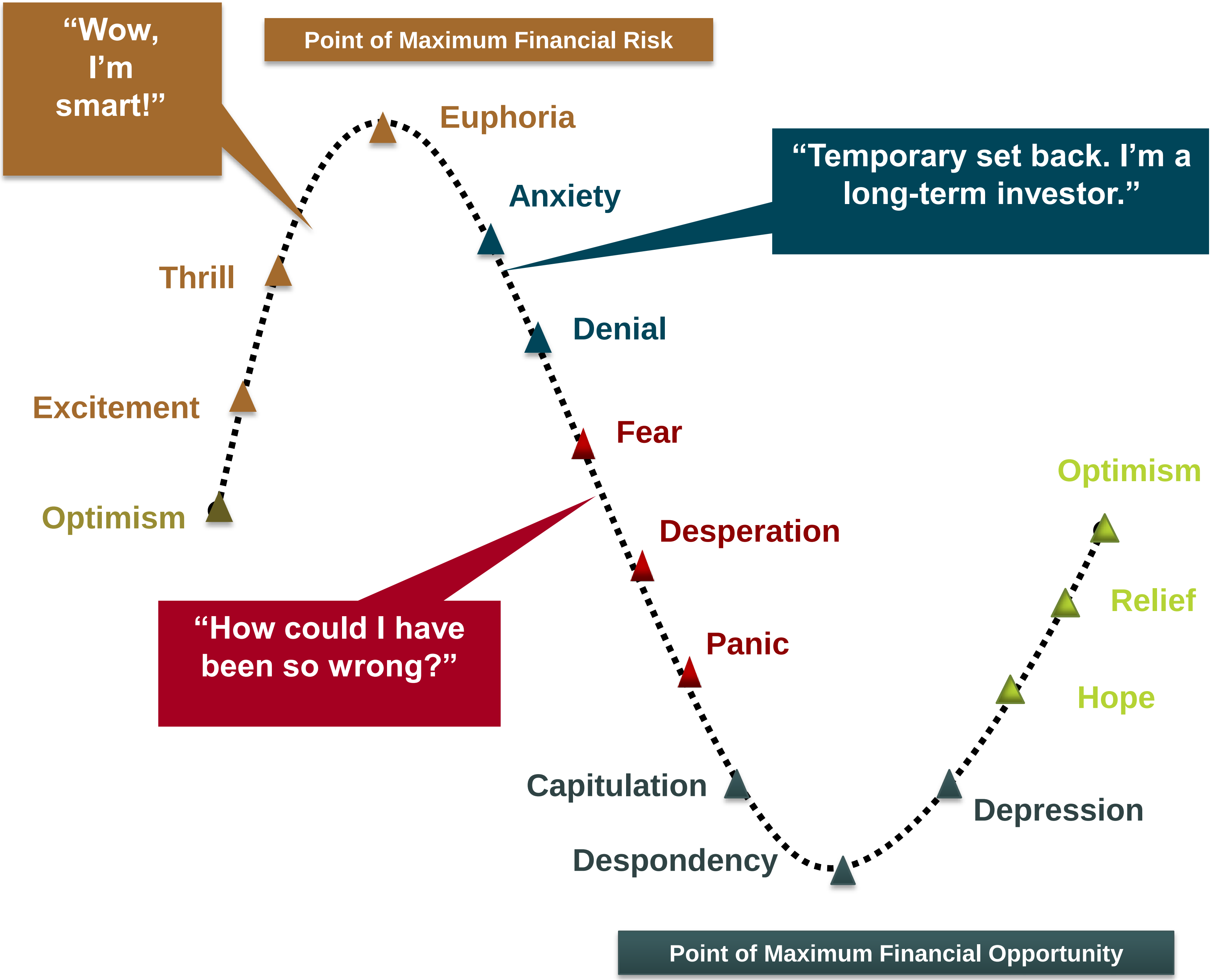
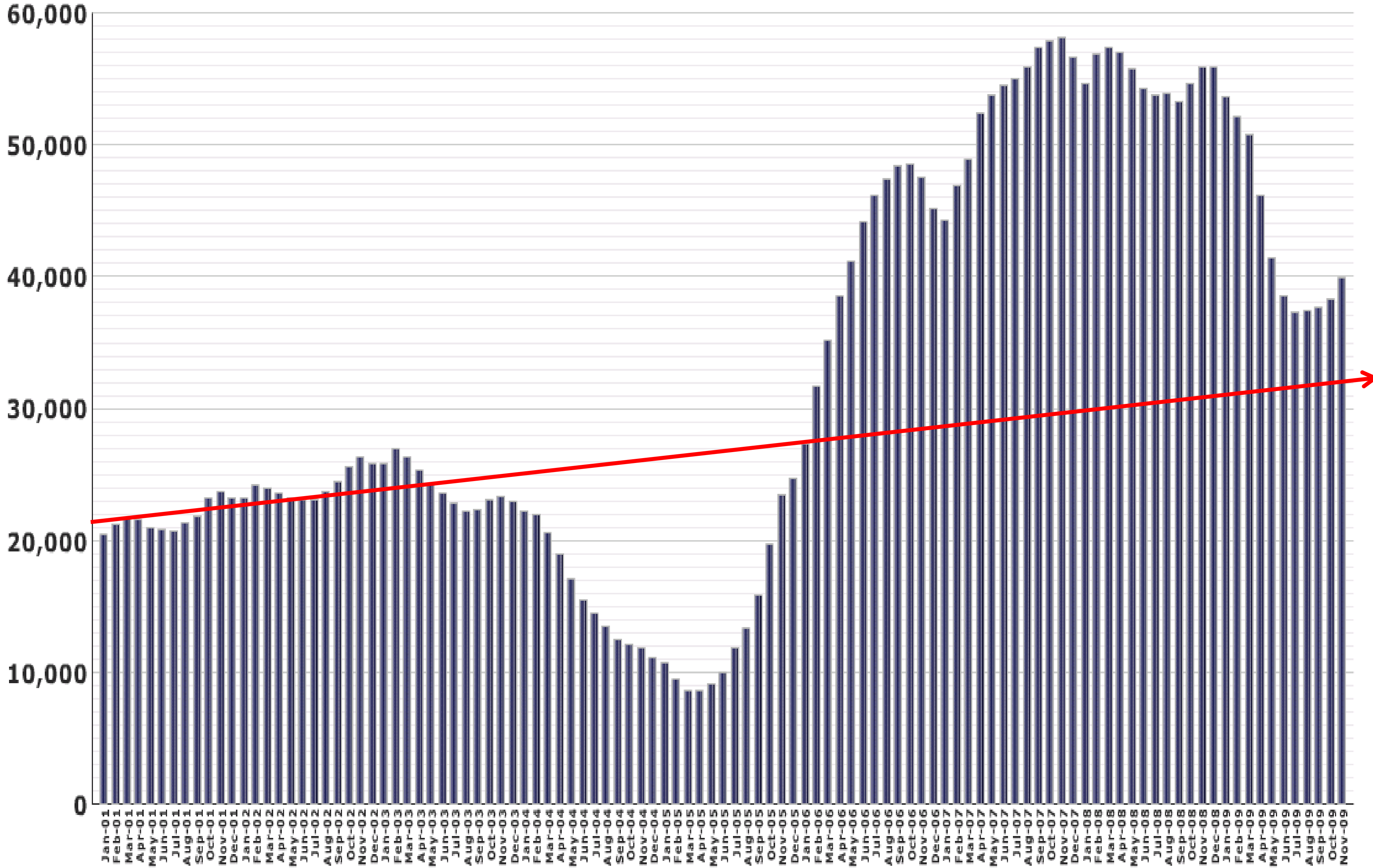
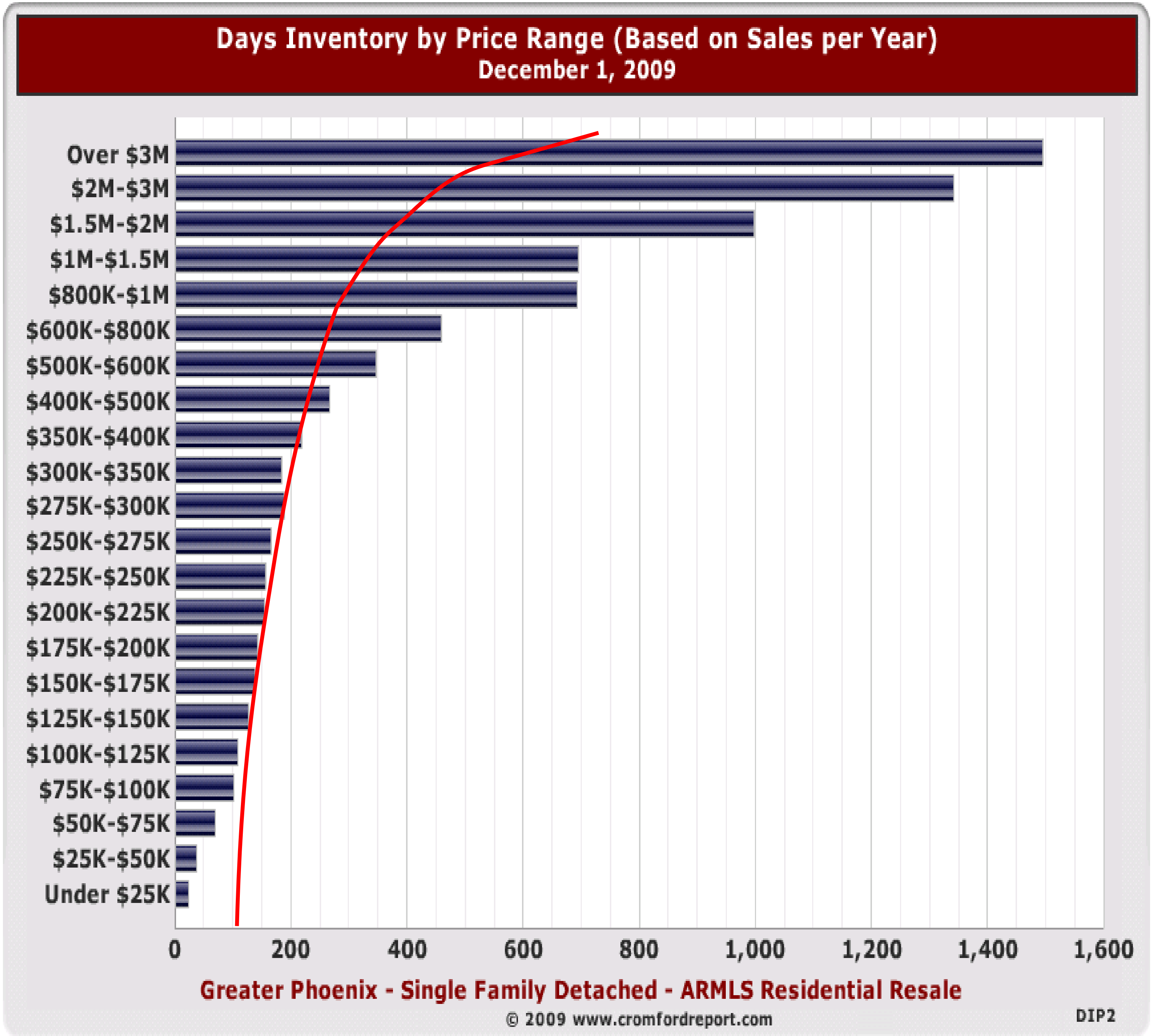

"Wow, I'm smart!"
Point of Maximum Financial Risk
Euphoria
Anxiety
"Temporary set back. I'm a long-term investor."
Thrill
Denial
Excitement
Fear
Optimism
Optimism
Desperation
"How could I have been so wrong?"
Relief
Panic
Hope
Capitulation
Depression
Despondency
Point of Maximum Financial Opportunity

Active Listings
November 15, 2009



All Areas & Types - ARMLS Residential Resale - Measured Monthly



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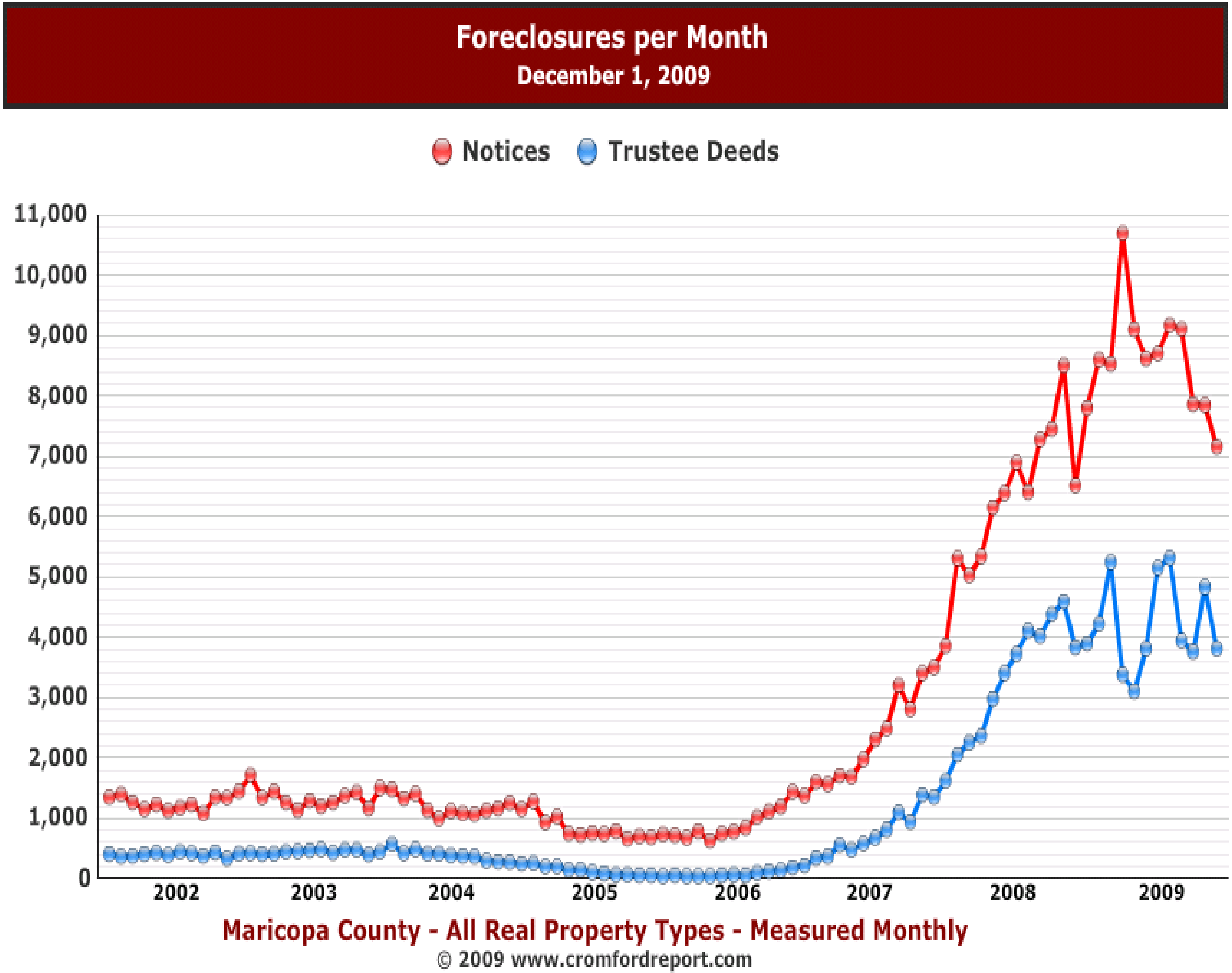
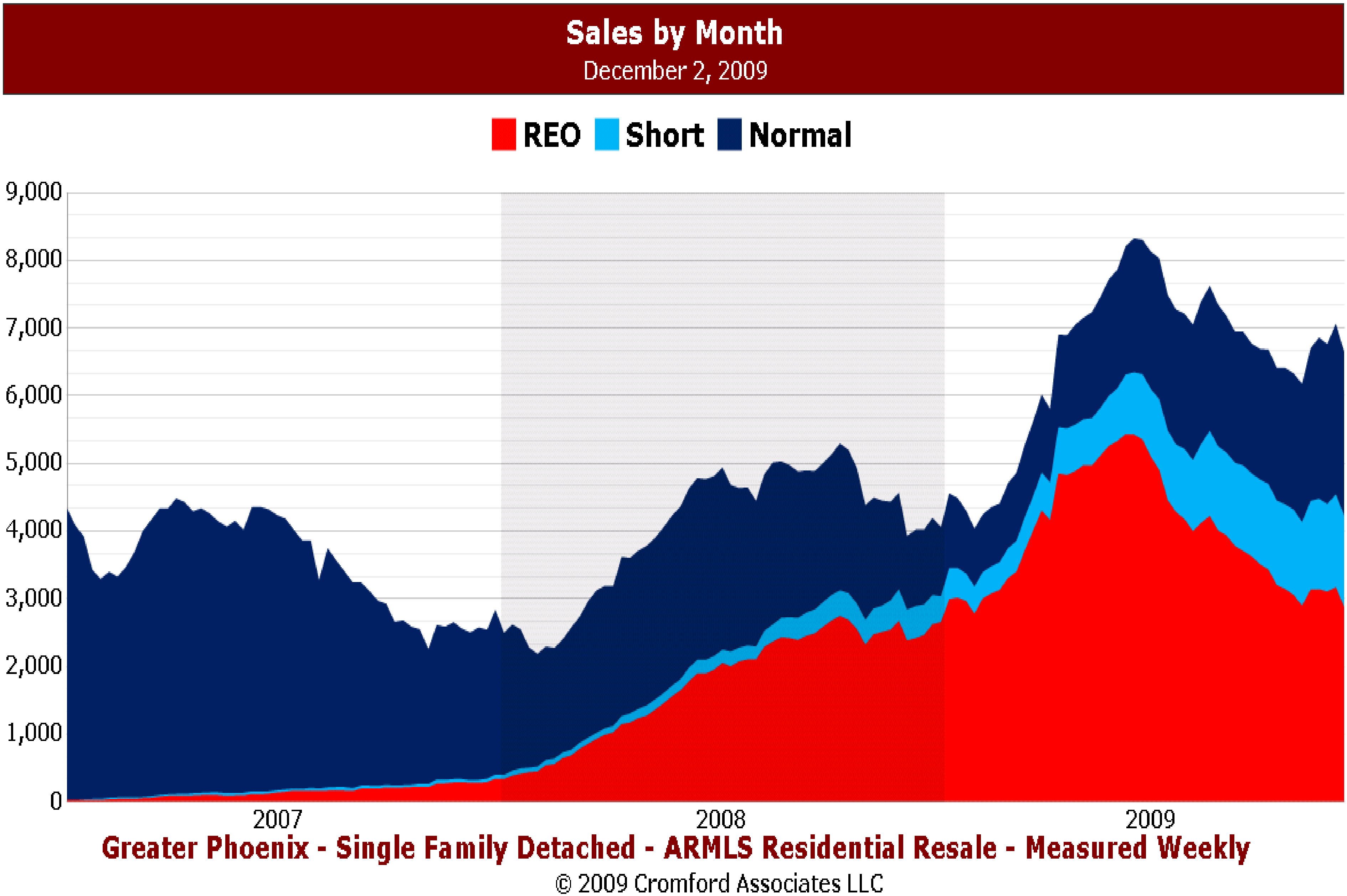

Foreclosures per Month
December 1, 2009
Notices
Trustee Deeds
11,000
10,000
9,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
2002
2003
2004
2005
2006
2007
2008
2009
Maricopa County - All Real Property Types - Measured Monthly
© 2009 www.cromfordreport.com



Sales by Month
December 2, 2009
REO
Short
Normal
9,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
2007
2008
2009
Greater Phoenix - Single Family Detached - ARMLS Residential Resale - Measured Weekly
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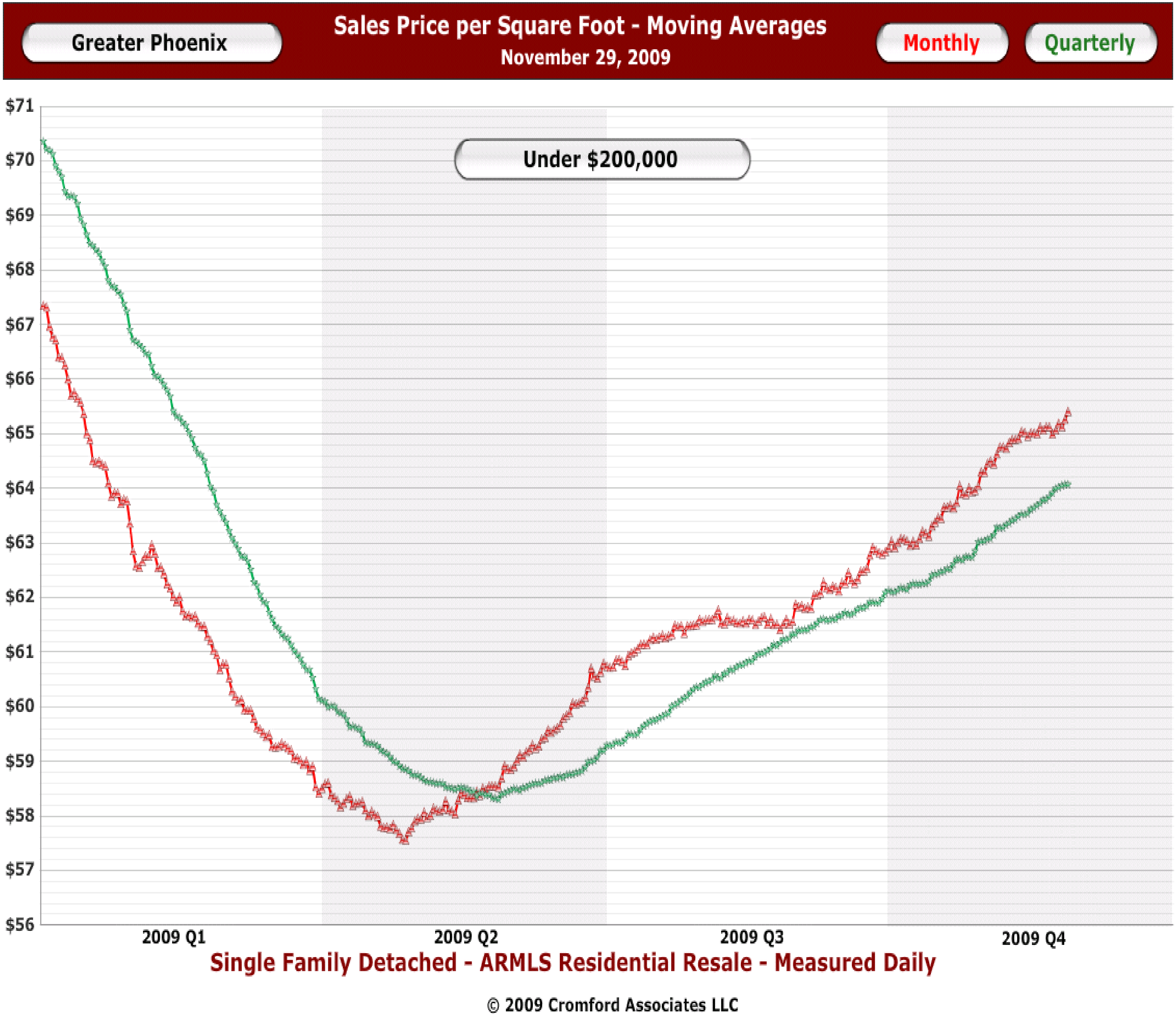

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Greater Phoenix
Sales Price per Square Foot - Moving Averages
November 29, 2009
Monthly
Quarterly
Over $600,000
$290
$280
$270
$260
$250
$240
$230
$220
$210
2009 Q1
2009 Q2
2009 Q3
2009 Q4
Single Family Detached - ARMLS Residential Resale - Measured Daily
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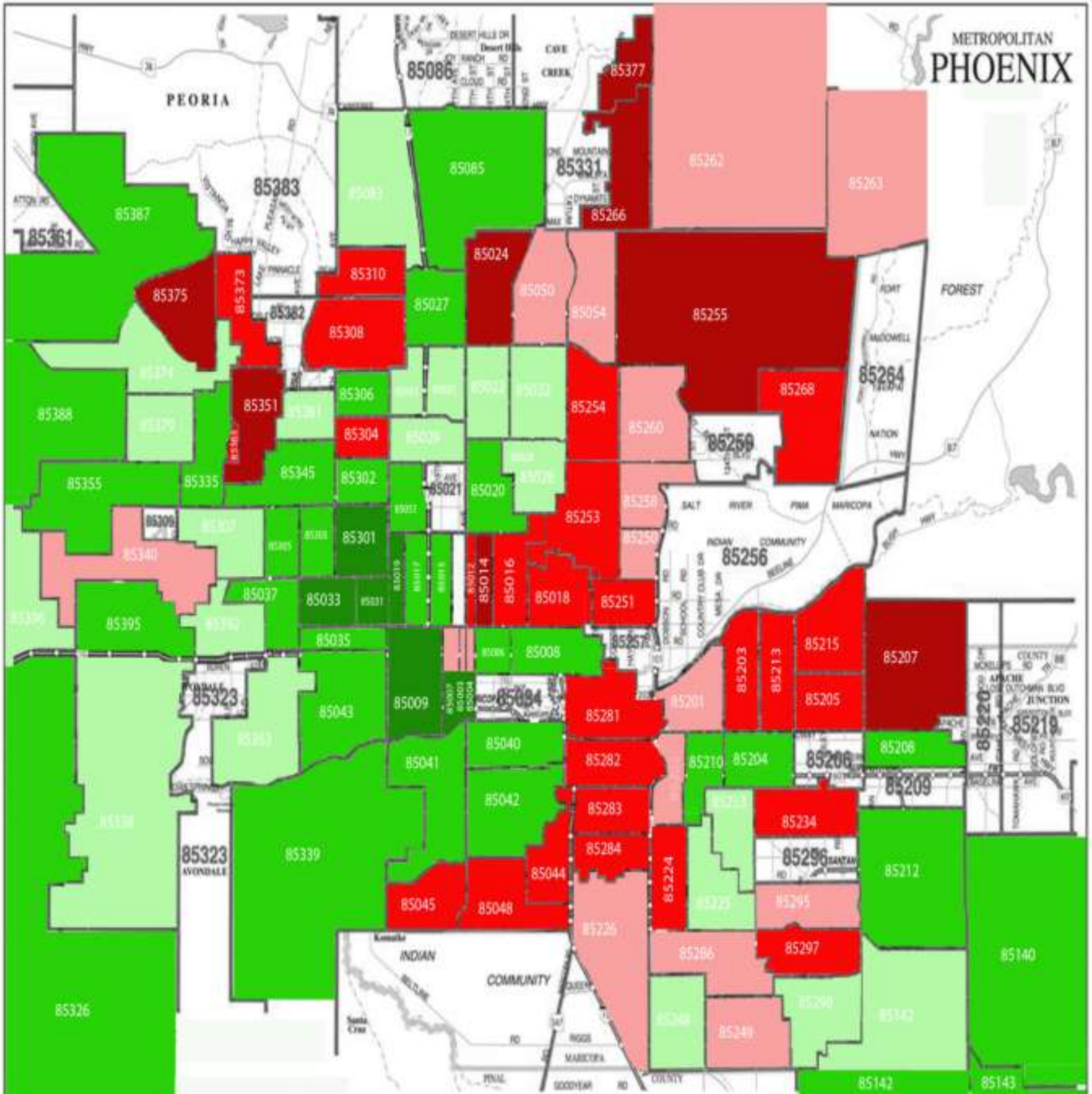
Pricing Trends 2009



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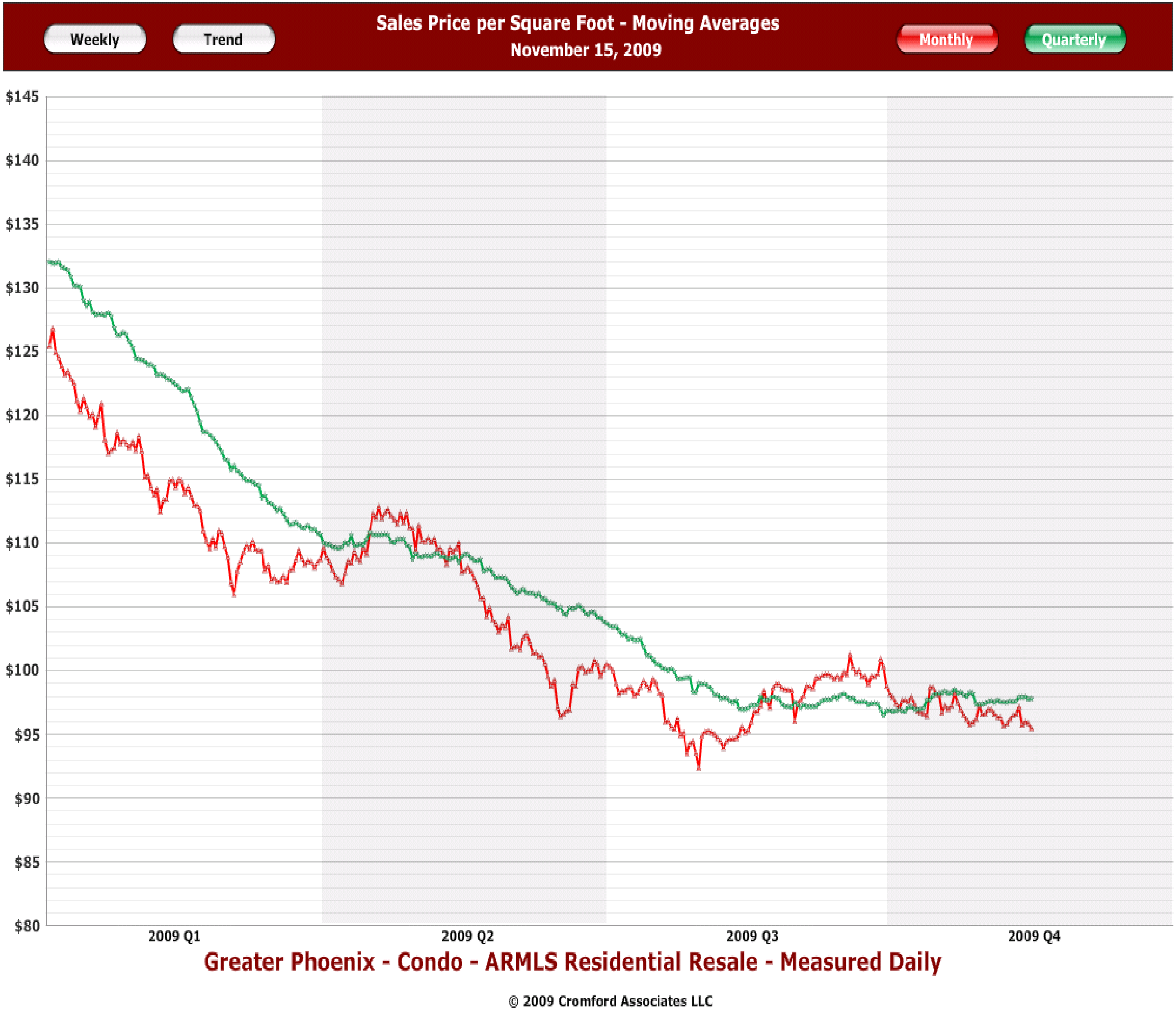

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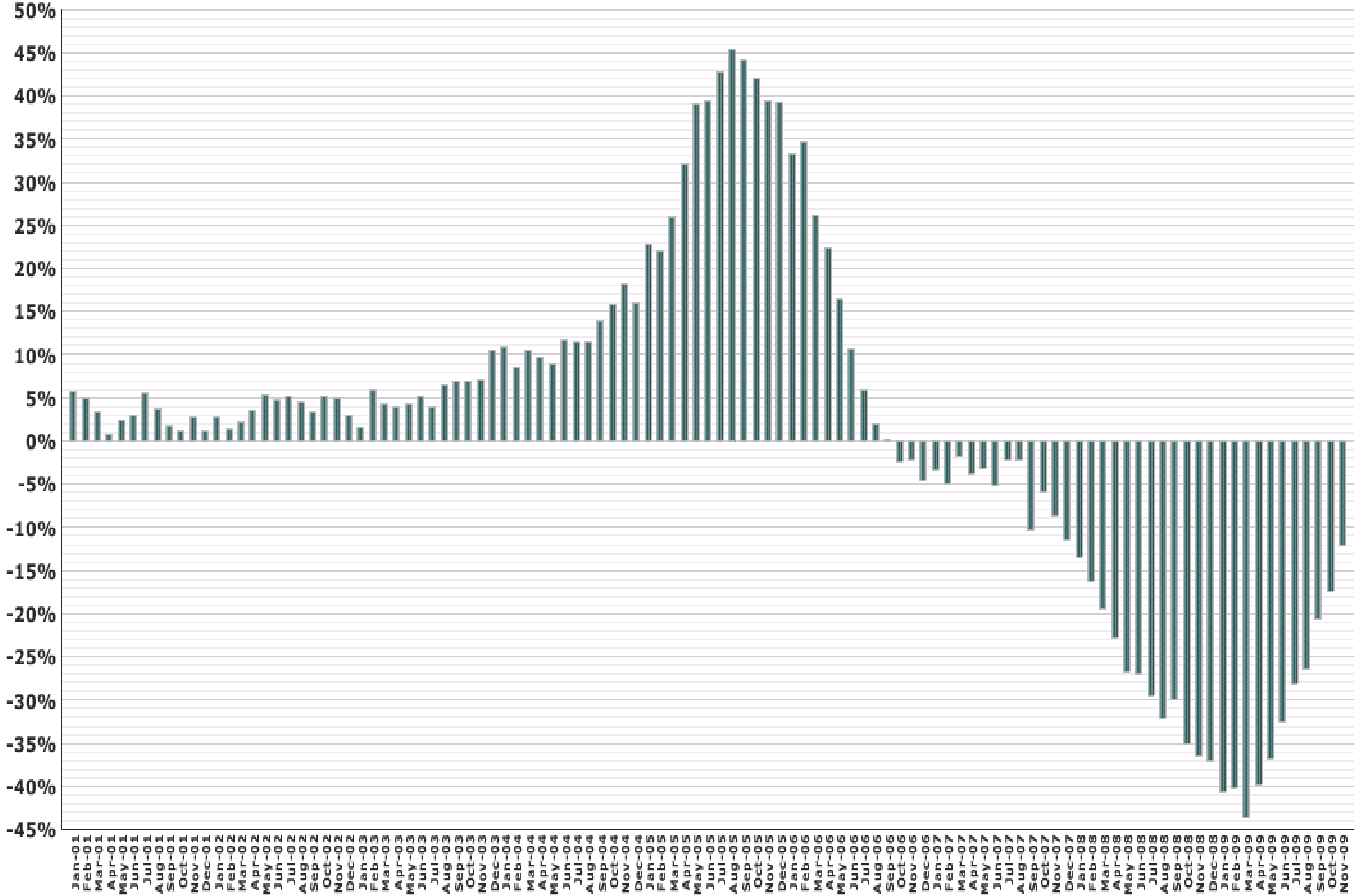
Average Annual Appreciation (in Monthly Sales $/SF)

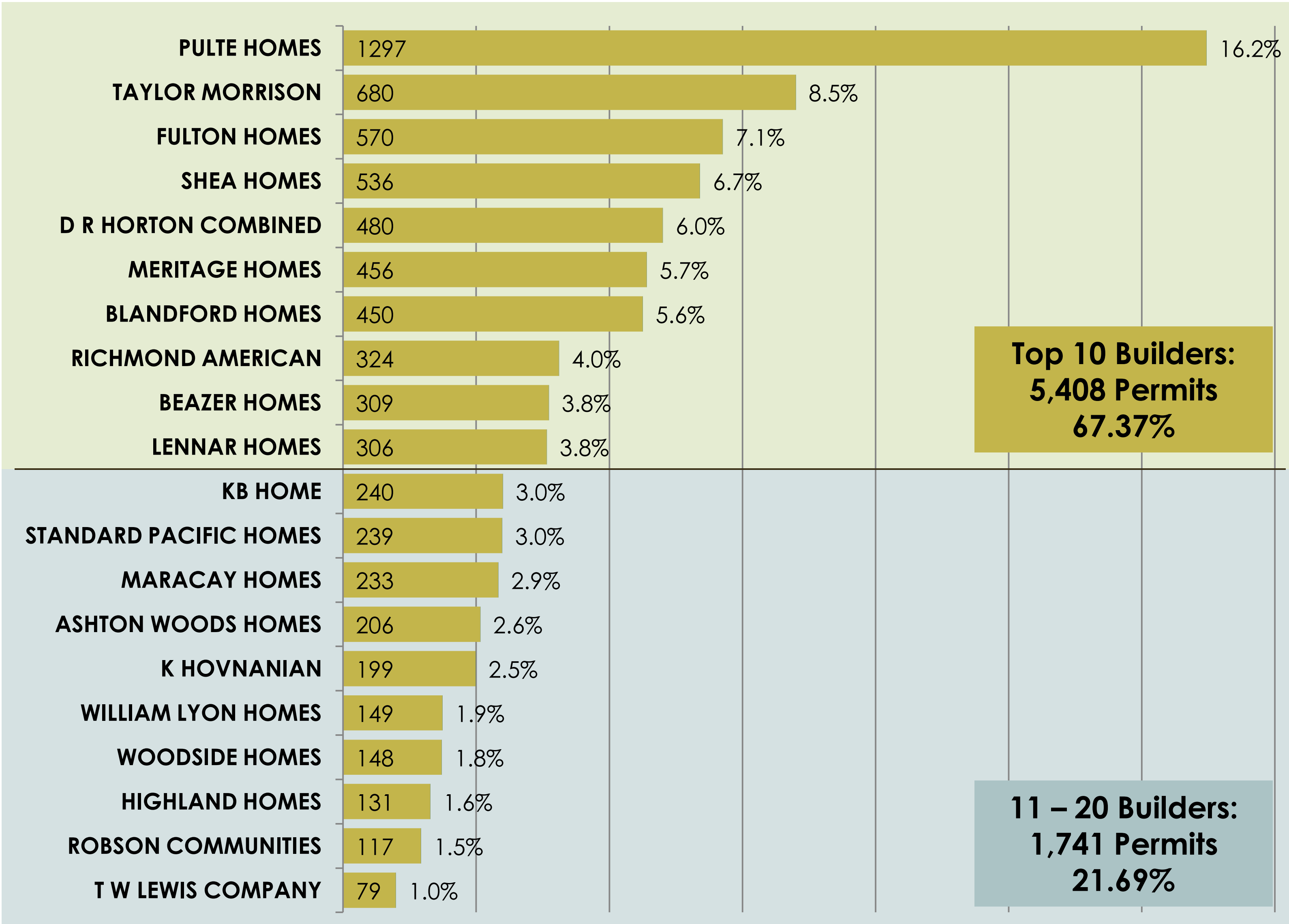
December 1, 2009



All Areas & Types - ARMLS Residential Resale - Measured Monthly

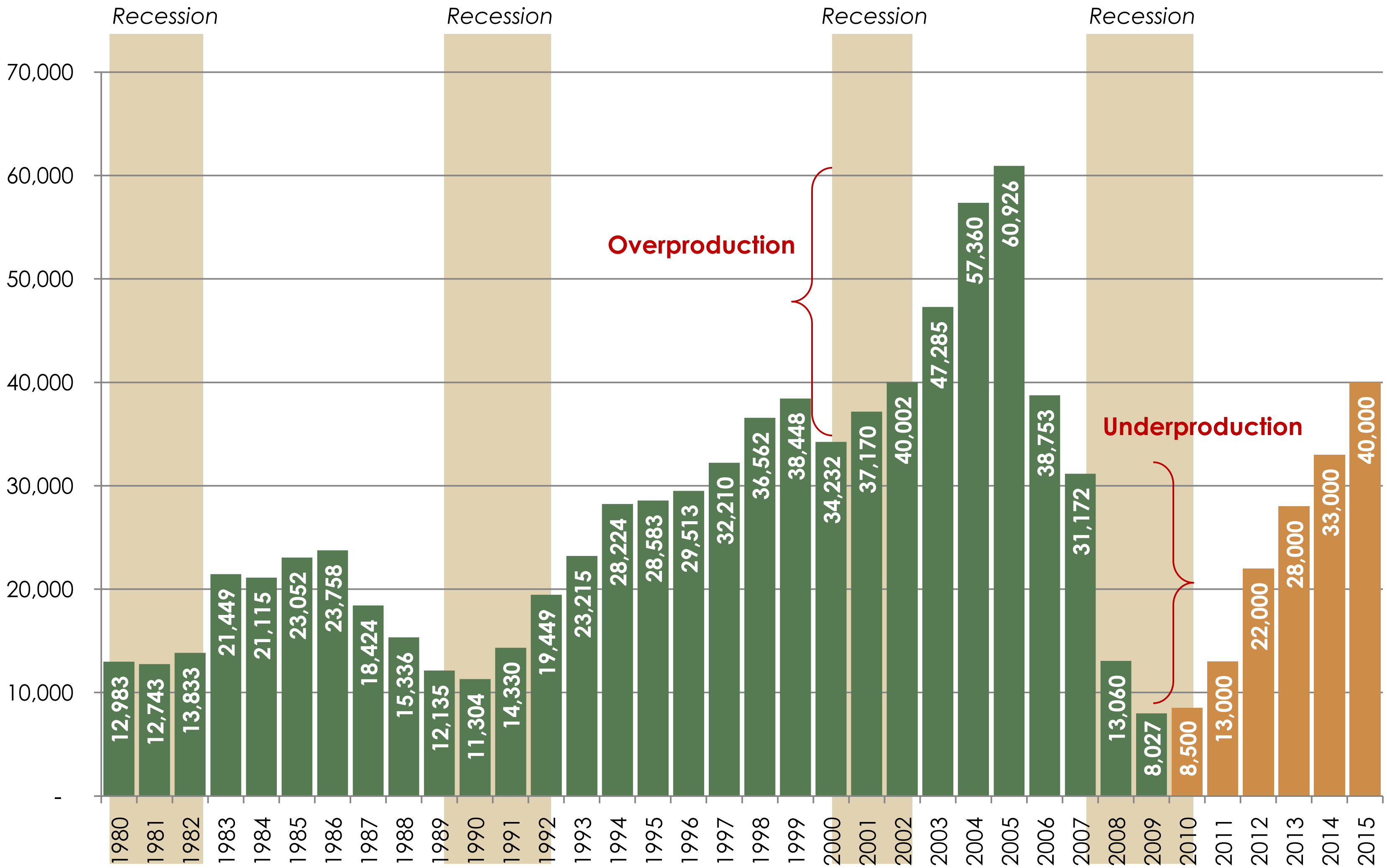
Top 20 Builders by Permits 8,027 Total Permits

12 Month Permits Through December 31, 2009



Source: RL Brown, December 2009

Metro Phoenix Building Permit Trends



Source: RL Brown, Housing Market Forecast 2009-2012

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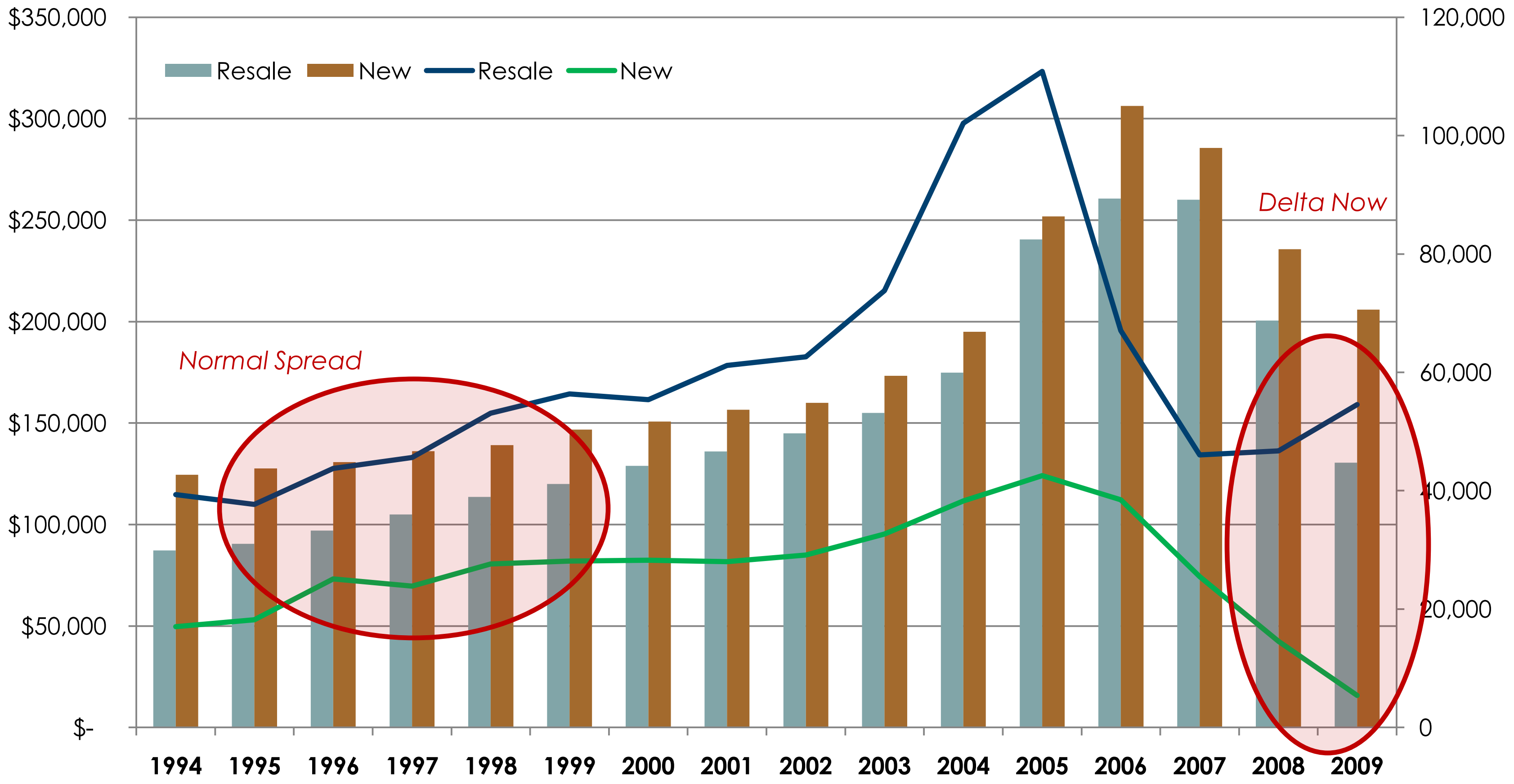
Metro Phoenix Housing Sales and Median Prices



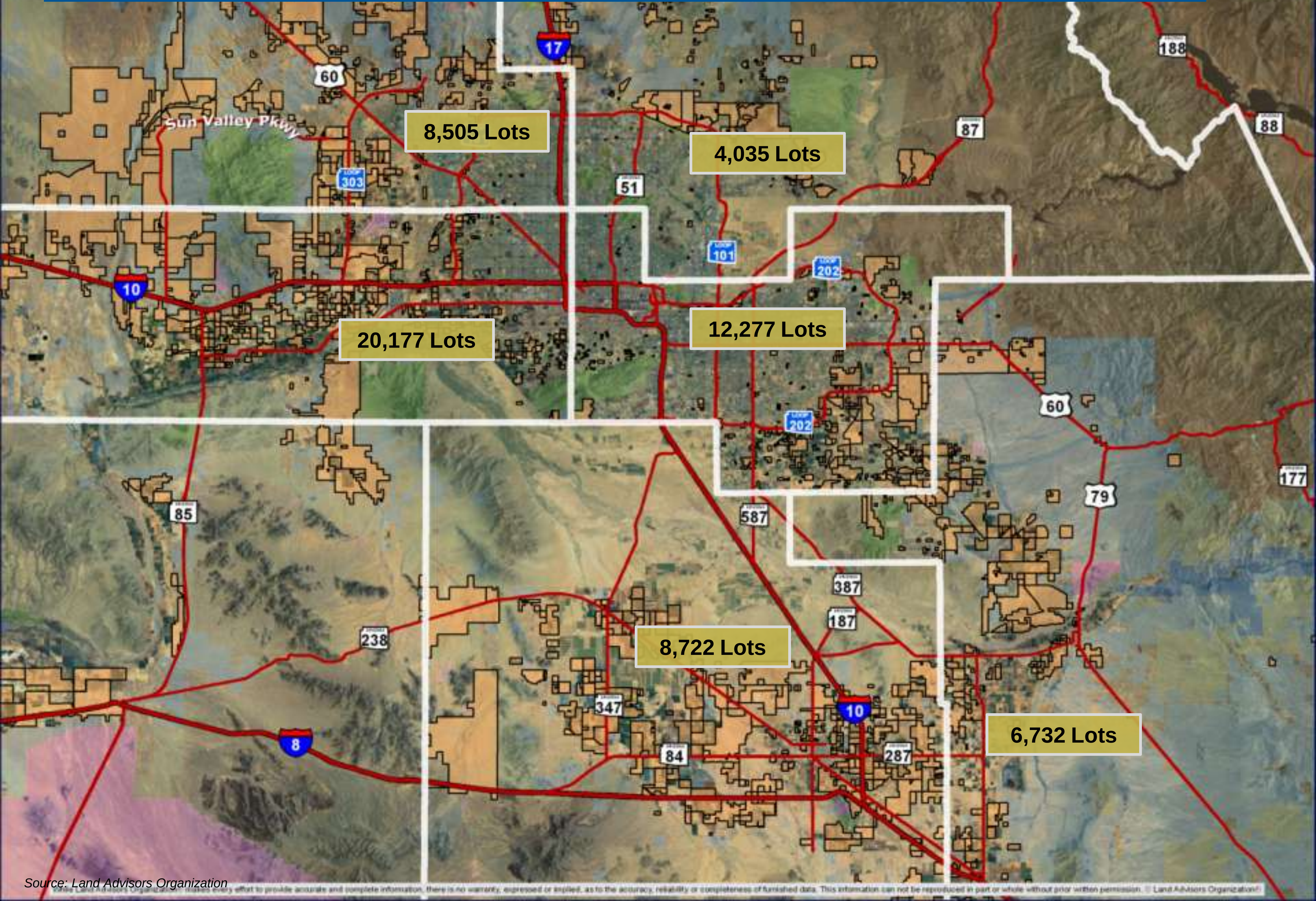
2007 Foreclosures	**Resale:** $218,080 (8,535)	**New:** $247,625 (355)
2008 Foreclosures	**Resale:** $168,915 (34,955)	**New:** $255,605 (430)
2009 Foreclosures	**Resale:** $148,755 (40,970)	**New:** $196,075 (210)

NOTE: Data charted above DOES NOT include foreclosures. New foreclosures listed in the box above consist of homes that are new builds within the last year, but not sold on the regular market.

Source: ASU Real Estate Center, 4Q09

LAND ADVISORS ORGANIZATION

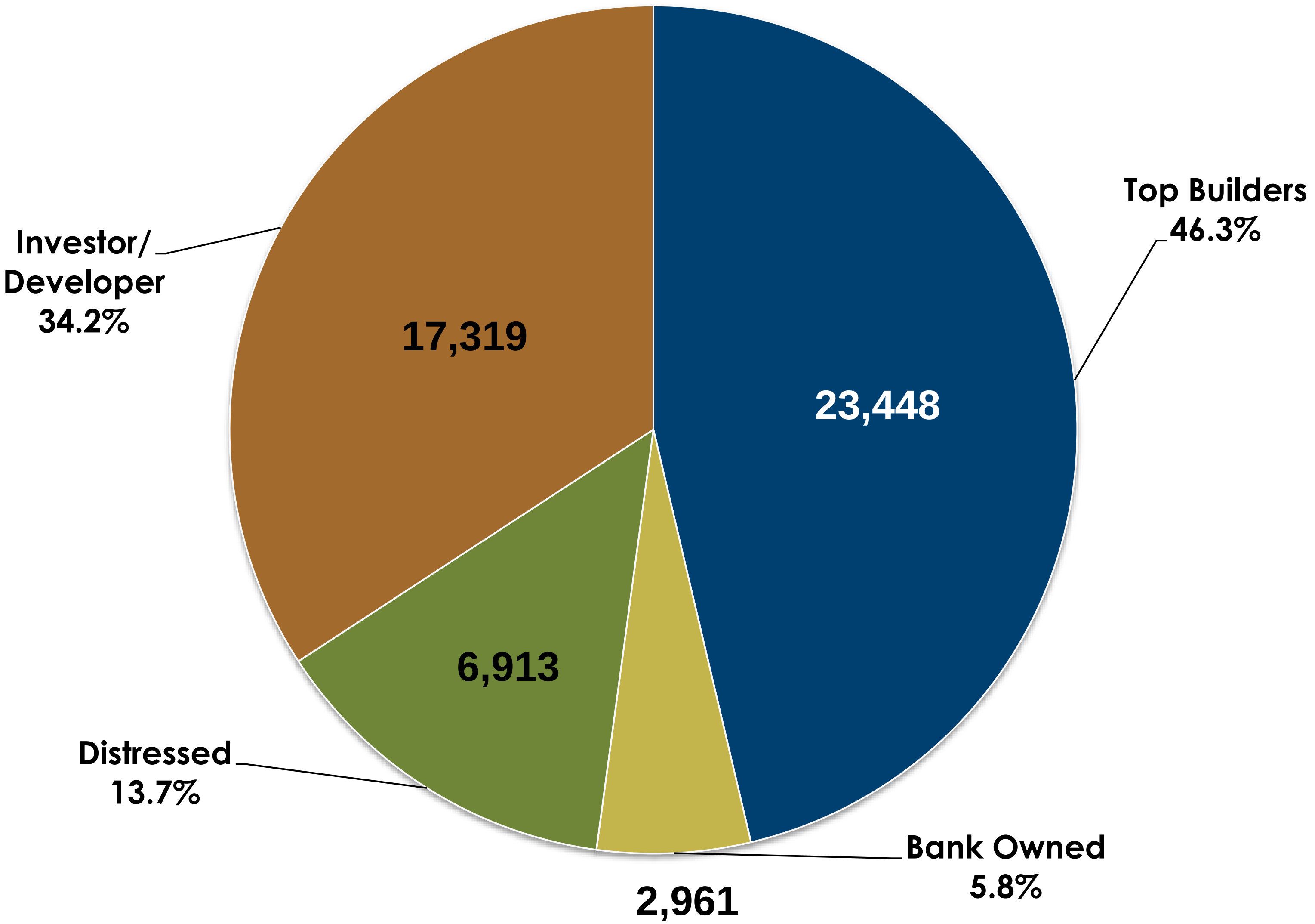
Total Finished Lots: 60,448 as of Dec 09



Source: Land Advisors Organization

Total Finished Lots: 50,641 4Q09

(Net of Active Adult, Attached, <20 Lots, Custom)



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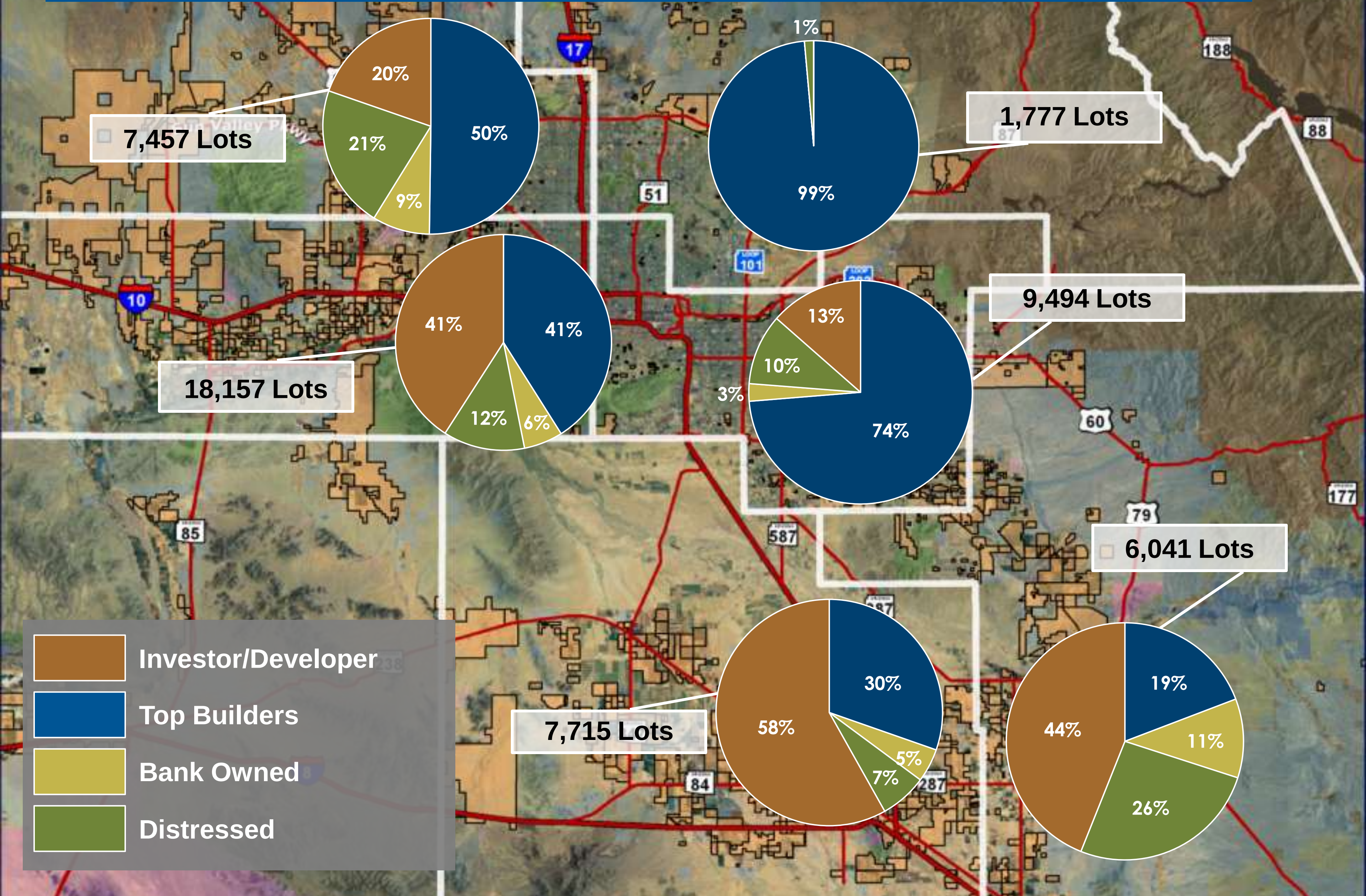
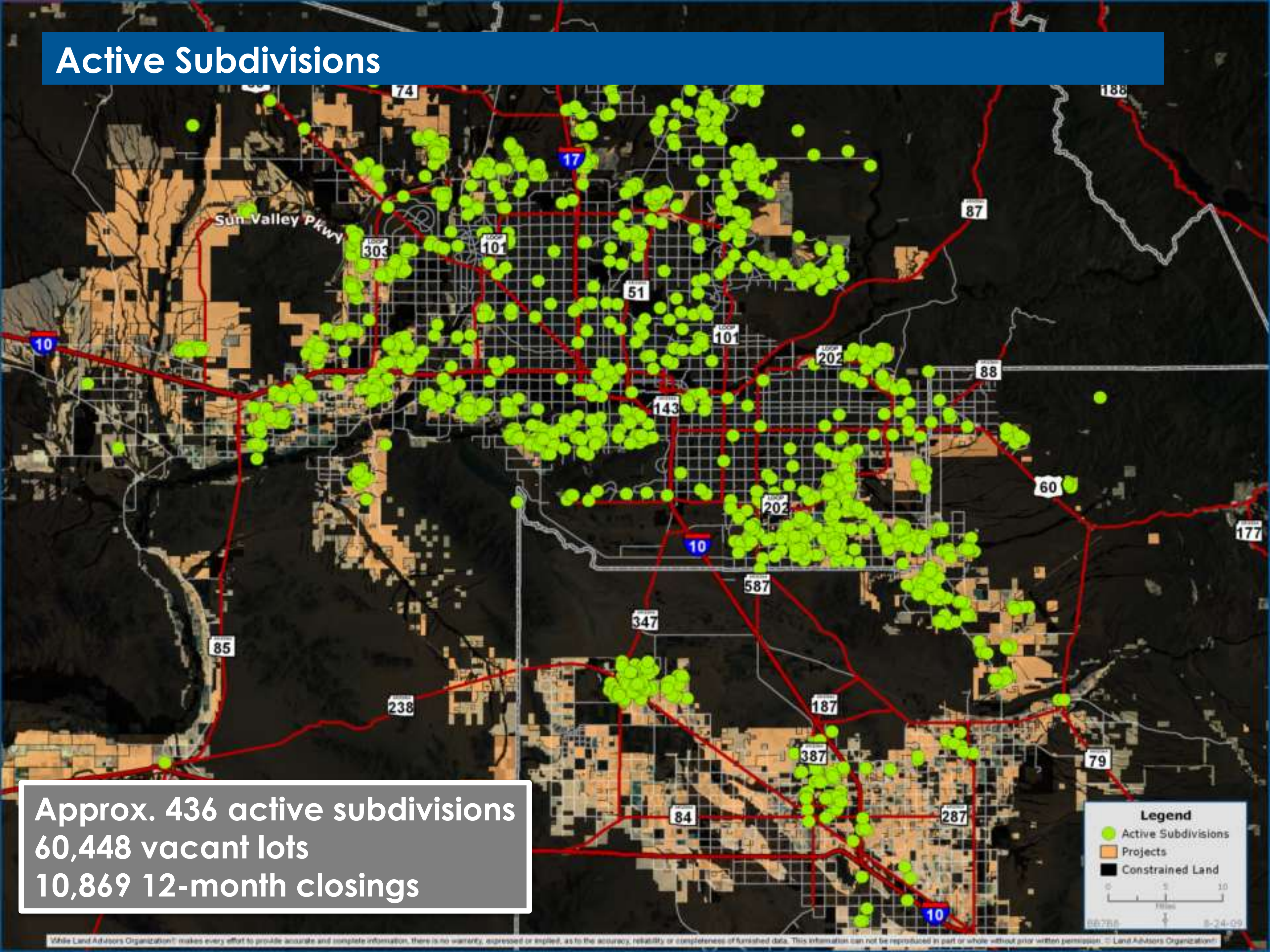
Source: Land Advisors Organization

Finished Lots: 50,641 (Net Active Adult, ATT, <20 lots, >100 wide) 4Q09



Source: Land Advisors Organization

Active Subdivisions



Approx. 436 active subdivisions
60,448 vacant lots
10,869 12-month closings

Metro Phoenix (±9,220 square miles)

Legend

Roads
- Interstate
- Highway
- Loop
- Proposed
- Arterial
- Countyline

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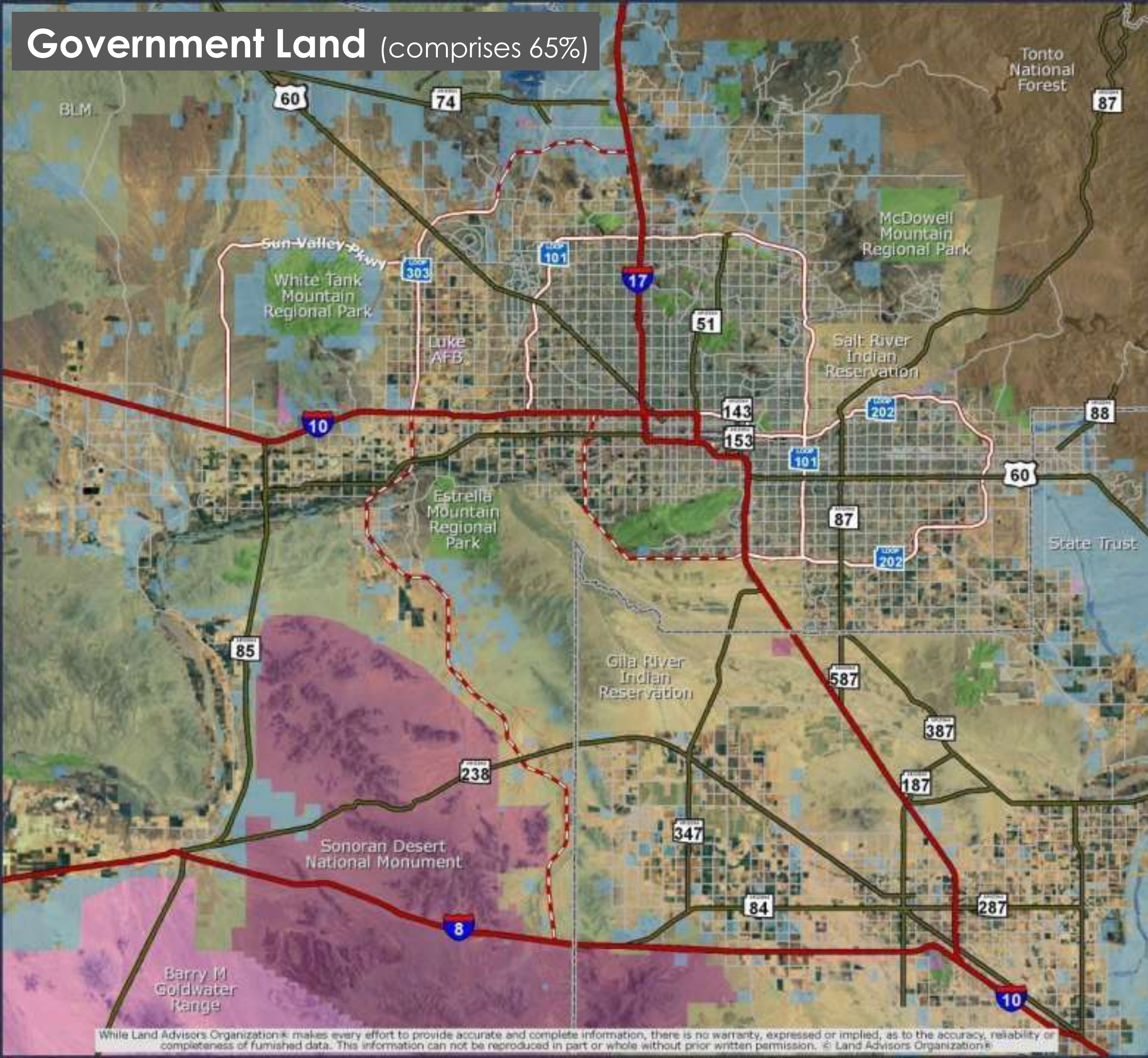
Government Land (comprises 65%)



Legend

Roads
- Interstate
- Highway
- Loop
- Proposed
- Arterial
- Countyline

Governmental Land
- State Trust
- BLM
- Military Reservation
- Indian Reservation
- Bureau of Reclamation
- Parks & Recreation
- Federal Land
- National Forest
- National Monument

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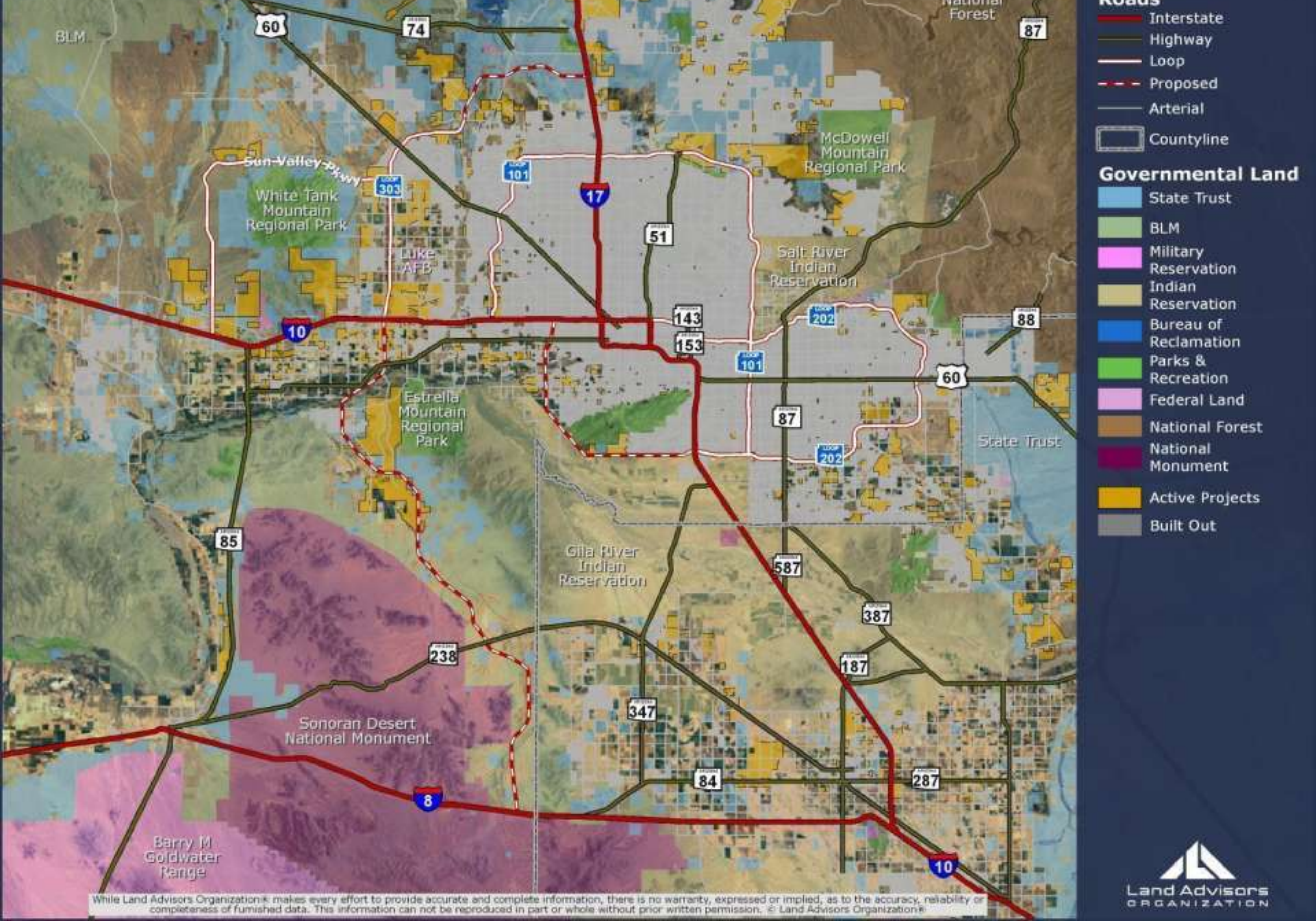
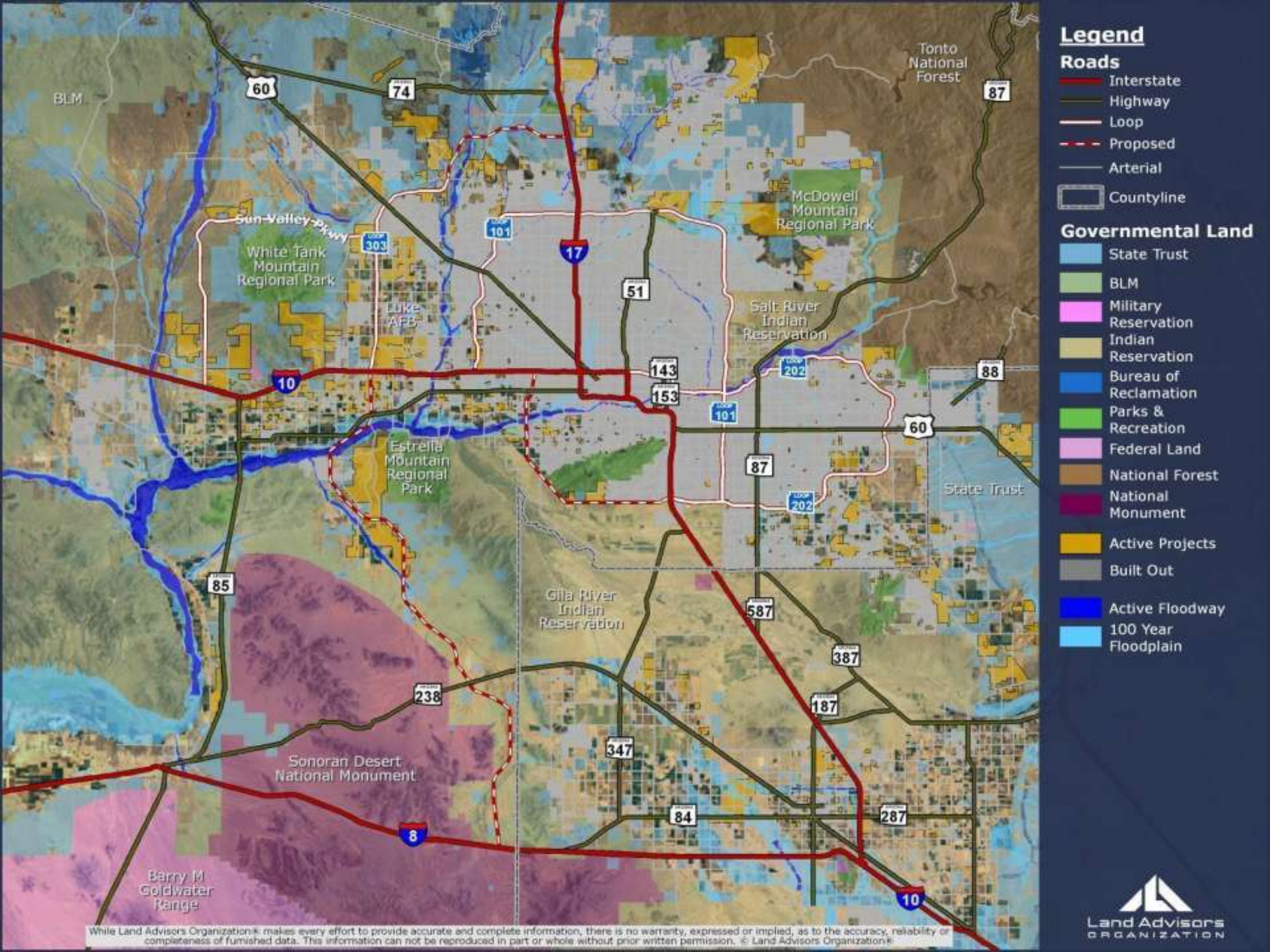
Land Consumed to Date: 1,000 square miles




Legend
Roads
Interstate
Highway
Loop
Proposed
Arterial
Countyline
Governmental Land
State Trust
BLM
Military Reservation
Indian Reservation
Bureau of Reclamation
Parks & Recreation
Federal Land
National Forest
National Monument
Active Projects
Built Out
Active Floodway
100 Year Floodplain
BLM
Tonto National Forest
McDowell Mountain Regional Park
White Tank Mountain Regional Park
Sun Valley Pkwy
Luke AFB
Salt River Indian Reservation
Estrella Mountain Regional Park
State Trust
Gila River Indian Reservation
Sonoran Desert National Monument
Barry M Goldwater Range
60
74
87
303
101
17
51
143
153
202
88
10
60
87
202
85
587
387
238
187
347
84
287
8
10
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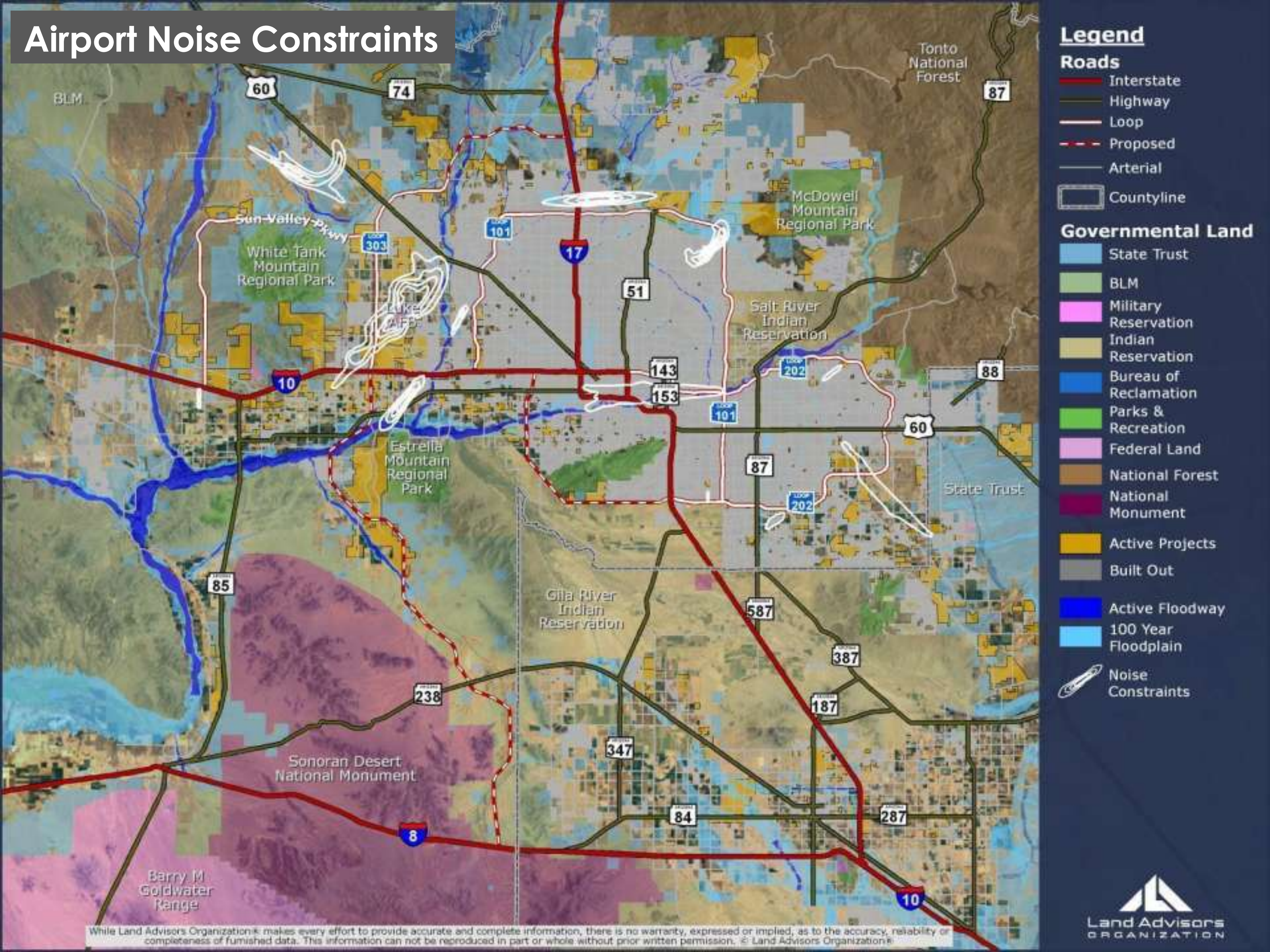
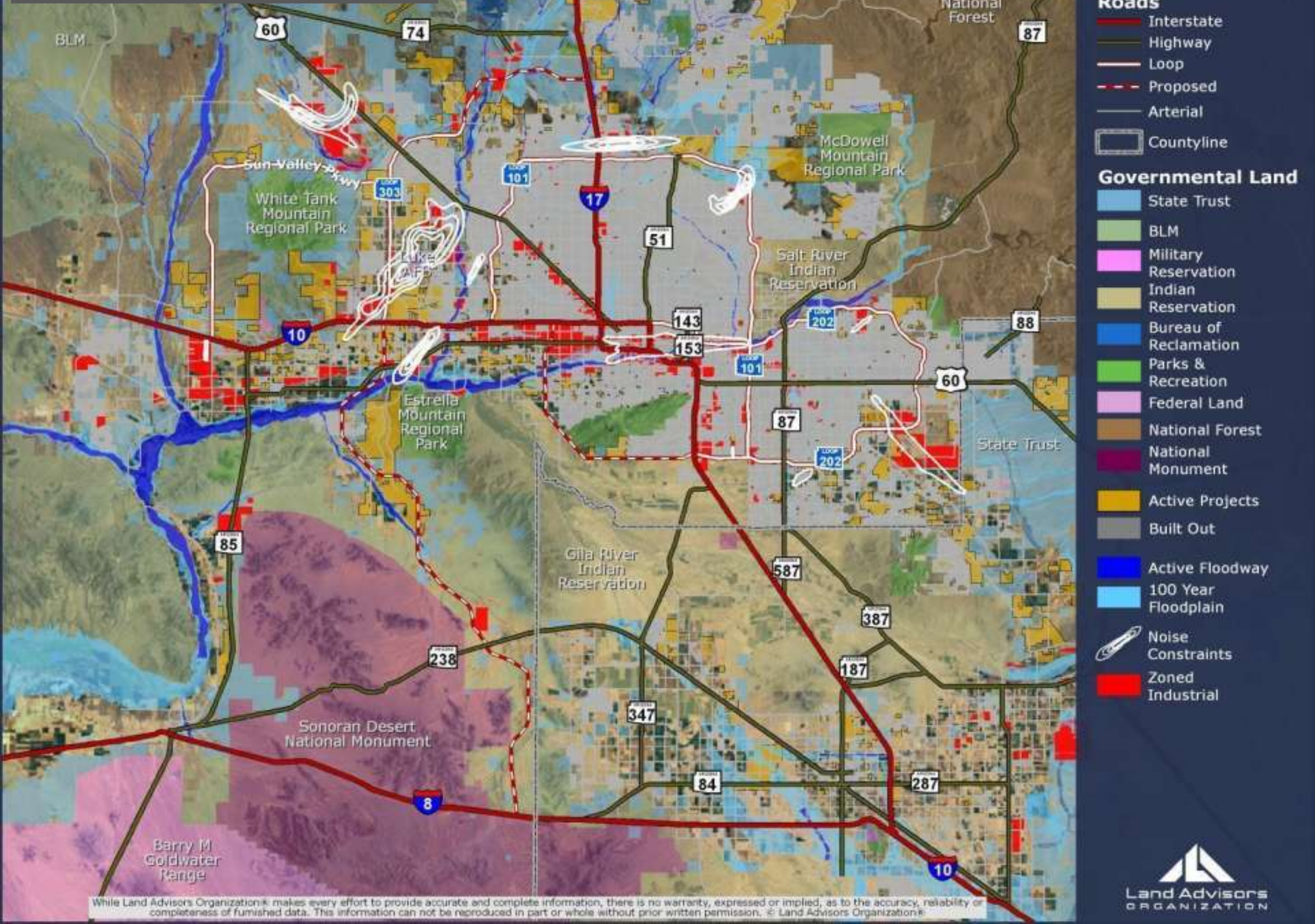
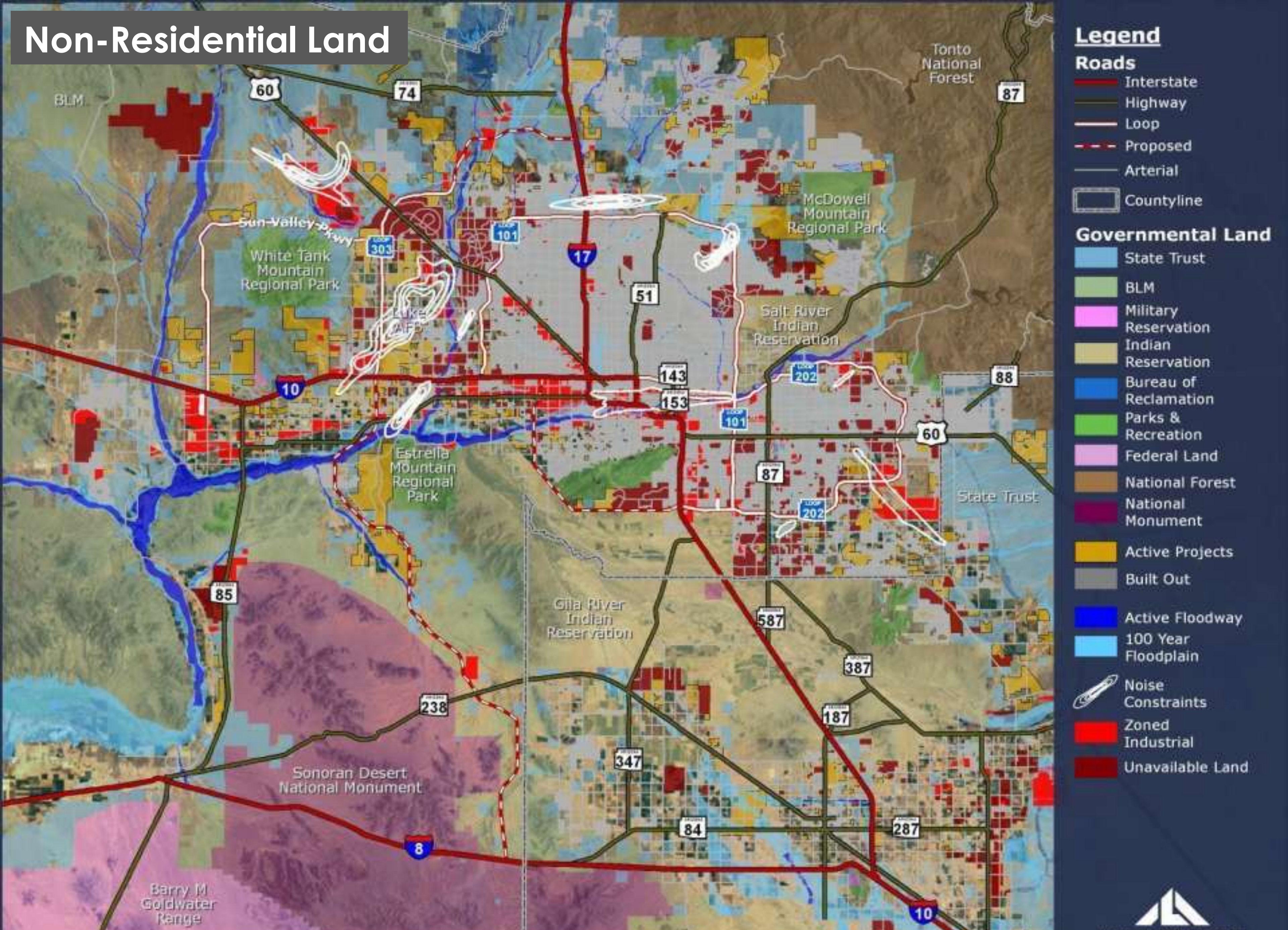
Airport Noise Constraints



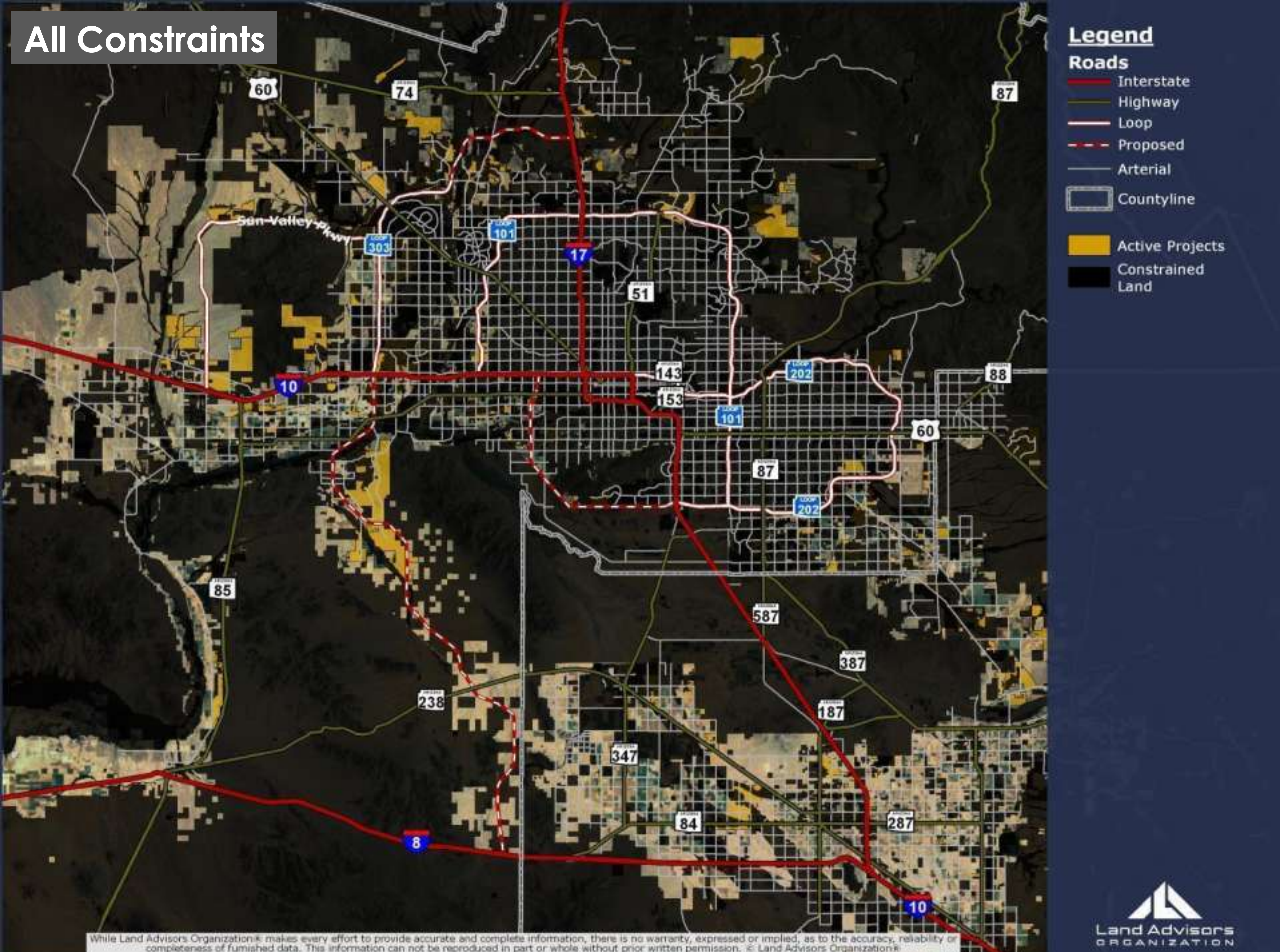
Industrial General Plan



Non-Residential Land



All Constraints



Future Development Areas

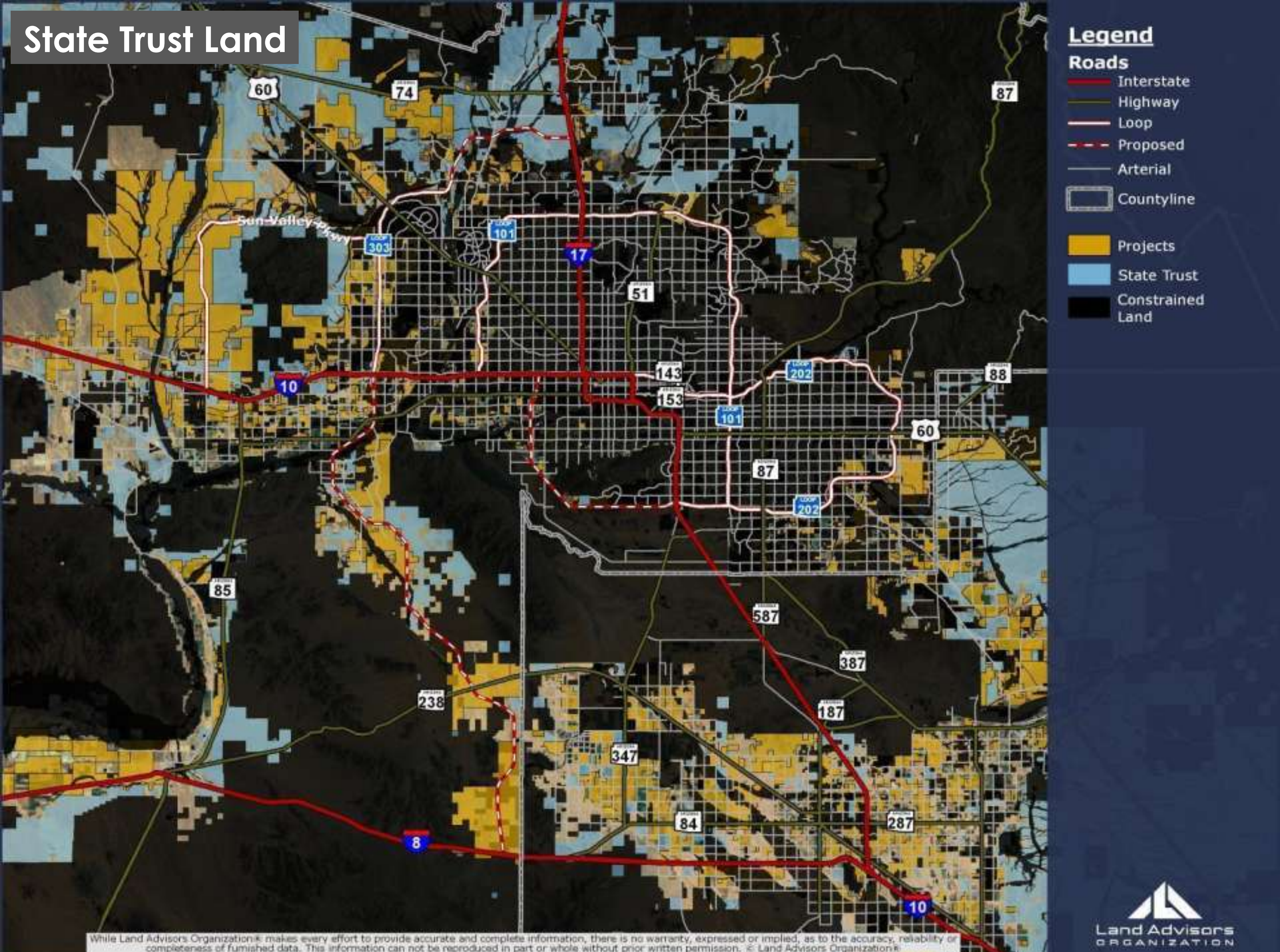
Legend

Roads
- Interstate
- Highway
- Loop
- Proposed
- Arterial
- Countyline

- Projects
- Constrained Land

Land Advisors ORGANIZATION

State Trust Land



Sample Residential Land Valuation

Peak to Trough New Housing and Lot Residual Analysis

	Jan-06	July 09'
New Housing Price	300,000	185,000
Peak to Trough New Home 39%		
House to Lot Ratio	22%	22%
Finished Lot Value	66,000	40,700
Cost to Finish 57'	34,200	28,500
Residual Land	31,800	12,200
Units Per Acre	5	5
Value Per Acre	159,000	61,000
Peak to Trough Land 62%		

2 YEAR HOLD/RECOVERY

25% Discount Rate - $38,354 NPV

January 2012: $61,000

3 YEAR HOLD/RECOVERY

25% Discount Rate - $30,664 NPV

January 2013: $61,000

4 YEAR HOLD/RECOVERY

25% Discount Rate - $24,532 NPV

January 2014: $61,000

Source: RL Brown

Sample Commercial Land Valuation

Peak to Trough Commercial Land Value Analysis

$8.00	per square foot
$348,480	per acre
15	acre commercial site

5 YEAR HOLD/RECOVERY

25% Discount Rate - $2.57/sq ft NPV

January 2015: $8.00/sq ft

6 YEAR HOLD/RECOVERY

25% Discount Rate - $2.06/sq ft NPV

January 2016: $8.00/sq ft

7 YEAR HOLD/RECOVERY

25% Discount Rate - $1.65/sq ft NPV

January 2017: $8.00/sq ft

Source: RL Brown

Land and Lot Foreclosures

FINISHED LOT FORECLOSURES

3,000 bank owned

2,000 pending trustee sale

5,000 Finished lots

ACREAGE FORECLOSURES

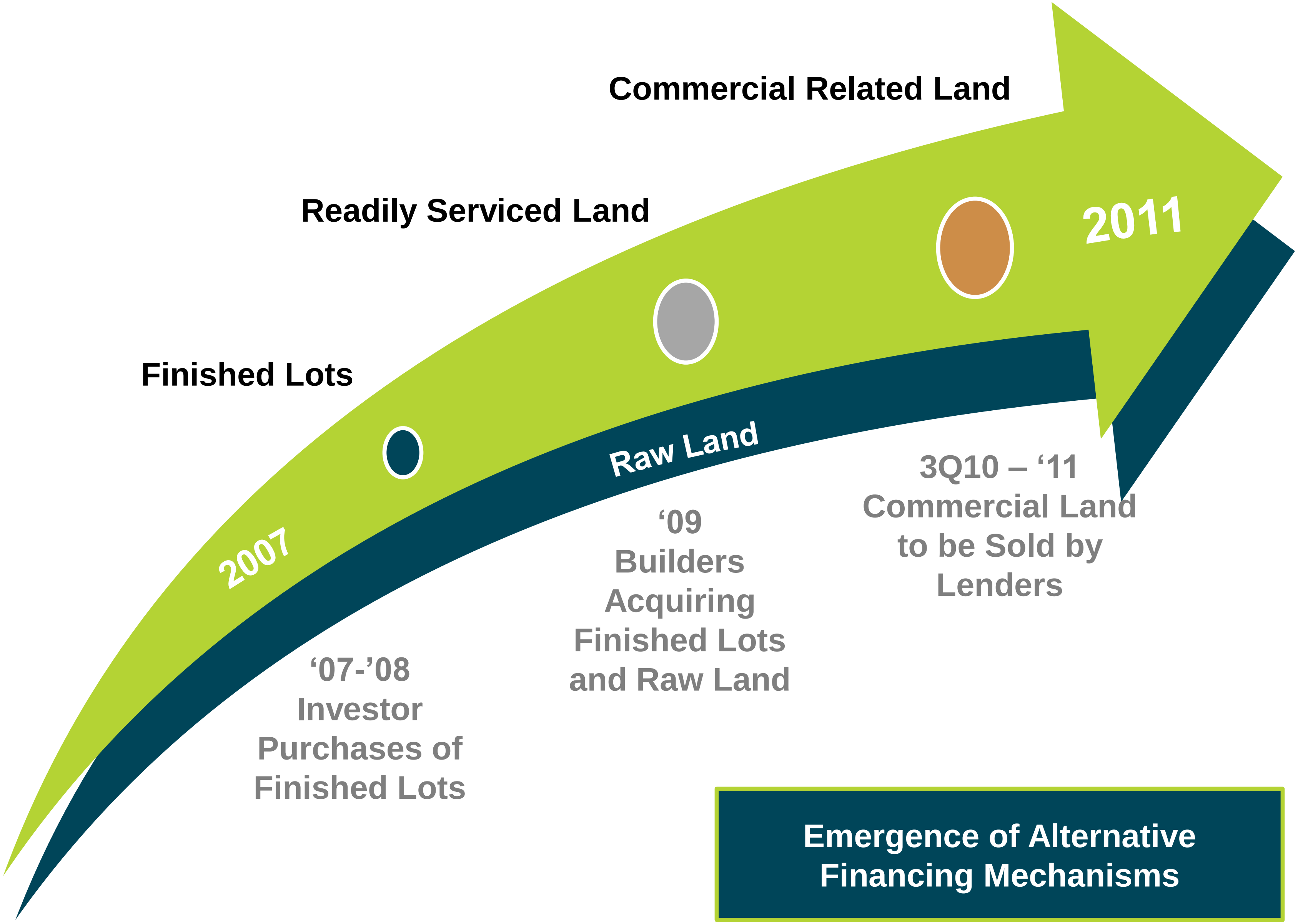
8,890 acres pending trustee sale

55,420 acres have reverted to lenders, of which:

36,672 acres are held by banks (300 loans)

18,748 acres held by private lenders (200 loans)

Seeking Opportunity



Emergence of Alternative Financing Mechanisms

Conclusions

Metro Phoenix will continue to be one of the fastest growing metropolitan areas in the country.

High affordability combined with a high quality of life will again become a driver for significant growth.

Large quantities of affordable vacant commercial and industrial space will drive near term employment growth.

Residential land values, total volume of transactions and housing has reached bottom. Recovery in new housing equilibrium should occur by 2012.

Thank You

Land Advisors ORGANIZATION

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