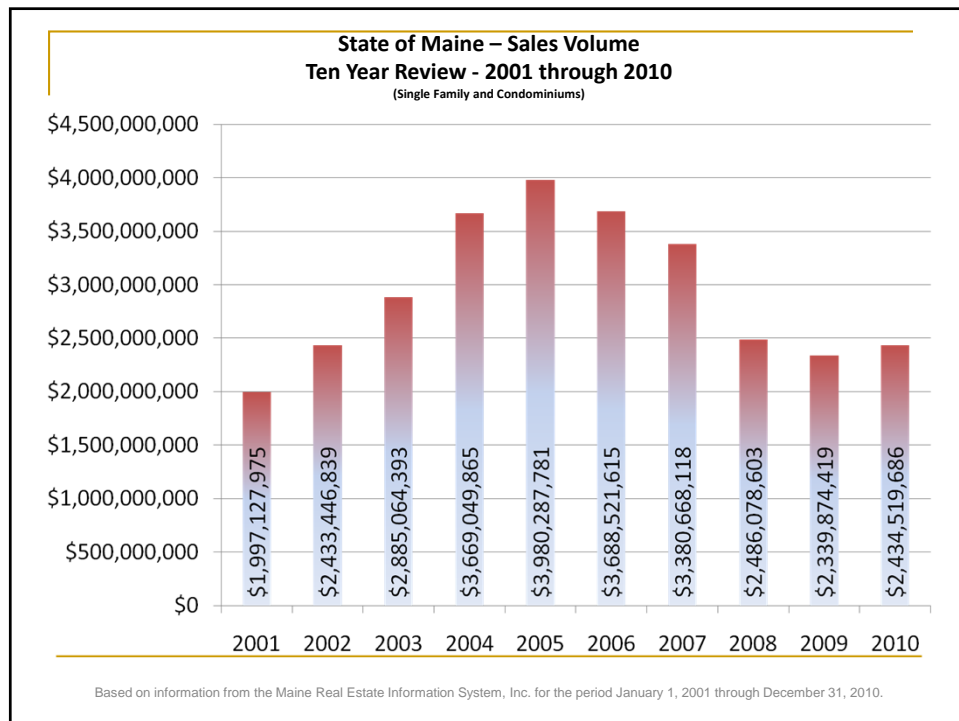


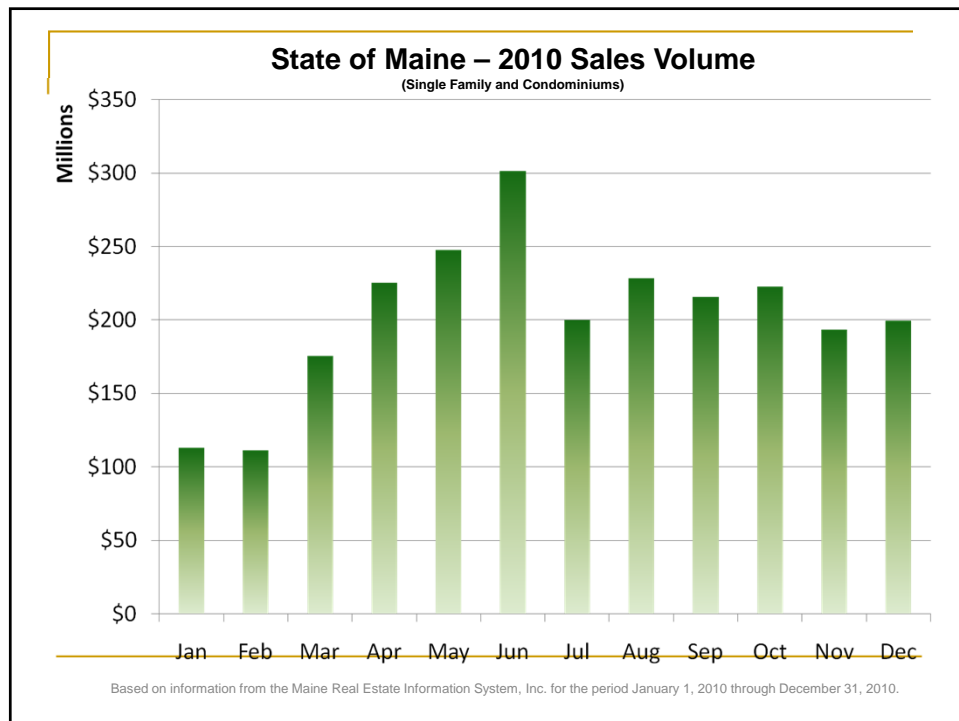
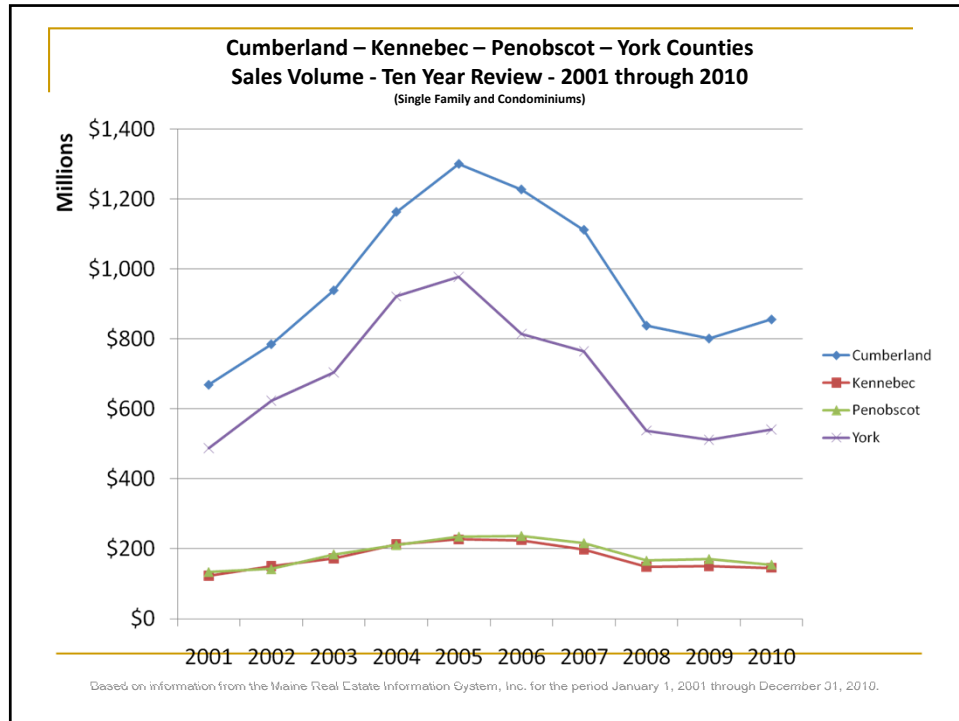
Maine Residential Real Estate Forecast for 2011

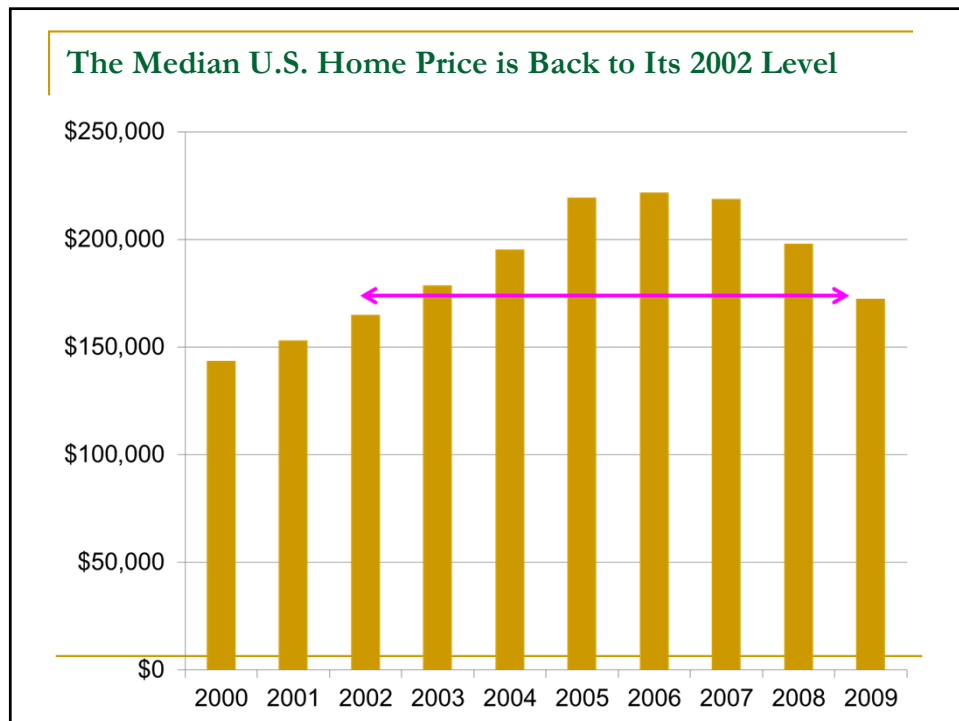
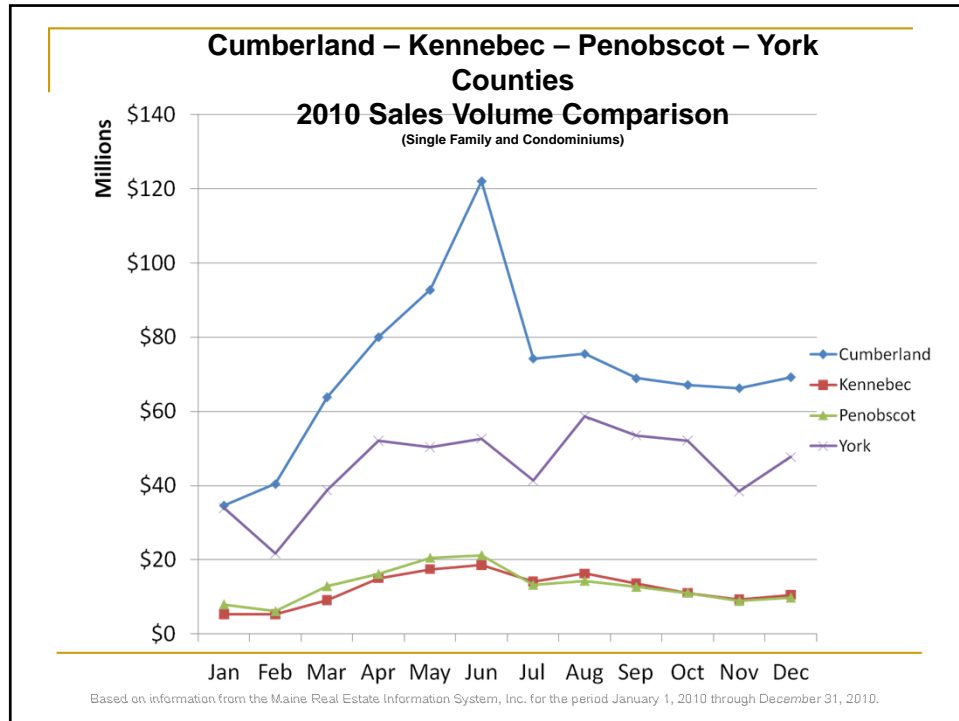
- Chh Chh Chh Chan - ges
- We Gotta Get Outta This Place
- This Land Is Your Land

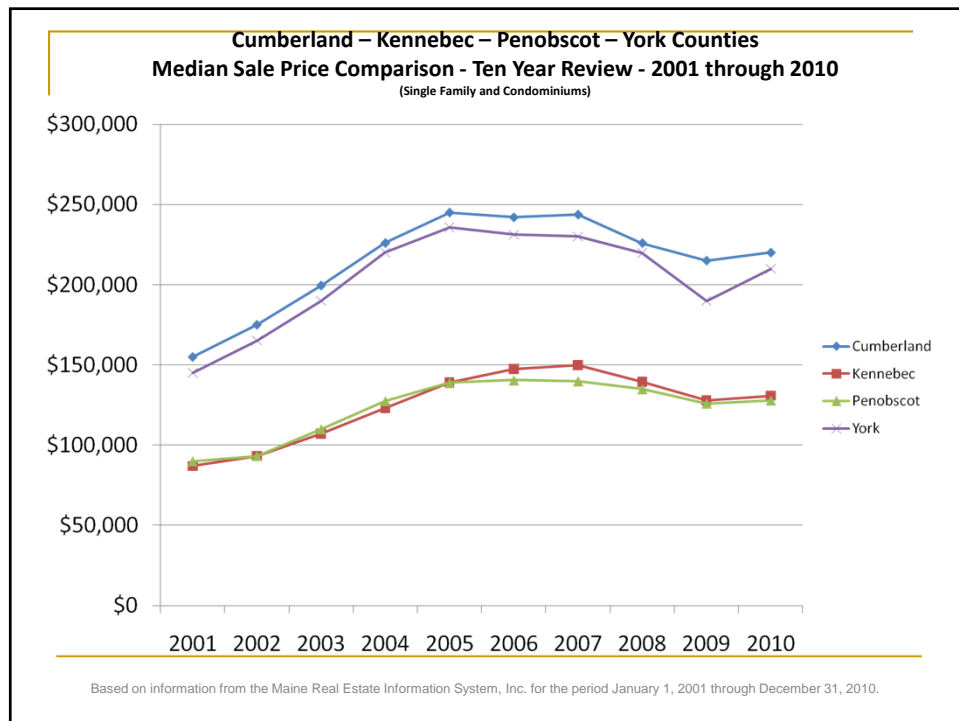
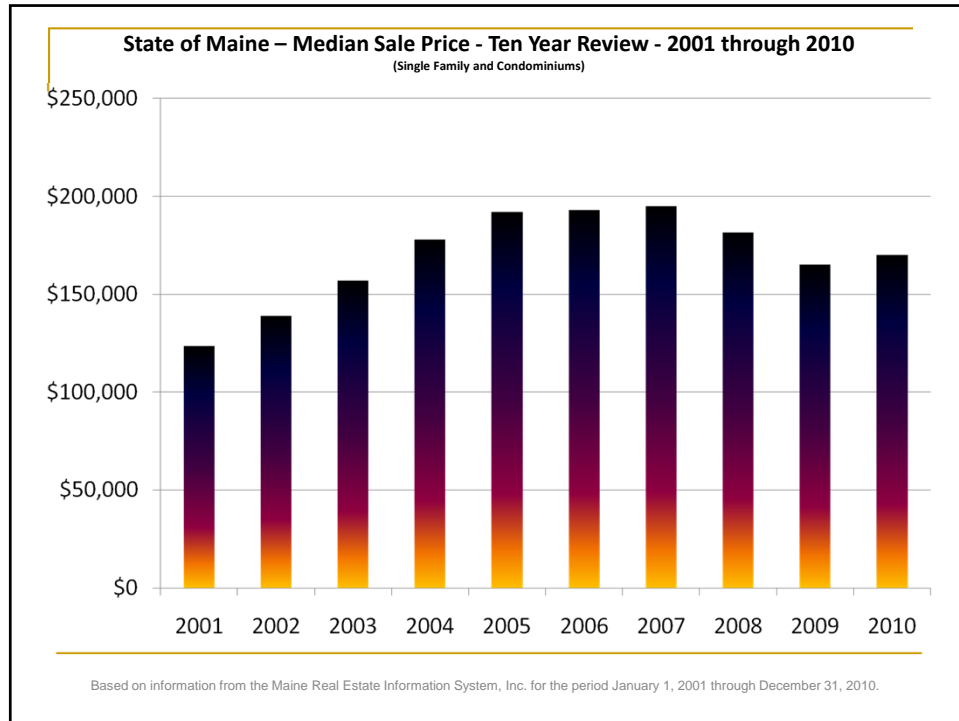
Existing Home Sales (Closings)

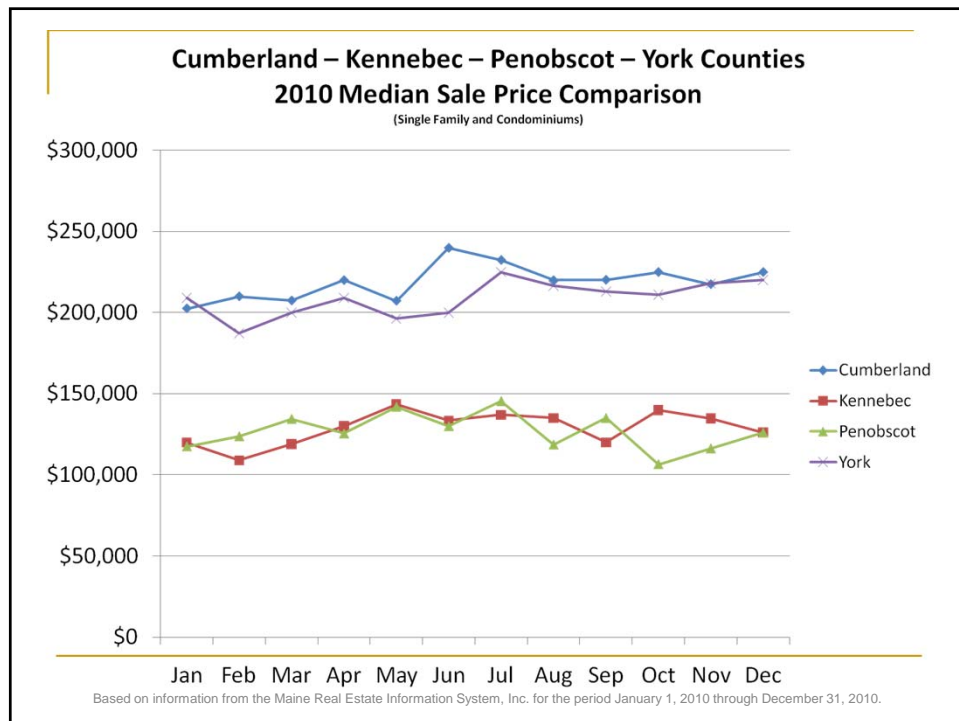
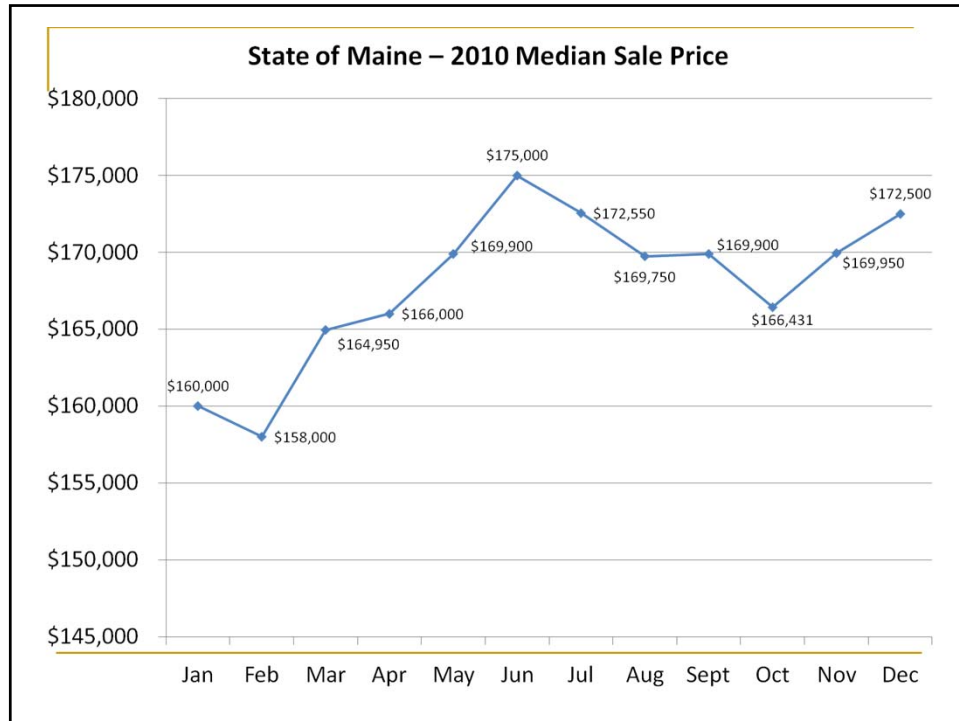


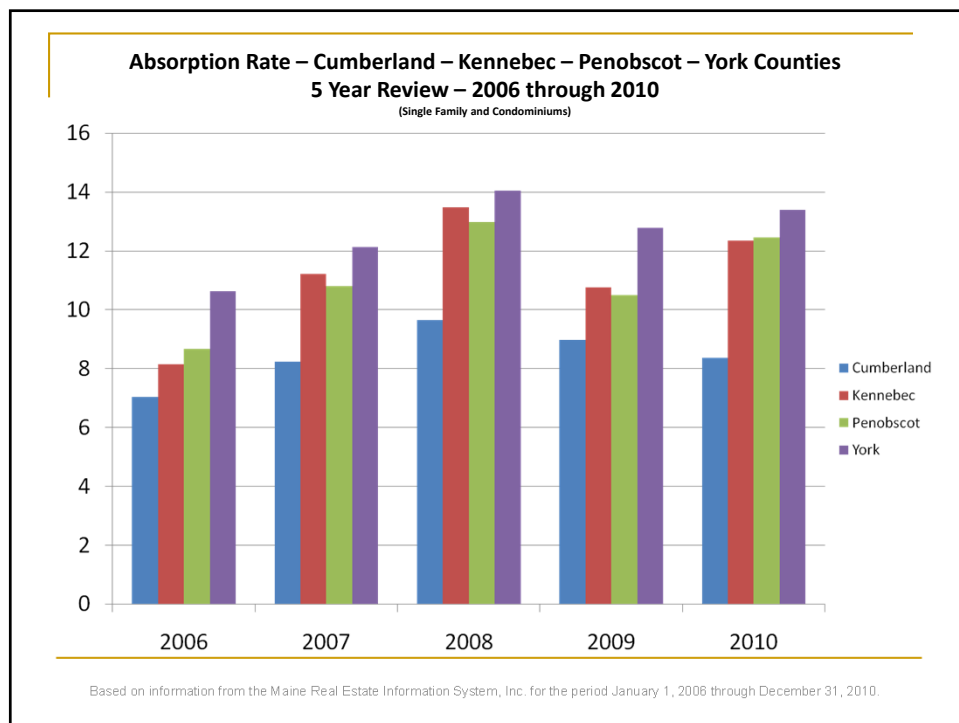
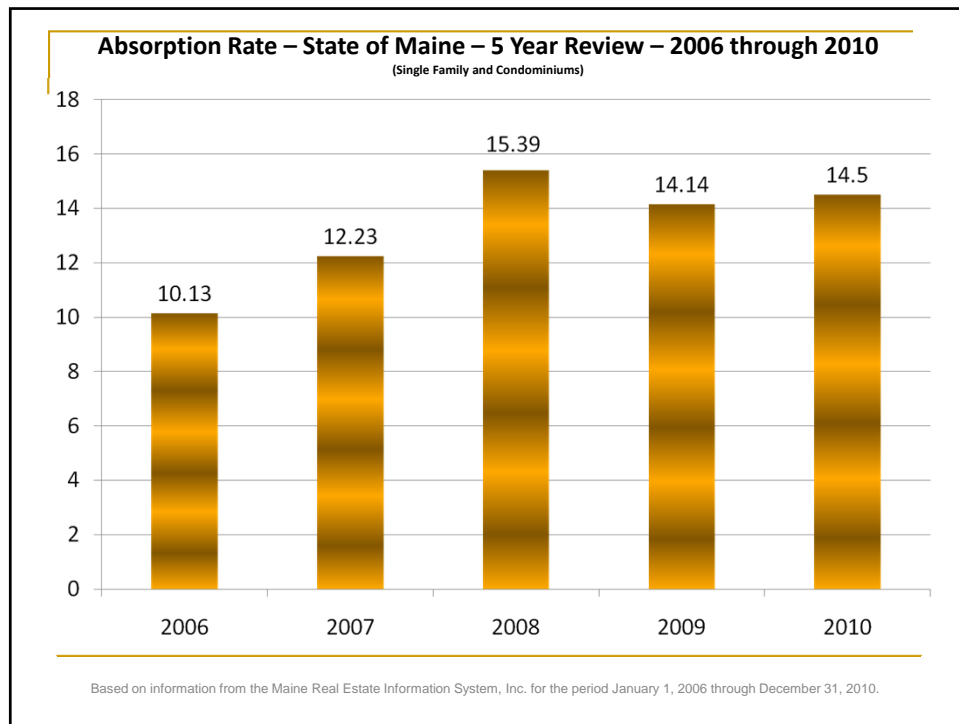












Virtuous or Vicious Cycle?

- Home values stabilizing scenario
 - Foreclosures steadily fall
 - Strategic default lessens and underwater homeowners become hopeful
 - FHA and Fannie/Freddie finances improve (will need less taxpayer funds)
 - Consumer spending opens up
 - Home value stabilize further or even begin to rise ...
 - Self-sustaining normal growth rates in sales and prices
- Home values fall meaningfully ... ugly scenario

Baseline Outlook

- Mortgage Rates rising to 5.0% in 2011 and 5.9% in 2012
 - People fussing about home value could miss out on low rates
- Home values – no meaningful change in the national price in the next 2 years
- Home sales to be choppy but overall improving in line with job growth ... 5.2 million in 2011 (up from 4.8 m in 2010, but same as in 2000)
 - Affordability conditions are too compelling
 - There maybe a pent-up demand. 30 million additional people from 2000 but same home sales as in 2000.

Long Standing Housing Policy

- Mortgage Interest Deduction
 - If eliminated, about 15% hit to home values
 - Massive wealth destruction on property owners who have saved and saved (in many cases to pass it on to the next generation)
- FHA
 - Self-financing without ever needing taxpayer funds (as of yet)
- Fannie and Freddie
 - Made mistakes and need to be restructured

Return to Normalcy

- Unprecedented Boom and Bust: 2000 to 2010
- Sales Boomed and Retreated
- Prices Overshot and Corrected
- Fundamental Back to Justifiable Levels
- Long-standing Housing Policy still in place
- Credit Market Bubble ... out the window

So Where Are We Headed Mike?

- 2011 will show modest growth in sales volume, value and interest rates
- Pent-up demand in the middle to higher end markets will emerge helping the median and sales volume grow
- Your town will be different than my town, unless you happen to live in Cumberland.