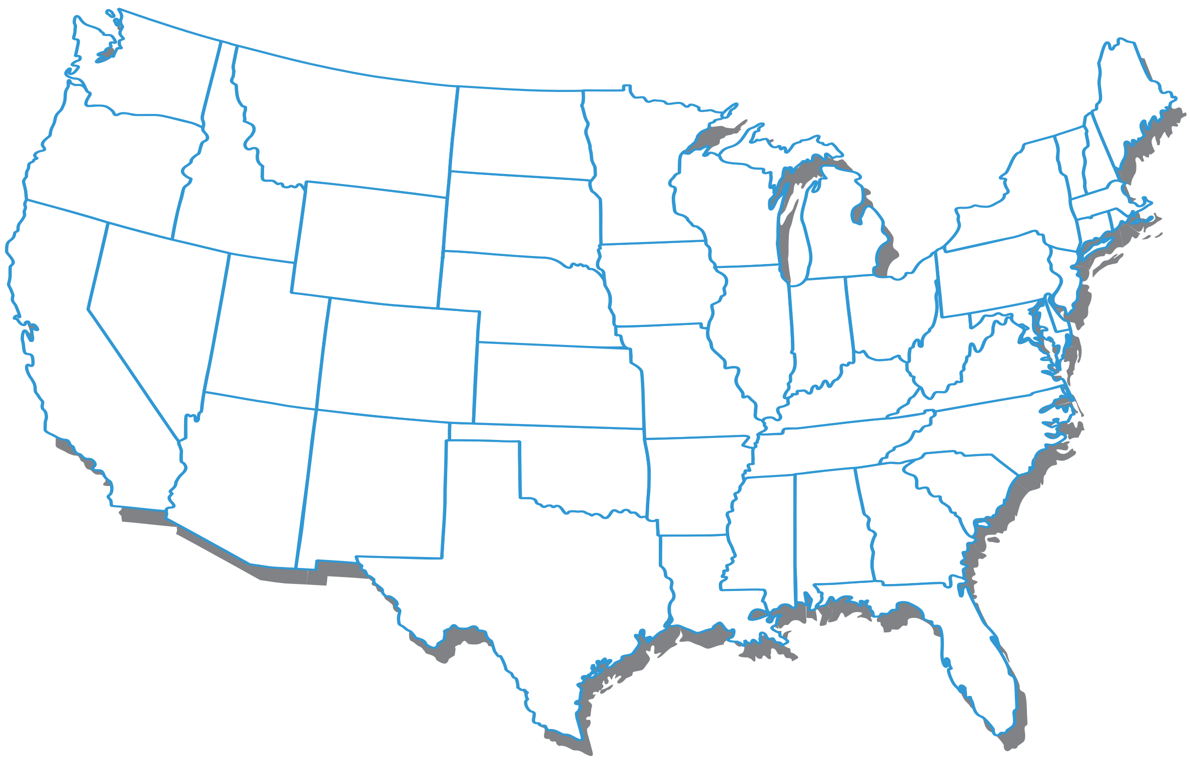
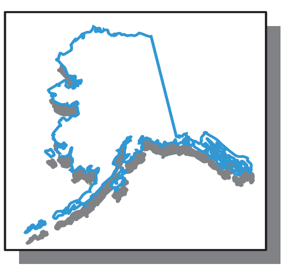
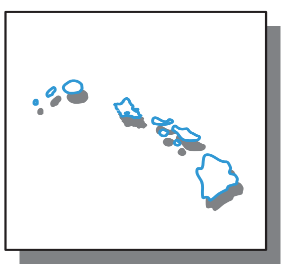
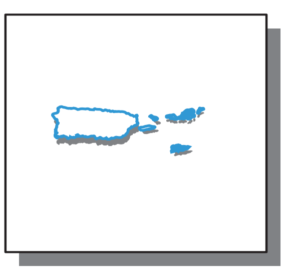
Regional Activity





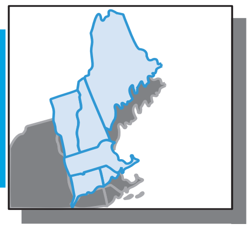




The following summaries of housing market conditions and activities have been prepared by economists in the U.S. Department of Housing and Urban Development's (HUD's) field offices. The reports provide overviews of economic and housing market trends within each region of HUD management. Also included are profiles of selected local housing market areas that provide a perspective of current economic conditions and their impact on the housing market. The reports and profiles are based on information obtained by HUD economists from state and local governments, from housing industry sources, and from their ongoing investigations of housing market conditions carried out in support of HUD's programs.

Regional Reports

New England



The economy of the New England region continued a 4-year period of moderately increasing job growth during 2007. Nonfarm employment averaged more than 7 million jobs in 2007, a net increase of 70,000 jobs, or 1 percent, compared with the increase of jobs in 2006. With the 210,000 jobs gained since 2003, the region has finally regained all of the 186,500 net jobs lost during the 2001–02 recession. Although employment in Massachusetts has not yet returned to the level of employment recorded in 2001 and the state has thus far regained only 63 percent of the total number of jobs lost during the recession, in 2007, Massachusetts gained 34,000 jobs, or 1.0 percent, accounting for approximately half of the net jobs gained in the region. During the year, employment grew by 1.2 percent to 7,800 jobs in New Hampshire and by 1.1 percent to 18,700 jobs in Connecticut.

Economic growth in the New England region resulted primarily from gains in employment in the service-providing sectors, which generated almost 80,000 new jobs, an increase of 1.3 percent compared with the number of new jobs generated in 2006, and provided more than 6 million jobs in 2007. About half of the total gain occurred in Massachusetts, which recorded an increase of 39,000 service-providing jobs, or 1.4 percent. More than 25,000 of these jobs were created in the education and health services sector and the professional and business services sector as a result of the passage of state healthcare legislation and the revival of the Massachusetts high-technology economy. In Connecticut, employment grew by 18,500 jobs, a 1.3-percent increase, which also was led by the education and health services and professional and business services sectors, and, in particular, expansion at Yale-New Haven Hospital. In New Hampshire, employment in the service-providing sectors increased by 10,000 jobs, or 2 percent, the largest percentage gain in the region, as a result of expansion at many healthcare facilities throughout the state that increased hiring in the education and health services sector.

During 2007, goods-producing sectors in the region lost only 8,900 jobs, the lowest annual loss of goods-producing jobs recorded during the decade. Connecticut was the only state in the region to record modest growth in goods-producing sector employment in 2007; the growth was due primarily to gains in commercial construction jobs. During 2007, the average unemployment rate in the region was 4.5 percent, relatively unchanged from the rate recorded in 2006. Unemployment declined from 5.0 to 4.7 percent in Massachusetts and from 5.1 to 4.9 percent in Rhode Island but increased from 3.6 to 4.0 percent in Vermont and from 3.4 to 3.7 percent in New Hampshire.

During 2007, residential construction activity in the New England region, as measured by the number of building permits issued, totaled 36,600 units, down 22 percent from the number of units permitted in 2006 and down by more than 30 percent from the relatively high levels of activity recorded during the previous 5 years, when an annual average of 53,000 units were permitted. Rising interest rates, increasing construction costs, decreasing affordability, and slowing home sales all contributed to the decline. In 2007, the number of single-family homes permitted in the region decreased by more than 7,600 to 25,900 units, a 23-percent decline compared with the number of units permitted in 2006. Single-family building permits were down by 20 to 25 percent in all states in the region except Rhode Island and Vermont, where permits were down by 9 and 30 percent, respectively. Although single-family permits were down 17 percent in Boston, 26 percent in Providence, and 40 percent in Hartford, the region's largest metropolitan areas, they declined by 50 percent or more in the central and western Massachusetts metropolitan areas of Worcester, Springfield, and Pittsfield and in the Bangor, Maine metropolitan area.

New England home sales markets in general were characterized by continued falling levels of sales but relatively stabilized sales pricing levels during 2007. The Massachusetts Association of REALTORS® (MAR) reported that sales of existing single-family homes declined by 4 percent to 45,500 units and the median sales price declined by a little more than 1 percent to $345,500 during the year. In 2007, the monthly inventory of unsold homes averaged about 34,000 units, down 15 percent from the monthly inventory recorded in 2006. During 2007, homes remained on the market for an average of 139 days, about 14 days longer than the average number of days in 2006. According to the Rhode Island Association of REALTORS® (RIAR), in 2007, single-family sales fell 9 percent to 7,600 units and the median price was $275,000, down 3 percent from $282,500 in 2006.

The Maine Real Estate Information System, Inc., reported that the total number of homes sold in 2007 was 12,000, a decrease of 10 percent compared with the number sold in 2006. The median price of a home in the state increased by 1 percent to a new record high of $194,000. In Cumberland County, which is part of the Portland-South Portland metropolitan area, the median price for a home in 2007 was $251,000, virtually unchanged from the median price recorded in 2006. In Aroostook County, which borders Canada, the median price increased by 6 percent to $85,000. For the 12-month period ending September 2007, the Connecticut Association of REALTORS® reported total home sales of 69,200, down 7 percent from the number of sales during the previous 12-month period. The median price was $325,000, up 4 percent compared with the median price during the same period in 2006. For the third quarter of 2007, median prices for homes in Connecticut ranged from $516,400 in Fairfield County (also known as the Bridgeport-Stamford-Norwalk metropolitan area) to $222,700 in nonmetropolitan Windham County in northeast Connecticut, up 4 and 18 percent, respectively, from the median price for the third quarter of 2006. For 2007, the Greater Hartford Association of REALTORS® reported 10,300 single-family home sales, down 13 percent from the number of sales for 2006; however, the median price for 2007 increased 2 percent to $259,900 compared with the median price for 2006.

According to the Office of Federal Housing Enterprise Oversight (OFHEO), home price appreciation in the region was down less than 1 percent in the third quarter of 2007 compared with price increases in the third quarter of 2006, ranking New England last of the nine Census regions in terms of price appreciation. Only two states, Vermont and Maine, had appreciation rates above the 2-percent national average, at 5 and 3 percent, respectively. Home prices declined in 9 of the 18 metropolitan areas/divisions in the New England region; the negative price appreciation ranged from 1 to 4 percent.

Condominium sales in the region slowed throughout 2007. In Massachusetts, MAR reported that 19,800 condominiums were sold in 2007, down 5 percent from the number sold in 2006, and the median price was $282,000, up 3 percent from the median price in 2006. The average number of condominium units on the market decreased to 15,900 in 2007, down 20 percent from the number of units on the market in 2006. The average number of days condominium units remained on the market increased from 116 in 2006 to 135 in 2007. In Rhode Island, RIAR reported that 1,800 condominiums were sold in 2007, a 4-percent decline compared with the number sold in 2006, and the median price was $221,000, down 2 percent from the median price in 2006.

Multifamily construction activity in the region, as measured by the number of units authorized by building permits, decreased in 2007 by 20 percent to 10,700 units, compared with 13,400 units permitted in 2006. In 2007, the number of multifamily units permitted declined by 21 to 28 percent in New Hampshire, Rhode Island, and Massachusetts and by 15 percent in Vermont. Maine and Connecticut posted small increases of 7 and 4 percent, respectively, in the number of multifamily units permitted as a result of a strong rental housing market in the Portland-South Portland metropolitan area and continued multifamily construction activity in the downtown Hartford market. Declining multifamily construction activity in the Boston metropolitan area caused the area's share of the regional multifamily activity to fall from 62 percent in 2006 to less than 50 percent in 2007.

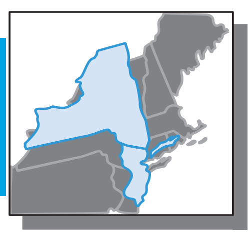
Rental housing markets in the New England region continue to remain balanced; except for the Boston metropolitan area, most markets have had only moderate increases in the rental inventory. Rental vacancy rates in general range from 3 to 6 percent and rent levels average $900 to $1,100 in most small- to medium-size metropolitan areas, but these market indicators are considerably higher in the Boston metropolitan area and Fairfield County. Recent annual rent increases range from nearly 2 percent in the Boston metropolitan area to more than 6 percent in Fairfield County.

Although the Boston metropolitan area rental housing market is balanced, significant increases to the rental inventory, amounting to 10,600 units in the past 2 years, have put upward pressure on vacancy rates and kept rent increases at moderate levels. According to Reis, Inc., during the fourth quarter of 2007, the rental vacancy rate was 6.1 percent, up from 5.5 percent during the same period a year ago, and the effective rent was $1,675. Future increases to the rental inventory are expected to be more moderate, averaging about 3,000 units annually for the next several years. With homeowner demand moderating due to stricter credit standards, the rental housing market should tighten, resulting in lower vacancy rates as long as the economy continues to support at least a 1-percent annual job growth rate. The Fairfield County rental housing market is tight, with a fourth quarter 2007 rental vacancy rate of 3.3 percent, down from 3.4 percent a year ago. According to Reis, Inc., 600 rental units entered the market in 2007, twice the average number of units that have been added to the inventory in each of the past 5 years but still a moderate amount given the size of the market area. Consequently, during the year, the asking rent in Fairfield County increased by 6 percent to $1,801, one of the highest rent levels in the nation.

The Hartford metropolitan area rental housing market is very stable and balanced. With fewer than 300 new rental units entering the market during 2007, the rental vacancy rate declined from 5 percent in the fourth quarter of 2006 to 4.4 percent in the fourth quarter of 2007. During the period, the asking rent increased by more than 3 percent to $949. The revitalization of downtown Hartford continues with the development of new housing opportunities that will effectively double the downtown rental unit inventory over the next 3 years, according to CB Richard Ellis.

As of the third quarter of 2007, the Providence metropolitan area had a rental vacancy rate of 7.2 percent, down from 7.5 percent in the third quarter of 2006, and the asking rent increased by more than 2 percent to $1,220. M/PF YieldStar reports that most of the more than 650 rental units under construction in the Providence market are in adaptive reuse projects consisting of former textile and manufacturing mills being converted to luxury rental housing.

New York/ New Jersey



Total nonfarm employment in the New York/New Jersey region increased in 2007 by 109,400 jobs, or 0.9 percent, to 12.8 million jobs compared with the number of jobs in 2006. Employment growth in the region occurred primarily in the service-providing sectors, including education and health services, professional and business services, and leisure and hospitality. Nonfarm employment increased by 85,800 jobs, or 1 percent, to 8.7 million jobs in New York and by 23,600 jobs, or 0.6 percent, to 4.1 million jobs in New Jersey. In 2007, the rate of employment growth was less than 1 percent in most Upstate New York metropolitan areas but was somewhat higher in Downstate metropolitan areas. In the Kingston metropolitan area, employers added 1,200 jobs, up 1.9 percent from the number added a year earlier. In the large Nassau-Suffolk metropolitan area, employers added 8,700 new jobs, a 0.7-percent gain compared with the number added in 2006. Total nonfarm employment in New York City in 2007 was 3.7 million jobs, an increase of 54,500 jobs, or 1.5 percent, from last year, although the data indicate a moderating trend when compared with the 62,000 additional jobs and 1.7-percent growth rate in 2006. With the exception of the Atlantic City metropolitan area, where employment declined in the leisure and hospitality sector, employment increased in most of New Jersey, with gains typically ranging from 1 to 2 percent.

In 2007, the average annual unemployment rate in the region remained stable, at 4.5 percent, compared with the rate recorded in 2006. During this period, the average annual unemployment rate also remained stable in New York, at 4.5 percent, but decreased from 4.6 to 4.3 percent in New Jersey.

Despite employment gains, many sales housing markets in the region softened in 2007. Annual housing statistics from the New York State Association of REALTORS® indicate that the median sales price of an existing home in New York, excluding the New York City area, was $237,000 in 2007, a decline of more than 4 percent when compared with the median price in 2006. In 2007, 92,600 homes were sold in the state, a decrease of nearly 9 percent from the number sold in 2006. Year-end statistics for home sales and prices in New Jersey are currently unavailable; however, data from the New Jersey Association of REALTORS® indicate that, for the 12-month period ending September 2007, the median price of an existing single-family home in the state remained stable, at $371,000, compared with the median price recorded for the same period a year ago. The median price increased by approximately 3 percent in both Northern New Jersey and Southern New Jersey to $456,000 and $238,000, respectively, but declined by 3 percent to $360,000 in Central New Jersey. During the 12 months ending September 2007, the number of home sales in New Jersey declined by almost 17,000 units, or 11 percent, to 144,200 units. Fewer sales occurred in all three regions of the state, ranging from declines of 8 percent in Northern New Jersey to 14 percent in Central New Jersey. The number of mortgage foreclosures, as reported by RealtyTrac, Inc., increased by approximately 10 percent in New York and 34 percent in New Jersey in 2007 compared with the number of foreclosures in 2006.

Despite softening housing market conditions in other areas of the region, the sales housing market in New York City remains strong. According to Prudential Douglas Elliman, during the fourth quarter of 2007, the median price of a Manhattan co-op or condominium increased by more than 6 percent to $850,000 in contrast with the extensive price inflation that occurred during the last several years, when annual price increases averaged between 10 and 20 percent. In the fourth quarter of 2007, co-op and condominium sales activity increased by 3 percent to 2,500 units, and the listing inventory declined by approximately 14 percent to 5,100 units.

Despite rising inventories of unsold homes, prices have been increasing in many parts of the New York/New Jersey region. According to the Buffalo Niagara Association of REALTORS®, the median price of an existing single-family home or condominium in the area was $101,500 in 2007, an increase of 1 percent compared with the median price in 2006. During the year, 11,300 existing homes were sold in the area; this figure represents a 3-percent increase from the number sold during 2006.

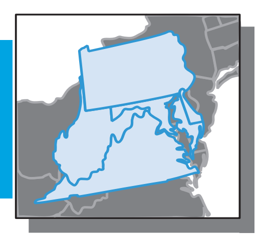
The median price of a single-family home in the Albany-Schenectady-Troy metropolitan area continued to increase during 2007, but at a slower rate than it did in 2006 and 2005. The Greater Capital Association of REALTORS® reported that, in 2007, the median price of an existing single-family home in the metropolitan area increased by 2 percent to $192,500; in comparison, the median price increased by 5 percent in 2006 and by 13 percent in 2005. In 2007, the median price of an existing single-family home in Albany, Rensselaer, and Schenectady Counties increased between 2 and 3 percent compared with the median price in 2006. During the year, the median price of an existing home in Saratoga County, the most expensive home sales market in the Albany-Schenectady-Troy metropolitan area, declined by 1 percent to $256,000. In 2007, total residential sales in the metropolitan area decreased by 8 percent to 9,700 units, and the number of residential listings increased by 2 percent to 17,300 units.

After several years of declining employment in the Rochester metropolitan area, the economy is beginning to stabilize and conditions in the sales housing market are improving. The Greater Rochester Association of REALTORS® reports that the median price of an existing home in 2007 increased by 2 percent to $117,000 compared with the median price in 2006. Between 2006 and 2007, sales of existing single-family homes in the Rochester area decreased by 1 percent to 11,300 units, with fewer sales recorded in Monroe, Ontario, and Orleans Counties than during the previous year.

Residential construction activity in the New York/New Jersey region, as measured by the number of building permits issued, decreased by approximately 7 percent to 81,600 units during 2007. In New York, where approximately 55,300 units were authorized, building permit activity remained relatively stable compared with that of 2006. In New Jersey, 25,800 units were permitted, representing a 20-percent decline from the number permitted in 2006. In 2007, single-family housing construction in the region declined by 19 percent to 30,400 units, but multifamily construction increased by 2 percent to 51,100 units. During the year, multifamily housing development increased by 10 percent to 38,300 units in New York but decreased by 17 percent to 12,900 units in New Jersey.

Preliminary statistics for the fourth quarter of 2007 from Reis, Inc., indicate that Downstate New York and New Jersey rental housing markets remain tight and rent increases are occurring. In 2007, the apartment vacancy rate in New York City was 2.1 percent, down from 2.2 percent in 2006; during the past year, the average monthly asking rent increased by almost 9 percent to $2,825. On Long Island, in the fourth quarter of 2007, the apartment vacancy rate remained stable, at 3.0 percent, and the average rent increased by 3 percent to $1,519 a month. During this period, the vacancy rate declined from 3.5 to 3.4 percent in Central New Jersey but increased from 2.8 to 3.2 percent in Northern New Jersey. In 2007, average apartment rents increased by more than 4 percent to $1,134 in Central New Jersey and by nearly 5 percent to $1,488 in Northern New Jersey. In Upstate New York, Reis, Inc., reported that apartment vacancy rates declined in three major market areas in 2007. Rates fell from 5.4 to 4.3 percent in Buffalo, from 5.0 to 4.0 percent in Rochester, and from 4.9 to 4.1 percent in Syracuse. Corresponding with these tightening rental market conditions, apartment rent appreciation ranged from a nearly 3-percent increase to $655 a month in the Syracuse area to a nearly 5-percent increase to $712 a month in the Buffalo area. In the Rochester area, the average apartment rent increased by 3.7 percent to $734 a month.

MID-ATLANTIC



The economy of the Mid-Atlantic region continued to grow during 2007, albeit at a slower rate than that of the previous year. During 2007, nonfarm employment increased by 152,350 jobs, or slightly more than 1 percent, to an average of 14.1 million jobs, down from the 1.2-percent increase recorded during 2006. The professional and business services sector was the fastest growing employment sector in the region, adding 51,200 jobs and increasing by 2.6 percent. The education and health services sector grew by 2.3 percent and added

47,900 jobs. Job gains moderated in Pennsylvania and Virginia, the two most populous states in the region. Pennsylvania added 49,100 new jobs, which equaled 32 percent of the total regional growth but was nearly 2,000 fewer jobs than the total added in the state in 2006. Pennsylvania accounted for 61 percent of all new education and health services jobs in the region. Of the jobs added in the state, 60 percent, or 29,275, were in this sector; 10,300 of those jobs were located in the Philadelphia metropolitan area, where the leading private-sector employers are universities and hospital systems. Although Virginia accounted for 37 percent of all new jobs in the region, the 56,300 jobs added in the state during 2007 reflect a growth rate of 1.5 percent, down from the 1.7-percent gain recorded during the previous year. In the remainder of the region, the number of jobs grew at rates ranging from nearly 0.5 percent in West Virginia to 1.5 percent in the District of Columbia, where 60 percent of all new jobs were in the professional and business services sector. Employment in the federal government subsector was stable at 193,000 jobs in 2007, following a loss of 700 jobs in 2006.

The unemployment rate in the Mid-Atlantic region declined from 4.1 percent in 2006 to 3.9 percent in 2007. West Virginia and Pennsylvania each reported the largest decline of 0.4 percent and unemployment rates fell to 4.6 and 4.3 percent, respectively, in the states. Virginia reported the lowest unemployment rate of 3.1 percent, relatively unchanged from the rate recorded a year ago.

According to the Census Bureau, the population of the Mid-Atlantic region was estimated at slightly more than 29 million as of July 1, 2007, an increase of nearly 0.5 percent, or 136,330, since July 1, 2006. Net natural increase (resident births minus resident deaths) produced 80 percent of the regional population growth. Population gains in Virginia accounted for 53 percent of the regional growth; net natural increase produced two-thirds of the state's population growth. Maryland was the only state in the region with net out-migration in 2007. That loss offset half the state's population gain attributable to net natural increase.

Despite continued economic expansion in the Mid-Atlantic region during 2007, home sales declined. Reduced sales volume was attributed to stricter underwriting policies, higher interest rates during the first half of the year, and consumer caution driven by news of higher foreclosure rates and fears of potentially declining home values. The Maryland Association of REALTORS® reported that approximately 60,800 existing homes were sold in the state during 2007, a decrease of 23 percent compared with the 79,100 homes sold during 2006. The average monthly inventory of homes for sale increased by 26 percent, from 35,150 to 44,400 units, during the year. The average home sales price increased by 1.3 percent from $356,900 to $361,600, down from the nearly 6-percent home price increase reported during 2006 and a significant change from the 19-percent price increase reported during 2005. In the Baltimore metropolitan area, nearly 29,950 homes were sold in 2007, a decline of 17 percent from the 36,050 homes sold in 2006. The average home price of $317,131 increased by only 2 percent from the average price of homes sold in the area during 2006. In Charles, Montgomery, and Prince Georges Counties, the primary suburban Maryland counties of the Washington, D.C. metropolitan area, approximately 19,000 homes were sold during 2007, reflecting a 33-percent decrease in sales volume compared with the number sold during the previous year. The average home price rose to $446,500, nearly 5 percent higher than the average price recorded in 2006.

The Virginia Association of REALTORS® reported that, during 2007, nearly 95,300 homes were sold, 15 percent fewer than the 112,400 homes sold during 2006. The average price remained virtually unchanged, increasing by less than 1 percent to $280,850. Through December 2007, 22,700 homes were sold in Northern Virginia, a 13-percent decline from the 26,000 homes sold during 2006. Average home prices in Northern Virginia declined by 1 percent but continued to be the highest average prices in the state, at $524,970. Homes in that area remained on the market for an average of 90 days, or 21 days longer than during 2006. The volume of sales in the Richmond metropolitan area, at 13,950 homes, was approximately 12 percent less than the 15,850 homes reported sold during 2006, and the average price of a home rose by only 3 percent, to $276,350, a sharp decline from the 11-percent escalation in prices reported during the previous year. In the Norfolk-Virginia Beach-Newport News metropolitan area, during 2007, sales fell by 14 percent to 23,075 homes and the average price was $281,900, an increase of slightly more than 3 percent from the 2006 figure.

According to the NATIONAL ASSOCIATION OF REALTORS®, during the 12 months ending September 2007 (the most recent data available), sales of existing homes in Pennsylvania declined by only 3 percent, the lowest decline recorded in the region during that 12-month period. During the period, approximately 237,300 homes were sold in Pennsylvania, half of the total number of homes sold in the region. According to the NATIONAL ASSOCIATION OF REALTORS®, during 2007, approximately 14,800, 9,200, and 25,600 homes were sold in Delaware, the District of Columbia, and West Virginia, respectively; these figures represent declines of 14, 12, and 19 percent, respectively, from the number sold in 2006.

Overall homebuilding activity in the Mid-Atlantic region, as measured by the number of building permits issued, slowed during 2007. Demand from move-up buyers declined as a result of both longer closing periods and lower prices for existing homes. Cancelled contracts left builders with larger inventories of unsold homes and prompted them to postpone plans for new development. Single-family building activity in the region fell by 21 percent to slightly fewer than 80,500 homes permitted in 2007 compared with 101,725 homes permitted during the previous year. The smallest decline in the region was reported in Pennsylvania, where, during 2007, permits were issued for 28,500 new homes, approximately 15 percent fewer than the number issued during 2006. In Virginia, 29,500 homes were permitted during the year, almost 24 percent fewer than the 38,500 homes permitted during 2006. In Maryland, production fell by nearly 5,300 homes, or 27 percent, to a total of 14,200 new homes permitted during 2007. Production declined in all the major metropolitan areas in the region. The Richmond, Virginia metropolitan area reported the steepest percentage decline, with permits issued for approximately 5,750 new homes, 24 percent fewer than during 2006. The number of building permits issued for single-family homes in the Washington, D.C. metropolitan area declined by 20 percent, or 3,600, to 14,700 homes. In the Philadelphia metropolitan area, single-family homebuilding activity fell by 18 percent to approximately 9,500 homes permitted during the year.

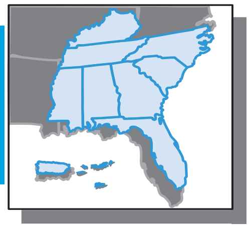
During 2007, multifamily building activity declined in all states in the Mid-Atlantic region except West Virginia. Approximately 21,100 units were permitted in the region, a decline of 18 percent, or 4,700 units, from the number permitted a year ago. In West Virginia, the modest production of slightly less than 700 units was up from the 200 units produced during the previous year. Multifamily building activity declined in all the major metropolitan areas in the region. In the Washington, D.C. metropolitan area, 8,400 units were permitted, nearly 800 units, or 9 percent, fewer than the number permitted in 2006. Production increased in the midsize metropolitan area of Richmond, Virginia, where the number of units permitted rose by 565 units to a total of 1,060 units for the year.

During 2007, conditions fluctuated within the three largest rental housing markets in the Mid-Atlantic region. In the Philadelphia metropolitan area, the market tightened slightly in the Pennsylvania suburbs. According to Delta Associates, vacancy rates for Class A apartments fell from 9 percent in December 2006 to 8.5 percent in December 2007 because 650 new apartment units were absorbed during the year. With only one project currently in lease-up and no new projects entering the market in the near future, vacancy rates in the suburban markets are expected to continue to decline. The market softened in Center City Philadelphia as vacancy rates rose from slightly more than 3 percent in December 2006 to 11 percent in December 2007. A total of 850 new rental units were added to the market in 2007; 350 units were absorbed during the year but an additional 500 continue leasing. Concessions increased to slightly more than 2 percent of rents, up from 1 percent a year ago. Rents average $1,930 in Center City Philadelphia and $1,390 in the Pennsylvania suburbs.

In the Baltimore metropolitan area, the vacancy rate for Class A rental units rose from 6 percent in December 2006 to 9 percent in December 2007, according to Delta Associates. Despite the absorption of nearly 450 units during 2007, rental housing conditions remained soft in the city of Baltimore, with a 16-percent vacancy rate that increased from the rate of just under 10 percent recorded a year ago. Concessions valued at 5 percent of rents, up from 2 percent a year ago, are being offered in the city, where another 460 units are leasing at average rents of $1,600 a month.

Delta Associates reported that the rental market for Class A garden apartments in the Washington, D.C. metropolitan area softened slightly to 7.5 percent in December 2007 compared with 6.2 percent a year ago. Apartment vacancy rates for Class A highrise units in the District of Columbia decreased to 10 percent in December 2007 from 12 percent at the end of 2006. Vacancy rates for Class A highrise units increased substantially in both suburban Maryland and Northern Virginia, from 2 and 8 percent, respectively, in December 2006 to 20.5 and 17 percent, respectively, in December 2007. Approximately 3,250 new garden apartment units and 4,200 highrise units are being marketed currently; concessions range from an average of 3 percent of rent for garden units in suburban Maryland, where rents are $1,405, to 10 percent of rent for highrise units in close-in Northern Virginia, where monthly rents are $1,900. Rents for highrise apartments in the District of Columbia average $2,450 a month.

SOUTHEAST/ CARIBBEAN



The pace of the 5-year economic expansion in the Southeast/Caribbean region slowed during 2007 as the region recorded its smallest annual job gain since 2003. Total nonfarm employment increased by 360,800 jobs, or 1.3 percent, to almost 27.2 million jobs in 2007 compared with an increase of 537,400 jobs, or 2 percent, in 2006. The education and health services, leisure and hospitality, and professional and business services sectors led the employment increase with gains of 100,100, 77,500, and 65,500 jobs, respectively. The unemployment rate for the region averaged 4.8 percent in 2007, the same rate recorded in 2006.

During 2007, nonfarm employment growth in the region slowed in all eight states, except Mississippi. In Mississippi, 19,700 nonfarm jobs were added in 2007 compared with 12,200 jobs added in 2006. Much of the job growth in Mississippi occurred in the coastal counties that continue to recover from the devastation inflicted by Hurricane Katrina in 2005. Nonfarm employment increased by 8,100 jobs, or 8.1 percent, in the Gulfport-Biloxi metropolitan area. Leading the growth in employment was the leisure and hospitality sector, which increased by 4,400 jobs, or 25 percent, as the recovering casino gambling industry provided jobs to make up for those lost after the hurricane. Although Florida led the regional employment growth with 119,000 new nonfarm jobs in 2007, the increase was considerably less than the 207,000 jobs added in the state in 2006. Tourism in Florida remained strong in 2007, as evidenced by an increase of 38,600 jobs in the leisure and hospitality sector, but construction slowed considerably as a result of a weak housing market. Construction sector employment in the state decreased by 18,700 jobs in 2007, after an increase of 46,900 jobs in 2006. North Carolina recorded the fastest rate of job growth in the region, with a 2-percentage-point increase in 2007. The Charlotte and Raleigh metropolitan areas accounted for 21,400 and 12,600, respectively, of the 80,000 new nonfarm jobs added in the state during the year.

The slowing regional economy contributed to a moderation in population growth. According to the Census Bureau, the population of the region was approximately 63.2 million as of July 1, 2007, an increase of 857,200, or 1.4 percent, since July 1, 2006, but down from the increase of slightly more than 1 million, or 1.6 percent, recorded during the previous year. In Florida, the population increased by 193,700, significantly less than the increase of 321,500 recorded in 2006 and the smallest annual increase reported for the state during the 2000s. The slowdown resulted from fewer people moving to the state. Net in-migration to Florida slowed from 261,300 people during the period from July 1, 2005, to July 1, 2006, to 123,400 people during the period from July 1, 2006, to July 1, 2007. For the first time in the decade, Georgia recorded the largest gain in population in the region, increasing by approximately 202,700, or 2.2 percent, during the year ending July 1, 2007. Population growth in North Carolina and South Carolina continued at the same rates recorded in the previous year, 2.2 and 1.8 percent, respectively; both of these growth rates are well above those recorded for the states earlier in the decade. In Mississippi, where the population fell slightly for the year ending July 1, 2006, a gain of 19,650, or 0.7 percent, was recorded for the year ending July 1, 2007, as residents displaced by Hurricane Katrina returned to the state.

Home sales in most areas of the region were down in 2007 compared with 2006 as the economy slowed and as lenders implemented tighter lending standards in response to rising foreclosures. The Florida Association of REALTORS® reported that 130,200 existing single-family homes were sold in the state during 2007, a decrease of almost 29 percent from the number sold during 2006. Sales volume decreases were reported for all metropolitan areas of the state, ranging from a low of 10 percent in Panama City to a high of 39 percent in Miami. The median sales price for an existing single-family home in Florida in 2007 was $233,600, a decrease of 5 percent from the price of $247,100 in 2006. Except for nominal gains of 1 percent reported in both Miami and Tallahassee, median prices decreased in every metropolitan area in Florida. Sales of existing condominiums statewide declined from 56,900 units in 2006 to 41,500 units in 2007, and the median price decreased by $6,400 to $205,100.

South Carolina REALTORS® reported that approximately 61,700 homes were sold in the state in 2007, a decline of 7,225, or 10 percent, from the number sold in 2006. The median home price for the state was virtually unchanged in 2007, at $159,000. The largest decline in the number of homes sold occurred in the Myrtle Beach and Charleston areas, where sales decreased by 3,225 and 2,700 homes, respectively. According to data from the North Carolina Association of REALTORS®, Inc., during 2007 approximately 125,200 existing homes were sold in 20 reporting areas, a decline of 13,850 homes, or 10 percent, from the number sold during 2006. The average price increased by almost 2 percent to $221,900 during the same period.

In Alabama, during 2007, approximately 57,100 homes were sold statewide, a decrease of 2,900 homes, or almost 5 percent, compared with the 60,000 homes sold in 2006, according to the Alabama Real Estate Center. The inventory of unsold homes in the state increased by 25 percent, averaging about 41,600 homes for the year compared with 33,300 in 2006. Despite declining sales and the rising inventory of unsold homes, the average price of homes sold in 2007 remained at $158,100, relatively unchanged from the price in 2006.

In the Knoxville, Memphis, and Nashville metropolitan areas, during 2007, home sales declined by 11, 16, and 16 percent, respectively, compared with home sales during 2006, according to reports from local boards of REALTORS®. Declining home sales in the areas resulted in 22- to 29-percent increases in average inventories of unsold homes during the year compared with inventories in 2006. Despite declining sales and rising inventories, sales prices were relatively stable in each area. In 2007, the average price of a home sold in Knoxville increased by 4 percent to $195,300; in Memphis, the price decreased by 2 percent to $173,100; and, in Nashville, the price decreased by 2 percent from $191,700 in December 2006 to $187,900 in December 2007.

Reduced demand for new homes in the region in 2007, resulting from moderating employment and population growth and rising inventories of unsold homes, led to sharp cutbacks in single-family homebuilding, as measured by the number of building permits issued. Building permits were issued for 291,100 homes in the region during 2007, a decrease of 150,700 units, or 34 percent, compared with the 441,800 homes permitted during 2006. The number of single-family building permits decreased by 18 percent or more in all states in the region during the year. The largest decline occurred in Florida, where the 73,200 single-family building permits issued in 2007 were less than half the number issued in 2006.

Despite a slower growing economy and population in most areas of the region, in 12 of the 20 Southeast markets surveyed by Reis, Inc., apartment vacancy rates decreased in the fourth quarter of 2007 compared with rates in the fourth quarter of 2006. Expanding economies in the Charlotte, Greensboro-Winston Salem and Raleigh-Durham, North Carolina metropolitan areas led to vacancy rate declines in these areas of 1 to 2 percent and average rent increases of 3 to 4 percent in the fourth quarter of 2007 compared with rates and rents in the fourth quarter of 2006. Charlotte recorded the lowest vacancy rate—5.8 percent—of the three areas. Greensboro-Winston Salem and Raleigh-Durham recorded vacancy rates of 7.3 and 7.2 percent, respectively. In Kentucky, vacancy rates decreased from just above 8 percent to approximately 7 percent in both Lexington and Louisville. In Tennessee, apartment markets were generally balanced in Chattanooga, Knoxville, and Nashville, where vacancy rates of 6.5, 5.3, and 5.1 percent, respectively, were recorded, while soft market conditions continued in Memphis, where the vacancy rate, at 10.4 percent, was relatively unchanged. Vacancy rates increased in all six Florida markets that were surveyed as rental markets continued to be affected by the increased conversion of condominium units to apartments. Vacancy rates in Florida ranged from a low of 4 percent in Miami to a high of 8 percent in Palm Beach.

Primarily in reaction to rising vacancy rates and increasing rental inventories in Florida, multifamily construction, as measured by the number of units permitted, declined significantly in the region during 2007. During 2007, 93,250 multifamily units were permitted, a decrease of 24,800 units, or 21 percent, compared with the number of units permitted in 2006. In Florida, the number of multifamily units permitted decreased by 23,000, or 41 percent, to 29,700 units as apartment and condominium developers scaled back construction plans. Conversely, in Mississippi, developers increased multifamily construction activity. Approximately 5,700 units were permitted in the state in 2007, up from 1,850 units permitted in 2006. Most of that increase occurred in the Gulfport-Biloxi metropolitan area, where the number of multifamily unit permits increased from 560 in 2006 to 2,700 in 2007 as post-Hurricane Katrina rebuilding accelerated.

MIDWEST

Employment levels remained stable in the Midwest region during 2007. Nonfarm employment increased by only 18,000 jobs, or 0.1 percent, to an average of 24.3 million jobs in 2007 compared with a gain of 75,000 jobs, or 0.3 percent, in 2006. Increases in the education and health services, professional and business services, and leisure and hospitality sectors of 62,000, 35,000, and 20,000 jobs, respectively, offset declines in the manufacturing and construction sectors of 67,000 and 23,000 jobs, respectively. Almost all the manufacturing job losses were in durable goods production. Economic performance varied in the individual states of the region during 2007. Illinois registered a 0.8-percent increase, or a gain of 50,000 jobs, but Michigan registered a 1.4-percent decrease, or a loss of 60,000 jobs, with more than half the losses occurring in the Detroit metropolitan area. Indiana, Minnesota, and Wisconsin recorded employment gains ranging from 9,000 to 18,000 jobs, offsetting Ohio's loss of 8,500 jobs. The regional average unemployment rate was 5.5 percent for the year, up from 5.2 percent in 2006. Unemployment rates ranged from a low of 4.5 percent in both Illinois and Minnesota to a high of 7.1 percent in Michigan.

The sales market for existing homes in the region softened during 2007 because of slower economic growth and tighter lending standards. In the third quarter of 2007, the annual rate of sales of existing homes was down 12 percent to 965,000 from the third quarter of 2006, according to the NATIONAL ASSOCIATION OF REALTORS®. All six states in the region recorded a decline in sales of existing homes. Contributing to the relatively softer home sales market in the Midwest has been the higher rate of home foreclosures compared with other regions in the country. During the third quarter of 2007, the 2.9-percent foreclosure rate recorded in the region ranked first in the country and was above the 1.7-percent national rate, according to the Mortgage Bankers Association.

Sales of existing homes continued to slow in most areas of the region in the fourth quarter of 2007. The Illinois Association of REALTORS® reported that sales declined in the fourth quarter despite the strengthening economy in the state and lower mortgage interest rates. In 2007, 138,500 existing homes were sold in the state, down 17 percent from the number sold in 2006. During 2007, the median sales price of existing homes in Illinois was $204,000, relatively unchanged from the median price recorded a year ago. Approximately two-thirds of the existing homes sold in Illinois in 2007 were sold in the Chicago metropolitan area, where 93,100 homes were sold at a median price of $254,000, reflecting a 19-percent decrease in the number of sales but a 2-percent increase in the price compared with the sales volume and median price recorded in 2006.

In Michigan, tighter lending practices and continued job losses in 2007 resulted in declines in existing home sales and average prices throughout the state. The number of homes sold declined 6 percent to 101,000 from the number sold in 2006, and the average price declined 6 percent to $142,400. Of Michigan's 25 local boards of REALTORS,® 20 reported declines in existing home sales and average prices in 2007. The largest decreases occurred in the Detroit metropolitan area, where 2,300 fewer units were sold and the average price declined by 7 percent to $153,000.

According to the Ohio Association of REALTORS®, the number of existing homes sold in the state totaled 131,000 homes in 2007, 8 percent below the 143,000 homes sold a year earlier, and the average price of existing homes decreased by 2 percent to $149,600. In the Columbus, Cleveland, and Cincinnati metropolitan areas, existing home sales were down 7, 9, and 11 percent, respectively, and the average price decreased 2 to 4 percent to $172,900, $163,300, and $173,900, respectively.

In Wisconsin, existing home sales also slowed during 2007 in major market areas. According to multiple listing services in Madison and Milwaukee, sales of existing homes in the metropolitan areas fell by 8 and 11 percent, respectively. In Minnesota, the Minneapolis-St. Paul metropolitan area recorded a 16-percent decline in sales of existing homes for the year and a 6-percent decline in the median price to $215,000. In the Indianapolis metropolitan area, sales of existing homes were down 8 percent and the median price was unchanged, at approximately $119,000.

In response to slower economic growth in the Midwest region and declining demand for new homes in major metropolitan areas, single-family construction in the region, as measured by the number of building permits issued, continued to decrease during 2007. The number of single-family building permits issued in 2007 was 30 percent below the number issued in 2006, at 116,400 units, and was 42 percent below the 202,500 units averaged annually in the past 3 years. All states in the Midwest showed declines in single-family construction activity, with Illinois, Michigan, and Ohio accounting for approximately two-thirds of the decrease in single-family permits. In Indiana and Wisconsin, the number of single-family permits issued decreased by 20 percent to 19,200 and 16,300 units, respectively. In Minnesota, approximately 14,000 single-family permits were issued in 2007, down 36 percent from the number issued in 2006.

The volume of multifamily building activity also was down in 2007 despite tighter rental housing markets in most areas of the Midwest region. During the year, building permits were issued for 40,000 multifamily units, 18 percent below the 49,000 units permitted in 2006 and 33 percent below the 60,300 units averaged annually since 2000. Activity was down in all states and metropolitan areas in the region. Michigan recorded a 46-percent decline in multifamily construction because building permit activity in the Detroit metropolitan area declined by 66 percent to only 500 multifamily units. In Minneapolis-St. Paul, the overbuilt condominium market contributed to a 32-percent decline in multifamily construction activity in Minnesota. In the Chicago metropolitan area, the number of new multifamily units permitted in 2007 totaled 15,200, down 11 percent from the record 17,200 units permitted in 2006 but up 8 percent from the annual average of 14,000 units permitted during the past 5 years. Approximately 51 percent, or 7,100 units, of the multifamily building permit activity in the metropolitan area was for condominium development in the city of Chicago, where construction remains strong. A record 6,300 new condominiums and townhomes are expected to enter the market in downtown Chicago during 2008.

Most major apartment markets in the Midwest region tightened in 2007 because of increased demand for rental housing. According to GVA Marquette Advisors, in the Minneapolis-St. Paul metropolitan area, the apartment vacancy rate was 4.2 percent in the fourth quarter of 2007, compared with 4.7 percent in the fourth quarter of 2006. The Indianapolis apartment market also continued to show modest improvement in the fourth quarter of 2007. The apartment vacancy rate in the metropolitan area was 8.5 percent, down from 9.5 percent in the fourth quarter of 2006. Major rental housing markets in Wisconsin are balanced. In both the Madison and Milwaukee metropolitan areas, the apartment vacancy rate was 6 percent for 2007, down from 7 and 8 percent, respectively, for 2006.

Rental housing market conditions continued to improve in most areas of Illinois in 2007. In the Rockford area, the apartment vacancy rate was approximately 8 percent in the fourth quarter of 2007, down from 9.5 percent a year earlier. In the Chicago area, the apartment market remained balanced to tight in the fourth quarter of 2007. The vacancy rate in downtown Chicago was 5 percent, unchanged from the rate in the fourth quarter of 2006; the apartment vacancy rate also held steady in suburban Chicago, at 6 percent. During 2007, rents in the Chicago area increased by 6 percent in the city and by 5 percent in suburban areas. In Ohio, rental housing markets in Columbus, Cleveland, and Cincinnati tightened due to the low level of apartment construction. All three areas recorded declines in apartment vacancy rates during the past 12 months. In Columbus, the apartment vacancy rate was 6.6 percent in the fourth quarter of 2007, compared with 8 percent a year earlier. In Cleveland and Cincinnati, vacancy rates were 5.6 and 7 percent, respectively, down from 6.5 and 8.7 percent, respectively, in the fourth quarter of 2006. In 2007, rents increased by approximately 4 percent in Columbus and Cleveland and by 3 percent in Cincinnati.

SOUTHWEST

Economic expansion in the Southwest region continued during 2007 at more than 2 percent for the third year in a row. Average nonfarm employment increased by 332,000 jobs, or 2.1 percent, to 15.8 million jobs. The employment sector with the highest growth rate in 2007 was natural resources and mining, which increased by nearly 9 percent, or 27,000 jobs. Hiring in the sector spread throughout the region because of increased drilling activity during the past year as former oil fields were being reopened and new areas were being explored. Growth rates in the natural resources and mining sector during 2007 ranged from 6 percent in New Mexico to 16 percent in Arkansas, where the 1,200 jobs added were more than double the number added during the previous year. During the past year, the construction sector also gained 27,000 jobs, or 3 percent, building on the 7-percent employment increase that occurred in the sector during 2006. Job growth in the construction sector during 2007 resulted primarily from industrial and commercial expansion. The professional and business services sector, which grew by 73,000 jobs, led all employment sectors in the region in terms of the number of jobs added. The leisure and hospitality and the education and health services sectors each gained more than 45,000 jobs in 2007.

Texas employers added 230,000 jobs, an increase of 2.3 percent, during the year and accounted for about 70 percent of the growth in nonfarm employment in the region; employment sector increases in the state followed regional trends. In 2007, the Houston area gained 74,000 jobs and the Dallas-Fort Worth area added 82,000 jobs. Employment grew by 29,000 jobs in Austin and by 18,000 jobs in San Antonio. During 2007, Louisiana gained 58,000 jobs, a 3.9-percent increase, including 15,000 jobs in New Orleans and 7,600 jobs in Baton Rouge. In New Orleans, continued economic recovery led to gains of about 3,000 jobs each in the professional and business services, leisure and hospitality, and education and health services sectors. In Oklahoma, nonfarm employment increased by approximately 22,000 jobs, or 1.4 percent, overall. Job growth in Oklahoma City and Tulsa amounted to 16,000 and 6,700 new positions, respectively, and helped offset job losses elsewhere in the state. In New Mexico, employers added 13,000 jobs, a 1.6-percent increase; approximately

60 percent of the gain occurred in the metropolitan areas of Albuquerque, Las Cruces, and Santa Fe. In Arkansas, the net number of jobs added was 8,000, or just 0.7 percent, reflecting statewide job losses in the manufacturing sector that more than tripled during the year to 7,900 compared with the 2,200 jobs lost in the sector during 2006. Job losses in Arkansas were distributed throughout all manufacturing subsectors but were highest in electrical equipment and food manufacturing.

Because of the expanding economy, the unemployment rate in the Southwest region continued to decrease during 2007, declining to 4.3 percent from 4.7 percent in 2006. In Texas, the unemployment rate of 4.3 percent was at its lowest level in 6 years, down from 4.9 percent in 2006. New Mexico had the lowest rate in the region, at 3.7 percent, a decrease from 4.3 percent in 2006. In Arkansas and Louisiana, unemployment rates remained relatively unchanged, at 5.3 and 4 percent, respectively, compared with rates in 2006. In Oklahoma, the unemployment rate increased to 4.3 percent from 4 percent a year ago.

The strong economy and moderate home price appreciation in Texas sustained balanced sales housing markets during 2007 in most areas of the state. According to data from the Real Estate Center at Texas A&M University, in 2007, approximately 271,500 homes were sold in Texas, down 6 percent from the record-level sales volume recorded in 2006. The average home sales price for the state increased by 5 percent to $193,100. Home sales in the larger metropolitan areas were down by less than 10 percent and average home prices increased moderately. During 2007, the average home price increased by 5 percent to $219,500 in Dallas, 7 percent to $180,600 in San Antonio, 4 percent to $203,400 in Houston, and 3 percent to $156,300 in El Paso. The highest average home price in Texas was $246,600 in Austin, up 7 percent compared with the average price in 2006. The lowest average home price for a major metropolitan area in Texas was $142,900 in Fort Worth, up 4 percent over the average price in 2006.

Home sales in other states in the region were also down in 2007 from record highs recorded in 2006. In Albuquerque, the number of single-family homes sold decreased by 17 percent to 9,900, but the average home price increased by 7 percent to $243,400, according to the Albuquerque Metropolitan Board of REALTORS®. In Baton Rouge, home sales were down 14 percent to 9,500, but the average price increased by 6 percent to $196,400, according to the Greater Baton Rouge Association of REALTORS®. In New Orleans, data from Latter & Blum, Inc., REALTORS® indicate that home sales decreased by 26 percent to 32,200 and the average price fell by 2 percent to $192,800.

According to the Oklahoma Association of REALTORS®, in 2007, the number of existing homes sold in the state totaled 52,400, a 3-percent decline compared with the record number of homes sold in 2006, and the average home price was $122,400. In the Oklahoma City area, sales were down 2 percent to 19,100 homes. In Tulsa, the 15,100 homes sold during 2007 represent a decrease of about 7 percent. The average home price increased by 2 percent to approximately $151,100 in Oklahoma City and by 5 percent to $154,900 in Tulsa.

In Arkansas, slower economic growth and increased job losses in the manufacturing sector during 2007 affected home sales and single-family construction levels. According to the Arkansas REALTORS® Association, home sales in the state decreased by 8 percent to 29,300 during the 12 months ending November 2007, following a 5-percent decrease during the previous 12 months. In Little Rock, the number of homes sold decreased by 6 percent to 10,000, but the average price increased by 3 percent to $170,600. In the Fayetteville area, home sales declined by 11 percent to 6,400, and the average home price decreased by 4 percent to $194,100 as lower priced homes made up a greater share of the homes sold.

In the Southwest region in 2007, an overall slowdown in home sales and tighter lending standards resulted in decreased single-family construction activity, as measured by the number of building permits issued. The total number of single-family homes permitted in the region in 2007 was 160,000 units, a decline of 56,200, or 26 percent, compared with the number permitted in 2006. Texas accounted for 76 percent of the decrease in single-family homebuilding activity in the region; during the past year, the number of single-family homes permitted in the state declined by 42,700 homes, or 27 percent, to 116,800 homes. The number of units permitted also decreased by 27 percent in Arkansas and New Mexico to 7,200 and 8,200 units, respectively. In Oklahoma, the number of building permits issued fell by 15 percent to 11,700 units. In Louisiana, the number of permits issued declined by 26 percent to 16,100 units; most of the decrease occurred in the last quarter of 2007.

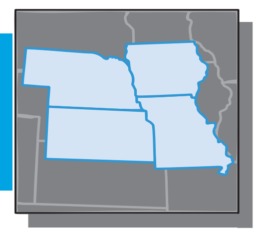
Multifamily construction activity in the Southwest region, as measured by the number of units permitted, totaled a record 67,900 units in 2007, up 6,100 units, or 10 percent, compared with the number permitted in 2006. The number of units permitted in Louisiana increased by 2,100 to 5,500 units. The 2,200-unit increase in New Orleans offset small decreases in building activity elsewhere in the state. Multifamily construction in Baton Rouge, at 1,700 units, maintained the high level of units permitted in 2006, with an estimated 40 percent targeted for the sales housing market. The number of multifamily units permitted in Texas in 2007 increased by 3,300 to 51,100 units. The 4,000-unit gain in Houston, the largest increase recorded in all metropolitan areas in the region, resulted from builders anticipating continued strong employment growth. In El Paso, multifamily building permits increased by 1,600 units partly due to continuing expansion at Fort Bliss Army Base. Multifamily building permits were down by 900 units, or 10 percent, in Austin and down by 1,500 units, or 25 percent, in San Antonio from the record-high levels of building permits issued in both areas in 2006.

The number of multifamily units permitted in Oklahoma in 2007 increased by 800 units to 2,700. Construction activity increased by 200 units in Oklahoma City and by 400 units in Tulsa. Slower employment growth and soft rental housing markets in Arkansas resulted in multifamily construction activity remaining stable, at 3,200 units permitted, compared with the level recorded in 2006.

Austin continues to be the only balanced rental housing market among the large Texas metropolitan areas. According to ALN Systems, Inc., in 2007, the average apartment vacancy rate in Austin was 6.5 percent, down from 6.9 percent in 2006, and the average rent increased by 7 percent to $808. Although continued high levels of multifamily construction in Dallas caused the apartment rental vacancy rate to remain flat, at 9.5 percent, the completion of new higher rent units prompted the average rent to increase by 5 percent to $782. The average vacancy rate in Houston increased to 10.6 percent for 2007, up from 9.2 percent recorded for 2006. More than 5,000 new apartments entered the market during 2007, causing the increase in the vacancy rate. The soft market is expected to continue through 2008 because 20,000 units are under construction and anticipated to be completed during the next 2 years. In 2007, the average rent in Houston was $726, up 3 percent from the average rent a year earlier. The rental housing market in Fort Worth was still very soft during the past year; the average apartment vacancy rate of 11 percent was unchanged from the average rate in 2006. In San Antonio, the apartment vacancy rate increased from 9.1 to 9.4 percent, and the average rent was up 3 percent to $695.

Rental housing market conditions improved in 2007 in other large metropolitan areas throughout the Southwest region. According to Reis, Inc., conditions tightened in Albuquerque, with an estimated apartment vacancy rate of 4.4 percent for 2007, down from 5.7 percent a year earlier, and an average rent increase of 4 percent to $681. In Little Rock, the vacancy rate was 7.1 percent, down from 8.3 percent a year ago, and the average rent increased by 3 percent to $618. In Oklahoma City, the apartment vacancy rate improved slightly to 8.3 percent; in the Tulsa area, however, the rate improved significantly, from 10.1 percent in 2006 to 8.7 percent in 2007. Average fourth quarter rents were up 4 percent to $519 in Oklahoma City and up 4 percent to $554 in Tulsa. In Baton Rouge, the vacancy rate increased from 3.2 percent in 2006 to 3.4 percent in 2007, and the average rent rose by 5 percent to $688. In New Orleans, the apartment rental market was still tight even though vacancy rates increased from 2.3 percent in 2006 to 3.5 percent in 2007. The average rent increased by 4 percent to $857. The New Orleans rental housing market is expected to become more balanced in response to the increased levels of construction, including approximately 8,000 low-income housing tax credit units in the final planning stages that are expected to be completed by 2010.

Great Plains



The economy of the Great Plains region continued its 4-year expansion through the fourth quarter of 2007. Nonfarm employment increased in 2007 by 1.4 percent to nearly 6.7 million jobs after increasing in 2006 and 2005 by 1.4 and 1.3 percent, respectively. Kansas and Missouri led the region in nonfarm employment growth with increases of 29,600 and 24,600 jobs, respectively, and Iowa and Nebraska followed with increases of 19,400 and 15,500 jobs, respectively. In 2007, regional job gains were strongest in the education and health services sector and the professional and business services sector, which increased by 20,600 and 18,000 jobs, respectively. During 2007, employment increased in all sectors except manufacturing; the number of manufacturing jobs declined by 5,000. The 8,200 manufacturing jobs lost in Missouri were partially offset by manufacturing job gains in Iowa and Kansas. The manufacturing job loss in Missouri occurred primarily in the transportation equipment and motor vehicle manufacturing industries, which declined by a total of 6,400 jobs.

In 2007, the average unemployment rate for the Great Plains region remained relatively unchanged, at 4.3 percent, compared with the rate recorded in 2006. Nebraska and Iowa reported the lowest unemployment rates in the region, at 3 and 3.7 percent, respectively; both rates were unchanged from those recorded in 2006. In Kansas, the unemployment rate fell from 4.5 percent in 2006 to 4.3 percent in 2007. Only Missouri's unemployment rate rose, from 4.8 to 5 percent, representing an increase of approximately 6,650 additional unemployed people.

Given the growing economy, the population of the Great Plains region increased during the past year. As of July 1, 2007, the Census Bureau estimated the population of the region at 13.4 million, up 87,300, or 0.7 percent, from the estimated population as of July 1, 2006. More than 80 percent of the population increase was attributed to net natural increase (resident births minus resident deaths); the balance resulted from net in-migration. Missouri led the region in population gain, growing by approximately 40,800, or 0.7 percent; 70 percent of that increase resulted from net natural increase. For the 12 months ending July 1, 2007, the populations of Kansas, Iowa, and Nebraska grew by 20,200, 15,500, and 10,800, respectively.

Continuing a trend that began in 2006, existing home sales in the Great Plains region declined in 2007, according to data from the NATIONAL ASSOCIATION OF REALTORS®. During the third quarter of 2007, sales of existing homes totaled 286,800, down 9 percent from the number of sales recorded during the same period a year ago. All four states in the region recorded a decline in sales of existing homes, ranging from 3 percent in Nebraska to 11 percent in Missouri. Median sales prices increased by nearly 6 percent in both Des Moines and Wichita to $153,900 and $118,800, respectively, but declined in St. Louis and Kansas City by nearly 3 and 1 percent to $150,500 and $157,000, respectively. In Lincoln, the median price remained stable at $138,800.

The home sales markets in most metropolitan areas of the region have continued to soften since the third quarter of 2006. According to data from local REALTORS® associations, although home sales declined in four out of five metropolitan areas in the region in 2007, average sales prices rose in three out of five areas. In St. Louis, home sales declined by more than 9 percent to 18,250 in 2007 compared with the number of sales in 2006, but the average price rose 2 percent to $205,500. In Kansas City, from 2006 to 2007, total sales fell by more than 10 percent to 31,050, and the average price declined by nearly 2 percent to $180,200. During the past 12 months, the inventory of unsold new and existing homes increased by more than 5 percent to 20,250 units.

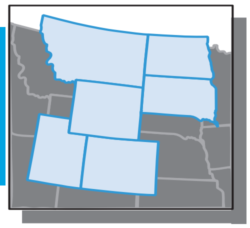
In Des Moines, between 2006 and 2007, the number of home sales declined by nearly 7 percent, from 10,650 to 9,950. During the period, the average price remained relatively unchanged, at $169,850, as did active listings, at 6,650 units; the latter figure represents an 8.5-month supply of homes on the market. In Wichita, home sales were down 3 percent to 11,900, but the average price was up 5 percent to $132,100. The inventory of unsold homes in Wichita declined by 3 percent to 4,200 units. In Lincoln, although the number of home sales was relatively unchanged, at 4,000 units, the average price decreased by 4 percent to $154,000 and the number of listings increased by 5 percent to 2,200 units.

Responding to slower sales, home builders in the Great Plains region continued a 3-year trend of reduced construction activity, as measured by the number of building permits issued. In 2007, single-family building activity declined by nearly 20 percent to 31,250 units compared with the number of units permitted in 2006. All four states in the region recorded declines in the number of permits issued in 2007 compared with the number permitted in 2006. The largest declines of approximately 24 percent occurred in Missouri and Kansas, where 12,400 and 6,500 units, respectively, were permitted. In Iowa and Nebraska, the number of single-family permits issued declined by nearly 16 and 8 percent to 7,200 and 5,150 units, respectively.

In 2007, the construction of multifamily housing in the region, as measured by the number of units permitted, declined by more than 29 percent to 11,300 units, compared with the number of units permitted in 2006. Much of the decline can be attributed to a decline in multifamily condominium development; apartment development has remained fairly steady. Multifamily construction activity declined in all states in the region, led by Missouri, where the number of units permitted decreased by 39 percent to 5,375 during the year. Declines in the other three states amounted to 24 percent to 2,075 units in Iowa, nearly 18 percent to 2,350 units in Kansas, and 7 percent to 1,475 units in Nebraska.

Corresponding to national trends, rental housing markets in the larger metropolitan areas of the region are continuing to tighten. Increases in apartment occupancy are primarily due to increased demand for rental units as a result of tighter mortgage lending standards. According to Reis, Inc., when comparing 2006 rates with 2007 rates, apartment vacancy rates declined from 8 to 6.7 percent in St. Louis, from 6.9 to 6.7 percent in Kansas City, from 6.5 to 5.6 percent in Omaha, and from 9.4 to 8.4 percent in Wichita. In Kansas City, the vacancy rate has declined each year since 2004. During 2007, the average monthly rent increased by 2 percent to $717 in St. Louis, by 4 percent to $688 in Kansas City, by 4 percent to $670 in Omaha, and by 4 percent to $494 in Wichita. The 2006-to-2007 increase in average rent recorded in each metropolitan area was the largest rent increase recorded since 2002 in St. Louis, since 2000 in both Kansas City and Omaha, and before 1999 in Wichita, reflecting the generally strengthening economies and increasing demand for rental housing units in the areas.

Rocky Mountain



The economy of the Rocky Mountain region maintained strong growth through the fourth quarter of 2007. Nonfarm employment in 2007 increased by 136,400 jobs, or 2.8 percent, from the employment level in 2006. The most significant employment growth occurred in Utah and Colorado, which added 53,200 and 45,500 jobs, respectively. In Utah, employment growth across all industries contributed to a 4.4-percent increase, the fastest growth rate of all states in the nation. In Colorado, job gains in the trade sector and the professional and business services sector contributed to a 2-percent growth rate. In Wyoming and Montana, employment increased by 3.6 and 2.8 percent, respectively; gains were stimulated by growth in the construction sector and the natural resources and mining sector. In North Dakota and South Dakota, employment growth was moderate, at 1.9 and 2.2 percent, respectively. Because of strong employment growth in 2007, the average unemployment rate in the region decreased to 3.3 percent from the 3.7-percent average in 2006. Unemployment rates ranged from 2.6 percent in Utah to 3.8 percent in Colorado.

The population of the Rocky Mountain region also grew significantly in 2007. According to the Census Bureau, as of July 1, 2007, the population was estimated at 10.4 million, a 1.9-percent increase from the estimate as of July 1, 2006. The 2.6-percent growth rate in Utah led the region, and the state ranked as the third fastest growing in the nation; the 2-percent growth rate in both Colorado and Wyoming positioned the states in eighth and ninth place nationally. Montana and South Dakota recorded population gains of approximately 1 percent, and, in North Dakota, growth was 0.4 percent. Net in-migration accounted for 50 percent of the regional population increase of 192,200. As a result of strong employment growth and larger population bases in Colorado and Utah, the two states accounted for 85 percent of the total gain in net in-migration during the past year.

Tighter lending standards and a large supply of homes on the market in 2007 caused single-family construction throughout the region to decline, despite employment growth. Construction activity, as measured by the number of building permits issued, totaled 50,400 homes in 2007; this figure represents a 25-percent decrease from the number of homes permitted in 2006 and a 36-percent decrease from the record set 2 years ago. During the past 12 months, the number of single-family homes permitted declined in all states in the region except North Dakota and fell significantly in Colorado and Utah. Most builders in both states significantly curtailed production as sales of new homes continued to slow. The number of single-family building permits issued in Colorado declined by 33 percent to 21,100 units and accounted for 60 percent of the decline in the region. In Utah, single-family permits declined by 26 percent to 17,100 units, representing 35 percent of the regional decline. Montana and Wyoming recorded the smallest decreases in the number of single-family permits issued, at 4 and 2 percent, respectively. On a smaller scale, homebuilding in North Dakota increased by 8 percent to 2,100 units.

Despite the slowdown in new home construction and a large inventory of unsold homes, the annual rate of home price appreciation increased in the Rocky Mountain region, according to the Office of Federal Housing Enterprise Oversight (OFHEO). For the third quarter of 2007, the OFHEO House Price Index indicated that home price appreciation in the region, although down by 1 percentage point to 9 percent, was well above the national rate of 4 percent. Utah had the highest price appreciation rate in the nation, at 16 percent. In Wyoming and Montana, price appreciation increased by 13 and 10 percent, respectively, and the states ranked second and third, respectively, in the nation. In North Dakota and South Dakota, the rates were 8 and 6 percent, respectively. Colorado was the lowest, at 3 percent. The high rates of appreciation in Utah, Wyoming, and Montana were due to strong employment growth and relatively low appreciation rates earlier in the decade.

During the fourth quarter of 2007, home sales markets in major metropolitan areas of Utah softened from the tight conditions for the same period a year ago. According to NewReach, Inc., the number of single-family homes sold in the Salt Lake City-Ogden and Provo-Orem areas was down by approximately 30 percent in 2007 compared with the number sold in 2006. At the same time, the average home sales price increased by 10 percent in both areas to $256,000 and $289,000, respectively. In 2007, the average inventory of unsold single-family homes grew by 60 percent to 18,600 units in the Salt Lake City-Ogden area and grew by 45 percent to 3,890 units in the Provo-Orem area. The large increases in

2007 were due to record-low inventories recorded in 2006 and tighter lending standards.

Markets in Colorado also recorded declines in sales of existing single-family homes. In Boulder, the number of homes sold in 2007 declined by 5 percent from the number sold in 2006 and the average sales price was relatively unchanged, at $443,400. The number of active listings decreased by 9 percent to 1,890 units. Boulder ranks as the most expensive metropolitan area for housing in Colorado and in the region. In Colorado Springs, the average price for existing homes was relatively unchanged, at $259,600; the number of sales declined by 16 percent; and the average inventory of homes for sale increased by 10 percent. The softer market conditions reflected slower employment growth in Colorado Springs than in other metropolitan areas in the state. In 2007, nonfarm employment increased by 0.7 percent in Colorado Springs; the growth rate was 2.7 percent in Boulder.

The sales housing markets in resort areas in Colorado and Utah continue to maintain high sales prices and increased sales activity in most areas. The Rocky Mountain Resort Alliance (RMRA) reported that home price increases and price levels were highest in Aspen, Telluride, and Vail in Colorado. In 2007, the total number of existing single-family homes and condominiums sold in these areas increased by an average of 6 percent and the average home price increased by 40 percent compared with sales activity and costs in 2006. According to RMRA, the high rate of price appreciation was due to strong demand from second-home buyers. The average single-family home and condominium prices were $2.1 million in Aspen, $1.4 million in Telluride, and $1.2 million in Vail. In Utah, sales were down by 17 percent in the Park City area, but the average sales price increased by 22 percent to $845,200. With a limited potential supply of homes in large Colorado and Utah resort areas, home prices are expected to continue to increase.

Renter household growth and relatively low levels of apartment construction, compared with those of recent years, continue to tighten rental markets in most major metropolitan areas in the Rocky Mountain region. In the Salt Lake City area, according to Reis, Inc., the apartment vacancy rate in the fourth quarter of 2007 declined by 1.4 percentage points to 4.3 percent from the rate recorded in the fourth quarter of 2006, and the average rent increased by 6 percent to $724, the highest annual rent increase recorded since 2000. According to *Apartment Insights*, published by Apartment Appraisers & Consultants, the average apartment vacancy rate for Fort Collins, Colorado, declined by close to 1 percentage point to 5.4 percent in 2007. The average apartment vacancy rate in Colorado Springs was 9.3 percent, down from the 10.2-percent average recorded a year ago. Although slowly improving, the rental housing market in Colorado Springs has remained soft for nearly 5 years due to ongoing troop deployments from Fort Carson Army Base and, more recently, business closures that have slowed employment growth. The average vacancy rate in the Denver metropolitan area declined from 7.6 to 6.6 percent. An Appraisal Services, Inc., survey conducted in the fourth quarter of 2007 for the Fargo-Morehead, North Dakota area indicates that the average vacancy rate of 6.9 percent was an improvement from the 8.6-percent rate recorded in the fourth quarter of 2006. Despite an increase in apartment construction, demand in the region is expected to continue to exceed the supply of new units entering the market.

Multifamily building permits in the Rocky Mountain region in 2007 totaled 17,200 units, up 7 percent from the number of permits issued in 2006. The increase was attributed mostly to activity in Colorado, where the number of multifamily units permitted rose by 17 percent. The significant increase in multifamily building activity in the state was due to an increase in both condominium and apartment construction, especially in the Denver-Boulder metropolitan area. In Utah, multifamily building activity increased by 10 percent to 4,100 units. Of the 13,400 total units permitted in Colorado and Utah in 2007, approximately 35 percent were permitted for apartments. In contrast, apartments accounted for approximately 80 percent of the total number of multifamily units permitted in 2000. In Montana, North Dakota, South Dakota, and Wyoming, the number of multifamily units permitted declined in 2007 but not enough to offset the gains in Colorado and Utah.

PACIFIC

Although the economy of the Pacific region grew moderately in 2007, the growth rate slowed significantly by the end of the year. Employers in the region added nearly 300,000 nonfarm jobs in 2007, a 1.5-percent gain, bringing the total to 19.9 million jobs. Due to slower growth in most major industry sectors, the gain was much lower than the 483,000 jobs added in 2006. Nevertheless, employment in the service-providing sectors still rose 2 percent. The employment growth in

2007 was led by a 73,000-job gain in the professional and business services sector and the addition of 65,000 jobs each in the education and health services sector and the government sector. Partially offsetting these gains was the loss of 20,000 construction jobs.

In California, employment rose by 186,000 jobs, or 1.2 percent, in 2007; in comparison, the state added 275,000 jobs in 2006. The education and health services, government, and professional and business services sectors accounted for 147,000, or 80 percent, of the total number of new jobs added in 2007. Led by growth in high-technology manufacturing industries and in the information sector and leisure and hospitality sector, employment rose by 59,000 jobs, or 1.8 percent, in the San Francisco Bay Area. Southern California registered a 1.2-percent employment gain, or 172,000 new jobs, in 2007. The Arizona economy remained strong, adding 76,000 jobs during 2007, a 2.9-percent increase. Reflecting a decline in housing production in the state, construction employment declined by 3,600 jobs during the year after gaining 26,000 jobs during 2006.

The Nevada economy slowed in 2007 due to a decline in construction employment and weak job growth in the gambling industry. Employment in the state rose by 25,000 jobs, or 1.9 percent, less than half the increase of 59,000 jobs, or 4.8 percent, recorded in the previous year. The service-providing sectors gained 27,000 new jobs, primarily in the government, retail trade, and education and health services sectors. In Las Vegas, the gambling industry will gain 4,000 jobs during 2008 with the mid-January opening of the 3,066-room, $1.8 billion Palazzo Resort-Hotel-Casino, the first of a new wave of proposed large projects that could add more than 40,000 hotel rooms to the city by 2011. In 2007, employment in Hawaii rose by 2 percent, or 12,100 jobs, primarily in the professional and business services and the leisure and hospitality sectors. The slower pace of employment growth in the region led to an increase in the unemployment rate from an average of 4.7 percent in 2006 to 5 percent in 2007. Unemployment rates ranged from 2.6 percent in Hawaii to 5.3 percent in California.

The Census Bureau estimated the population of the Pacific region at 46.7 million as of July 1, 2007; that estimate represents an increase of 554,000, or 1.2 percent, compared with the estimate as of a year earlier. Nevada and Arizona again were the fastest-growing states in the nation, with population growths of 2.9 and 2.8 percent, respectively. With a combined population gain of 246,000, the growth in both states was due primarily to the in-migration of job seekers and retirees. Nevada has been the fastest growing state in the nation for 20 of the past 21 years. California accounted for 55 percent of the regional population increase, with a gain of 303,000, or 0.8 percent. The population of Hawaii rose by just 5,000, or 0.4 percent, during the past year.

Sales housing market conditions in the Pacific region remained weak in 2007 because of declining demand, tight mortgage loan standards, and cautious buyers waiting for lower prices. Home sales throughout the region declined for the second year in a row from the strong sales levels recorded in 2005. According to the California Association of REALTORS®, 352,450 existing single-family homes were sold in 2007, down 26 percent from the number sold in 2006 and down 43 percent from the record 625,000 homes sold in 2005. During 2007, the median home sales price in the state declined by 1 percent to $558,000, compared with an increase of nearly 7 percent in 2006 and a cumulative 75-percent total gain from 2002 through 2005. During the year, the inventory of unsold existing homes rose to a 15-month supply, up from a 6-month supply reported a year ago. In the San Francisco Bay and Southern California areas, total sales of new and existing homes declined by 24 and 35 percent, respectively, in 2007.

In Phoenix, sales of existing homes declined by 35 percent to nearly 58,500 in 2007 compared with 2006, according to the *Phoenix Housing Market Letter*. The inventory of unsold existing homes totaled 52,700 homes in the fourth quarter of 2007, an increase of 10,000 homes from the fourth quarter of 2006 and near the record set in the third quarter of 2006. The median price of existing homes fell by 4 percent, or approximately $10,000, to $245,000 in 2007. Conditions weakened in the Las Vegas sales market as well, with new and existing home sales off 46 and 41 percent, respectively, from 2006 sales volume levels, according to the *Las Vegas Housing Market Letter*. The unsold inventory of 29,000 homes is close to the record level of 30,600 homes set in the third quarter of 2007. The median price of existing homes declined 5 percent in 2007 to $273,000, down from a high of $288,000 recorded in the third quarter of 2006. In Honolulu, the local board of REALTORS® reported that total sales of existing single-family homes and condominiums in 2007, when compared with sales in 2006, declined by 12 percent to 9,100 units. The median price of an existing single-family home was relatively unchanged at $639,400 in 2007, while the median price of a condominium increased by 5 percent to $325,000. Demand for homes and condominiums in Hawaii was partly supported by strong international demand; international migration accounted for 43 percent of the state's total population growth from 2000 to 2007.

Responding to the 2-year decline in new home sales, builders throughout the Pacific region reduced home-building activity in 2007. In the region, single-family construction activity, as measured by the number of building permits issued, fell by 65,300 units, or 35 percent, to 124,000 units, the lowest level recorded since 1992. The most rapid decline in the number of single-family building permits issued occurred in Nevada, where permits fell by 38 percent to 16,400 units in 2007. Single-family construction in Arizona declined by 33 percent to 36,800 units. Homebuilding in California fell by 35 percent to 66,300 units. Declines ranged from 20 percent in the San Francisco Bay Area to 50 percent in Riverside-San Bernardino. In Hawaii, building permits were issued for 4,500 single-family homes in 2007, a 20-percent reduction from the number issued in the previous year.

Most rental housing markets in the Pacific region remained tight or balanced in the fourth quarter of 2007. Strengthened by continued economic growth and demand from households unable to move into the still relatively high-priced sales housing markets in these areas, the coastal California markets are tight. Tight conditions also prevailed throughout most of the San Francisco Bay Area, due partly to the influx of new renters from outside the area who are attracted by the expanding high-technology and information industries. According to Reis, Inc., in the fourth quarter of 2007, the San Francisco and Oakland areas both registered apartment rental vacancy rates of 4 percent and the San Jose area recorded a 3.5-percent vacancy rate. A year ago, all three areas had apartment vacancy rates of approximately 5 percent. In 2007, the average rent in the San Francisco and San Jose areas rose by 10 and 9 percent, respectively; these areas are still among the highest ranked areas in the country in terms of rent increases. Average rents in Oakland increased by 6 percent. According to RealFacts, in the fourth quarter of 2007, the Sacramento apartment market remained balanced, with a vacancy rate of 6.5 percent, down 1 percentage point from the rate recorded a year earlier, and the average rent was relatively unchanged. In Fresno, where the market remained balanced, with a 5-percent vacancy rate, the average rent increased by 3 percent.

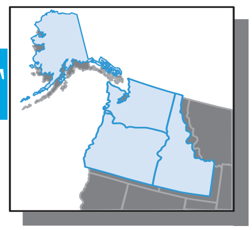
In Southern California, rental conditions remained tight in Los Angeles, Orange, and Ventura Counties and in southern Santa Barbara County during the fourth quarter of 2007. Although the rental vacancy rate in both Los Angeles and Orange Counties increased to 4.5 percent in the fourth quarter of 2007 from 4 percent in the fourth quarter of 2006, the market remains tight. The small increase was due primarily to an increase in the renting of single-family homes by investors. The vacancy rate in Ventura County remained unchanged, at 4.5 percent. With multifamily completions at a relatively low 70 units during 2007, the rental vacancy rate in southern Santa Barbara County remained below 4 percent in the fourth quarter.

In San Diego County, rental housing market conditions are currently balanced. The vacancy rate of 5 percent increased from 4.5 percent in 2006 due to the completion of 1,700 apartment units in 2007. Rental housing market conditions in both Riverside and San Bernardino Counties remained balanced. The rental vacancy rate in Riverside County increased to 8 percent, compared with 7.5 percent a year ago, while the rate in San Bernardino County remained unchanged, at 6.5 percent. Despite increases in rental vacancy rates during 2007, rents continued to climb throughout all the counties in Southern California. According to the Consumer Price Index for Southern California, the average rent increased by 6 percent during the 12-month period ending December 2007, the same rate of increase as that recorded during the previous 12-month period.

In both Las Vegas and Phoenix, the rental housing markets continued to ease into more balanced conditions by the end of 2007. This trend, which occurred after 2 years in a row of tight market conditions, was predicated by increased apartment completions, condominium conversions, and the return of investor-owned single-family homes to the rental housing market. In Las Vegas, the apartment rental vacancy rate increased 1.5 percentage points to 6 percent in the fourth quarter of 2007 compared with a year ago, according to Reis, Inc. Apartment completions increased by 1,200 to 2,725 units in 2007, compared with the number of completions a year ago, but condominium conversions declined from 3,300 to just 300 units. In Phoenix, the apartment rental vacancy rate rose from 6.5 to 8 percent during the same period. In 2007, more than 5,500 apartment units entered the Phoenix rental housing market, double the number of units in the previous year, and 3,800 condominium units were converted back into rental units. In both Phoenix and Las Vegas, the average rent rose by approximately 3 percent in the past year. In Honolulu, the conversion of new condominium units to rental units caused the rental housing market to become balanced in 2007 after experiencing tight market conditions in 2006. The overall rental vacancy rate is estimated at approximately 5 percent, up from 4 percent a year earlier.

Multifamily construction, as measured by the number of units permitted, declined by 13 percent to 64,200 units in 2007 compared with 73,500 units in 2006. The drop in multifamily production is attributable to the 23-percent decline in California to 40,100 units permitted in 2007. Two-thirds of the decline occurred in the Los Angeles, San Francisco Bay, and Sacramento areas, due primarily to reduced condominium construction activity. During 2007, multifamily production rose by 8 percent to 10,600 units in Nevada and by 13 percent to 11,200 units in Arizona. The gains in these two states primarily reflect the increased production of apartments in Las Vegas and Phoenix to meet continued rental demand. In Hawaii, the 2,300 multifamily units permitted during 2007 was a 15-percent increase from the number permitted during 2006 and was a response to the relatively strong international demand for condominium units.

NORTHWEST



Nonfarm employment in the Northwest region increased by 1.8 percent to an average of 5.6 million jobs in 2007, a gain of more than 100,000 jobs. The pace of employment growth slowed compared with the rate of 3.1 percent recorded in 2006, mainly due to contraction in the single-family residential construction industry. Idaho had the fastest growth rate in the region in 2007, up 2.5 percent to an average of 655,600 jobs. Washington had the second fastest rate of growth, adding nearly 60,000 jobs for a gain of 2.1 percent. Nonfarm employment grew by 1.4 percent in Oregon to 1.7 million jobs and by 1.1 percent in Alaska to 318,000 jobs. In Idaho, the retail trade, education and health services, and leisure and hospitality sectors accounted for approximately half the job growth. In Washington, the commercial construction and software publishing industries led gains, followed by the aerospace industry, which was supported by a strong export market. In Oregon, industries that added jobs included private and public education, healthcare services, and software publishing. In Alaska, hiring in the oil and gas industry, the professional and business services sector, and the leisure and hospitality sector combined accounted for nearly three-fourths of employment growth. The regional unemployment rate declined to 4.7 percent in 2007 from the 5-percent rate recorded in 2006. Unemployment rates ranged from 2.6 percent in Idaho, a record low, to 6.1 percent in Alaska.

Sales housing market conditions continued to soften in the Northwest region during 2007, a trend of slower sales and price increases that started in late 2006. In Washington, according to Northwest Multiple Listing Service data, the Puget Sound metropolitan areas of Seattle, Tacoma, Bremerton, and Olympia recorded a total of 52,300 new and existing homes sold during 2007, a 20-percent decline compared with the number sold in 2006. The greatest rate of decline in the number of homes sold occurred in the Tacoma area, where sales were down by 24 percent, followed by decreases of 17, 13, and 10 percent in the Bremerton, Seattle, and Olympia areas, respectively. The average price for new and existing homes sold was $456,500, a 9-percent increase compared with a 13-percent increase in 2006 and a 16-percent increase in 2005. In 2007, the average price for new and existing single-family homes in the Seattle area was the highest in the Puget Sound region, at $525,000, a 12-percent gain compared with the average price in 2006. Average prices were up 10 percent in the Bremerton area to $369,500, up 7 percent in the Tacoma area to $327,500, and up 5 percent in the Olympia area to $301,000.

According to the *Market Action Report* of the REALTORS Multiple Listing Service™, in 2007 the number of new and existing homes sold in major markets in Oregon totaled 57,500, an 18-percent decline compared with the number sold in 2006. The average price was $312,600, up 5 percent from the average price in 2006. In the Portland-Vancouver-Beaverton, Oregon-Washington metropolitan area (Portland metropolitan area), sales of new and existing homes were down 14 percent to 34,300 units. The average price in the Portland metropolitan area was $336,250, an increase of 6 percent, which is less than half the 14-percent increase recorded in 2006. According to the Intermountain Multiple Listing Service, in 2007 in the Boise metropolitan area, sales of new and existing homes totaled 10,000 homes, a 35-percent decrease compared with sales recorded in 2006, and the average home price increased by 3 percent to $240,700. In comparison, during 2006, the average home price increased by 8 percent in the Boise area. Alaska Multiple Listing Service data showed an 11-percent decline in new and existing home sales in Anchorage during 2007 compared with sales volume recorded in 2006 but a 4-percent increase in the average home price to $327,250.

The decline in home sales throughout the Northwest region in 2007 contributed to reduced home construction activity, as measured by the number of building permits issued. Single-family building permits totaled 56,000 in 2007, down 21 percent, or 14,900 units, from the number permitted in 2006. In Washington, the number of single-family permits issued declined by 5,000 to 28,500 units, down 15 percent from the volume permitted in 2006. In both Oregon and Idaho, the number of single family building permits issued declined by approximately 4,700 units, resulting in totals of 15,850 and 10,600 units, respectively. In Alaska, single-family construction activity in 2007 totaled 1,050 homes, down 525 units from the volume permitted in 2006.

Multifamily building activity in the Northwest region, as measured by the number of units permitted, totaled 25,800 units in 2007, up 6 percent from the number of units permitted in 2006. Primarily because of strong rental housing market conditions, multifamily construction activity increased by 2,200 units in Washington to total 17,000 units, followed by an increase of 320 units in Idaho, where a total of 2,230 units were permitted. In Oregon and Alaska, multifamily building activity declined during 2007 due to a slowdown in condominium development. Approximately 5,800 units were permitted in Oregon, down 575 units compared with the number of units permitted in 2006, and 790 units were permitted in Alaska, a decline of almost 500 units.

Rental housing market conditions are tight in the region's major metropolitan areas. Strong labor market conditions have supported population growth, which has increased demand for rental housing units. In addition, tighter mortgage lending standards combined with increased home prices have reduced competition from the sales housing market. According to a survey by the O'Connor Consulting Group, LLC, the apartment rental vacancy rate in the Seattle metropolitan area was 3.5 percent as of December 2007, essentially unchanged from the rate recorded as of December 2006. According to data from Reis, Inc., the average rent in the Seattle area increased by 8 percent between the fourth quarter of 2006 and the fourth quarter of 2007, to $1,009. In the Tacoma metropolitan area, the apartment vacancy rate declined from 6.8 to 5.2 percent, and the average rent increased by 4 percent to $726.

In the Portland metropolitan area, the rental vacancy rate for the fourth quarter of 2007 was 4.2 percent, compared with 5.2 percent for the same quarter a year earlier, and rents increased 6 percent to average $800 a month. The estimated rental vacancy rate was below 4 percent in the other Oregon metropolitan areas, including Salem, Eugene-Springfield, Medford, and Bend, due to limited new apartment construction. The overall rental vacancy rate in the Boise metropolitan area was 6.5 percent for the fourth of quarter 2007, down from 7 percent for the same period a year ago. According to RealFacts, for the fourth quarter of 2007, the average apartment rent in the Boise area was $737, a 4-percent increase compared with the average rent recorded in the fourth quarter of 2006. The typical monthly rent for a three-bedroom, two-bathroom home with a two-car garage was approximately $1,000 as of the end of 2007.

Housing Market Profiles

Abilene, Texas

The Abilene metropolitan area, consisting of Callahan, Jones, and Taylor Counties, is located in west central Texas, approximately 150 miles west of Fort Worth. The area is home to Dyess Air Force Base (AFB) and six institutions of higher learning with a combined enrollment of more than 12,000 students. The three leading private employers are Hendrick Health System, BlueCross BlueShield of Texas, and Abilene Christian University, employing 2,750, 1,150, and 850 people, respectively. As of November 1, 2007, the estimated Abilene metropolitan area population was 162,000, with approximately 70 percent of the population residing in the city of Abilene. The population of the Abilene area has remained relatively unchanged since 2000, but continued household growth due to demographic changes has contributed to a strong housing market.

Dyess AFB, the leading employer in the Abilene area, with approximately 5,370 military and 780 civilian workers, had an estimated total economic impact on the area of $444 million in 2006, according to the base. Although employment at the base was stable during 2007, nonfarm employment during the 12 months ending November 2007 gained 1,200 jobs to average 66,400, an increase of 1.8 percent, continuing a growth trend that began in mid-2005. As a result of job gains, the unemployment rate during this period declined from 4.2 to 3.6 percent. The largest employment sector, education and health services, increased by 200 jobs in the past 12 months and accounts for approximately one out of five jobs in the metropolitan area. Abilene Regional Medical Center has recently completed constructing a $26 million expansion, and two of the area universities have recently undergone expansions totaling nearly $10 million. The fastest growing employment sector was natural resources, mining, and construction, which added 400 jobs during the 12 months ending November 2007. Growth in this sector has been supported by an $85.3 million construction project to replace aging housing units at Dyess AFB. The project, which is expected to be completed in the spring of 2008, will include demolishing 405 dwellings to make room for three new neighborhoods consisting of 119 duplexes and 88 single-family homes.

Single-family construction activity, as measured by the number of single-family building permits issued, remained near record levels during the 12 months ending October 2007 due to a steady demand for new homes. The number of single-family permits issued totaled 300 units, 1 percent above the number of permits issued for the same period a year ago and nearly double the number issued annually during the first 3 years of the decade. Demand stemming from relatively low interest rates and easier access to financing during the early part of the decade supported building activity, and moderate employment growth and increases in the number of households during the past several years have maintained the demand for new homes. Despite experiencing a slowdown in single-family home construction in recent months, the area continues to issue permits at relatively high levels when compared with the rest of the state, which experienced a 27-percent decline in single-family permits issued during the 12 months ending October 2007.

New subdivisions currently in planning and development include Indian Wells, a 50-acre tract in southeast Abilene that will include 187 homes selling for between $130,000 and $160,000 and Butterfield Meadows, a 455-unit subdivision in southwest Abilene that will consist of fully furnished patio homes, duplexes, and single-family residences, as well as 15 acres designated for commercial development. Development of the Indian Wells subdivision is expected to take 3 to 4 years to complete, and construction of the first phase of the Butterfield Meadows subdivision consisting of 50 homes is expected to begin in mid-2008.

Sales market conditions in the Abilene metropolitan area remained balanced during the past year due to a strong level of sales brought about, in part, by consistent job growth and the affordability of homes in the area. According to the Texas A&M Real Estate Center, the average price of a home sold in the Abilene metropolitan area during the 12-month period ending October 2007 was $115,900, up 3 percent when compared with the previous 12-month period. According to data from the Abilene Multiple Listing Service, during the 12-month period ending October 2007, new and existing home sales reached a new record high of 2,080, a 6-percent increase over the previous 12-month period.

The rental market in the Abilene metropolitan area is currently balanced. According to the Texas A&M Real Estate Center, the apartment vacancy rate for the Abilene metropolitan area was 5.4 percent in January 2007, essentially unchanged from a year earlier, although rents in the area have increased approximately 3 percent with relatively few concessions. Since 2000, 910 multifamily units have been permitted in the area, with nearly half, or 440 units, permitted in the past 2 years. Before this recent activity, virtually no new market-rate apartment complexes had been built for general occupancy in Abilene since the 1980s.

Abilene has had several different types of apartment communities open in recent years, including a 240-unit student apartment, an 80-unit low-income housing tax credit (LIHTC) complex serving seniors, and an 80-unit LIHTC housing project. Also opening in 2007 was Lexington Court, a 68-unit luxury apartment complex in eastern Abilene. The complex has one-, two-, and three-bedroom apartments with monthly rents ranging from $775 to $975. Additional developments with more than 450 total units are in the final planning stages. These developments include The Reserve at Abilene on Cedar Run, a 256-unit apartment complex in southwest Abilene, and a 208-unit apartment complex in far northeast Abilene.

Augusta, Georgia-South Carolina

The Augusta metropolitan area, located 145 miles east of Atlanta, comprises Burke, Columbia, McDuffie, and Richmond Counties in Georgia and Aiken and Edgefield Counties in South Carolina. Augusta is home to the Fort Gordon military installation, which provides a stable foundation for the local economy. Nationally known for hosting the annual Masters Tournament at the Augusta National Golf Club the last week of April, the area is a continual draw for tourists. The presence of numerous golf courses and state-of-the-art healthcare facilities has made Augusta a top retirement destination. The metropolitan area has a population of approximately 528,300 as of November 1, 2007; this figure represents an average annual increase of 3,775, or 0.8 percent, since 2000. Nearly all the population growth recorded since 2000 has occurred in Aiken and Columbia Counties.

The economy of the metropolitan area has started to grow after slowing during recent years. During the 12 months ending October 2007, nonfarm employment increased by 1,200 jobs, or 0.6 percent, from the number of jobs recorded during the previous 12-month period. The education and health services sector and government sector had the largest gains, increasing by 600 and 400 jobs, respectively. Employment in the area increased by 4,800 jobs, or 2.3 percent, in 2004 as a result of gains in the professional and business services, education and health services, and trade sectors. Job growth dropped considerably in 2005 and was negative in 2006 due to layoffs in the manufacturing sector and professional and business services sector. Major businesses moving into the area have renewed growth. In 2007, T-Mobile USA, Inc., built a call center that employs 750 people. Earlier this year, Automatic Data Processing, Inc., opened a business solutions center that is expected to employ 1,000 people at full capacity.

The government and healthcare industries provide economic stability for the local economy. Fort Gordon, which includes the U.S. Army Signal Center, is the leading employer, with 19,100 military and civilian workers. According to the Plans, Analysis, and Integration Office at Fort Gordon, the military installation had an economic impact on the metropolitan area of $1.3 billion in 2007. Employment at Fort Gordon is expected to increase by up to 1,000 civilian jobs by 2012 with the completion of the National Security Agency/Central Security Service facility. The second leading employer is the Westinghouse Savannah River Company, a nuclear materials processing center, with approximately 10,700 employees. Construction of the Mixed Oxide Fuel Fabrication Facility, a $4.8 billion nuclear weapons material disposal facility at the Savannah River site, will create 800 jobs when it opens in 2016. The third leading employer is the Medical College of Georgia, which employs more than 4,650 people and had an economic impact of $899 million in 2006, according to the Selig Center for Economic Growth at The University of Georgia.

Despite an increase in employment and population over the past year, residential construction activity has declined. During the 12 months ending October 2007, single-family homebuilding, as measured by the number of single-family building permits issued, declined by 22 percent to 2,450 homes when compared with the number issued during the 12 months ending October 2006. The number of homes permitted has declined every year since reaching a peak of 3,300 units in 2004. Weak employment growth in 2005 and job losses in 2006, along with recent underwriting restrictions in the mortgage industry, contributed to the slowdown in single-family homebuilding. Essentially, no multifamily units have been constructed in the metropolitan area since 2006. An excess supply of apartments in the area triggered major cutbacks in building in 2004. From 2004 to 2006, an average of 40 multifamily units were permitted annually; from 2001 to 2003, 450 units a year were permitted.

The decline in single-family homebuilding has allowed the sales housing market to remain balanced amid decreasing home sales. Sales of both new and existing homes have declined over the past year. According to the Greater Augusta Association of REALTORS®, 5,750 existing homes were sold during the 12 months ending October 2007, a decrease of 11 percent compared with the number sold during the previous 12-month period. This decline is the first in the past 5 years. During the 12 months ending October 2007, new home sales declined by 15 percent to 1,900 units, but, despite decreased sales, the average sales price increased by 3 percent to $168,600.

Condominium development is increasing in downtown Augusta. The former JB White department store is being renovated to include 80 condominiums ranging from $99,000 to $220,000. The mixed-use project, which will include more than 40,000 square feet of retail and office space, is scheduled for completion in 2009. Plans are also under way for a $100 million condominium project on the Savannah River. The Watermark condominium project will include 120 to 150 condominiums priced from $400,000. According to the Downtown Development Authority of Augusta, the new development will include retail shops in a renovated train depot, 60,000 square feet of office space, and a 150-room hotel. Construction is expected to begin in January 2008 and to take 2 years to complete.

The Augusta rental housing market is currently soft, although conditions in the apartment market have improved in recent years. Local apartment market vacancies have declined in the past year as a result of no new apartment construction and an increasing number of people choosing to rent rather than purchase a home. According to Reis, Inc., which surveyed Aiken, Columbia, McDuffie, and Richmond Counties, the apartment vacancy rate was 7.1 percent in the third quarter of 2007. The rate remains relatively unchanged from the 2006 year-end vacancy rate; however, it is a decline from the 2005 year-end 8.5-percent vacancy rate. As of August 2007, South Augusta had the largest increase in apartment vacancies from the previous year. According to the *Greater Augusta Apartment Guide*®, the vacancy rate in South Augusta was 10 percent compared with 6 percent in August 2006. The availability of developable land in the area has facilitated increased single-family building activity, resulting in more people becoming homeowners. East Augusta had the lowest vacancy rate of the areas surveyed, at 1.0 percent in August 2007. Average rents in Augusta increased approximately 2 percent in the third quarter of 2007 from year-end average rents recorded in 2006. Average rents are $502 for a one-bedroom unit, $586 for a two-bedroom unit, and $766 for a three-bedroom unit.

Baltimore-Towson, Maryland

The Baltimore-Towson metropolitan area, which includes the city of Baltimore and the counties of Anne Arundel, Baltimore, Carroll, Harford, Howard, and Queen Anne's, accounts for nearly half the population and jobs in Maryland. Since 2000, the population has grown because of an increase in employment and the continued in-migration of commuters who work in the Washington, D.C. metropolitan area. As economic conditions have moderated, population growth has slowed slightly during 2007 to approximately 16,000 annually compared with increases of 18,000 a year during 2005 and 2006. About one-quarter of the 2.7 million residents of the metropolitan area reside in the city of Baltimore.

Employment in the metropolitan area continues to increase, but at a slower pace than the average rate of growth of 1.6 percent that occurred during 2005 and 2006. For the 12-month period ending November 2007, average nonfarm employment totaled more than 1.3 million jobs, an increase of 8,825 jobs, or 0.7 percent, compared with a growth of 1.5 percent during the previous 12-month period. Most of the growth occurred in the education and health services sector, which expanded by 3,900 jobs, or 1.8 percent, compared with the number recorded a year ago. Employment in the professional and business services sector increased by 2,800 jobs, or 1.5 percent, adding fewer jobs than the 3,600 added during the 12 months ending November 2006. For the 12-month period ending November 2007, the average unemployment rate was 4.0 percent, virtually unchanged from the rate recorded a year ago.

Leading employers in the metropolitan area are Johns Hopkins University, Johns Hopkins Hospital and Health System, and the University of Maryland Medical System. The bioscience industry is increasing in the Baltimore area, with growth in research, testing, and medical laboratories. Employment at hospitals increased by 1,950 jobs, or 3 percent, during the 12 months ending November 2007, following a similar gain of 1,900 jobs during the previous 12-month period. According to the Downtown Partnership of Baltimore, Inc., investment in hospitals and biotechnology parks in the downtown area totaled $547 million from January 2005 to September 2007. Additional development totaling $1.6 billion is currently under construction and likely to be completed within the next 3 years. Several proposed developments totaling $4 billion, scheduled for completion by 2014, are expected to create an estimated 12,000 to 15,000 jobs.

Increased tourism is contributing to job growth in the Baltimore-Towson area economy. During the 12-month period ending November 2007, the leisure and hospitality sector added 2,000 jobs, an increase of 1.8 percent, compared with an increase of 1,150 jobs during the previous 12-month period. According to the Baltimore Area Convention and Visitors Association, 12 million people visit the city of Baltimore each year, including 4 million overnight visitors. Tourism increased by 7 percent during 2006, registering a 7-year high. By mid-2009, approximately 1,200 new hotel rooms will enter the market in downtown Baltimore. According to the McGraw-Hill Construction Pipeline database, most of the hotel construction outside the city has occurred in Anne Arundel County, near the city of Annapolis and Baltimore/Washington International Thurgood Marshall Airport, with more than 500 rooms completed in 2007 and an additional 370 rooms currently under construction.

As employment growth has moderated, the demand for sales housing in the Baltimore-Towson area has decreased. The sales market has declined from the tight market conditions that occurred in 2004 and 2005 and is currently balanced. According to Metropolitan Regional Information Systems, Inc.®, approximately 29,950 existing homes were sold in the Baltimore area during the 12-month period ending December 2007, a 17-percent decline from the 36,050 homes sold during the same period a year earlier. The median sales price was $260,500 in December 2007, a decline of nearly 2 percent from the price in December 2006. New homes in the metropolitan area have starting prices ranging from $350,000 in both Carroll and Queen Anne's Counties to $500,000 in Anne Arundel County, near the Washington, D.C. metropolitan area.

Developers have responded to the slowdown in home sales by reducing the construction of single-family homes, as measured by the number of building permits issued. During the 12-month period ending November 2007, the number of permits issued for single-family homes declined by 22 percent to 5,050 homes compared with the number issued during the previous 12-month period. In November 2007, an estimated 1,300 single-family homes were under construction in the metropolitan area, 20 percent fewer than the number under construction a year earlier.

During the past year, condominium sales in the Baltimore-Towson area have declined but prices have increased slightly. According to Delta Associates, in December 2007 throughout the metropolitan area, the number of condominium units being marketed for sale was approximately 4,425, down 3 percent from the number marketed in December 2006. The number of new condominium sales decreased by 60 percent, from 1,500 sales recorded in 2006 to 600 sales in 2007. Although sales were strong during the first half of 2007, totaling 570 units sold, higher interest rates and stricter lending requirements resulted in just 40 sales during the second half of 2007. In November 2007, the median sales price of existing condominiums ranged from $182,000 in Harford County to $268,950 in Anne Arundel County. During the 12 months ending November 2007, the median price of existing condominiums in the city of Baltimore rose by more than 1 percent to $205,750 compared with the price recorded during the previous 12-month period. According to local sources, sales of condominiums in the $500,000-to-$1,000,000 price range have slowed, but sales of condominiums priced at less than $500,000 and at more than $1 million have remained steady.

The rental housing market in the Baltimore-Towson metropolitan area is currently soft. As a result of slower population and job growth, the demand for apartments has declined. According to Delta Associates, vacancies in Class A apartment complexes increased to 9 percent in December 2007 compared with 6 percent in December 2006. During the same period, in the city of Baltimore, the vacancy rate rose from 10 to 16 percent as the number of new apartments in lease-up nearly doubled from 250 to 460. Absorption rates for newly constructed downtown apartments declined, resulting in an increase in the vacancy rate from 4 percent in December 2006 to nearly 11 percent in December 2007. During the same period, vacancy rates increased outside the city, rising to 8 percent throughout the suburbs. In December 2007, the average rent in the metropolitan area rose to approximately $1,300 after concessions; this figure represents an increase of 2 percent compared with the average rent recorded in December 2006. Concessions increased in the northern suburbs, prompted by the lease-up of 475 recently constructed apartments.

During the past 2 years, multifamily construction, as measured by the number of units permitted, has declined below the average annual level of 2,375 units permitted between 2000 and 2005. The number of multifamily units authorized by building permits decreased to 1,675 units during the 12 months ending November 2006 and continued to decline to 1,425 units during the 12 months ending November 2007. According to Reis, Inc., in December 2007, an estimated 2,025 condominium units and 1,400 rental apartments were under construction in the metropolitan area. Anne Arundel County accounts for nearly 40 percent of the multifamily development in the metropolitan area, including 900 units currently under construction in Annapolis and 530 units in Hanover. More than 25 percent of the multifamily development is occurring in the city of Baltimore, where nearly 900 units are under construction. An additional 430 units are under construction in the Towson area of Baltimore County.

Baton Rouge, Louisiana

The city of Baton Rouge is the capital of Louisiana and home of Louisiana State University (LSU). The Baton Rouge metropolitan area includes nine parishes: Ascension, East Feliciana, Iberville, Livingston, Pointe Coupee, St. Helena, West Baton Rouge, West Feliciana, and East Baton Rouge, where the city of Baton Rouge is located. Situated approximately 80 miles northwest of New Orleans, the area received as many as 250,000 evacuees after Hurricane Katrina made landfall in late August 2005. Many of the temporary residents have relocated to other cities or returned to New Orleans, but an estimated 30,000 to 35,000 evacuees currently remain in the metropolitan area. The population of the area has increased from 705,973 in 2000 to an estimated 795,000 as of December 1, 2007.

After 2 years of increased economic activity related to the recovery from Hurricane Katrina, current employment growth has returned to a more typical rate for the metropolitan area. During the 12 months ending November 2007, nonfarm employment increased by 7,100 jobs, or 2.0 percent, to 370,200 jobs. Employment growth slowed during the period, following unusually high growth rates of 2.6 and 3.5 percent during the previous 12-month periods ending November 2005 and November 2006, respectively. For the 12-month period ending November 2007, the unemployment rate in the metropolitan area averaged 3.7 percent, down from 4.0 percent for the previous 12-month period.

During the 12 months ending November 2007, the education and health services sector and professional and business services sector increased by 2,000 and 1,400 jobs, respectively, accounting for nearly half of nonfarm job growth in the area. The $80 million ongoing expansion of Baton Rouge General's Bluebonnet hospital and expansions in multiple service-providing industries have contributed to employment growth in these sectors. During the past 12 months, employment in the construction sector increased by 800 jobs, or 2.0 percent. According to a study published by LSU, several commercial and residential construction projects valued at $5 billion are under way or planned for the metropolitan area and are expected to increase construction employment in 2008. Because Baton Rouge is the state capital and home of LSU, the government sector in the metropolitan area accounts for an average of 74,200 jobs, or 20 percent of nonfarm employment in the area. LSU has more than 30,000 students and employs more than 4,200 faculty and staff. The university has a 2007-08 budget of more than $436 million.

A total of 65 petrochemical facilities operate in the metropolitan area. Exxon Mobil Corporation employs more than 5,200 people in the area at its five petrochemical plants, research center, and refinery; the latter is the second largest petroleum refinery in the nation. Other leading employers in the petrochemical industry include The Dow Chemical Company, with more than 3,000 employees; BASF Corporation, with more than 1,700 employees; and Shell Chemical LP, with 530 employees. BASF Corporation's Geismar facility in Ascension Parish is currently undergoing a $1 billion expansion that is expected to increase employment in both the manufacturing and construction sectors.

For the 12-month period ending November 2007, single-family construction activity, as measured by the number of building permits issued, totaled 4,775 homes. This figure represents a 12-percent decrease compared with the previous 12-month period. A record-setting 6,400 single-family building permits were issued in 2006. From 2000 to 2004, an average of 3,750 homes were permitted each year. In recent years, residential construction has been concentrated along Interstates 10 (I-10) and 12 (I-12), which connect East Baton Rouge Parish with Ascension and Livingston Parishes to the east. In the past 2 years, a larger share of residential development has shifted to smaller towns such as Zachary and Baker and the unincorporated areas of East Baton Rouge Parish.

The sales housing market in the metropolitan area is currently balanced with an estimated sales vacancy rate of 1.7 percent. The Greater Baton Rouge Association of REALTORS® reports that the number of new and existing homes sold fell by 15 percent to approximately 9,425 in 2007 but remained significantly higher than the average of 7,625 homes sold each year from 2000 to 2004. In 2005, the number of homes sold increased by 29 percent to approximately 11,350; 28 percent of all sales for the year occurred in September and October immediately following the hurricane in August. The most significant increases in home sales volume were recorded in the central parishes of Ascension, East Baton Rouge, and Livingston, where most evacuees relocated.

After Hurricane Katrina occurred, the average home sales price increased by 14 percent in 2005 and 13 percent in 2006 compared with increases of 1 to 7 percent each year from 2000 to 2004. In 2007, the average home price increased by a more typical 6 percent to approximately $196,300. Home prices were highest in Ascension Parish, where the average price of a home was nearly $223,400. In the Baton Rouge metropolitan area, new three-bedroom, two-bathroom starter homes with limited amenities can be purchased at prices starting at $110,000.

From 2000 to 2005, building permits were issued for an average of 680 multifamily units annually, approximately 20 percent of which were condominium units. Because of low mortgage interest rates and the sudden increase in demand for rental housing units in 2005, building permits issued for multifamily units in 2006 increased to nearly 2,600 units and the percentage of condominiums increased to 40 percent. Between 1998 and 2005, approximately 1,300 student-oriented condominiums and more than 500 conventional condominium units entered the market. Since 2005, 1,900 condominium units have been developed or are currently under construction. As development plans progressed through the pipeline during the first 11 months of 2007, building permits were issued for 1,400 multifamily units, significantly more than is typical for the area.

The rental housing market in the Baton Rouge metropolitan area is tight. According to a survey from the Baton Rouge Apartment Association, Inc., the apartment vacancy rate in July 2007 was 1.6 percent, a slight increase from the rate recorded for the spring of 2006, when Cook, Moore & Associates reported a vacancy rate of less than 0.5 percent. Before Hurricane Katrina occurred, the rental market was soft, with an estimated vacancy rate of 10 percent due to oversupply, particularly from condominium units that eventually were rented. Because an estimated 1,500 apartments are currently under construction, the rental market is expected to become balanced in 2008, with some concessions.

According to Cook, Moore & Associates, rents averaged $608 for a one-bedroom apartment, $735 for a two-bedroom apartment, and $911 for a three-bedroom apartment in the spring of 2007, the most recent rent data available. Average rents increased 6, 5, and 4 percent, respectively, for one-bedroom, two-bedroom, and three-bedroom units, compared with average rents recorded in the spring of 2006. Since the spring of 2005, rents for these unit types have increased by 13, 16, and 17 percent, respectively, primarily because of increased demand for rental housing as a result of Hurricane Katrina.

Boston-Cambridge-Quincy, Massachusetts-New Hampshire

The Boston-Cambridge-Quincy Metropolitan New England City and Town Area (Boston metropolitan area) consists of Suffolk County in Massachusetts, parts of Bristol, Essex, Middlesex, Norfolk, Plymouth, and Worcester Counties in Massachusetts, and parts of Hillsborough and Rockingham Counties in New Hampshire. The metropolitan area had an estimated population of 4.5 million in 2007. As of November 2007, the area economy had completed its third 12-month period of increasing job growth, averaging 1 percent annually. For the 12-month period ending November 2007, the average nonfarm employment was 2.5 million jobs, an increase of 28,700, or 1.2 percent, compared with the previous 12-month period, when 26,100 jobs were created.

The primary employment growth sectors in the Boston metropolitan area economy are the service-providing sectors, particularly education and health services, professional and business services, and leisure and hospitality. In the 12-month period ending November 2007, employment in the service-providing sectors increased by 30,600 jobs, or 1.4 percent, compared with the number of jobs added in the previous 12-month period. Employment in the education and health services sector increased by 13,000 jobs, or 2.9 percent, as a result of expansion at local universities and the passage of state health insurance legislation, which have supported significant job growth. According to Global Insight, Inc., the Boston metropolitan area is home to nearly 3,000 software and Internet-technology companies with a high-technology workforce of more than 300,000. Growth in these industries helped support an increase of 10,500 jobs, or 2.7 percent, in the professional and business services sector during the 12 months ending November 2007 compared with the increase of jobs during the previous 12 months. In addition, the leisure and hospitality sector gained 3,900 jobs during the most recent 12-month period, an increase of 1.8 percent compared with the gain in jobs during the previous 12-month period.

During the 12 months ending November 2007, the goods-producing sectors lost 1,100 construction jobs, or a little more than 1 percent, and 900 manufacturing jobs, or less than 1 percent. The job losses in the construction sector were the first since 2003, and the jobs lost in the manufacturing sector were only a fraction of the 3,700 jobs lost in the sector in each of the past 2 years. The unemployment rate in the Boston metropolitan area averaged 4.4 percent for the 12 months ending November 2007, down from 4.6 percent for the same period a year ago.

Residential construction activity, as measured by the number of units authorized by building permits, declined by 27 percent, or 10,950 units, during the 12-month period ending November 2007; 14,950 units were permitted during the previous 12-month period. This decline is a continuation of a trend that began in 2006, when the number of units permitted decreased by 10 percent from the number permitted during the 12-month period ending November 2005. Higher interest rates, home price appreciation, and rising inventories have contributed to reducing recent levels of construction activity. A total of 5,100 single-family units were permitted during the 12 months ending November 2007, down 22 percent compared with the number permitted during the previous 12 months and nearly 40 percent below the 8,100 units permitted during the 12 months ending November 2005.

After increasing significantly between 2002 and 2005 and peaking at an estimated 9,100 units, the number of multifamily units permitted declined by about 15 percent to 7,750 in 2006. A total of 5,900 multi-family units were permitted in the 12-month period ending November 2007, down 30 percent compared with the number permitted in the previous 12-month period. Before 2006, an estimated 50 percent of the multifamily units permitted were for condominium ownership, and a considerable number of rental housing units were converted to condominiums. Since 2006, a shift in market conditions, due to the softening of the home sales market, resulted in several planned condominium projects being converted to rental housing projects. Some additional condominium development plans have been postponed. Although the recent level of multifamily building permits has declined, a substantial pipeline of proposals for future development still exists, including 24,000 units financed by MassHousing, 20,000 market-rate units concentrated in urban core areas, and 9,000 age-restricted housing units to be built mostly in sub-urban locations. The Greater Boston Housing Report Card suggests that, historically, only about 60 percent of this pipeline will be built.

The sales housing market in the Boston metropolitan area has generally softened during the past 2 years. According to the Massachusetts Association of REALTORS®, during the 12-month period ending September 2007, the number of single-family homes sold totaled 25,400, a 1-percent decline compared with the number sold during the previous 12-month period, when sales fell by 8 percent from the record level of 27,900 homes sold during the 12-month period ending September 2005. During the 12 months ending September 2007, the number of homes sold increased by 5 percent in the city of Boston and the western suburbs and by 3 percent in the northern and North Shore suburbs but decreased by 7 percent in the southern and South Shore suburban areas compared with the number of homes sold during the previous 12 months. During the most recent 12-month period, the median sales price of a single-family home declined by a little more than 1 percent to $409,500 for the entire metropolitan area and by almost 2 percent to $478,500 for the city of Boston and the western suburbs. The estimated median price was $374,350 for the areas north of the city and $346,450 for the areas south of the city; both of these prices represent declines of 3 percent compared with the prices recorded during the previous 12-month period.

Although the condominium market in the Boston metropolitan area has also suffered from moderately declining sales, pricing has remained more stable than in the single-family market during the past 2 years. During the 12 months ending September 2007, condominium sales were down slightly more than 1 percent at 16,775 units compared with the previous 12 months, during which time sales declined nearly 6 percent from the record level of 18,050 units sold during the 12 months ending September 2005. In the city of Boston and the western suburbs, the number of condominiums sold increased by 6 percent to 10,200 units during the 12-month period ending September 2007 after declining by 8 percent during the same period a year ago. Conversely, in the northern and southern suburbs, sales were down 12 percent to 4,050 units and 11 percent to 2,500 units, respectively, from the previous 12-month period. The median sales price of a condominium in the metropolitan area was $308,600 during the 12-month period ending September 2007, up 3 percent from the price recorded in the previous 12-month period, which was virtually unchanged from the price recorded in the 12-month period ending September 2005. Considerable disparity exists among median prices of condominiums in the three major submarkets: the city of Boston and western suburbs increased 3 percent to $351,050 and the northern and southern suburbs declined 1 and 2 percent to $238,700 and $247,800, respectively, from the previous year.

The rental housing market in the Boston metropolitan area is balanced; however, the increased level of multifamily units completed over the past several years has increased vacancy rates and kept rent increases relatively moderate. According to Reis, Inc., during 2006 and 2007, approximately 10,600 new rental units were added to the inventory; from 2000 to 2005, an average of just 2,000 new rental units were added each year. The recent additions to the inventory have resulted in an increase in the vacancy rate from 5.5 percent in the fourth quarter of 2006 to 6.1 percent in the fourth quarter of 2007. In general, vacancy rates appear to be lowest in the more urban downtown areas such as Back Bay, Beacon Hill, Brookline, and Cambridge, where they range from 4 to 5 percent. The highest vacancy rates occurred in the northern suburbs, such as the North Shore and Mystic River areas, where they range from 6 to 8 percent. These northern areas also have most of the new rental housing inventory. It is anticipated that an average of 3,000 units will enter the Boston metropolitan area market during each of the next 2 years. In addition, some of the more than 4,000 condominium units that were under construction in the fourth quarter of 2007 may find their way into the rental inventory via developers or buyer/investors.

Data from Reis, Inc., indicate an effective rent level in the Boston metropolitan area market of $1,675 for the fourth quarter of 2007, up nearly 2 percent from the level of the fourth quarter of 2006. Average monthly rents range from about $2,500 in the Back Bay/Beacon Hill submarket to about $1,200 in the southern suburban submarket.

Denver-Aurora-Boulder, Colorado

The Denver-Aurora-Boulder metropolitan area encompasses 11 counties in north-central Colorado. The area extends north from Castle Rock in Douglas County along the east side of the Rocky Mountains range to the city of Longmont in Boulder County. Because of the availability of developable land, much of the recent household growth in the area has occurred in the eastern suburban counties of Adams and Arapahoe. Denver, the state capital, is the hub of government activities and financial services. As of January 1, 2008, the population of the metropolitan area was estimated at 2.8 million, an increase of 44,500, or 1.7 percent, annually since the 2000 Census. Denver, Arapahoe, and Jefferson Counties are the most populous; combined, they account for 60 percent of the area's total population.

Economic growth in the metropolitan area has slowed. For the 12-month period ending November 2007, nonfarm employment averaged 1.4 million jobs, up 1.8 percent, or 22,000 jobs, compared with the 2.1-percent rate of growth during the previous 12-month period. For the 12 months ending November 2007, employment growth in the professional and business services, education and health services, and leisure and hospitality sectors offset job losses in the construction and manufacturing sectors, and the average unemployment rate declined from 4.5 to 3.9 percent. Leading employers in the area include Qwest Communications International, Inc.; Lockheed Martin Corporation; and EchoStar Communications Corporation.

Job growth is expected to continue in the metropolitan area during the next year, albeit at a slower pace than that of the past 2 years. Weakness in the local housing market and a slowing national economy are expected to dampen area employment growth and cause it to fall to 1.5 percent during the next year. Expected declines in residential construction will be tempered by several large commercial and infrastructure developments currently under construction or in the planning stages. Throughout the Denver area, approximately 3.4 million square feet of office space are planned or under way; this square footage is well above the 1.2 million square feet of office space completed annually during the past 5 years. Many developments are mixed-use projects; some consist of transportation-oriented developments (TODs) near existing or planned light rail stations. In 2008, The Regional Transportation District is expected to begin a 12-year, $6 billion expansion of commuter and light rail service throughout the area. Health care and biotechnology are also growing industries, as reflected by facility improvements. A $4 billion renovation and expansion project is well under way at the site of the former Fitzsimons Army Hospital. On completion in 2030, Fitzsimons Medical Campus will include hospitals as well as facilities for biotechnology research and development companies. Employment on the campus totaled 13,000 jobs in 2007 and is expected to reach 30,000 jobs by 2020.

Local home builders have continued their 2-year reduction of single-family home construction because of tighter credit standards and slower new home sales. During the 12-month period ending November 2007, the number of single-family building permits issued declined to 8,060 units, down 40 percent compared with the number issued during the same period a year ago. The Genesis Group reported that, during the 12 months ending November 2007, sales of new detached homes decreased by 25 percent to 6,400 units, an 11-year low, but the average new home sales price increased by 5 percent to $356,200. The market is considerably weaker in areas farther from employment centers, especially for single-family homes in the $200,000-to-$300,000 price range. Submarkets in south Douglas County and areas in Jefferson and Boulder Counties that have no excess inventory continue to have moderate demand.

Sales of new attached homes have slowed but continue to represent a substantial portion of the new home market. Although sales of condominiums and townhomes were down 20 percent to 4,420 units, the number of new attached home sales accounted for 40 percent of total new home sales for the 12 months ending November 2007, up from 30 percent recorded for the same period at the beginning of the decade. Because of strong demand, home prices for infill properties and in TOD areas are approximately 30 percent higher on average than those of the general market. During the 12 months ending November 2007, sales of higher priced condominium units have contributed to a 70-percent increase in the average price to $415,500. Among the largest luxury condominium developments in downtown Denver, the 23-story Glass House Denver completely sold out 390 units during the past 18 months at prices ranging from $500,000 to $1.3 million. At least five more condominium developments in 22- to 51-story highrise towers are expected to be completed by 2010, adding approximately 1,000 units to the downtown market.

The existing home sales market in the Denver area remained soft in the fourth quarter of 2007. According to the Denver Board of REALTORS®, during the 12 months ending December 2007, sales of existing attached and single-family homes were relatively unchanged, when compared with the number sold during the same period in 2006; the average price of an attached home decreased by 9 percent to $177,400 and the average price of a single-family home declined by 3 percent to $310,400. The decline in sales was concentrated in the existing sales market in the high-volume, mid-price, $150,000-to-$300,000 range. Offsetting the decline, sales increased for attached and detached homes priced at more than $300,000, attached homes priced at less than $125,000, and detached homes priced at less than $150,000. The inventory of unsold homes decreased by 3 percent to 27,850 units during the 12 months ending December 2007. With inventories decreasing, price declines are expected to stabilize during the next 12 months.

During the 12 months ending November 2007, multifamily construction in the Denver-Aurora-Boulder area, as measured by the number of units permitted, increased by 29 percent to 6,140 units. This figure is still well below the pace of the 2000-through-2002 period, when an average of approximately 10,000 multifamily units were built each year. According to the Home Builders Association of Metro Denver, apartments accounted for 30 percent of the multifamily units permitted during the 12-month period ending November 2007. In contrast, apartments accounted for 20 percent of the total number issued during the previous 12-month period. The increase in apartment construction is the result of builders shifting from for-sale to for-rent developments to address the strengthening rental housing market.

The rental market in the metropolitan area is balanced to tight. According to *Apartment Insights*, published by Apartment Appraisers & Consultants, the average vacancy rate decreased by approximately 1 percentage point to 6.6 percent in 2007 from 7.6 percent in 2006. In 2007, the average effective rent increased by 6 percent to $810. Rents averaged $691 for a one-bedroom unit, $939 for a two-bedroom/two-bath unit, and $1,183 for a three-bedroom unit. Tighter credit standards, continued renter household growth, and a limited supply of new apartments have contributed to the market's strong performance. A total of 3,500 rental units were absorbed in 2007, the highest rate of absorption in 5 years. Construction has started or will shortly begin on approximately 5,600 apartment units. Approximately half of the new units are expected to come on line by the end of 2008 and the remaining half by the end of 2009. Even with the new units entering the market, demand will exceed deliveries in 2008 and 2009. As a result, renters can expect fewer vacancies and higher rents.

According to the M/PF YieldStar third quarter 2007 report, submarkets with strong demand potential for rental development include central Denver, the Denver Technology Center area, and the western suburb counties of Jefferson and Boulder. Increases in occupancy rates and the average rent in these submarkets are expected to continue to be higher than those of the general rental housing market.

Longview, Texas

Located in East Texas on the Interstate 20 and U.S. Highway 80 corridor, the Longview Housing Market Area (HMA) comprises Gregg, Rusk, and Upshur Counties. The city of Longview is the government seat of Gregg County and accounts for 37 percent of the area's population. As of December 1, 2007, the population of the HMA is estimated to be 205,600, an average annual increase of 1,500, or 0.8 percent, since 2005. The three leading private-sector employers in the HMA are Good Shepherd Medical Center, which employs 1,865 employees; the Texas operations of Eastman Chemical Company, with 1,700 people; and Trinity Rail Group, LLC, with 1,350 workers.

Nonfarm employment in the Longview HMA averaged 92,850 jobs for the 12 months ending November 2007, up 1,400 jobs, or 1.5 percent, compared with the number of jobs recorded during the previous 12 months. Increases were reported in every sector except the local government and information sectors, which were flat. Growth was strongest in the construction, natural resources, and mining sector, which increased by 410 jobs, or 4 percent, during the 12-month period ending November 2007 due to increased oil and gas production activity. In the Longview area, which is a destination for fishing and hunting, employment in the leisure and hospitality sector rose by 260 jobs, or 3.6 percent, when compared with the number of jobs recorded during the previous 12-month period.

Longview is the regional healthcare center for East Texas, with two major hospitals. During the 12 months ending November 2007, employment increased by 230 jobs, or 1.6 percent, in the education and health services sector and by 170 jobs, or 2.3 percent, in the professional and business services sector. Job growth in the latter sector is expected to continue because Convergys, a human resources and billing services firm, began operating in Longview in October 2007 and plans to hire 550 employees in the next 2 years. During the 12-month period ending November 2007, the unemployment rate in the HMA decreased to 4 percent from the 4.7-percent rate recorded during the previous 12-month period.

The HMA currently has an estimated 77,500 households; this figure represents an annual increase of approximately 540 households during the past 7 years. Homeowners account for 74 percent of all households in the area. Since 2000, single-family home construction, as measured by the number of single-family building permits issued, averaged 300 units annually. For the 12 months ending November 2007, the number of single-family building permits totaled 240, down by 75 units compared with the number issued during the previous 12-month period. According to area builders, new home sales prices start at approximately $95,000 for a 1,200-square-foot house with three bedrooms, two bathrooms, and a one-car garage.

The home sales market is currently balanced in the HMA. Steady population growth, combined with a growing economy and low mortgage interest rates, has maintained the demand for homes. According to the Real Estate Center at Texas A&M University, the number of new and existing single-family homes sold during the 12 months ending November 2007 decreased by 2 percent to 2,650 homes from the record level of 2,700 homes sold during the previous 12 months. Despite the slight decrease in the number of sales, the average home price increased by 8 percent to $138,500 during the 12-month period ending November 2007; a year earlier, the price was $128,100. Since 2000, the average price has increased by 5 percent annually.

Rental market conditions in the HMA are currently soft. The estimated overall rental vacancy rate is 10 percent, essentially unchanged from the vacancy rate in 2000. Apartments, which represent only 28 percent of all rental units, are estimated to have a somewhat lower vacancy rate of approximately 7.5 percent. According to the Greater Longview Area Apartment Association, concessions are common and typically include $99 move-in specials, 1 month of free rent, and no security deposit. During the 12 months ending November 2007, average rents increased by 6 percent to $475 for a one-bedroom unit and by 5 percent to $575 for a two-bedroom unit. The increase in apartment rents follows several years early in the decade with almost no increase. Units in apartment projects must compete with a significant number of single-family rental units, which represent 41 percent of the rental housing inventory.

Multifamily building activity has been limited since 2000; slightly more than 1,000 units have been completed in the past 7 years, including 675 low-income housing tax credit units. In 2005, the two market-rate projects completed in Gregg and Rusk Counties included 85 and 60 units, respectively. Longfellow Arms, a 216-unit project, is nearing completion and is the largest project built since 2000. Rents in this development will average $600 for a one-bedroom unit, $850 for a two-bedroom unit, and $950 for a three-bedroom unit.

Rapid City, South Dakota

The Rapid City metropolitan area, located in the Black Hills of South Dakota, consists of Meade and Pennington Counties. Since 2000, the population of the area has increased by an average of 950 annually to reach an estimated 120,200 as of January 1, 2008. Government sector employment accounts for approximately 16 percent of the jobs in the area, and the financial activities, transportation and utilities, and retail trade sectors led employment growth during 2007. Leading employers in the area include Ellsworth Air Force Base (AFB), with 3,500 employees; Rapid City Regional Hospital, with 2,825 employees; and Black Hills Corporation, a locally based energy holding company, with 750 employees. Growth in the number of households reflects the influx of retirees attracted by inexpensive housing prices in addition to job-related in-migration.

The economy of the Rapid City area is impacted by military and civilian employment at Ellsworth AFB, which accounts for nearly one-third of the employment in the government sector. An increase in future troop levels is expected at the base as the U.S. Air Force consolidates its financial personnel from multiple locations around the country to one location at the new Air Force Financial Services Center in Rapid City. The center opened in September 2007 with 75 personnel and is expected to reach full operational capacity in 2009 with a potential of 780 personnel. The additional personnel, comprising 80 percent military and 20 percent civilian workers, are expected to add approximately $30 million annually to the current $315 million estimated total annual economic impact Ellsworth AFB has on the metropolitan area.

Nonfarm employment in the metropolitan area increased by an average of 2 percent, or 1,100 jobs, to a record 61,400 jobs during 2007. The financial activities sector increased by 5.6 percent, or 200 jobs, largely due to the expansion of several retail banks in the area. The growth of Black Hills Corporation contributed to a 5-percent increase in the transportation and utilities sector, which added 100 jobs. As a result of several retail developments opening during the past year in Rapid City, employment in the retail trade sector grew by 4.6 percent, or 400 jobs. The largest of the current retail development projects is Rushmore Crossing, a 600,000-square-foot shopping center located on the east side of Rapid City, which is expected to open in late 2008. The current 3.0-percent unemployment rate in the Rapid City metropolitan area is consistent with the historically low unemployment rates in the area.

Home sales market conditions in the metropolitan area are currently balanced. According to Rossum & Neal REALTORS® and the Black Hills Association of REALTORS®, in 2007, the annual average rate of new single-family home sales increased by 22 percent, or 350 homes, compared with the sales rate of new homes in 2006. In 2007, the average sales price of a new single-family home was $209,200, 3 percent higher than the average price recorded in 2006. Existing single-family home sales slowed by 8 percent in 2007 to a rate of 1,200 sales for the year. The average price of an existing single-family home was $169,600 in 2007, 3 percent higher than the average price recorded in 2006.

Single-family home construction, as measured by the number of single-family building permits issued, totaled 610 units during 2007, down from 680 units built during 2006. Current homebuilding activity is also lower than the average of 720 units constructed each year since 2000. Prices for newly developed homes in the metropolitan area begin at $140,000 for a 1,450-square-foot home.

Rental housing market conditions in the metropolitan area are currently balanced, although vacancies have increased slightly during the past year due to a recent reduction in military personnel at Ellsworth AFB. The rental vacancy rate is currently estimated at 6.5 percent, up from 6 percent a year ago. Typical average rents for new apartments are $730 for a one-bedroom unit, $830 for a two-bedroom unit, and $1,100 for a three-bedroom unit. Average rents increased slightly during 2007, with no significant concessions offered to tenants. Demand for additional rental units is expected to be strong during the next 3 years given the expected increase in troops at the base and anticipated renter household growth.

Multifamily construction, as measured by the number of multifamily units permitted, remained relatively unchanged from the level of activity recorded in 2006, with 330 units permitted during 2007. The construction of multifamily projects with five or more units has averaged almost 200 units annually since January 2005 compared with an average of 100 units built annually from January 2000 to December 2004. This increase in construction activity primarily resulted from the removal of Ellsworth AFB from the proposed list of base closures in 2005. Previously, builders were hesitant to start developments given the uncertainty surrounding the base. Of the 330 units permitted in 2007, 278 units are currently under construction at Stoney Creek Apartments, with completion anticipated in 2008.

Reno, Nevada

The Reno metropolitan area encompasses Washoe and Storey Counties. Washoe County is home to Reno, the second largest city in Nevada, and includes the northeastern shore of Lake Tahoe. As of January 1, 2008, the population of the metropolitan area is estimated at 415,000; this figure represents a gain of 6,000, or 1.5 percent, in the past year. Of Reno, Sparks, and Virginia City, the three largest cities in the metropolitan area, Reno has the majority share (51 percent) of the total population of the area. Since 2000, population growth in the metropolitan area has resulted primarily from domestic in-migration, especially from the San Francisco Bay Area and other areas of Northern California. Net migration has accounted for approximately 70 percent of the total population gain and net natural increase (resident births minus resident deaths) has accounted for 30 percent.

Employment in the metropolitan area has been growing for the past 5 years. In the 12 months ending November 2007, total nonfarm employment increased by 4,400 to 227,300 jobs, reflecting a 2-percent growth rate, which is slower than the 3.2-percent average annual growth rate that occurred from 2003 through

2006. Of the net job growth, 90 percent occurred in the professional and business services, trade, and leisure and hospitality sectors, which added 1,575, 1,325, and 1,175 jobs, respectively. With the recent completion of several major commercial projects and the slowing new home sales market, the construction sector posted a net loss of 1,925 jobs for the 12 months ending November 2007. As overall job growth slowed, the average unemployment rate for the 12 months ending November 2007 increased to 4.5 percent compared with 4 percent for the previous 12 months.

The gambling industry and the leisure and hospitality sector characterize the Reno economy. Nine hotel-casinos and International Game Technology, a slot-machine manufacturer, are among the leading employers in the metropolitan area. With at least 1,500 employees each, major gambling establishments include the Silver Legacy Resort Casino; Harrah's Entertainment, Inc.; and the Sparks Nugget, Inc. The leisure and hospitality sector is the largest employment sector, accounting for nearly 18 percent of all nonfarm jobs in the metropolitan area. The Peppermill Hotel Casino recently opened a $400 million, 600-room tower in the city of Reno, and the Silverland USA Ramada Hotel opened a $6 million, 67-room establishment in Virginia City in 2006. Trade is the second largest employment sector, with a 16-percent share of total nonfarm employment. The 2007 opening of Cabela's, an outdoor supply and sporting goods superstore with 250 employees, led the recent growth in retail employment. Since 2000, the professional and business services sector has recorded the largest job growth of all sectors, with average annual gains of 1,450 jobs. Led by administrative and support positions and waste management jobs, the professional and business services sector now ranks as the third largest sector, with a 13-percent share of all nonfarm jobs in the metropolitan area.

The sales housing market in the Reno metropolitan area is currently soft. Activity has slowed since the median sales price for new and existing homes reached a record $350,000 in 2005. Affordability constraints and a decline in investor activity have led to the soft market. According to the National Association of Home Builders (NAHB), the home opportunity indicator has decreased from 61 percent in 2000 to 21 percent through the third quarter of 2007. The NAHB index measures the percentage of all homes sold that were affordable to families earning the local median household income. According to the Washoe County Assessor's Office, 4,625 existing homes were sold in the county in 2007, a 26-percent decrease compared with the number of homes sold in 2006. The median price of existing detached homes was $312,700 in 2007, a decrease of 7 percent from the price recorded in 2006. The median sales price of existing condominiums remained relatively unchanged at $219,200 in 2007. The number of new homes sold declined 37 percent to 2,175 in 2007 compared with the number sold in 2006. The median sales price of a new, detached home was $353,200 in 2007, a decrease of 13 percent compared with the price in 2006. For new condominiums, the median sales price was $270,700 in 2007, a decline of 7 percent compared with the price in 2006.

Builders have decreased homebuilding activity considerably to reduce existing inventory. Single-family home construction, as measured by the number of building permits issued, has been declining since 2005, when a record 5,150 permits were approved. During the 12-month period ending November 2007, permits were issued for 2,000 single-family homes, a 46-percent decrease from the number issued during the previous 12-month period. Single-family construction activity occurs primarily in the adjacent cities of Reno and Sparks. The principal areas of new construction in Reno are in the southeast, the northwest, and the North Valley toward the Nevada-California border. The North Valley is the most affordable area, with prices for detached homes starting in the high $200,000s. The primary area for new construction in Sparks is in Spanish Springs, with new home prices starting in the low $400,000s.

Starting in the early 2000s, the nature of multifamily development has changed in response to plans to limit urban sprawl and revitalize downtown Reno. Previously, many new multifamily projects were designed either for the rental housing market or were three- to four-story condominium complexes to be built alongside single-family homes in masterplanned communities. Much of the recent new multifamily development has been in midrise condominium buildings located in downtown Reno or in the conversion of closed hotel-casinos. In April 2006, the former Comstock Hotel opened as the 150-unit Riverwalk Condominiums, with prices starting in the low $200,000s. The 92-unit, $50 million Palladio Condominiums opened in December 2006; the average price of a unit was $450,000. The former Golden Phoenix Hotel will officially become the 379-unit Montage Condominiums, with prices starting in the $200,000s; construction will be completed the spring of 2008.

Multifamily construction activity, as measured by the number of units permitted, has slowed considerably since January 2006. In the 12-month period ending November 2007, 103 units were permitted, a decline of 76 percent from the number permitted in the previous 12-month period. From 2000 to 2006, an annual average of 900 multifamily units were permitted. According to data from the McGraw-Hill Construction Pipeline database, no apartment units currently are under construction and the 721 condominium units currently under way have expected completion dates through February 2009. Builders of apartment complexes are waiting to see whether sales market conditions will lead condominium developers to convert additional units to the rental market.

The apartment rental market is currently balanced. Johnson-Perkins & Associates, Inc., reported an overall vacancy rate of 4.5 percent in the third quarter of 2007 compared with 3.1 percent in the third quarter of 2006. For the 12 months ending September 2007, the average rents increased by approximately 2 percent each to $754 for a one-bedroom unit and $946 for a two-bedroom unit. During the 12 months ending September 2007, the overall vacancy rate rose as projects, originally proposed as condominiums, were converted to rental properties. In the Kiley Ranch master-planned community in Sparks, two major condominium projects with a total of 387 units have been converted to apartments; lease-up began in the summer of 2007. Absorption has averaged four units a month, with rents starting at $850 for a one-bedroom unit and $1,250 for a two-bedroom unit.

Seattle, Washington

The Seattle metropolitan area, which consists of King and Snohomish Counties, is the economic and population center of the Puget Sound region. As of January 1, 2008, the population is estimated at 2.6 million, up 1.7 percent compared with a year ago, primarily because of net in-migration related to job growth.

During 2007, nonfarm employment increased by the largest amount in nearly a decade, up 50,000 jobs to average nearly 1.5 million for a 3.5-percent increase. Employment growth was greatest in the construction sector, up 10,200 jobs, because of multifamily residential development, commercial construction, and public projects such as Sound Transit's light rail line. Commercial construction was supported by a high demand for new space, particularly from companies in employment sectors that serve the growing population and business community, including the professional and business services, leisure and hospitality, and education and health services sectors, which added 9,200, 4,400, and 4,200 jobs, respectively.

The information sector gained 4,200 jobs during 2007, partly due to hiring in the software and Internet-technology industries. Microsoft Corporation, a leading private-sector employer in the Puget Sound region, with 36,000 employees, added approximately 2,500 employees during 2007 and plans to expand its main campus in east King County to accommodate 19,000 additional employees. During 2007, Microsoft acquired space in downtown Seattle for up to 700 employees; the acquisition represents the company's first significant expansion in the region outside east King County. At F5 Networks, Inc., an application networking company, employment increased by 30 percent during 2007 to approximately 600 workers, and newly acquired space will accommodate 85 additional employees. Google, with more than 400 employees, has leased space that could accommodate nearly 800 additional hires, and Yahoo! Inc., has acquired space for up to 600 employees for the company's first office in the Seattle area.

The manufacturing sector increased by 6,300 jobs in 2007, down from a gain of 9,400 jobs in 2006. Most of the new manufacturing jobs added during the past 2 years were due to hiring at The Boeing Company, the leading private-sector employer in the metropolitan area, with an estimated 73,000 employees in the entire Puget Sound region. Record-breaking airplane orders at the aerospace manufacturer are expected to result in continued hiring at the company's Puget Sound facilities in 2008. The widespread job gains in the Seattle area in 2007 caused the unemployment rate to decline to an average of 4 percent, down from 4.3 percent in 2006.

Sales housing market conditions for single-family homes in the Seattle metropolitan area were balanced in the first half of 2007 but began to soften in the second half of the year due to tighter lending standards and significant home sales price increases in recent years. From 2004 through 2006, home prices had an average annual increase of 14 percent. New and existing home sales in the Seattle area covered by the Northwest Multiple Listing Service totaled approximately 40,600 in 2007, down 17 percent compared with the 48,800 homes sold in 2006. Nearly all the sales decline occurred during the last 6 months of 2007, when volume decreased by 25 percent compared with the same period in 2006. The average annual price continued a 15-year upward trend, increasing by 9 percent to $524,800 in 2007 compared with $480,500 in 2006. Reflecting the slower sales that occurred during the July-through-December period in 2007, the average price increased by only 5 percent compared with the price recorded during the same period in 2006. During 2007, the average time homes remained on the market increased to 63 days for existing homes, up from 49 days in 2006, and increased to an average of 101 days for new homes, up from 81 days in 2006. The slower pace of sales caused single-family homebuilding activity, as measured by the number of building permits issued, to decrease by 14 percent. Approximately 9,200 single-family building permits were issued during 2007; nearly 11,000 permits were issued during 2006.

The condominium market in the Seattle area was balanced during 2007 as demand from empty-nesters and young professionals contributed to steady sales. New and existing sales totaled 13,400 units, down 3 percent from the 13,750 units sold during 2006 and down 6 percent compared with the record-level sales volume recorded in 2005. During 2007, the average price increased by 10 percent to $323,000 compared with a gain of 17 percent during 2006. Several condominium developments are under construction in downtown Seattle. Among those scheduled for completion within the next 2 years is the 180-unit Olive 8, which incorporates a grocery store and a Grand Hyatt hotel and has units starting at $500,000. The 1 Hotel & Residences complex includes a hotel, 51 condominium units starting at $1.2 million, and 176 city suites starting at $560,000. The city suites are fully furnished units that offer owners the option of renting the units to the hotel for guests. On completion, 5th and Madison, a condominium complex located in the financial district, will include 127 units priced from $550,000.

Rental housing market conditions in the Seattle area were tight during 2007. Steady job formation created demand for additional rental units amid limited new supply and the loss of inventory to condominium conversion. According to a December 2007 survey by O'Connor Consulting Group, LLC, the apartment rental vacancy rate in the metropolitan area was 3.5 percent as of December 2007, essentially unchanged from the rate recorded as of December 2006. Based on data from Dupre+Scott Apartment Advisors, Inc., the average monthly apartment rent increased by an estimated 9 percent to $1,000 as of December 2007 compared with a year earlier and few properties offered concessions during 2007. According to Dupre+Scott's *Apartment Development Report*, during 2007, approximately 1,600 new apartment units in complexes of 20 units or more entered the market and an estimated 3,000 rental housing units were converted to condominiums. As a result of the tight market conditions, based on Dupre+Scott data, the average rent is forecast to increase 8 percent during 2008 and approximately 2,000 new apartment units are projected to enter the market in 2008, followed by 4,500 units in 2009 and 4,500 units in 2010.

The tight rental market conditions and strong demand for close-in city living contributed to increased multifamily production. Multifamily building activity, as measured by the number of units permitted, was an estimated 11,500 units in 2007, a 13-percent increase compared with the number permitted in 2006. Condominiums accounted for approximately half of the multifamily activity in the metropolitan area overall and an estimated 60 percent of the activity in the city of Seattle. Approximately 6,300 multifamily units were permitted in Seattle during 2007, down slightly from the 6,400 units permitted during 2006.

Tucson, Arizona

The Tucson metropolitan area, defined as Pima County, is in southern Arizona and borders Mexico. Surrounded by multiple mountain ranges, the city of Tucson is a popular vacation and retirement destination. The tourism industry is an integral part of the area's economic base, as are the University of Arizona (the UA) and Davis-Monthan Air Force Base (AFB). Tucson is the second largest metropolitan area in Arizona, with a January 1, 2008, population estimated at approximately 1 million. Since 2000, the population has increased by an estimated average annual of 20,300, or 2.2 percent. Population growth is concentrated in Tucson and the cities directly surrounding it. The influx of retirees accounts for approximately 20 to 30 percent of net in-migration, and significant job growth in the area has also influenced strong in-migration. During the 12 months ending November 2007, the unemployment rate decreased from 4 to 3.7 percent when compared with the previous 12 months.

The leading employer in the area is Raytheon Company, with approximately 11,175 employees. Raytheon, a defense and aerospace systems supplier, is an important source of highly skilled jobs in the area. The second leading employer is the UA, with 10,350 employees and an annual enrollment of 28,000 students. According to the UA Office of Economic and Policy Analysis, the university had an economic impact of $2.1 billion on the Tucson metropolitan area in fiscal year 2004. The third leading employer is Davis-Monthan AFB, with 8,225 military and civilian employees and an annual economic impact of $866 million on the Tucson metropolitan area, according to the Davis-Monthan AFB Fiscal Year 2006 Economic Impact Statement.

Although nonfarm employment continues to grow at a steady pace, it slowed from a 3.6-percent increase in 2006 to a 2.8-percent increase in 2007. Most of this growth occurred in the service-providing sectors, which grew by 3.2 percent, from 320,400 to 331,000 jobs. The largest percentage increases occurred in the leisure and hospitality (6.3 percent), wholesale trade (5.5 percent), and education and health services (4.9 percent) sectors. The financial activities sector decreased by 1 percent, partly due to a large number of layoffs in the mortgage industry, and employment in the information sector declined from 7,000 to 6,000 jobs. In the goods-producing sectors, construction employment decreased by 1 percent to 27,700 jobs as a result of the slowing housing market.

Builders have decreased single-family home construction, as measured by the number of building permits issued, in response to excess inventory in the sales market. It is estimated that the current surplus in the market could take approximately 1 year to be absorbed. According to the Pima Association of Governments, during the 12 months ending November 2007, the number of single-family homes permitted decreased by 47 percent from 8,875 to 4,675. During the same period, the number of multifamily units permitted decreased from 180 to 120. A Ritz-Carlton resort and residential community is currently under construction northwest of the city of Tucson. The project will include a 250-room golf and spa resort and 320 luxury homes. The estimated completion date for the first residential properties is late 2008 and for the resort is the fall of 2009. Plans were recently announced for a 12,000-acre, master-planned community in southeast Tucson to be developed over the next 40 years.

Building activity has outpaced household growth during the past few years and caused the sales market to soften. According to the Tucson Association of REALTORS®, during the 12 months ending October 2007, the number of existing homes sold decreased from 15,550 to 12,625, a 19-percent decline compared with the number sold during the previous 12 months. During this time, the number of active listings for existing homes increased by 19 percent from 7,875 to 9,375. Coinciding with decreased sales and increased inventory, the average number of days a home remained on the market increased from 46 to 66. Despite these soft market conditions, the average sales price for existing homes increased slightly from $271,000 to $273,700 during the 12 months ending October 2007 compared with the previous 12 months. The inventory of new homes is also selling very slowly. According to Hanley Wood, LLC, new home closings decreased from 6,450 during the first three quarters of 2006 to 5,100 during the first three quarters of 2007.

Condominium conversions have increased in the Tucson metropolitan area during the past few years and added to the excess inventory of sales units. According to John Strobeck of Bright Future Business Consultants, an estimated average 1,200 condominium conversions have occurred each year since 2005. As sales began to slow in 2007, most plans for future conversions were cancelled.

Soft sales housing market conditions have had a mixed impact on the rental housing market. Home sales increased at record levels during the past few years, and a number of single-family homes were purchased by investors with the intention of using them for rental use. According to the 2006 American Community Survey, 26 percent of renters in the Tucson metropolitan area lived in single-family detached homes. The recent slowdown in home sales has forced some owners, who are unable to make mortgage payments and unable to sell, into renting their homes. These additions to the rental supply have led to an increase in apartment vacancy rates, from 6 percent in the third quarter of 2006 to 7.6 percent in the third quarter of 2007, according to RealData, Inc. The average vacancy rate varies significantly by submarket, with the highest vacancy rate being in Oro Valley/Catalina in northwest Tucson (14.3 percent) and the lowest vacancy rate in southwest Tucson (5.3 percent). The Oro Valley/Catalina submarket also has one of the highest average rents, at $801 for the third quarter of 2007. The average rent for apartments in the Tucson metropolitan area increased from $605 in the third quarter of 2006 to $631 in the third quarter of 2007. During the school year, apartment market conditions surrounding the UA are typically tighter than those of the overall Tucson metropolitan area market. According to RealData, Inc., the university submarket had a 6.5-percent apartment vacancy rate as of the third quarter of 2007. On-campus housing is in high demand and had an average vacancy rate of 3 percent as of the fall of 2007. In the fall of 2011, the UA will add 1,200 on-campus units to the current stock of 6,000 units.

Williamsport, Pennsylvania

The Williamsport metropolitan area, located in the north-central region of Pennsylvania, is coterminous with Lycoming County. The city of Williamsport is the county seat and home to the annual Little League World Series, an event that attracts more than 350,000 visitors each year who have an impact of approximately $16 million on the local economy.

After losing approximately 700 nonfarm jobs during the 24-month period ending November 2006, the economy has recently stabilized. During the 12 months ending November 2007, the number of nonfarm jobs averaged 53,300, an increase of 200 jobs compared with the number recorded during the previous 12-month period. The trade, transportation, and utilities sector and education and health services sector are the two leading service-providing sectors, accounting for 10,100 and 9,200 jobs, respectively. Leading employers in the metropolitan area include Susquehanna Health System, which employs approximately 3,000 people, and the Pennsylvania College of Technology, which employs approximately 1,600 workers. With 11,000 positions, the manufacturing sector currently accounts for 21 percent of all nonfarm jobs in the metropolitan area. Since 2000, nearly 2,700 manufacturing jobs have been lost. During the past 12 months, the unemployment rate fell from an annual average of 5.4 to 4.9 percent.

The Williamsport Hospital & Medical Center, a component of Susquehanna Health System, will renovate and expand its campus by 380,000 square feet and create 230 full-time healthcare jobs. The $283.3 million project is expected to begin this year and continue during the next 3 years. According to the Pennsylvania College of Technology, the college has an annual impact of $252.5 million on the Williamsport metropolitan area.

As of January 1, 2008, the metropolitan area has an estimated population of 117,250 and approximately 47,375 households. Since 2000, the total population has decreased slightly by 360, or 0.3 percent, annually due to out-migration. During the next year, out-migration is expected to decrease due to a more stable economy.

According to the County of Lycoming Assessment Office, single-family home construction, as measured by the number of single-family building permits issued, declined to approximately 240 homes during 2007 compared with 290 in 2006. In 2005, 260 homes were constructed. Currently, approximately 100 single-family homes are under construction in the metropolitan area. Most of the development activity is occurring in Fairfield, Muncy, Muncy Creek, and Wolf Townships. In April 2007, 20 single-family infill homes were completed in the city of Williamsport's central residential neighborhood. On the western side of the city, a 90-home subdivision is under construction. Half of the homes are expected to be completed within the next 3 years; sales prices begin at $225,000.

The existing home sales market is balanced. According to the County of Lycoming Assessment Office, sales of new and existing homes, as measured by valid transfers in 2007, totaled approximately 1,165 homes for the year, down nearly 8 percent from the number sold in 2006. The median sales price of a single-family home increased to $107,000 in 2007 from $104,000 a year ago. According to the House Price Index of the Office of Federal Housing Enterprise Oversight (OFHEO), for the 12 months ending September 2007, homes in the metropolitan area appreciated by 5 percent, not as high as the 5.5-percent rate for the state, but higher than the 3.9-percent national average.

Multifamily development in the metropolitan area is limited and no large apartment complexes have been developed since 2005. A 24-unit project for seniors in the central part of the city of Williamsport is expected to be complete in 2009. A 3-story, 28-unit, midrise project for seniors in Montoursville is expected to begin construction in May 2008 and be completed by January 2009. The Pennsylvania College of Technology plans to add 260 beds to the Williamsport campus dormitory, expanding its present 1,500-bed capacity to accommodate more of its 6,682 students.

Current conditions in the rental housing market are balanced. According to the American Community Survey, the rental vacancy rate tightened from 5.5 to 4.5 percent between 2005 and 2006. During the same period, the median gross rent increased from $543 to $562. According to local sources, rents continued to increase in 2007. The current median gross rent is estimated at $580.

Yakima, Washington

The Yakima metropolitan area comprises Yakima County and is located in south-central Washington 120 miles southeast of Seattle. Agricultural jobs account for approximately one-fifth of total employment; area farms rank 14th in the nation in annual crop production and lead the nation in apple, hop, and mint harvests. During the past year, economic expansion has been led by the education and health services, wholesale trade, and construction sectors. The population of the area has increased by an average of 2,400, or 1 percent, annually during the past 5 years to 237,600 as of December 2007. New residents, including retirees and second-home buyers, have relocated to the area because of the relatively affordable sales housing (especially compared with home sales prices in the Seattle area), the area's increased visibility due to a growing wine tourism industry, and steady employment growth.

The Yakima metropolitan area economy has been expanding during the past 5 years, with nonfarm employment increasing by an average of 1,300 jobs, or 1.8 percent, annually. During the 12 months ending November 2007, nonfarm employment increased by an average of 2,400 jobs, or 3.1 percent, compared with the same period a year ago to a record 80,400 jobs. Leading employment growth sectors during the past

12 months include wholesale trade, up 17 percent, or 700 jobs, due to widespread gains in agricultural freight handling employment. Expansions at Yakima Valley Memorial Hospital, the leading private-sector employer in the area, with 1,500 employees, and at Sunnyside Community Hospital, with 300 employees, contributed to growth in the education and health services sector, which increased by 6 percent, or 800 jobs. The construction sector grew by 5 percent, or 200 jobs, partly due to several residential, commercial, and public construction projects in downtown Yakima, including a 110-room hotel. The 22 wineries in the area contribute to the local tourism industry, which has an estimated annual economic impact of $250 million on the Yakima metropolitan area. Strong overall job growth caused the average unemployment rate for the 12-month period ending November 2007 to decline to a record low of 6.4 percent, down from 7 percent during the same period a year ago and down from 9.7 percent during the same period 5 years ago.

Home sales market conditions in the Yakima metropolitan area remained balanced during the past year. According to KMW Enterprises, LLC, new and existing single-family homes sold for an average price of $161,300 during the 12-month period ending November 2007, up 8 percent compared with the average price recorded during the same period a year ago. Price increases and tightening credit standards resulted in a decrease in home sales volume, which declined by 5 percent to 3,310 homes compared with the same period a year ago; according to local REALTORS®, the decline occurred primarily in existing home sales. Condominiums currently account for less than 5 percent of total home sales. For the 12-month period ending November 2007, new and existing condominium sales totaled 210 units at an average price of $183,300; for the same period a year ago, a record volume of 313 units sold for an average price of $154,500.

Single-family homebuilding in the Yakima metropolitan area, as measured by the number of building permits issued, increased during the past year due to strong demand for new homes, primarily those with entry-level prices. During the 12 months ending November 2007, more than 700 single-family homes were permitted, up 9 percent from the 650 units permitted during the previous 12-month period. Increased levels of homebuilding occurred in Moxee, where the population has more than doubled during the past 3 years to 2,300. Entry-level homes in Moxee, located 4 miles east of Yakima, typically start at $130,000. Homebuilding activity was also significant during the past year in the cities of Yakima, Sunnyside, and Grandview.

Several developments attracting second-home buyers and retirees are currently under construction or in the pipeline. The construction of the first 75 homes at Zillah Lakes, a golf course community near the city of Yakima, began in November 2007. On completion in approximately 4 years, the development will include 300 single-family homes and 350 townhouses. Single-family homes in the community are priced at $225,000 and townhouses are priced at $180,000. Of the 32 homes presold, most were purchased by buyers from the Seattle area, where current average prices for new single-family homes and condominiums are approximately $623,000 and $327,000, respectively. The Vineyards, located near the city of Yakima, will include 230 single-family homes and a combined total of 350 townhomes, patio homes, and condominiums. The community will also include a golf course, a vineyard, a resort hotel, and several retail shops when it is completed in 2015. Single-family home construction is expected to begin August 2008 with lot prices starting at $250,000. The Lofts, located in downtown Yakima, is currently under construction and will include 27 condominium units converted from vacant retail space. The conversion is expected to be completed by October 2008 and two-bedroom units are priced at $538,700.

Rental housing market conditions in the Yakima metropolitan area are currently balanced due to demand resulting from strong employment growth and moderate rental unit construction. The estimated rental vacancy rate is 6 percent, unchanged from a year ago, but down from 6.5 percent 2 years ago. The average apartment rent increased 8 percent to $570 during the past year, but the number of apartments offering concessions remained stable at approximately 10 percent. A typical rental concession is 1 month of free rent with a 12-month lease. Multifamily construction, as measured by the number of multifamily units permitted, totaled 90 units during the 12 months ending November 2007, relatively unchanged from the number permitted during the same period a year ago. More than one-half of the multifamily units permitted during the past year were rental duplexes. Units in the pipeline include a 36-unit addition to the existing 294-unit Lake Aspen apartments in the city of Yakima, expected to begin construction in March 2008.

Units Authorized by Building Permits, Year to Date: HUD Regions and States

HUD Region and State	2007 Through December			2006 Through December			Ratio: 2007/2006 Through December		
	Total	Single Family	Multi-family*	Total	Single Family	Multi-family*	Total	Single Family	Multi-family*
Connecticut	7,576	5,370	2,206	9,096	6,970	2,126	0.833	0.770	1.038
Maine	5,690	4,893	797	7,304	6,557	747	0.779	0.746	1.067
Massachusetts	14,874	8,703	6,171	19,805	11,228	8,577	0.751	0.775	0.719
New Hampshire	4,528	3,826	702	5,663	4,774	889	0.800	0.801	0.790
Rhode Island	1,949	1,458	491	2,247	1,606	641	0.867	0.908	0.766
Vermont	1,988	1,641	347	2,770	2,362	408	0.718	0.695	0.850
New England	**36,605**	**25,891**	**10,714**	**46,885**	**33,497**	**13,388**	**0.781**	**0.773**	**0.800**
New Jersey	25,828	12,962	12,866	32,566	17,018	15,548	0.793	0.762	0.828
New York	55,736	17,486	38,250	55,253	20,589	34,664	1.009	0.849	1.103
New York/New Jersey	**81,564**	**30,448**	**51,116**	**87,819**	**37,607**	**50,212**	**0.929**	**0.810**	**1.018**
Delaware	5,192	4,357	835	6,588	5,073	1,515	0.788	0.859	0.551
District of Columbia	2,028	564	1,464	2,105	126	1,979	0.963	4.476	0.740
Maryland	19,940	13,985	5,955	27,062	19,202	7,860	0.737	0.728	0.758
Pennsylvania	33,776	27,976	5,800	40,702	33,916	6,786	0.830	0.825	0.855
Virginia	36,621	29,821	6,800	46,649	38,797	7,852	0.785	0.769	0.866
West Virginia	4,322	3,642	680	4,803	4,588	215	0.900	0.794	3.163
Mid-Atlantic	**101,879**	**80,345**	**21,534**	**127,909**	**101,702**	**26,207**	**0.796**	**0.790**	**0.822**
Alabama	23,911	18,434	5,477	31,511	23,940	7,571	0.759	0.770	0.723
Florida	104,292	71,964	32,328	205,711	149,166	56,545	0.507	0.482	0.572
Georgia	70,322	52,832	17,490	98,843	81,529	17,314	0.711	0.648	1.010
Kentucky	14,008	10,987	3,021	15,273	12,655	2,618	0.917	0.868	1.154
Mississippi	16,314	10,658	5,656	15,618	13,628	1,990	1.045	0.782	2.842
North Carolina	82,907	67,809	15,098	101,018	82,776	18,242	0.821	0.819	0.828
South Carolina	39,080	31,764	7,316	49,900	41,111	8,789	0.783	0.773	0.832
Tennessee	36,248	28,366	7,882	45,220	38,082	7,138	0.802	0.745	1.104
Southeast/Caribbean	**387,082**	**292,814**	**94,268**	**563,094**	**442,887**	**120,207**	**0.687**	**0.661**	**0.784**
Illinois	42,666	24,827	17,839	59,121	39,485	19,636	0.722	0.629	0.908
Indiana	24,130	19,374	4,756	28,315	23,949	4,366	0.852	0.809	1.089
Michigan	18,690	15,875	2,815	31,010	26,160	4,850	0.603	0.607	0.580
Minnesota	17,529	13,837	3,692	27,038	21,537	5,501	0.648	0.642	0.671
Ohio	32,828	25,734	7,094	41,532	34,587	6,945	0.790	0.744	1.021
Wisconsin	21,322	16,600	4,722	28,113	21,112	7,001	0.758	0.786	0.674
Midwest	**157,165**	**116,247**	**40,918**	**215,129**	**166,830**	**48,299**	**0.731**	**0.697**	**0.847**
Arkansas	10,318	7,277	3,041	12,890	9,889	3,001	0.800	0.736	1.013
Louisiana	22,537	16,282	6,255	26,786	22,280	4,506	0.841	0.731	1.388
New Mexico	9,239	8,247	992	13,410	12,268	1,142	0.689	0.672	0.869
Oklahoma	14,555	11,911	2,644	15,570	13,921	1,649	0.935	0.856	1.603
Texas	174,391	116,850	57,541	216,755	162,480	54,275	0.805	0.719	1.060
Southwest	**231,040**	**160,567**	**70,473**	**285,411**	**220,838**	**64,573**	**0.809**	**0.727**	**1.091**
Iowa	10,580	8,219	2,361	12,995	10,018	2,977	0.814	0.820	0.793
Kansas	10,499	7,663	2,836	12,842	9,545	3,297	0.818	0.803	0.860
Missouri	19,469	13,715	5,754	27,841	18,317	9,524	0.699	0.749	0.604
Nebraska	7,905	6,350	1,555	8,764	7,115	1,649	0.902	0.892	0.943
Great Plains	**48,453**	**35,947**	**12,506**	**62,442**	**44,995**	**17,447**	**0.776**	**0.799**	**0.717**
Colorado	30,420	21,087	9,333	39,314	31,324	7,990	0.774	0.673	1.168
Montana	4,609	3,496	1,113	4,814	3,636	1,178	0.957	0.961	0.945
North Dakota	3,073	2,119	954	3,209	1,963	1,246	0.958	1.079	0.766
South Dakota	5,227	3,803	1,424	5,899	4,279	1,620	0.886	0.889	0.879
Utah	21,194	17,117	4,077	26,822	23,126	3,696	0.790	0.740	1.103
Wyoming	3,050	2,743	307	3,104	2,698	406	0.983	1.017	0.756
Rocky Mountain	**67,573**	**50,365**	**17,208**	**83,162**	**67,026**	**16,136**	**0.813**	**0.751**	**1.066**
Arizona	49,072	37,642	11,430	65,752	55,899	9,853	0.746	0.673	1.160
California	104,788	65,528	39,260	155,419	103,654	51,765	0.674	0.632	0.758
Hawaii	6,946	4,443	2,503	7,530	5,597	1,933	0.922	0.794	1.295
Nevada	27,168	16,422	10,746	39,429	26,689	12,740	0.689	0.615	0.843
Pacific	**187,974**	**124,035**	**63,939**	**268,130**	**191,839**	**76,291**	**0.701**	**0.647**	**0.838**
Alaska	1,712	997	715	2,731	1,602	1,129	0.627	0.622	0.633
Idaho	12,706	10,398	2,308	17,603	15,627	1,976	0.722	0.665	1.168
Oregon	21,773	16,101	5,672	26,800	20,486	6,314	0.812	0.786	0.898
Washington	44,944	29,107	15,837	50,172	35,020	15,152	0.896	0.831	1.045
Northwest	**81,135**	**56,603**	**24,532**	**97,306**	**72,735**	**24,571**	**0.834**	**0.778**	**0.998**
United States	**1,380,470**	**973,262**	**407,208**	**1,837,287**	**1,379,956**	**457,331**	**0.751**	**0.705**	**0.890**

*Multifamily is two or more units in structure. Source: Census Bureau, Department of Commerce

Units Authorized by Building Permits, Year to Date: 50 Most Active Core Based Statistical Areas** (Listed by Total Building Permits)

CBSA	CBSA Name	2007 Through December		
		Total	Single Family	Multi-family*
26420	Houston-Sugar Land-Baytown, TX	63,239	42,070	21,169
35620	New York-Northern New Jersey-Long Island, NY-NJ-PA	56,502	12,318	44,184
12060	Atlanta-Sandy Springs-Marietta, GA	44,686	31,121	13,565
19100	Dallas-Fort Worth-Arlington, TX	42,161	27,653	14,508
38060	Phoenix-Mesa-Scottsdale, AZ	36,963	26,494	10,469
16980	Chicago-Naperville-Joliet, IL-IN-WI	34,189	18,153	16,036
31100	Los Angeles-Long Beach-Santa Ana, CA	26,281	9,382	16,899
42660	Seattle-Tacoma-Bellevue, WA	25,460	12,406	13,054
29820	Las Vegas-Paradise, NV	24,039	13,473	10,566
47900	Washington-Arlington-Alexandria, DC-VA-MD-WV	22,970	14,914	8,056
16740	Charlotte-Gastonia-Concord, NC-SC	20,479	15,185	5,294
12420	Austin-Round Rock, TX	19,944	12,137	7,807
40140	Riverside-San Bernardino-Ontario, CA	19,742	16,104	3,638
36740	Orlando-Kissimmee, FL	18,646	11,801	6,845
39580	Raleigh-Cary, NC	16,249	12,687	3,562
33100	Miami-Fort Lauderdale-Miami Beach, FL	14,993	7,086	7,907
19740	Denver-Aurora, CO	14,234	7,912	6,322
34980	Nashville-Davidson--Murfreesboro, TN	13,612	10,731	2,881
37980	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	13,529	9,409	4,120
41700	San Antonio, TX	13,287	9,322	3,965
38900	Portland-Vancouver-Beaverton, OR-WA	13,105	8,400	4,705
45300	Tampa-St. Petersburg-Clearwater, FL	12,341	8,056	4,285
14460	Boston-Cambridge-Quincy, MA-NH	10,982	5,190	5,792
27260	Jacksonville, FL	10,932	7,352	3,580
41180	St. Louis, MO-IL	10,349	8,136	2,213
41860	San Francisco-Oakland-Fremont, CA	10,190	4,888	5,302
33460	Minneapolis-St. Paul-Bloomington, MN-WI	9,877	7,613	2,264
26900	Indianapolis, IN	8,280	7,144	1,136
28140	Kansas City, MO-KS	8,187	6,058	2,129
32820	Memphis, TN-MS-AR	8,077	5,675	2,402
40900	Sacramento--Arden-Arcade--Roseville, CA	8,063	6,923	1,140
41740	San Diego-Carlsbad-San Marcos, CA	7,458	3,423	4,035
35380	New Orleans-Metairie-Kenner, LA	7,025	4,000	3,025
40060	Richmond, VA	6,982	5,822	1,160
17900	Columbia, SC	6,830	5,541	1,289
17140	Cincinnati-Middletown, OH-KY-IN	6,784	5,280	1,504
16700	Charleston-North Charleston, SC	6,753	5,575	1,178
18140	Columbus, OH	6,417	4,351	2,066
32580	McAllen-Edinburg-Mission, TX	6,389	5,061	1,328
47260	Virginia Beach-Norfolk-Newport News, VA-NC	6,350	4,615	1,735
36420	Oklahoma City, OK	6,340	5,558	782
12580	Baltimore-Towson, MD	6,336	4,853	1,483
41620	Salt Lake City, UT	6,250	4,254	1,996
31140	Louisville, KY-IN	6,052	4,445	1,607
12940	Baton Rouge, LA	5,907	3,992	1,915
15980	Cape Coral-Fort Myers, FL	5,906	4,357	1,549
48900	Wilmington, NC	5,617	4,435	1,182
46060	Tucson, AZ	5,574	5,003	571
24860	Greenville, SC	5,437	4,334	1,103
13820	Birmingham-Hoover, AL	5,432	4,920	512

*Multifamily is two or more units in structure.
**As per new OMB Metropolitan area definitions.
Source: Census Bureau, Department of Commerce