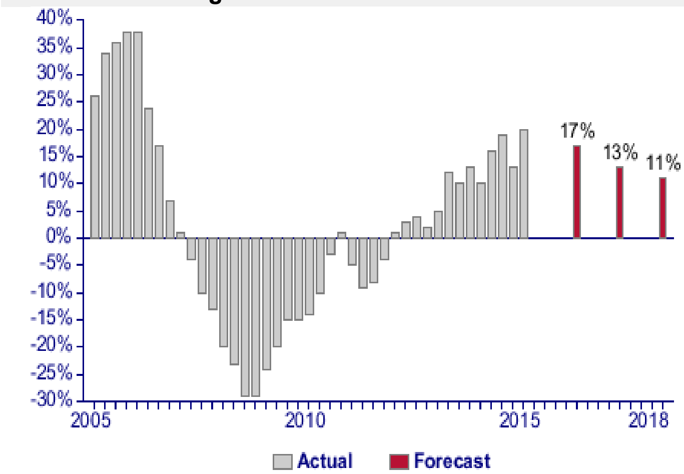
Market Summary

March 2015. Economic growth has been erratic since the recession, when 15,000 construction jobs were lost in a relatively small market. Growth was strong in the past year, with job gains in most sectors, especially the big tourism, retail, and construction sectors. There is a very large retirement population. Expect good growth in the next few years.

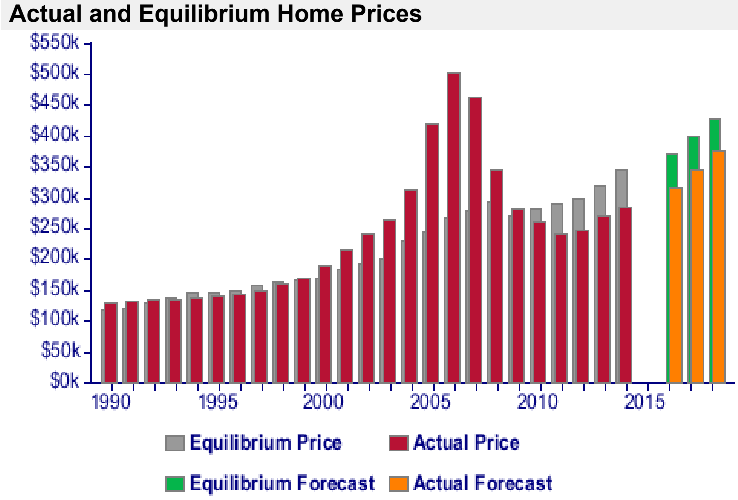
The giant housing boom and bust of the mid-2000s left many empty properties. Home prices were up sharply in the past two years, but the data are contaminated with foreclosures. Income is very high. The large renter population lives in apartment buildings. Population growth is above average. Speculation in foreclosed properties will drive prices the next couple of years.

We expect home prices to increase 47% over the next three years.

Home Price Change



Actual and Equilibrium Home Prices



Last Update: 5/31/2015

Investment Score: 10.1

LOCAL INVESTMENT RATING	
UNDER 0	DANGEROUS
0 - 3	SPECULATIVE
3.1 - 6.0	MEDIUM RISK
OVER 6	LOW RISK

Home Price Forecast

Home values for **Naples- Marco Island** are forecast to increase by 17 percent over the next 12 months. Nationally, prices are forecast to increase by 4.6 percent.

In the second and third year, prices are forecast to increase 13% and 11%, respectively.

County-Level Forecast

County	Year 1	Year 2	Year 3
Collier County	17.0%	13.0%	11.5%

Home Price

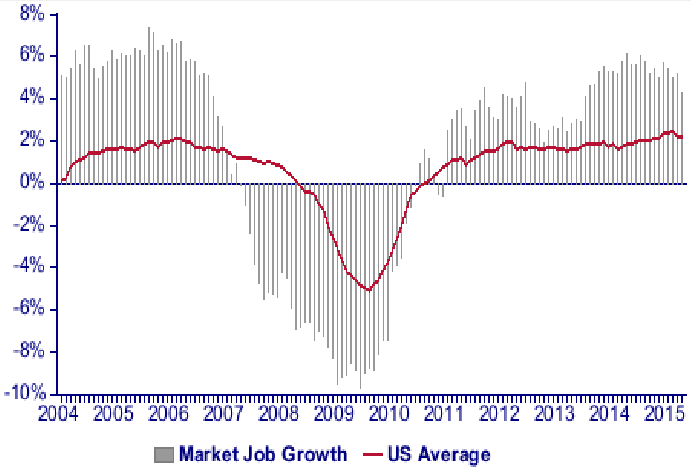
Home prices in this market peaked in Q3 2006 at $507,968. Since their peak, prices have fallen by 34%. In the last 12 months, prices have gone up by 20 percent. The average home price in this market is currently $337,050.

Equilibrium Home Price

The Equilibrium Home Price in this market is currently $356,543.

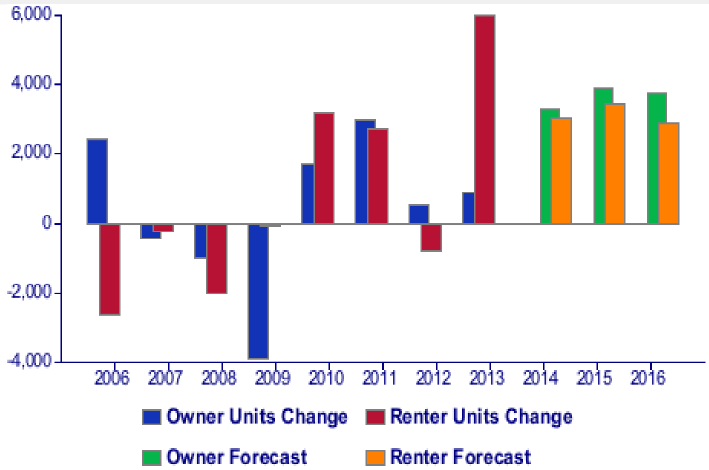
The Equilibrium Home Price shows where home prices would be in the absence of market distortions. If actual home prices rise well above the Equilibrium Prices, they ALWAYS eventually come back down.

Job Growth Rate



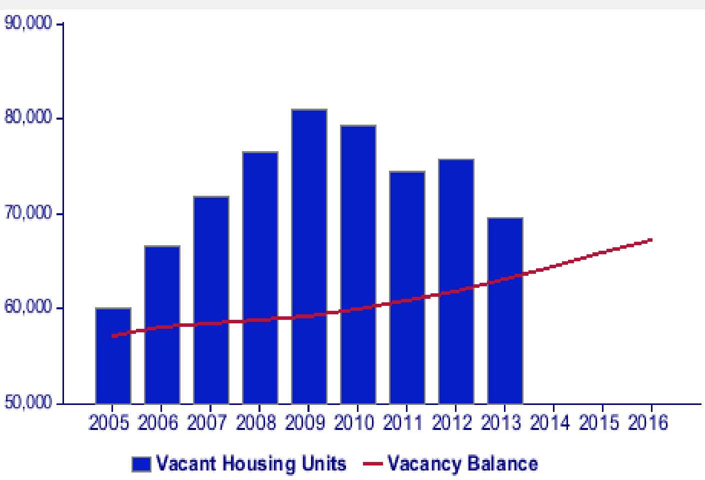
Occupied Housing Units

Naples-Immokalee-Marco Island, FL Metro Area



Vacant Housing Units

Naples-Immokalee-Marco Island, FL Metro Area



Job Growth

In the past 12 months, jobs in this market have grown by 4.3 percent. This compares to a national increase of 2.2 percent.

Job growth is our most immediate guide to the demand for housing. New jobs spur population in-migration while jobs regained in a recovery create new households. Investments are riskier when job growth is falling, less risky when job growth is strong.

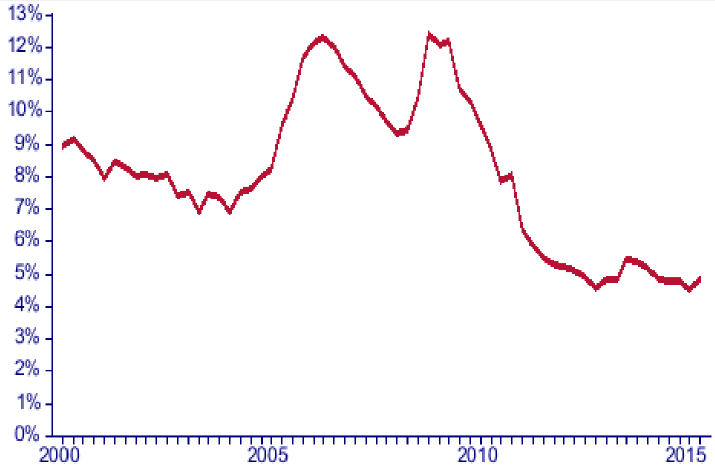
Occupied Housing Units

Change in Occupied Housing Units shows new demand for owner and renter housing, and the forecast. During the recession, many markets saw a switch from owner to renter units.

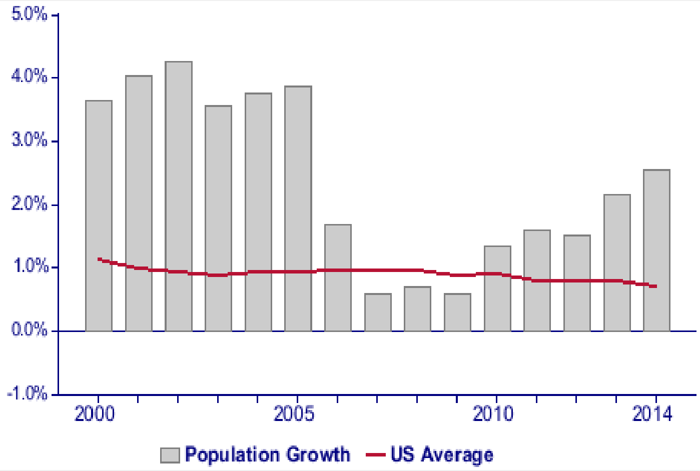
Vacant Housing Units

Vacant Housing Units shows the total number of vacancies, as well as the Vacancy Balance. If vacancies are higher than the Vacancy Balance, too much supply puts downward pressure on home prices and rents; if vacancies are lower than the Vacancy Balance, too little supply pushes home prices and rents up. The Vacancy Balance is closely related to the size of the local population.

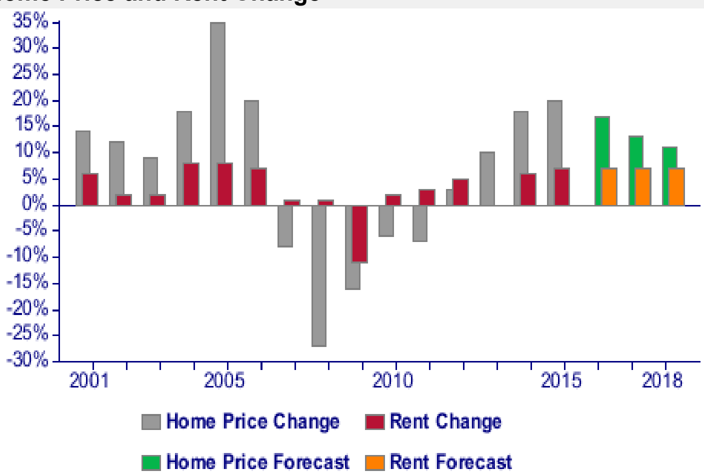
Local Capitalization Rate



Population Growth



Home Price and Rent Change



Local Capitalization Rate

The Local Capitalization Rate for this market is currently 4.8 percent.

The Local Capitalization Rate is used to price a rental property, based on the annual rent stream minus the annual operating expenses. The Cap Rate incorporates both national and local economic risk. The local Investment Cap Rate is used to estimate the value of an apartment building or single-family rental. Proposed property prices that produce a sharply lower cap rate should be scrutinized very carefully.

Population

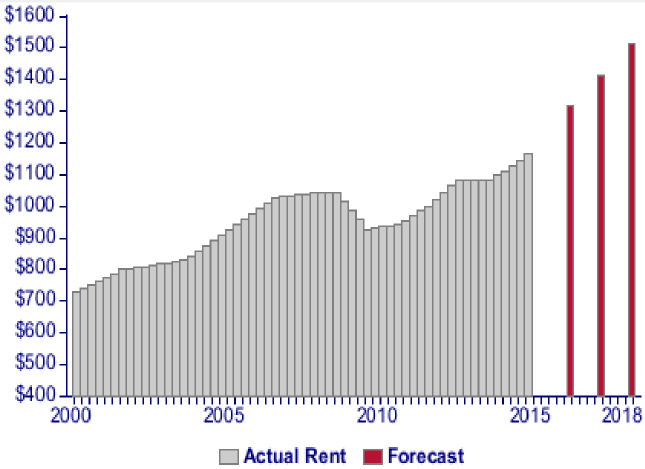
The population in this market grew 2.5% in 2014, while the US population grew 0.7%.

Population growth - or the lack of it - has the strongest effect on local demand for housing. Average population growth in the US is 1 percent per year. Investments are usually less risky in markets with above-average growth, though more risky in small markets with very high population growth.

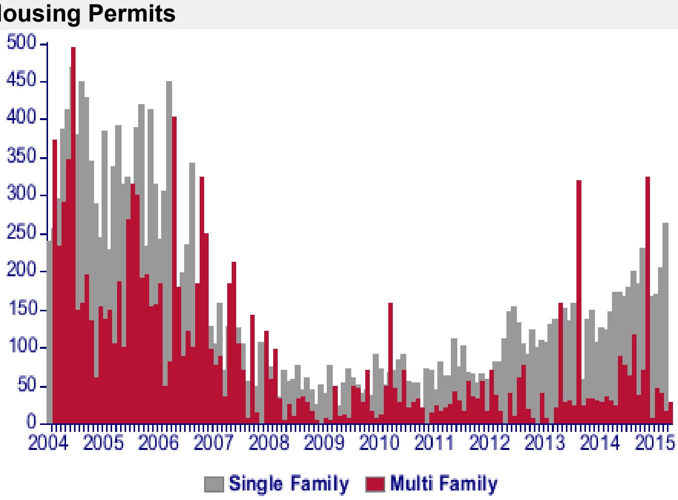
Home Prices and Rents

Home prices and rents often move in cycles but not at the same rate. Rents are more closely tied to local income, while home prices more easily respond to relatively small changes in supply and demand. Investments often are less risky in markets where home prices and rents increase slowly and steadily.

Rent per Month

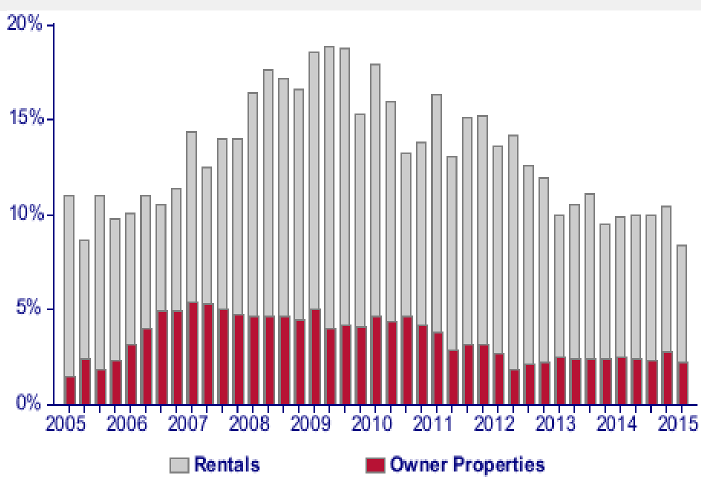


Housing Permits



Vacancy Rates

State of Florida



Rents

We forecast rents to increase 28 percent over the next three years in this market, to an average of $1515 per month.

Rents rarely decrease, but sharp job losses and falling home prices can push them down. Rents are closely related to local income. Monthly rent on average is 2 percent of local per capita income, but there is a lot of variation.

Housing Permits

Total housing permits in April 2015 were up 80 percent from last year. Single family permits were up 48 percent.

Vacancy Rates

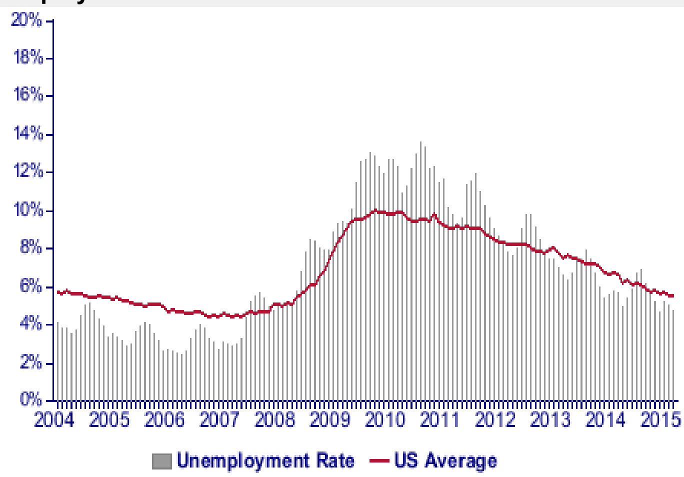
The Rental Vacancy Rate fell to 8.4 percent in Q1 2015. The Owner Vacancy Rate fell to 2.2 percent.

The survey technique used by the Census to get local vacancy rates for rentals relies heavily on large apartment landlords. It can't easily capture homes that are available for rent. Large changes from quarter to quarter in some markets can be due to survey problems rather than actual vacancies.

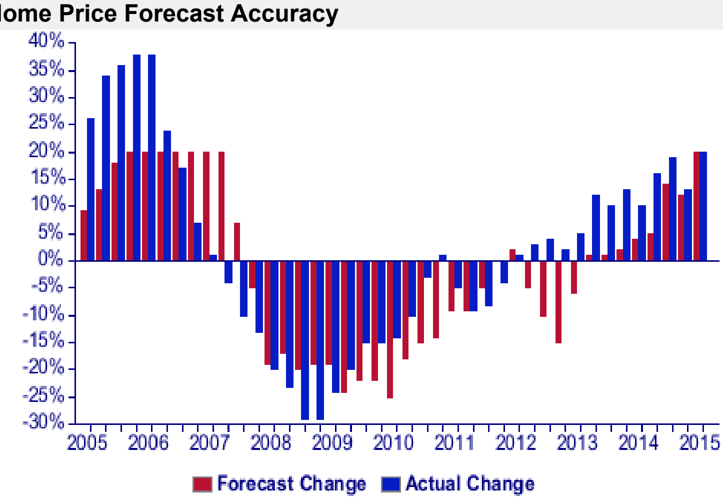
Employment by Industry

Industry	% of Total	US % of Total	Apr 2015	12-Month Job Growth	US 12-Month Job Growth
Construction/Mining	9%	4%	12,600	+7.7%	+5.0%
Manufacturing	3%	9%	3,500	+9.4%	+1.6%
Finance	6%	6%	7,800	+4.0%	+1.9%
Retail Trade	15%	11%	21,100	+3.9%	+2.0%
Business & Prof. Services	11%	14%	15,300	+6.3%	+3.6%
Health Care & Education	14%	16%	19,900	+4.7%	+2.7%
Tourism/Hotels	20%	11%	27,900	+2.6%	+3.1%
Government	10%	16%	13,400	+1.5%	+0.3%
Total	**100%**	**100%**	**137,700**	**+4.3%**	**+2.2%**

Unemployment Rate



Home Price Forecast Accuracy



Employment

Jobs were up 4.3 percent in the past year, compared to the national gain of 2.2 percent..

The concentration of jobs in various industries can reveal special investment risks. An above-average concentration of jobs in construction, manufacturing, finance or tourism indicates a greater vulnerability to economic cycles. But strong growth in these sectors means the current situation is favorable. Large health-care or government sectors often mean more stability and lower risk - but not always.

Unemployment

The Unemployment Rate in March 2015 was 4.8% versus 5.7% last year.