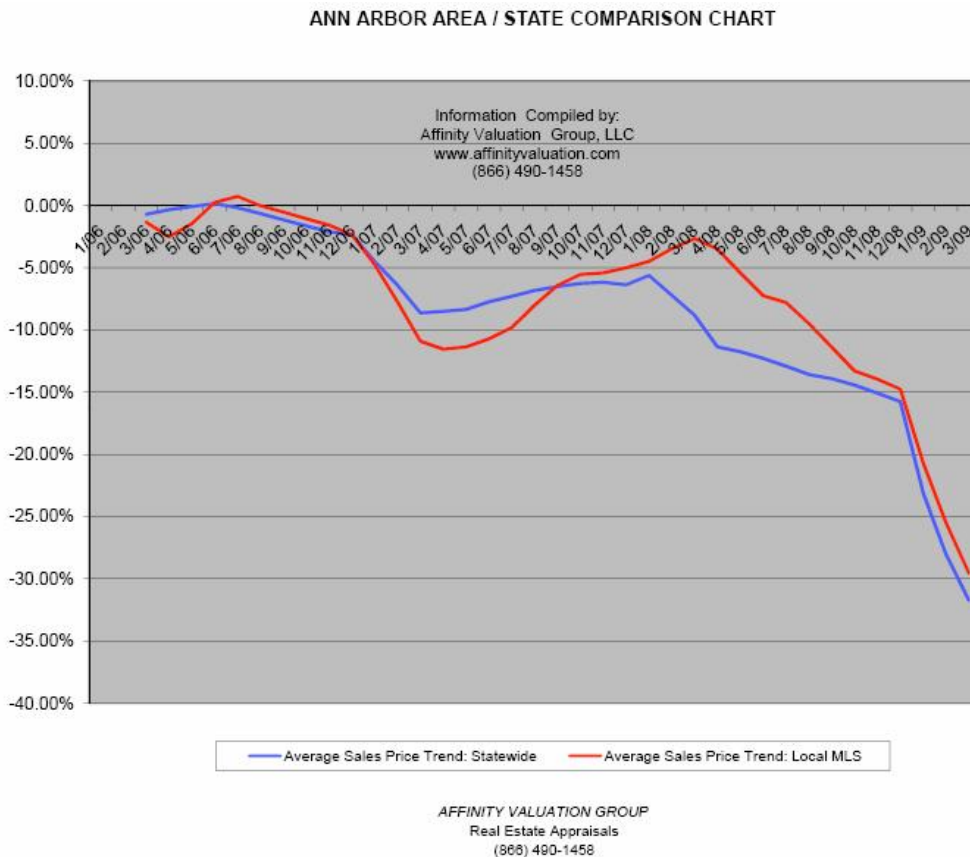


REO & FORECLOSURE COMPETITION:

Michigan is one of the five states with the highest foreclosure rates. The state has over 25,000 homes currently in foreclosure and over 8,000 more in bankruptcy proceedings. Wayne, Oakland and Macomb counties account for more than half of the state's active foreclosures. Foreclosure.com reports that there are 504 homes that are currently either in foreclosure or bankruptcy in Washtenaw County. Statistically this is a significant increase for the county, and foreclosure properties have become a larger portion of the housing inventory. REO and short sale properties are expected to pose competition for the subject at present and into the near term future.

HISTORIC PRICE TRENDS: (Chart Source: Michigan Association of REALTORS Monthly MLS Sales Report)



Even though the Washtenaw County real estate market has historically out performed other areas of the State "Market Conditions" as reflected in the average sales price in the state of Michigan, Washtenaw County and the subject's neighborhood have shown varying rates of decline since June of 2006. The Graph above represents a running average of the mean quarterly change in average sales price since January 2006 for Washtenaw County. The statistics indicate the mean rate of decline in the average sales price over the past 12 months in the Ann Arbor Area MLS (Washtenaw County market area) is (15.75%) and across Michigan shows a decline of (18.42%) over the same 12 month period. There are a number of reasons for the decline in single family residential market:

1. While inventories of unsold homes and condominiums have decreased, there are still insufficient buyers in the market place, allowing qualified purchasers plenty of choices and asserting downward pressure on home values.
2. A rising number of foreclosures and "short sales" in all market segments is further adding supply to the market. Pricing of these properties is very aggressive and driving down values of other nearby homes.
3. The tightening of credit by mortgage lenders in response to the Subprime Market problems is keeping some buyers out of the market.
4. Job losses and employment stability concerns dampened interest in the housing market even though the local unemployment rate is still one of the lowest in the state.

The statistics also indicate the greatest periods of price decline were January of 2007 and January of 2008. While the local market has shown generally less volatility than the balance of the state market, the local rate of decline exceeded the state's in January - October 2007 as a direct result of the announcement by Pfizer Inc. of the closing of their Ann Arbor Research facility and the subsequent relocation of 1500 to 2000 employees to other Pfizer facilities. There was a significant increase in housing inventory during this time exerting further downward pressure on values. However, as the inventory was absorbed, the market responded with a lessening in the rate of price decline, which continued through January 2008. Large and unpredicted increases in fuel prices during the 1st quarter of 2008 has caused another round of cost cutting and employment reductions at the "Big Three" domestic automotive manufacturers which has rippled through the entire state's economy. The retooling of product lineup to smaller more fuel efficient vehicles is underway but it may take until 2011 for the domestic vehicle sale numbers to increase and return some stability to the southeastern Michigan economy. Continued concerns about the viability of the domestic auto makers as well as the problems with the national credit markets has also played a significant role in suppressing home values.

As of right now, both State and the County single family average sales prices continue to decline but the lessening of the previous fuel price increases and extending of TARP assistance to the auto makers has moderated the fall. Sales volume has also increased with the State currently showing a (2.58%) decline and the County indicating a (6.90%) decline over last year's levels. Economists estimate the congressional economic stimulus plan may take 12 to 18 months to reverse the slide and restore confidence to the markets in southeastern Michigan.

In order to support a "Date of Sale/Time" adjustment in the Sales Comparison Approach the local market and the subject's submarket have to show specific signs of decline or increase in home values. The adjustment is intended to reflect significant changes in market values that have occurred between the contract date of the comparables sales and the date of appraisal (date of inspection) for the subject. Since a sustained decline of home values has been recorded at the state, county, and local submarket levels, the data indicates and will support an adjustment for declining home values. This data will be utilized in the Sales Comparison Approach of this report to make adjustments to the comparables to reflect the change in market conditions since their date of contract.

In summary, the market over the last 12 months indicates a decline in the number of homes sold, a decline in the dollar volume, and a decline in both the median and average sales price. All of these factors combined help to support the Market Change adjustment in the Comparable Sales Analysis.

The data below represents a delta change in percentage, in this case, the Dexter community as a whole is down (-8.41% or -0.007% per month) over the last year. As noted by the graph above, the County, due to two townships, Ypsilanti and Superior, have large defaults as a result of aggressive growth from 1995-2005.

For purposes of this report a negative adjustment of (-0.007% per month) will be applies to all sales.

