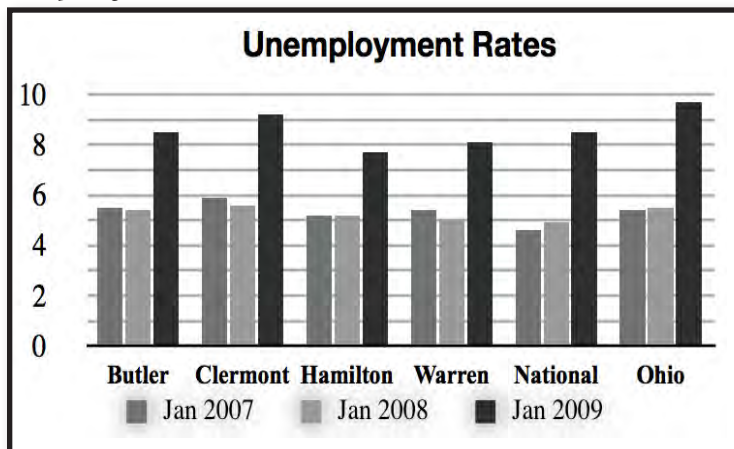


GREATER CINCINNATI OHIO MARKET

As with most of the country, Greater Cincinnati is struggling with the recession and the collapse of residential real estate. Over the past year, on top of an already lagging real estate market, unemployment has risen significantly in the region, mirroring national levels. Residential inventory levels remain high, resulting in a dramatic contraction in average sale price, coupled with increasing foreclosure activity and decreasing residential new construction.

Employment



Recent unemployment figures demonstrate a large increase over the same period last year. In January of 2008 unemployment in the area hovered around 5.4%; January of 2009 shows a 3% increase with the new average rate of 8.4%. As a region, the Greater Cincinnati Metro area is below state unemployment levels and very similar in comparison to national rates. Statewide, Ohio's unemployment rate as of January 2009 was 9.7%, higher than the national rate of 8.5%. Job losses have contributed to a general contraction in the real estate market. These layoffs and losses are expected to rise throughout 2009, applying continued pressure on residential real estate activity.

New Construction & REO/Foreclosure Activity

	2006	2007	% Change 06'-07'	2008	% Change 07'-08'
US Census	7,436	5,280	-29.00	3,314	-37.23
MLS Units	1,732	1,334	-24.20	885.0	-33.66
Median Price	\$261,048	\$264,402	1.28	\$260,000	-1.66

As a direct result of oversupply and high inventory levels, new construction activity in the Greater Cincinnati market is down dramatically. According to the Cincinnati Multiple Listing Service, new construction units have dropped 33.66% over the previous year. The US Census reports

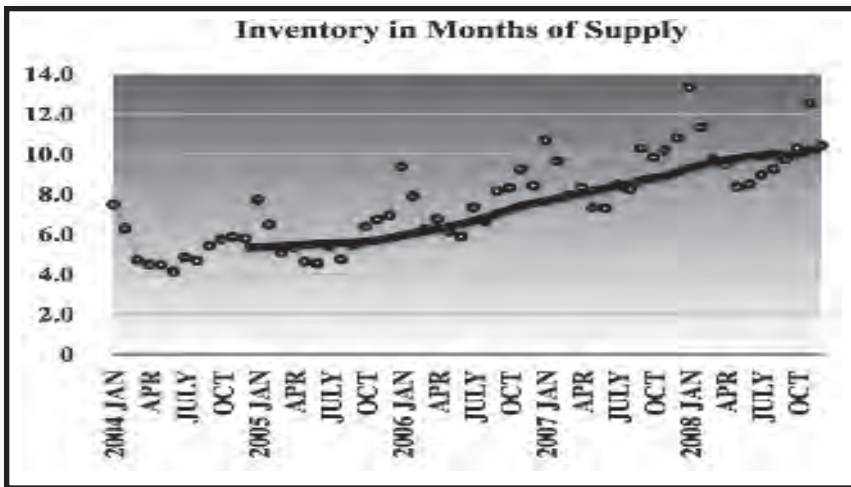
new construction for the Greater Cincinnati region as down 37.23%, paralleling MLS. These declines are greater than the previous contractions of 2006-2007. Mostly due to builder concessions, the median sale price of new construction has not fallen as dramatically as existing properties.

REO/foreclosure activity is on the rise in Cincinnati. Ohio regularly ranks as one of the higher states in foreclosure activity. Many properties are available for short sale as values continue to decline and homeowners find themselves upside down in their mortgages. Although new construction is down, these distressed properties are adding to inventory levels. Frequently properties indicated as distressed in the MLS are in relatively good condition and marketable as-is. These properties are often priced at the lower end of the market and present strong competition to corporate owned properties.

Shifts in Inventory Supply Levels

Inventory levels are at historic highs for the Greater Cincinnati Metro area. As the graph demonstrates, there are seasonal fluctuations in this market. January represents the highest level of inventory with June and July reflecting the lowest. This U-shaped pattern is typical of our marketplace. The black line represents an annualized moving average of monthly inventory levels. In January of 2005 this level was just over 5 months of supply, the typical annualized level for Cincinnati. At the end of 2008 this trend line demonstrates the annualized supply at

GREATER CINCINNATI METRO OHIO MARKET continued



around 10 months, nearly double normal levels. This trend line lags the most recent levels which have shown some moderation, but are still in excess of 9 months.

Value Direction and Velocity

Average sale price should not be used to determine changes in actual appreciation or depreciation rates. Average sale price may be affected by market changes in individual price bands (less high-end properties etc.); nonetheless it yields a general direction of the marketplace. The chart shows change in average annualized sale price by percentage compared to the same quarter previously. Historically, Cincinnati has nearly always shown an increase in average annualized sale price when compared with the previous quarter of the previous year. Note that this trend reversed to the negative in 2006 and has shown steady decline since. The fourth quarter of 2008 was the highest level of decline at -11.72%, nearly double previous negative indications and higher than any previous rate of change (+ or -) since the beginning of the study (1993). The market radically changed during the fourth quarter of 2008.



The Outlook

Unfortunately oversupply in the marketplace, and value contractions as a result, are expected to continue throughout 2009. The historically high inventory will take a long time to be absorbed. This correction will be stunted by high unemployment and increased foreclosure activity. Negative equity also exacerbates the problem as many homeowners who have a "pent-up" desire to move are upside down and cannot do so. These conditions will not stabilize until the recession is abated and economic recovery ensues. Sadly, recovery is not expected until 2010. Hopefully then the Cincinnati residential real estate market will find its legs again.



For additional or more current information on the residential market in the Cincinnati Metro area, visit www.rac.net and select "The RAC Report," or contact the following RAC member:

Ernest "Ernie" W. Durbin II, SRA, CRP, Durbin & Associates, Inc.

Phone: (513) 608.2833 ♦ Fax: (800) ERC-3218 ♦ ernie@durbin.com ♦ www.durbin.com