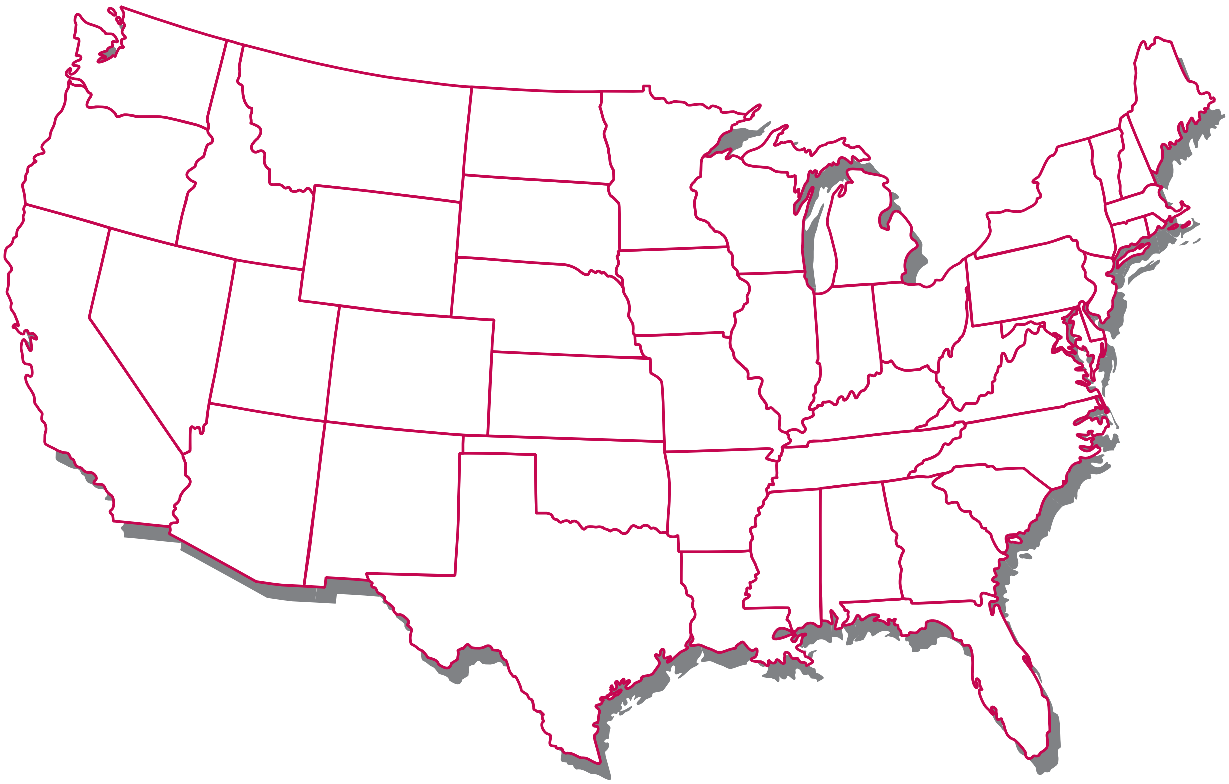
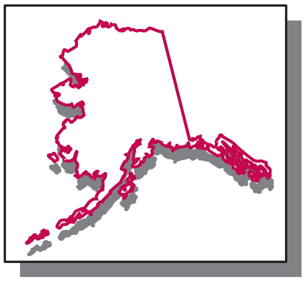
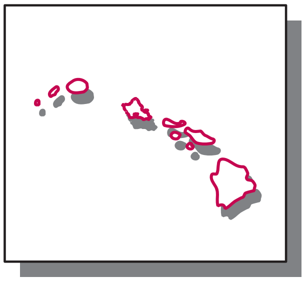
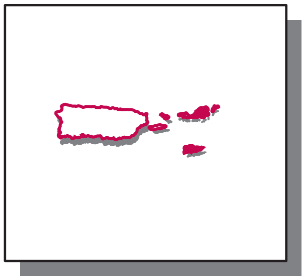
Regional Activity





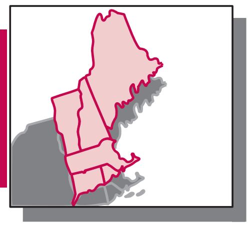




The following summaries of housing market conditions and activities have been prepared by economists in the U.S. Department of Housing and Urban Development's (HUD's) field offices. The reports provide overviews of economic and housing market trends within each region of HUD management. Also included 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



Nonfarm employment growth slowed markedly in the six New England states during the 12 months ending September 2008. During the period, average nonfarm employment in the region increased by 0.4 percent to 7.1 million jobs, a gain of 27,700 jobs, compared with an increase of 0.9 percent, or a gain of 65,700 jobs, during the previous 12 months. Massachusetts and Connecticut posted increases of 18,300 and 9,500 jobs, or 0.6 percent each, respectively, and New Hampshire gained 8,600 jobs, or 1.3 percent, which was the highest rate of growth in the region. These gains, however, were offset by a significant loss of 9,200 jobs, or 1.9 percent, in Rhode Island. Job growth in Maine and Vermont showed little change compared with employment levels posted during the previous 12 months.

For the 12-month period ending September 2008, the region posted a net increase of 43,600 service-providing jobs, or 0.7 percent, compared with an increase of 80,700 jobs, or 1.4 percent, during the 12 months ending September 2007. Having gained 25,200 jobs during the past 12 months, Massachusetts provided 58 percent of the employment growth in the region during the period; more than 50 percent of that growth, or 14,500 jobs, was in the education and health services sector. The state's professional and business services sector increased by 7,700 jobs, reflecting growth in the computer software, scientific laboratory, and management consulting industries. In Connecticut, the most significant job growth occurred in the education and health services sector, where 6,900 jobs were created, due partly to the development of an Interstate-95 coastal corridor stretching from Yale University's biomedical research labs in New Haven to Pfizer Inc.'s pharmaceutical manufacturing facilities in the New London area. In New Hampshire, the 2,900 jobs added in the professional and business services sector were attributable to services related to the high-technology computer and semiconductor industry.

In the New England region, the average unemployment rate was 4.9 percent during the 12 months ending September 2008, up from 4.5 percent during the previous 12 months. Unemployment rates increased in all states in the region, ranging from a 0.2-percent increase to 3.8 percent in New Hampshire to a more significant 1.7-percent increase to 6.7 percent in Rhode Island.

Residential building activity, as measured by the number of units authorized by building permits, continues to decline, reflecting high levels of unsold inventory and declining sales prices. For the 12-month period ending September 2008, the total number of units permitted in the region was 27,200, down by more than 30 percent from the number permitted during the previous 12 months and down 47 percent from the number permitted during the same period in 2006. More than 80 percent of the decline that occurred during the current 12-month period is attributable to a lower level of single-family construction, which decreased by 9,600 units to a total of 18,150, a 35-percent reduction compared with single-family permitting activity recorded during the previous 12 months. The number of single-family units permitted was down in all states in the region, ranging from declines of about 30 percent each in Massachusetts and Vermont to 2,800 and 500 units, respectively, to more than 41 percent in Maine to 2,300 units. During the 12-month period ending September 2008, the decline in the number of multifamily units permitted in the region was not as dramatic, falling only 20 percent to 9,050 units, compared with the number permitted during the previous 12 months. In Massachusetts, Rhode Island, and Vermont, the number of multifamily units permitted was down by an average of 28 to 30 percent, to a total of 2,325 units. The number of units permitted increased slightly in Maine and was up almost 47 percent in New Hampshire. About one-half of the 865 multifamily units permitted in New Hampshire will be located in the two-county New Hampshire Division of the Boston-Cambridge-Quincy Metropolitan Statistical Area—a coastal area anchored by Portsmouth, New Hampshire. The major employment center metropolitan areas of Boston, Hartford, and Fairfield County, Connecticut, posted more modest declines in multifamily permitting activity than the region did overall. Despite the modest declines that occurred in the larger areas, several smaller metropolitan areas, such as Portland, Providence, and Worcester, posted declines of 39 to 44 percent that totaled 550 units and accentuated the overall downward trend in the number of multifamily units permitted.

Existing home sales and median prices continued to decline through the third quarter of 2008. According to the Massachusetts Association of REALTORS® (MAR), during the 12-month period ending September 2008, statewide sales of homes in Massachusetts totaled 36,500 units, a 15-percent decrease compared with the number sold during the previous 12-month period. During the most recent 12-month period, the median sales price fell by almost 8 percent to $321,675 and the inventory of unsold homes decreased by 12 percent to about 10 months of supply. The Rhode Island Association of REALTORS® (RIAR) reported that, during the 12 months ending September 2008, 6,600 homes were sold in Rhode Island, down 16 percent compared with the number sold during the previous 12 months, and the median price was down 11 percent to $245,350.

During the period, the length of time homes stayed on the market increased by about 11 percent to 93 days compared with the number of days on the market during the same period of the previous year. The Maine Real Estate Information System, Inc., reported that, during the 12 months ending September 2008, home sales were down 20 percent to 9,975 units compared with the number of homes sold during the previous year and the median sales price was down 5 percent to $185,225.

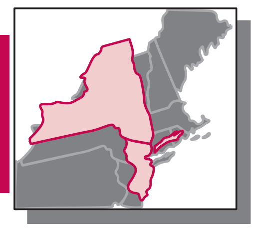
MAR reported that, during the 12 months ending September 2008, the number of homes sold in the Greater Boston area totaled 8,600 units, a 17-percent decline compared with the number sold during the previous 12-month period. The median sales price also declined, but by only 4 percent to $457,050. The Greater Hartford Association of REALTORS®, Inc., indicated that, in the 12 months ending September 2008, the number of homes sold was down 23 percent compared with the number sold during the same period in the previous year; however, the median price was down only 3 percent to $250,400.

According to the Federal Housing Finance Agency, during the second quarter of 2008, home prices in the region were down by less than 2 percent compared with prices recorded in the second quarter of 2007, ranking New England seventh of the nine Census regions in price appreciation and comparable to the 2-percent average decline for the nation. Maine and Vermont were the only states in the region to post positive appreciation rates, both at approximately 2 percent.

Condominium sales were slow throughout the New England region during the third quarter of 2008. During the 12 months ending September 2008, MAR reported 16,150 condominium sales in Massachusetts, down almost 22 percent from the number sold during the previous 12 months. The median sales price of $277,800 was down only about 1 percent from a year ago. In Rhode Island, according to RIAR, during the past 12 months, 1,375 condominium units were sold, down 25 percent compared with the number sold the previous year; however, the median sales price was virtually unchanged at $218,825. In Boston, according to the Listing Information Network, Inc., sales of condominiums were up about 3 percent to fewer than 1,000 units during the third quarter of 2008 compared with sales during the third quarter of 2007, and the median sales price was up 5 percent to $460,000.

The market dynamics of rental housing markets in the New England region continue to be varied. Apartment vacancy rates continue to increase in Boston, Providence, and Fairfield County, Connecticut, but are declining in Hartford, Manchester-Nashua, Portland, and central and western Massachusetts. According to Reis, Inc., more than 9,200 new rental units entered the Boston metropolitan area market in 2006 and 2007, and an additional 3,330 units are expected to come on line in 2008. These new units and slower job growth caused the apartment vacancy rate to increase from 5.8 percent in the third quarter of 2007 to 6.1 percent in the third quarter of 2008. Despite this trend toward higher vacancies in the Boston metropolitan market, the average asking rent was $1,739 during the third quarter of 2008, up 4.0 percent from the rent recorded during the same quarter of 2007. The weak economic conditions in Providence caused the rental vacancy rate to increase to 8.0 percent from 7.2 percent from a year ago. The asking rent increased only 1.6 percent to $1,237 during the past year. The apartment vacancy rate in Fairfield County, Connecticut, increased from 3.5 percent in the third quarter of 2007 to the current rate of 4.9 percent as job losses in the financial industries spread from New York City into adjacent southwestern Connecticut. The average asking rent increased by 3.2 percent to $1,817 in the third quarter of 2008.

New York/ New Jersey



The economy of the New York/New Jersey region increased modestly in the third quarter of 2008. During the 12-month period ending September 2008, total nonfarm employment in the region increased by only 60,200 jobs, or 0.5 percent, to 12.8 million jobs. In New York, 62,000 new jobs were created, a 0.7-percent increase to 8.7 million, but 1,800 jobs were lost in New Jersey, a slight decline to 4.1 million. Because of recent developments in the financial and credit markets, the rate of job growth in New York City was significantly lower than the rate recorded during the 12-month period ending September 2007.

Employment in the service-providing sectors increased by 1 percent to 86,900 jobs in the region during the 12-month period ending September 2008. During the same period, a total of 62,200 jobs were added in the education and health services, information, and professional and business services sectors, reflecting 1- to 2-percent gains compared with the number of jobs in these sectors a year ago. Employment in the manufacturing sector declined by 3 percent in both states, with New York losing 16,800 jobs and New Jersey losing 9,000 jobs. In New Jersey, employment in the financial activities sector decreased by 3 percent, or 8,100 jobs, compared with the number of jobs in the sector during the previous 12 months.

Slower employment growth in New York City significantly affected the regional economy. During the 12-month period ending September 2008, the 43,200 jobs created in New York City reflected a 1.2-percent increase to a total of 3.8 million jobs for the period. Despite the increase, this level of growth was significantly below the 2.2-percent increase in the number of jobs added during the 12 months ending September 2007, when the city gained 80,900 jobs. Despite slower growth, employment gains in New York City accounted for more than 70 percent of the current employment increase in the region. In the future, significant job losses are expected in New York City's financial sector and in the leisure and hospitality sector. The Federal Reserve Board's "Beige Book" indicates that the New York City economy is softening, with both foreign and domestic tourism declining from record-setting levels in 2008. This decline will affect the hotel industry, which posted an average occupancy rate of more than 90 percent in August 2008.

A weakening economy has resulted in higher unemployment rates in both states. During the 12-month period ending September 2008, the average unemployment rate in the New York/New Jersey region increased to 5.0 percent from 4.4 percent a year ago. In New York, the average unemployment rate increased to 5.0 percent from 4.4 percent a year ago and, in New Jersey, the rate increased to 5.0 percent from 4.3 percent a year ago. During this same period, the unemployment rate in New York City increased to 5.2 percent from 4.9 percent.

Existing home sales have declined throughout the New York/New Jersey region. During the 12-month period ending September 2008, New York State Association of REALTORS® data indicated a 15-percent decline in the number of single-family homes sold (excluding sales in parts of New York City) to 80,900 homes. Despite fewer sales, in September 2008 the median price of an existing single-family home sold in New York State was $215,000, an increase of approximately 3 percent compared with the median price recorded in September 2007. According to the Greater Capital Association of REALTORS®, during the 12 months ending September 2008, the number of existing homes sold in the Albany-Schenectady-Troy metropolitan area declined by 14 percent to 8,425 units and the median price of an existing home declined by 1 percent to $187,500. The Buffalo Niagara Association of REALTORS® reported that the number of homes sold during the 12-month period ending September 2008 decreased by 3 percent to 10,625 units, but the median price remained stable at $110,000. In the Rochester area, the Greater Rochester Association of REALTORS®, indicated that, during the same period, the number of homes sold decreased by approximately 10 percent to 11,430 homes, while the median price remained stable at $120,000.

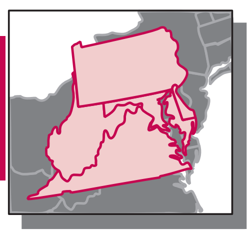
Compared with the strong sales activity that occurred in 2007, condominium/co-op sales in Manhattan declined in recent months, but prices continued to increase. According to the real estate firm Prudential Douglas Elliman, during the third quarter of 2008, the number of units sold totaled 2,650, a 24-percent decline compared with the number sold during the same quarter a year earlier. During the third quarter of 2008, the amount of time units available for sale remained on the market increased to 134 days from 123 days during the third quarter of 2007. As a result of fewer sales, the available listing inventory increased by 35 percent to 7,000 units. During the third quarter of 2008, the median price of a condominium/co-op sold in Manhattan was $928,300, a 7-percent increase compared with the median price recorded during the same quarter a year earlier. Restrictive credit conditions and the increase in unsold inventory should contribute to lower price increases in the future.

Both the number of sales and median prices declined in New Jersey. According to the New Jersey Association of REALTORS®, during the 12-month period ending June 2008 (the latest data available), the number of single-family homes sold in the state decreased by 25,800, down almost 18 percent from the number sold during the 12-month period ending June 2007. This decline ranged from a 14-percent decrease, to 31,800 homes, in Central New Jersey to a 21-percent decline, to 56,300 homes, in Northern New Jersey. In the second quarter of 2008, the median price of an existing home sold in New Jersey was $361,200, a 4-percent decline compared with the median price recorded a year ago. In Northern New Jersey, the most expensive housing market in the state, the median price of a home was $439,400, a 5-percent decrease compared with the price recorded during the same quarter a year ago. The median price declined by 5 percent to $349,500 in Central New Jersey and by 1 percent to $238,300 in Southern New Jersey.

During the 12 months ending September 2008, housing construction, as measured by the number of residential units permitted, increased in the New York/New Jersey region by approximately 1,500 units to total 81,090, a 2-percent gain compared with the number of units permitted during the same period a year ago. This increase was entirely due to increased multifamily housing activity, particularly in New York. During the 12-month period ending September 2008, 60,100 housing units were permitted in New York, an 11-percent increase compared with the number permitted a year ago. The increase in New York offset a decrease of 4,500 units, or 18 percent, in the number of units permitted in New Jersey. During this period, the number of multifamily units permitted in the region increased by 20 percent to 57,750 units. In New York, the number of multifamily units permitted increased by 28 percent, or 10,250 units, to total 46,400. In New Jersey, the number of multifamily units permitted declined by 5 percent to a total of 11,340 units. During the 12-month period ending September 2008, single-family home construction in the region decreased by 26 percent to 23,350 units. This decrease included a 24-percent reduction in the number of single-family homes permitted in New York, to 13,700 homes, and a 29-percent decline in the number permitted in New Jersey, to 9,650 homes.

Rental housing markets continue to tighten throughout most of the region and monthly rents have increased. Third quarter 2008 Reis, Inc., data indicate decreasing apartment vacancy rates in New York City and parts of New Jersey. According to Reis, Inc., the apartment vacancy rate in New York City declined to 2.1 percent in the third quarter of 2008 from 2.2 percent in the same quarter a year ago. The apartment vacancy rate declined from 3.2 to 2.9 percent in Central New Jersey but increased from 3.4 to 3.5 percent in Northern New Jersey. Tight supply conditions in New York City continue to exert pressure on rents; the average monthly asking rent was $2,934 in the third quarter of 2008, up nearly 5 percent in the past year. Average monthly apartment asking rents increased to $1,156 in Central New Jersey and to $1,515 in Northern New Jersey; these rents represent increases of approximately 3 percent in both areas compared with rents recorded a year ago. Apartment vacancy rates in Upstate New York also decreased and currently range from a low of 3.5 percent in Syracuse to 3.9 percent in Buffalo. In the Buffalo, Syracuse, and Rochester metropolitan areas, for the third quarter of 2008, average monthly apartment asking rents ranged from $681 in Syracuse to $750 in Rochester, with rent increases ranging from 3 to 4 percent.

MID-ATLANTIC



The Mid-Atlantic region experienced modest employment growth during the 12 months ending September 2008. Average nonfarm employment increased by 73,130 jobs to 14.1 million jobs, a gain of 0.5 percent compared with an increase of 0.9 percent, or 119,500 jobs, during the 12 months ending September 2007. The pace of job growth in the region has slowed considerably; gains are now comparable to increases reported in 2004, the beginning of the most recent growth cycle. Growth in the education and health services sector of 2.4 percent, or 51,300 jobs, and in the professional and business services sector of 1.5 percent, or 29,700 jobs, reflect the strength of those sectors in the region. Job losses in the manufacturing, construction, and retail trade sectors of 26,600, 9,150, and 7,900 jobs, respectively, mirror weakness in the national economy and softer conditions in the regional home sales and retail markets.

Employment gains in Maryland accounted for 36 percent of the region's employment growth, with the addition of 26,150 jobs, reflecting a 1-percent growth rate during the 12-month period ending September 2008, up from a 0.8-percent rate during the previous 12-month period. Education and health services, with 10,325 new jobs, and leisure and hospitality, with 5,050 new jobs, led all sectors in Maryland. Employers in Virginia added 20,050 jobs; the 0.5-percent increase was approximately half the rate of growth during the 12 months ending September 2007. In Pennsylvania, the growth rate declined to 0.2 percent, or 13,400 jobs, from 0.8 percent reported during the previous 12 months. Employment gains were less than 0.5 percent in Delaware and West Virginia. In the District of Columbia, however, employment grew 1.6 percent, an increase of 11,200 jobs and nearly twice the number added during the period ending in 2007. The largest increase was in the education and health services sector, which experienced a 4.9-percent gain. During the 12 months ending September 2008, the regional unemployment rate averaged 4.4 percent, the highest level since 2005 and up from the 3.8-percent rate reported a year ago but significantly less than the national rate of 5.3 percent for the comparable period.

During the 12 months ending September 2008, slower economic growth and tight lending practices led to diminished volume in existing home sales throughout the Mid-Atlantic region. The Maryland Association of REALTORS® reported that the average monthly inventory of homes for sale in the state during the 12 months ending September 2008 was 48,700 homes, a decrease of 38 percent from a year ago but 52 percent higher than the 12-month period ending in 2006. During the 12 months ending September 2008, approximately 46,500 existing homes were sold in Maryland, a decrease of 30 percent compared with the 66,900 homes sold during the comparable period ending in 2007. During the 12 months ending September 2008, sellers reduced asking prices and accepted lower offers, resulting in an average home sales price of $344,650, which is 4 percent less than the $361,900 recorded during the previous year. The Metropolitan Regional Information Systems, Inc. (MRIS®) reported that 22,700 homes were sold in the Baltimore metropolitan area at an average price of $310,470, reflecting a 30-percent decrease in the number of sales and a 2-percent decrease in the sales price from the price recorded during the 12 months ending September 2007. The number of homes sold in the Maryland suburbs that surround the city of Washington, D.C., declined by 35 percent to 12,850 homes, and the average price decreased nearly 3 percent to $439,850 compared with the average sales price during the 12 months ending September 2007.

According to the Virginia Association of REALTORS®, during the 12 months ending September 2008, 83,950 existing homes were sold in the state, a decline of 16 percent from the 103,000 homes sold during the 12 months ending September 2007. For the 12-month period ending September 2008, the median home price was $232,600, relatively unchanged from the $230,400 median price of a year ago. In the Virginia suburbs of Washington, D.C., for the 12 months ending September 2008, MRIS® reported a total of 21,450 homes sold, a decline of 12 percent from the 24,275 sold during the comparable 12-month period in 2007. Average home prices remain the highest in the state, at $468,030, but are down 12 percent from the average of $532,575 reported for the 12 months ending September 2007. Homes remained on the market an average of 100 days, up from 90 days a year ago.

Existing home sales activity decreased in Delaware, Pennsylvania, and West Virginia through the 12 months ending June 2008 (the most recent data available). The NATIONAL ASSOCIATION OF REALTORS® reported that, for the 12 months ending June 2008, the number of homes sold in Delaware, Pennsylvania, and West Virginia were 11,600, 172,000, and 26,000, respectively, reflecting declines of 30, 18, and 13 percent, respectively, compared with the number sold during the 12 months ending June 2007.

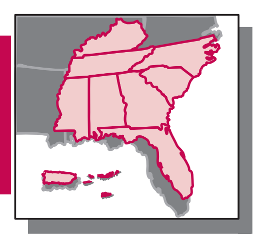
Tighter lending practices during the 12 months ending September 2008 adversely affected both homebuyers and home builders, restricting the availability of mortgages for buyers and of development capital for builders. Homebuilding activity in the Mid-Atlantic region, as measured by the number of single-family building permits issued, declined by one-third during the 12-month period ending June 2008. Permits were issued for 77,250 homes compared with 107,900 homes permitted during the 12 months ending September 2007. Virginia and Pennsylvania accounted for most of the decrease in homebuilding; in Virginia, the number of permits issued in the state declined 31 percent to 21,580 homes and, in Pennsylvania, the number declined nearly 32 percent to 20,550 during the past 12 months. Maryland issued permits for 9,470 new homes, or 39 percent fewer than during the 12 months ending September 2007. New home construction also declined in Delaware and West Virginia, down nearly 33 percent to 2,930 homes and down 28 percent to 2,680 homes, respectively, compared with the number of new homes constructed during the previous year. The District of Columbia reported 250 new homes permitted, less than one-half the 600 homes permitted during the period ending in 2007. Among the metropolitan areas in the Mid-Atlantic region, the Washington, D.C. area accounted for 9,690 new homes and the Philadelphia metropolitan area permitted 7,320 homes, with respective declines of 38 and 26 percent in production from the number recorded during the previous year.

Multifamily construction, as measured by the number of units permitted, declined by 2,430 units, or 11 percent, to 19,800 units in the region during the 12 months ending September 2008. In contrast with the remainder of the region, Virginia and West Virginia reported increased multifamily construction. In Virginia, units permitted increased 22 percent to 7,880 units and, in West Virginia, 1,130 multifamily units were permitted, 5 times the number permitted a year ago, partially in response to growth at universities. Construction declined by 22 percent to 5,420 units in Maryland, by 28 percent to 750 units in Delaware, and by 30 percent to 4,210 units in Pennsylvania. In the District of Columbia, activity decreased by nearly 75 percent to 410 units. During the 12 months ending September 2008, the Washington, D.C. metropolitan area permitted 6,470 multifamily units, 5 percent fewer units than were permitted during the previous year, but the Baltimore metropolitan area increased multifamily production by nearly 25 percent to 1,960 units.

Market conditions varied in the three largest rental housing markets in the Mid-Atlantic region—Washington, D.C., Baltimore, and Philadelphia. According to data from Delta Associates, for the third quarter of 2008, the Washington, D.C. metropolitan area garden apartment rental market remained balanced, with a 6-percent vacancy rate, relatively unchanged from the 5.9-percent rate reported a year ago. Vacancies in highrise units declined from 14 to 9 percent in Northern Virginia but increased in both the District of Columbia and the Maryland suburbs from 4 to 20 percent and from nearly 3 to 22 percent, respectively.

Vacancy rates in the Baltimore metropolitan area declined from 9 to 6 percent between September 2007 and September 2008. Rates declined in all segments of the metropolitan area except in the Columbia, Maryland submarket, where rates rose from 2 to 5 percent. In Baltimore City, vacancy rates declined from 15 percent, but the market remains soft with a rate of 11 percent. Between September 2007 and September 2008, vacancy rates nearly doubled in the Pennsylvania and Southern New Jersey suburbs of the Philadelphia metropolitan area, rising from 5 to 9 percent and from 8 to 10 percent, respectively. During the same period, with only one Center City project being actively marketed, the rental market tightened in the city of Philadelphia, from 14 to 6 percent.

SOUTHEAST/ CARIBBEAN



Nonfarm employment growth stalled in the Southeast/ Caribbean region during the 12-month period ending September 2008 compared with employment growth during the preceding 12 months, averaging approximately 27.1 million jobs. The addition of 29,300 jobs, a 0.1-percent gain, in the region during the past 12 months is considerably less than the addition of 383,900 jobs, a 1.4-percent gain, during the 12 months ending September 2007 and 588,000 jobs during 2006. Employment decreases of approximately 92,000 jobs in both the construction and manufacturing sectors reflect weakness in the national economy and decreased homebuilding in the region. The addition of 85,100 jobs in the education and health services sector, which reflects continued but slowing growth, produced a 2.7-percent employment gain, the largest sector gain in the region during the 12 months ending September 2008. During the past 12 months, the unemployment rate for the region averaged 5.8 percent compared with 4.7 percent for the preceding 12 months.

During the past year, the pace of employment growth slowed in every state in the region. The largest decrease in employment occurred in Florida, which lost 60,900 jobs, a decline of 0.8 percent, during the past 12 months compared with the rate recorded during the preceding 12 months. The continued weakening in the sales housing market, particularly in new home construction, contributed to the job decline in Florida. During the 12 months ending September 2008, employment in the construction sector decreased by 76,200 jobs, or more than 12 percent.

Slower economic growth and tighter lending standards in the region contributed to weakness in the existing home sales market during the third quarter of 2008. According to the Alabama Center for Real Estate, during the 12 months ending September 2008, approximately 47,200 homes were sold statewide, a 20-percent decline compared with the 58,900 homes sold during the same period a year ago. With sales falling, the supply of homes on the market is up significantly; for the 12 months ending September 2008, the inventory averaged about 43,500 homes, a 9-percent increase from the same period a year ago. The average price of a home sold in the state during the 12 months ending September 2008 remained relatively unchanged at $157,400.

According to the Florida Association of REALTORS®, during the 12 months ending September 2008, 118,500 existing single-family homes were sold statewide, a decrease of 15 percent compared with the number sold during the same period a year ago. The median sales price for an existing single-family home in Florida during the past year was $201,900, a decrease of 16 percent from $238,800 in the previous 12-month period. Sales of existing condominiums during the period declined 16 percent to a total of 37,100 units in the state. The median price of an existing condominium during the past 12 months was $186,500, a 12-percent decline from the price during the previous 12 months.

According to data from South Carolina REALTORS®, in the 15 areas reported by the association during the 12 months ending September 2008, 64,250 existing homes were sold, a decline of 6,550, or 9 percent, from the previous 12-month period. The number of homes sold in the past 12 months was down in all 15 markets. The largest decline in the number of homes sold occurred in the coastal Charleston and Myrtle Beach areas, where sales declined by 3,475 and 2,425 homes, respectively. For the first 9 months of 2008, the median price for existing homes sold in the state was $155,000, down 3.2 percent from the first 9 months of 2007. The median price declined in 9 out of 15 areas reported.

In the 12 months ending September 2008, data from the North Carolina Association of REALTORS® indicate that the number of existing homes sold declined by 29,900, or 23 percent, to 101,300 in the 20 reporting areas. Sales declined in all areas except the coastal Brunswick area, which had an increase in sales of 21 percent to 1,675 homes. Brunswick sales increased in the current 12-month period following a decline of 575 homes, or 30 percent, for the 12 months ending September 2007. The average price for the state declined 2.3 percent, or $5,050, to $217,700 for the 12 months ending September 2008. The number of homes sold declined in each of the three largest areas of North Carolina—Raleigh, Charlotte, and Greensboro. Only Raleigh had an increase in the average price, which included the price of new and existing homes. In Raleigh, sales of new and existing homes declined by 9,475 homes, or 27 percent, to 25,875. The average price in Raleigh increased by $4,400, or 1.9 percent, to $241,800. In Charlotte, the number of existing homes sold declined by 10,900 homes, or 27 percent, to 29,850. The average price of a home in Charlotte declined by $6,950, or 3 percent, to $223,600. In Greensboro, home sales declined by 2,775, or 17 percent, to 13,850. The average price in Greensboro fell by $4,950, or 2.8 percent, to $173,900.

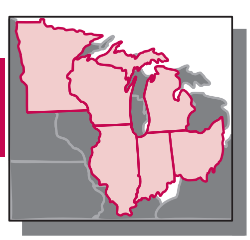
In Tennessee, the number of single-family homes and condominiums sold decreased in the Knoxville, Memphis, and Nashville metropolitan areas during the 12 months ending September 2008 compared with the number of sales recorded during the preceding 12 months. In Knoxville, single-family home sales decreased by 20 percent to 11,175 homes; in Memphis, sales decreased by 18 percent to 12,750 homes; and, in Nashville, sales decreased by 23 percent to 22,050 homes. The number of condominiums sold in the three areas decreased by 27, 16, and 24 percent, respectively.

Single-family homebuilding, as measured by the number of building permits issued, continued to decline in the region during the 12 months ending September 2008. Home builders cut production in response to slower home sales and large inventories of new and existing unsold homes in most markets. During the 12 months ending September 2008, permits were issued for 188,200 homes in the region, a decrease of 136,700 units, or 42 percent, when compared with the number of permits issued during the 12-month period ending September 2007. This decrease followed a decline of 149,700 units, or 32 percent, during the preceding 12 months. During the 12 months ending September 2008, single-family home production fell in all states in the region. The largest decline occurred in Florida, where construction activity fell by 47 percent to 45,150 units.

Multifamily construction, as measured by the number of units permitted, also declined in the region by 21,250, or 22 percent, to 75,240 units during the 12 months ending September 2008. Approximately one-half of the decline occurred in Florida, where the number of multifamily unit permits decreased by 10,615, or 29 percent. Soft rental markets and large inventories of unsold condominiums in the state led apartment and condominium developers to further curtail construction plans. Two states in the region—Kentucky and North Carolina—reported increased multifamily permit activity during the past 12 months. In Kentucky, 3,525 multifamily units were permitted, an increase of 16 percent. The gain was due primarily to increased activity in Lexington, where 1,025 units were permitted, double the average annual of 515 units permitted in the area between 2005 and 2007. In North Carolina, multifamily unit permits increased by 960 units, or 6 percent, during the past year, largely as a result of increased apartment construction in Raleigh.

Apartment market conditions varied considerably within the region. In North Carolina, according to Reis, Inc., the apartment vacancy rate during the third quarter of 2008 in Charlotte and Raleigh-Durham remained near 7 percent, a slight increase for Charlotte and a slight decrease for Raleigh-Durham, compared with the vacancy rate during the third quarter of 2007. Asking rents in the two markets increased by 3.5 percent and 2.8 percent, respectively, during the past year. In Kentucky, vacancy rates in Lexington and Louisville declined from approximately 7 to 6 percent during the past year, reflecting balanced markets, and asking rents increased by 3.1 and 3.7 percent, respectively. In contrast, all five Florida markets surveyed by Reis, Inc., recorded higher apartment vacancy rates during the third quarter of 2008 compared with rates recorded during the third quarter of 2007. Vacancy rates ranged from 4.9 percent in Miami to 11 percent in Jacksonville. In response to rising vacancy rates during the past year, increases in asking rents in the Florida markets were, in general, below 1 percent.

MIDWEST



Economic conditions in the Midwest region continued to slow during the third quarter of 2008. In the 12 months ending September 2008, average nonfarm employment in the region decreased by 56,900 jobs, or 0.2 percent, to 24.3 million jobs. Hiring in both the manufacturing and construction sectors declined by 89,300 and 35,400 jobs, respectively. The losses were partially offset by employment gains in the education and health services sector, which increased by nearly 68,300 jobs. Economic performance varied widely in the region. Illinois employment increased by 16,900 jobs, followed by Minnesota and Indiana, where employment grew by 6,900 and 1,700 jobs, respectively, during the 12 months ending September 2008. During this same period, the remaining three states in the region, Michigan, Ohio, and Wisconsin, lost jobs; nonfarm employment decreased by 64,600, 11,300, and 6,500 jobs, respectively. In the third quarter of 2008, manufacturing sector employment in Chicago, Cincinnati, Cleveland, Detroit, and Milwaukee continued to show signs of slowing, with new orders and production down during the 12 months ending September 2008 compared with manufacturing activity during the previous 12-month period. For the 12 months ending September 2008, the average unemployment rate in the region was 6.1 percent, up from 5.3 percent posted for the previous 12-month period.

Slower economic growth and tighter lending standards in the region contributed to weakness in the existing home sales market during the third quarter of 2008. Conditions have been weak for more than 2 years, beginning with the second quarter of 2006. According to the NATIONAL ASSOCIATION OF REALTORS®, in the second quarter of 2008, the annual rate of existing home sales declined by 17 percent to 862,000 homes from the number of sales in the second quarter of 2007. The volume of home sales was the lowest annual rate recorded in the past 10 years. Sales activity was down in all states in the region. The softer home sales market in the region has resulted, in part, from the high rate of home foreclosures, which is higher compared with the rate of home foreclosures in other regions of the country. According to the Mortgage Bankers Association, during the second quarter of 2008, the 3.44-percent foreclosure rate recorded in the region ranked first in the country, well above the national rate of 2.75 percent.

In Ohio, the slowdown in the economy reduced sales of existing homes throughout the state. During the 12 months ending September 2008, the number of existing homes sold fell 15 percent to 115,500. All 20 of the state's local boards of REALTORS® reported declines in the number of existing homes sold and average sales prices. In the Cincinnati and Columbus metropolitan areas, sales activity was down by 13 to 14 percent, and the average sales price decreased by 4 to 5 percent to $168,000 and $170,000, respectively. In the Cleveland area, both the number of existing homes sold and the average price fell by 12 percent.

In Illinois, slower job growth in the state continued to affect sales of existing homes. According to the Illinois Association of REALTORS®, during the 12 months ending September 2008, the number of existing homes sold in the state declined by 24 percent to approximately 112,000. The number of existing condominiums sold during the period declined by 30 percent to a total of 32,300 units statewide. The 27-percent decrease in sales activity in the Chicago metropolitan area accounted for 75 percent of the decline in existing home sales in Illinois. During the 12-month period ending September 2008, the average price of a home sold in the metropolitan area was $248,900, a decrease of less than 1 percent compared with the average price of $250,400 posted during the previous 12-month period. In the Indianapolis metropolitan area, sales of existing homes were down 16 percent and the average price was down 3 percent to $143,000.

In other states in the region, tighter lending practices, weaker economies, and lower consumer optimism dampened sales of existing homes. According to the Michigan Association of REALTORS®, during the 12 months ending September 2008, approximately 100,500 homes were sold statewide, an 11-percent decline compared with the 112,900 homes sold in the state during the same period a year earlier. Of Michigan's 25 local boards of REALTORS®, 23 reported declines in the number of existing homes sold and the average price of those homes. In Minnesota, during the past 12 months, the Minneapolis-St. Paul metropolitan area recorded a 10-percent decline in sales of existing homes and a 9-percent decline in the average price to $249,200. In Wisconsin, sales of existing homes in major metropolitan areas continued to slow in the third quarter of 2008 compared with the third quarter of 2007. According to multiple listing services in Milwaukee and Madison, sales of existing homes in the metropolitan areas fell by 19 and 22 percent, respectively.

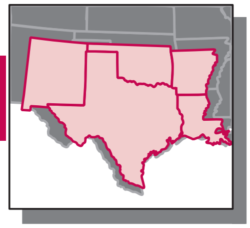
Homebuilding, as measured by the number of building permits issued, continued its 3-year decline in the region during the third quarter of 2008 in response to slower economic growth and weak demand for new homes in most major metropolitan areas. During the 12 months ending September 2008, the number of single-family building permits issued decreased by 38 percent to 78,300 and fell by 50 percent from the annual average of 159,200 permits issued during the past 3 years. Illinois recorded a 45-percent decline in single-family permits to 14,900 units, largely because of a 50-percent decline in the Chicago metropolitan area. During the past 12 months, the number of single-family permits issued in Michigan and Minnesota decreased by 40 percent in both states to approximately 10,400 and 9,300 units, respectively.

In Ohio, homebuilding activity declined by 34 percent to 18,100 homes during the 12 months ending September 2008. Among major metropolitan areas in the state, Cincinnati reported the steepest percentage decline, with permits issued for approximately 3,700 new homes, 35 percent fewer than the number issued during the 12 months ending September 2007. In the Columbus and Cleveland metropolitan areas, the number of single-family permits issued declined by 31 and 28 percent to 3,000 and 2,700 units, respectively. The smallest percentage declines in the region were reported in Indiana and Wisconsin, where the number of single-family permits decreased in both states by approximately 30 percent to 13,500 and 12,000 units, respectively.

Multifamily construction, as measured by the number of units permitted, declined by 25 percent in the Midwest region to 31,200 units for the 12 months ending September 2008. Construction activity was down in all states in the region except Indiana, where activity was unchanged at approximately 4,000 units. Illinois, with 6,500 units permitted, accounted for 63 percent of the regional decline because condominium developers in the Chicago metropolitan area continued reducing construction in response to the soft condominium market. The overbuilt condominium market in the Minneapolis-St. Paul metropolitan area also contributed to a 34-percent decline in multifamily construction activity in Minnesota. As a result of Michigan's slow economy, which dampened demand for new condominiums and apartment units, the number of multifamily units permitted in the state decreased by 38 percent to 1,900 units during the past 12 months. In Wisconsin and Ohio, the number of multifamily units permitted was down 6 and 12 percent, respectively.

Despite the slowdown in Ohio's economy, apartment vacancy rates in major metropolitan markets declined and rents increased because construction activity for new apartment units remained low. In the third quarter of 2008, the vacancy rate in the Cincinnati metropolitan area was 6.4 percent, down from 7.5 percent recorded in the third quarter of 2007. By the third quarter of 2008, apartment vacancy rates in Cleveland and Columbus decreased to 5.2 and 6.5 percent, respectively. The increased demand for apartments in the three metropolitan areas resulted in rent increases of 2 percent or more in the third quarter of 2008 compared with rent increases of 1 percent or less in the third quarter of 2007. During the past year, the strengthening apartment market in Indianapolis resulted in increased construction of new apartment units. According to CB Richard Ellis, during the first 9 months of 2008, approximately 2,000 new apartments were under construction compared with fewer than 1,000 units during the same period last year. In Milwaukee, the apartment market also continued to tighten. The metropolitan area apartment market vacancy rate decreased from 4 percent in the third quarter of 2007 to 3.7 percent in the third quarter of 2008. In Minneapolis, GVA Marquette Advisors reported that the apartment vacancy rate in the metropolitan area increased during the third quarter of 2008, but the rental housing market remains tight throughout the Twin Cities area. In the third quarter of 2008, the vacancy rate in the metropolitan area was 4.1 percent, up from 3.6 percent in the third quarter of 2007.

Southwest



In the third quarter of 2008, the economy of the Southwest region continued the expansion that began in 2004, but at a slower pace. During the 12 months ending September 2008, average nonfarm employment increased by 320,000 jobs, or 2 percent, to 16.1 million compared with employment gains that totaled 435,000 jobs, or 2.8 percent, during the 12-month period ending September 2007. The professional and business services sector led job growth with a gain of 68,000 jobs, or 3.6 percent, resulting from gains of 4 percent in Texas and 2 percent each in Arkansas, Louisiana, and Oklahoma. The education and health services sector added 59,000 jobs, or 3 percent, with gains spread throughout the region. Employment in the leisure and hospitality sector increased by 51,000 jobs, or 3.4 percent; the gain was concentrated in Texas, which added 40,000 jobs. Manufacturing was the only sector in the region to record a loss, down 10,000 jobs, or 0.7 percent, with losses of 7,000 in Arkansas, 2,500 in Texas, and 2,000 in New Mexico offsetting small gains in Louisiana and Oklahoma. Despite a significant decrease in single-family homebuilding during the past year, the construction sector increased by 33,000 jobs in the region, up more than 3 percent compared with the number of jobs recorded during the previous year. All the new construction jobs were in Texas, Louisiana, and Oklahoma, where high levels of multifamily and commercial construction occurred.

Texas employers added 253,000 jobs for a gain of 2.5 percent during the 12 months ending September 2008. Employment grew by 35,000 jobs, or 1.9 percent, in Louisiana and by 21,000 jobs, or 1.3 percent, in Oklahoma; job growth in both states occurred in the same employment sectors as those in the region as a whole. Employment in New Mexico grew by 7,000 jobs, or approximately 1 percent, led by gains of more than 1,000 jobs in the education and health services, government, and trade sectors. Employment in Arkansas increased by 3,600 jobs, or 0.3 percent, as gains in the service-providing sectors offset the loss in manufacturing jobs.

The number of existing homes sold in Texas declined due to tighter lending standards, but sales housing markets throughout the state were generally balanced due to a significant reduction in new home construction. Average home sales prices in most major markets recorded small increases. According to data from the Real Estate Center at Texas A&M University, during the 12 months ending September 2008, approximately 242,000 homes were sold in Texas, a decrease of 14 percent compared with the number sold during the previous 12 months but well above the annual average of 218,000 homes sold from 2000 to 2005. Among most major markets in Texas, the number of homes sold declined by 15 to 18 percent. In El Paso, however, home sales decreased by 28 percent to 4,800 units from record levels of sales a year ago. During the 12-month period ending September 2008, the average home price in the state increased by 1 percent to $193,700, compared with a price increase of 4 percent during the previous 12-month period. During the 12 months ending September 2008, average prices increased by about 3 percent each in Houston and El Paso to $208,000 and $161,000, respectively, and by about 2 percent each in San Antonio and Fort Worth to $183,000 and to $145,000, respectively. The average price increased by 1 percent to $246,000 in Austin but decreased by 1 percent in Dallas to $216,000.

The number of existing homes sold also declined by double-digit percentages in markets elsewhere in the region. The Greater Albuquerque Association of REALTORS® reported that, in Albuquerque, during the 12 months ending September 2008, the number of sales was down 30 percent to 7,300 homes and the average price was $237,000, down 2 percent compared with the price recorded during the 12 months ending September 2007. According to the Oklahoma Association of Realtors, the number of homes sold in Oklahoma City was down 12 percent to 17,200 during the 12 months ending September 2008, while the average price increased 3.5 percent to $154,500. In Tulsa, home sales declined 13.7 percent to 13,400, but the average price increased 2 percent to $157,300. Based on data from the Greater Baton Rouge Association of REALTORS®, during the 12 months ending September 2008, the number of homes sold in Baton Rouge decreased by 20 percent compared with the number sold during the previous 12 months, but the average price increased by 2 percent to $199,000. During the 12 months ending August 2008, the number of homes sold in New Orleans dropped 27 percent but the average price was flat at $209,200. According to the Arkansas REALTORS® Association, during the 12 months ending August 2008, home sales were down 16 percent in the Little Rock area and 19 percent in the Fayetteville area. Likewise, average home prices were down 3 percent in Little Rock to $164,000 and 6 percent in Fayetteville to $190,000.

Single-family construction activity, as measured by the number of building permits issued, decreased significantly in the Southwest region during the past 12 months in response to an increased inventory of unsold homes and declining demand resulting from tighter lending standards. During the 12 months ending September 2008, the total number of single-family homes permitted in the region was 118,900, a decline of 55,000 homes, or 32 percent, compared with the number of homes permitted during the 12 months ending September

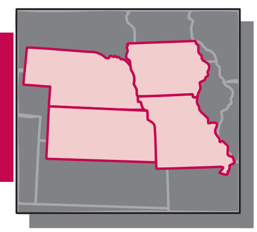
2007. Declines in the number of units permitted ranged from 26 percent in Oklahoma to 40 percent in New Mexico. Arkansas, Louisiana, and Texas all recorded decreases of about 31 percent.

Multifamily construction activity, as measured by the number of units permitted, decreased in the Southwest region during the past 12 months for the first time since 2004 because the softening apartment markets appear to have finally affected construction levels. The nearly 65,000 units permitted in the Southwest region during the 12 months ending September 2008 was down 5 percent compared with the number of units permitted during the previous 12-month period but was still well above the average of 57,000 units permitted annually from 2004 to 2006. Arkansas was the only state in the region to record an increase in the number of multifamily units permitted, up 22 percent, or 600 units, to 2,700 during the 12 months ending September 2008. A small decrease occurred in Texas, where the number of units permitted was down 1,000 units, or 2 percent, to 54,000. In the other states in the region, declines in the number of units permitted ranged from 8 percent in New Mexico to 32 percent in Louisiana. In Louisiana, the decrease was the result of construction levels declining from record levels recorded during reconstruction activity following Hurricane Katrina.

Soft rental housing market conditions have been typical in most large metropolitan areas in Texas for at least the past 4 years. Austin had been the one exception, with balanced conditions, but the market softened there during the past quarter. According to ALN Systems, Inc., for the 12 months ending September 2008, the average apartment vacancy rate in Austin was nearly 8 percent, an increase of more than 1 percentage point compared with the rate recorded for the previous 12-month period. The average rent in Austin increased by 7 percent to $850 during the same period. In Dallas, the apartment rental market showed slow but steady improvement during the past 12 months as the average vacancy rate declined from 9.7 percent a year ago to the current rate of 9.2 percent; during the same period, the average rent increased by 5 percent to $807. In Houston, the apartment vacancy rate continued to increase during the past 12 months and is currently 11.5 percent, up 1 percentage point compared with the rate recorded during the previous 12 months. The average rent in Houston was $756, up 5 percent from a year ago. In San Antonio, the apartment vacancy rate also increased, up 0.5 percentage point to 10 percent, and the average rent increased by 3 percent to $714. In Fort Worth, the rental housing market was still very soft and the average apartment vacancy rate was unchanged, at 11 percent. During the period, the average rent in Fort Worth increased by 5 percent to $713.

Rental housing market conditions are generally balanced in other large metropolitan areas throughout the Southwest region. According to Reis, Inc., for the third quarter of 2008, the apartment vacancy rate in Albuquerque was 5.3 percent and the average rent increased by 5 percent to $704. Tight conditions in New Orleans have moderated as the apartment rental vacancy rate increased to 5.1 percent from 3.4 percent for the third quarter of 2007. The average rent increased to $867, up 1 percent compared with the rent recorded a year ago. In Little Rock, for the third quarter of 2008, the apartment market vacancy rate was 6.4 percent, down from 7.6 percent a year ago, and the average rent increased by 5 percent to $641. In Oklahoma City, for the third quarter of 2008, the apartment vacancy rate declined to 7.9 percent from 8.5 percent for the third quarter of 2007. In Tulsa, the vacancy rate declined to 7.6 percent from 9 percent. Average rents were up by 6 percent in both markets to $542 in Oklahoma City and $579 in Tulsa.

Great Plains



The economy of the Great Plains region grew in the third quarter of 2008, continuing the expansion that began in 2004. The 35,000 nonfarm jobs added during the 12 months ending September 2008 represent a gain of 0.5 percent over the number of jobs in the region during the previous 12 months; this rate of increase is the lowest since the economic expansion began. The highest growth rates occurred in the professional and business services and education and health services sectors, which grew by 1.6 percent, or 11,600 jobs, and by 1.5 percent, or 13,500 jobs, respectively. The transportation and utilities sector added 2,800 jobs, increasing by approximately 1 percent. In the four-state region, government remains the largest employment sector, accounting for more than 1.1 million jobs, or approximately 17 percent of the region's 6.7 million jobs. The number of jobs in the government sector increased by 1 percent during the 12-month period ending September 2008. During this same period, the manufacturing and information sectors declined by 1.2 and 0.5 percent, respectively, losing a combined total of 10,500 jobs.

Each of the four states in the Great Plains region experienced net job growth during the 12 months ending September 2008. Nebraska was the only state in which employment grew at a rate higher than 1 percent; the number of jobs increased by 13,400 to 971,800, a growth rate of 1.4 percent. Nonfarm employment in Kansas increased by 11,500 jobs, or 0.8 percent, compared with the number of jobs in the state a year ago. Iowa and Missouri reported nonfarm job growth of 0.5 and 0.1 percent, respectively, adding 8,300 and 1,900 jobs, respectively. Missouri recorded a significant decline in manufacturing employment, because automotive and automotive parts production jobs were lost due to declines in automobile sales. The decline in manufacturing jobs was partially offset by employment gains in the education and health services and government sectors.

The slowing economy led to a softening in the labor markets throughout the Great Plains region. The regional unemployment rate rose from 4.2 percent for the 12 months ending September 2007 to 4.7 percent for the 12 months ending September 2008. Unemployment rates for the four states ranged from 3.2 percent in Nebraska to 5.8 percent in Missouri, with Iowa and Kansas reporting rates of 3.9 and 4.3 percent, respectively. Although the unemployment rate rose in each state, the increases were minor, rising 0.2 percent in Iowa, Kansas, and Nebraska and 0.9 percent in Missouri.

Existing home sales activity in the Great Plains region decreased during the 12 months ending June 2008 (the most recent data available). The NATIONAL ASSOCIATION OF REALTORS® reported that 51,600 homes were sold in Iowa, a decline of nearly 32 percent compared with the number sold a year earlier. In Missouri and Kansas, 109,200 and 60,800 homes were sold, respectively, which is 17 percent fewer than the number sold during the 12-month period ending June 2007. In Nebraska, the number of homes sold decreased 20 percent to 31,600.

Home sales markets remain soft in the larger metropolitan areas of the region due to a slowing economy and continued tighter lending standards for home mortgages. According to data from local REALTORS® associations, during the 12 months ending September 2008, sales of new and existing homes were down in each of the five major metropolitan areas in the region and average home sales prices declined in four of the five areas. In St. Louis, total sales declined 14 percent to 16,150 homes sold and the average price declined 8 percent to $195,500. In Kansas City, sales declined 8 percent to 24,050 homes sold and the average sale price declined 6 percent to $172,600.

In Des Moines, although home sales declined 20 percent to 8,250 homes sold during the 12 months ending September 2008 compared with the number sold during the previous 12-month period, the average sales price was relatively unchanged at $169,800. In Lincoln, sales declined nearly 13 percent to 3,550 homes sold and the average sales price declined 1 percent to $155,150. In Wichita, sales declined 12 percent to 10,450 homes sold but the average price rose nearly 5 percent to $137,400. Inventories of new and existing homes for sale in Wichita remain at moderate levels because builders have slowed the pace of single-family home construction. As of September 2008, Wichita had an estimated 4.7 months supply of available homes listed for sale, a modest level that has helped to maintain prices.

As home sales continue to decline in the region, single-family home construction, as measured by the number of building permits issued, also decreased during the 12 months ending September 2008. During the period, permits were issued for approximately 21,950 single-family homes, 33 percent fewer permits than the number issued during the 12-month period ending September 2007. Declines in single-family building were recorded in each of the four states, ranging from a decline of 23 percent to 4,200 homes in Nebraska to a decline of 42 percent to 7,650 homes in Missouri. The number of permits issued for single-family homes in Iowa and Kansas declined by 28 and 31 percent, respectively, to 5,400 and 4,700 homes, respectively.

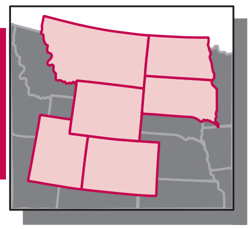
Rental housing markets in the larger metropolitan areas of the region were tighter in general in the third quarter of 2008 than they were in the third quarter of 2007. In Omaha, the apartment vacancy rate decreased from 5.6 to 5 percent while the average asking rent increased by 4.1 percent to $691. In St. Louis, the apartment vacancy rate declined slightly to 6.7 percent while the average asking rent increased by 2 percent to $730. In Wichita, the apartment market tightened significantly; the reported rental vacancy rate declined from 8.7 percent in the third quarter of 2007 to 6.8 percent in the third quarter of 2008. At the same time, asking rents in Wichita rose 5.5 percent to $515. The Kansas City market was the only large metropolitan area that experienced an increase in the apartment vacancy rate, which rose to 6.9 percent from 6.6 percent a year ago. During the third quarter of 2008, the average asking rent for Kansas City apartments increased by nearly 3 percent to $699.

Multifamily production, as measured by the number of units permitted, increased slightly in the region during the 12 months ending September 2008 to 12,200 units; this figure represents an increase of 3 percent compared with the number permitted during the previous 12-month period. The actual distribution of units permitted across the region was not uniform, however; Iowa and Missouri posted declines and Kansas and Nebraska posted increases in the number of multifamily units permitted. In Iowa, the number of units permitted declined 41 percent, to 1,550 units, from the number permitted during the previous 12-month period. In Missouri, the number of units permitted declined 4 percent to 5,425 units, and an increase of 650 units permitted in Kansas City was offset by a decline of 900 units in the St. Louis area. In Kansas, the number of multifamily units permitted increased nearly 19 percent to 2,850 units.

In Nebraska, the number of multifamily units permitted more than doubled to 2,325. Most of the increase occurred in the Omaha area. Among new developments in Omaha is a major mixed-use property valued at an estimated $300 million; the property will include approximately 300 condominium units and 200 apartment units. According to the McGraw-Hill Construction Pipeline database, during the 12-month period ending September

2008, approximately 80 percent of the multifamily units under construction in the region were rental units; in contrast, during the 12-month period ending September 2007, just 45 percent of the units under construction were rental units. This trend reflects softer home sales markets and a general increase in apartment occupancy in the region.

Rocky Mountain



Economic growth continued to moderate in the Rocky Mountain region during the 12 months ending September 2008. This trend began during the first quarter of 2008 and reflects a downturn in the sales housing market and a slowdown in the national economy. In the region, for the 12 months ending September 2008, average nonfarm employment increased by 87,600 jobs, or 1.6 percent, to 5 million jobs. The most significant gains were posted in Colorado and Utah, which added 39,500 and 21,500 jobs, respectively. In Colorado, energy-related development, growth in tourism due to a record skiing season, and the estimated $250 million impact of the Democratic National Convention in August contributed to a 1.7-percent gain in nonfarm employment. In Utah, hiring in the trade, education and health services, and professional and business services sectors more than offset a large decline in construction employment. The oil and gas industries stimulated employment growth in Wyoming, but at a slower rate of 3 percent, or 8,600 jobs, compared with the rate of 4.6 percent recorded during the previous 12 months. Moderate gains occurred in Montana, South Dakota, and North Dakota, where employment increased by 6,900, 6,100, and 5,000 jobs, respectively. Regionwide, losses occurred in the construction and manufacturing sectors, down by 4,000 and 800 jobs, respectively, during the period. As a result, the average unemployment rate in the region increased from 3.3 percent for the 12 months ending September 2007 to 3.9 percent for the 12 months ending September 2008. Unemployment rates rose in every state in the region except South Dakota, but all were below the U.S. average rate of 5.3 percent. Colorado registered the greatest unemployment rate increase, which rose to 4.6 percent from 3.8 percent.

Tight lending standards and a slower economy have contributed to a decline in sales of existing homes. According to the NATIONAL ASSOCIATION OF REALTORS®, for the 12 months ending June 2008 (the most recent data available), the annualized average of existing home sales was 213,300 units, a 12-percent decrease compared with the sales rate recorded for the previous 12-month period. All states in the region reported decreases in the volume of existing home sales. In Utah, sales declined by nearly 30 percent and accounted for 50 percent of the regional decline of 27,800 units during the past 12 months. Wyoming and Montana registered declines of 21 and 15 percent, respectively. The large declines in Utah, Wyoming, and Montana were partly caused by the high level of home-building and price increases that occurred during the previous 24 months. North Dakota and South Dakota each recorded a small decline in home sales during the 12-month period ending June 2008.

An increase in single-family foreclosure rates has contributed to the softer home sales market in the region. According to the National Delinquency Survey conducted by the Mortgage Bankers Association in the second quarter of 2008, the 1.7-percent average foreclosure rate recorded in the region was up from the 1.2-percent rate recorded in the survey conducted in the second quarter of 2007. All states recorded rates well below the national rate of 2.8 percent. In Colorado, the 2.2-percent average foreclosure rate was the highest in the region and the 16th highest in the nation. In Utah, for the first time in 3 years, the foreclosure rate exceeded 1 percent for two consecutive quarters, rising to 1.2 percent in the second quarter from 1.0 percent in the first quarter. Rates in Montana and North Dakota were below 1 percent but were up from the previous year, and the rate in South Dakota was up slightly to 1.2 percent.

During the 12 months ending September 2008, home sales activity levels in Utah markets declined considerably from levels recorded during the previous 12 months and inventories of unsold homes increased. In the Provo-Orem area, the Utah County Association of REALTORS® reported that, for the 12 months ending September 2008, sales of existing single-family homes were 34 percent below the sales volume recorded during the 12 months ending September 2007. During the most recent 12-month period, the average home sales price decreased by 3 percent to $276,300 and the inventory of homes for sale increased by 26 percent to 4,250 units. According to NewReach, Inc., during the 12-month period ending September 2008, sales of existing homes in the Ogden-Clearfield area declined by 35 percent but the average price increased by 2 percent. Active listings were up 26 percent to 5,250 homes. Sales of new homes in the Ogden-Clearfield area were also down 35 percent, and the average price decreased by 7 percent to $298,600. In the St. George area, home sales declined by 28 percent, partly because of average annual price increases of 20 percent recorded during the 2-year period ending March 2007. During the 12 months ending September 2008, the average sales price in St. George was $306,900, an 8-percent decrease compared with the average price recorded during the previous 12 months. The record-level inventories of homes for sale in Utah markets are expected to decline during the next 12 months because of anticipated population growth and the decline in new home construction that has continued since the third quarter of 2006.

In Colorado, sales housing market conditions have remained soft since the third quarter of 2006, but reduced inventories of homes for sale during the 12 months ending September 2008 indicate that the market is beginning to move toward more balanced conditions. According to the Denver Board of REALTORS®, sales of single-family homes were down 3 percent to 37,900 units from a year ago, and the inventory of active listings declined by 20 percent to 18,500 homes. The average price of an existing single-family home sold in Denver decreased by 9 percent to $286,700. The market showed signs of recovery for entry-level homes priced at less than $250,000 where the supply of homes was less than 5 months as of September 2008 compared with a 6 months' supply overall in the metropolitan area. In addition, the average price of homes sold near light-rail stations has increased by 4 percent during the past 12 months. The Boulder Area REALTOR® Association reported that, during the 12-month period ending September 2008, sales of single-family homes declined by 14 percent, the average sales price decreased by 5 percent to $438,000, and the inventory of single-family homes for sale decreased by 20 percent to 2,290 units.

In response to lower demand and mounting inventories, single-family home construction, as measured by the number of building permits issued, declined by 41 percent in the Rocky Mountain region during the 12 months ending September 2008. During the period, the number of single-family homes permitted in the region declined by approximately 22,100 homes to 32,100. Although the number of single-family building permits issued decreased in all Rocky Mountain states, the declines posted in Colorado and Utah accounted for 90 percent, or 19,900 units, of the regional decrease in single-family permitting activity.

Rental housing markets were balanced to tight throughout much of the Rocky Mountain region as of September 2008. The average rental vacancy rate in the Denver metropolitan area declined to 6.1 percent, down from 6.8 percent in September 2007, according to Apartment Appraisers & Consultants' *Apartment Insights* survey. In Denver, the average effective monthly apartment rent increased by 5 percent to $821 during the past 12 months. In the Fort Collins-Loveland area, the average vacancy rate decreased to 4.1 percent from 5.2 percent, and the average effective rent increased by 3 percent to $780 from the rent recorded a year ago. According to EquiMark Properties, Inc., the July 2008 average apartment rental vacancy rate in the Provo-Orem area was 4.9 percent, up from the 3.5-percent rate recorded in July 2007, which reflects an increased supply of rental units resulting from condominium reversions. The average apartment rent in the Provo-Orem area increased by 7 percent between July 2007 and July 2008.

Multifamily building activity, as measured by the number of units permitted, increased in the region by 5 percent to 15,300 units during the 12 months ending September 2008. Approximately 60 percent of the multifamily units permitted in the region were for rental units, indicating that the tight rental market conditions in the region will likely ease in the future. Most of the increase in multifamily construction activity occurred in Colorado, where permits were issued for 8,400 units, up 15 percent from the number of units permitted during the previous 12-month period. Demand for units in transit-oriented developments near light-rail stations in Denver contributed to the increase. In Utah, multifamily building permit activity totaled 3,070 units for the 12-month period ending September 2008, relatively unchanged compared with activity recorded during the previous 12 months.

PACIFIC

Economic activity in the Pacific region slowed during the third quarter of 2008. During the 12 months ending September 2008, nonfarm employment averaged 19.7 million jobs, a decline of 29,600, or 0.1 percent, compared with the level of nonfarm employment recorded a year ago. In contrast, employment rose by 1.2 percent, or 230,400 jobs, during the 12 months ending September 2007. During the most recent 12-month period, employers in the service-providing sectors added 112,000 jobs, a gain of 0.7 percent. The education and health services and the government sectors accounted for 65,000 and 60,000 new jobs, respectively. Reflecting continued weakness in the housing market, employment in the construction sector declined by 9 percent, or 115,500 jobs, during the 12-month period ending September 2008, compared with a loss of 47,000 jobs during the same period a year ago, and the troubled financial activities sector shed nearly 44,000 jobs.

In California, nonfarm employment declined by 13,000 jobs, or 0.1 percent, during the 12 months ending September 2008. In comparison, employers in the state added nearly 144,000 jobs, a 1-percent increase, during the previous 12 months. During the most recent 12-month period, employers in the service-providing sectors added 88,400 jobs, with 52,000 jobs created in the education and health services sector and 43,000 jobs added in the government sector. These gains were offset by the loss of 101,400 jobs in the goods-producing sectors, primarily in the construction sector. With its high-technology industry base, the San Francisco Bay Area had the strongest economy in the state during the

12 months ending September 2008, when area employers added 13,500 jobs. In contrast, during the same period, employers in Southern California cut more than 60,000 jobs, notably in the construction and financial activities sectors. During the period, employment in Hawaii rose by 2,600 jobs, or 0.4 percent; the government and the education and health services sectors accounted for most of the increase.

Employment in Arizona declined by 16,500 jobs, or 0.6 percent, during the 12 months ending September 2008. The extremely weak level of homebuilding led to the loss of 28,000 jobs in the construction sector. At the same time, however, the government and the education and health services sectors added 14,000 and 11,000 jobs, respectively. In Nevada, employment fell by 2,700 jobs, or 0.2 percent, in the past 12 months. The construction sector shed 11,000 jobs despite the number of large casino hotels that are under construction. In the past year, the leisure and hospitality sector was essentially flat due to stagnant gambling revenues and visitor spending. Due to the sluggish economy, the average unemployment rate in the Pacific region rose 2 percentage points to 7.2 percent in the 12 months ending September 2008. Unemployment rates ranged from 4.7 percent in Hawaii to 7.5 percent in California.

The sales housing market in the region remained soft in the third quarter of 2008 due to tight mortgage lending standards and a slower economy. Home sales prices continued to decline and sales volume was down from the peak levels recorded during 2004 and 2005, although sales of lower priced and foreclosed homes are beginning to increase in some areas. The number of existing homes sold in California declined by 4 percent to 376,100 homes during the 12 months ending September 2008, according to the California Association of REALTORS®. The 12-month decline was mitigated by increased sales volume reported during the most recent 5 months, reflecting increased demand for—and increased sales of—more affordable homes priced below $500,000. In the third quarter of 2008, the median sales price was $339,220, down a record $231,500, or 41 percent, from the median price recorded during the third quarter of 2007. During the third quarter of 2008, sales of foreclosed homes represented nearly 50 percent of total sales of existing homes, up from less than 10 percent of total sales during the same quarter a year ago. In Honolulu, sales of existing homes declined by 24 percent to 7,200 units during the 12 months ending September 2008, although home prices have been comparatively stable. During the third quarter of 2008, median prices for existing single-family and condominium homes were $620,000 and $318,000, respectively, each down approximately 5 percent from median prices recorded during the same quarter a year ago.

In Phoenix, during the 12 months ending September 2008, sales of new and existing homes fell by 38 and 20 percent, respectively, to 26,050 and 53,200 units, respectively, according to the *Phoenix Housing Market Letter*. During the past year, the median price of an existing home sold in Phoenix declined by $61,600 to $181,700. The lower median price reflects still-high inventories of more than 50,000 unsold existing homes and the fact that foreclosed homes account for nearly 50 percent of existing home sales in the Phoenix market. In Las Vegas, during the 12 months ending September 2008, builders sold 12,500 new homes, just one-half the number sold during the previous 12-month period, according to the *Las Vegas Housing Market Letter*. During the most recent 12-month period, existing home sales declined by 10 percent to 26,100 units, but sales have increased in recent quarters because reduced home prices are attracting more buyers. In the third quarter of 2008, the median price of an existing home sold in Las Vegas was $203,000, down 25 percent from the median price recorded during the same quarter a year ago. Most homes sold during the third quarter of 2008 were foreclosures, and the inventory of unsold existing homes remains high at approximately 28,500 homes.

In response to weak sales of new homes in the region, homebuilding activity, as measured by the number of building permits issued, fell by 50 percent to 68,600 permits issued during the 12 months ending September 2008. In comparison, permits were issued for an average of 267,000 homes in the peak years of 2003 through 2005. During the past 12 months, permit activity in California, Arizona, and Nevada totaled 36,600, 20,300, and 8,900 units, respectively; these figures represent declines of approximately 50 percent for each state compared with the number of permits issued in those states during the previous 12 months. In Hawaii, the number of permits issued fell 2,160 to 2,850 in the past year.

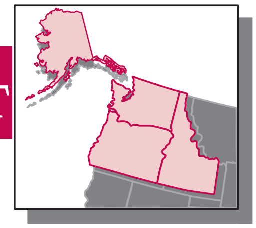
Rental housing market conditions in major areas of the Pacific region remained mixed in the third quarter of 2008. The San Francisco Bay Area rental housing market continued to be tight, supported by employment and population growth and limited rental housing construction. According to Reis, Inc., in the third quarter of 2008, apartment rental vacancy rates in both San Jose and San Francisco declined by 0.5 percentage point to 3 and 3.5 percent, respectively, from rates recorded during the same quarter a year ago. In Oakland, the current vacancy rate of 4 percent decreased from 4.5 percent last year. Increases in asking rents ranged from nearly 5 percent in Oakland to 6.5 percent in San Francisco. Third quarter 2008 average asking rents in the Oakland, San Jose, and San Francisco submarkets were $1,385, $1,600, and $1,930, respectively. In Sacramento, the apartment market was balanced, with a current vacancy rate of 5 percent, down from 5.5 percent the previous year.

Rental market conditions varied throughout Southern California in the third quarter of 2008, and markets remained tight in Los Angeles, Orange, Ventura, and San Diego Counties and in southern Santa Barbara County. In both Orange and Ventura Counties, the overall rental vacancy rate of 4.5 percent was unchanged from the rate recorded during the third quarter of 2007. In San Diego County, the rental vacancy rate declined 0.5 percentage point to 4.5 percent during the past year, primarily reflecting lower vacancy rates for apartment units built after 2000. In Los Angeles County, the conversion of about 11,500 single-family detached homes and condominiums into rental units during the past 12 months resulted in an increase in the rental vacancy rate to 5 percent from 4.5 percent a year ago. In San Bernardino County, rental conditions remained balanced with a vacancy rate of 6.5 percent, unchanged from a year ago, but in Riverside County, the overall rental vacancy rate increased 1 percentage point to 8 percent due largely to the conversion of single-family homes and condominiums into rental units. According to the Consumer Price Index for Southern California, during the 12 months ending September 2008, the average rent increased by 4.5 percent, significantly less than the 6-percent rent increase recorded during the previous 12-month period.

In Phoenix, the apartment rental vacancy rate increased by 2 percentage points in the past year to nearly 10 percent, according to Reis, Inc. During the period, the average rent rose by 1.5 percent to $780, compared with a 3.5-percent increase recorded during the 12 months ending September 2007. In Las Vegas, the apartment vacancy rate increased to 7.5 percent, up from 5.5 percent a year ago, and the average rent increased by 3 percent to $870. In both Phoenix and Las Vegas, large inventories of unsold single-family homes and condominiums have contributed to higher rental unit vacancies. In Honolulu, the rental housing market has remained relatively balanced; during the past 2 years, the overall rental vacancy rate has remained between 4 and 6 percent.

Multifamily construction activity, as measured by the number of units permitted, fell by 11,000 units, or 17 percent, to 52,800 units in the region during the 12 months ending September 2008. This level of activity is the lowest recorded since 1997. During the past year, multifamily building activity declined by 28 percent to 31,250 units in California and by 14 percent to 8,700 units in Arizona. In Hawaii, the number of units permitted fell by 27 percent to 1,850 units. These declines were partly offset by the 45-percent increase in permitting activity in Nevada, where 11,000 units were permitted during the past 12 months. Condominium units under construction in Las Vegas account for most of the multifamily units permitted in the state.

Northwest



Employment growth continued to slow in the Northwest region during the past 12 months, reflecting a trend that began in 2006. During the 12 months ending September 2008, nonfarm employment grew by 61,100 jobs, or 1.1 percent, to an average of 5.7 million jobs compared with the average number of jobs recorded during the previous 12 months. The increase in regional jobs was less than one-half the 12-month gain of 130,400 jobs that occurred during the 12 months ending September 2007. In Washington, nonfarm employment increased by 47,500 jobs, or 1.6 percent, to an average of 2.9 million jobs during the 12 months ending September 2008. In Oregon, nonfarm employment averaged 1.7 million, an increase of 9,100 jobs, or 0.5 percent. Idaho, up by 2,400 jobs, and Alaska, up by 2,100 jobs, grew by 0.4 and 0.6 percent, respectively. Nonfarm employment averaged 654,700 in Idaho and 319,000 in Alaska for the 12 months ending September 2008.

Regional job gains during the 12 months ending September 2008 were led by the education and health services, government, and leisure and hospitality sectors, which added 20,000, 19,700, and 16,400 jobs, respectively. Losses occurred in the construction sector, down 10,400 jobs, and the financial activities sector, down 4,700 jobs, primarily because of the decline in single-family homebuilding. Manufacturing employment decreased regionally by 3,700 jobs, largely due to losses in Oregon related to the wood products and electronics industries. Washington was still a bright spot for manufacturing, where the sector gained 5,700 jobs, led by hiring at The Boeing Company. Due to the job losses in the construction and financial activities sectors, the regional unemployment rate increased from 4.6 percent during the 12 months ending September 2007 to 5.1 percent for the 12 months ending September 2008. The average unemployment rate was 3.4 percent in Idaho, 5 percent in Washington, 5.7 percent in Oregon, and 6.6 percent in Alaska.

Reduced employment growth, combined with 2 years of slowing sales, have resulted in soft sales housing market conditions with widespread price declines throughout the Northwest region. In Washington, according to Northwest Multiple Listing Service data, the Puget Sound metropolitan areas of Seattle, Tacoma, Bremerton, and Olympia recorded an average price decline of 5 percent to $431,800 and a 31-percent drop in new and existing home sales to 46,400 units during the 12 months ending September 2008 compared with the previous 12 months. The largest rate of decline in average price occurred in the Bremerton area, down 9 percent to $340,000, where sales were down 21 percent. In the Seattle metropolitan area, the number of homes sold was down 33 percent to 29,500 units and the average price was $501,000, down 4 percent. The average price in the Olympia and Tacoma metropolitan areas each declined by 5 percent to $294,000 and $309,400, respectively. Sales declined 25 percent in the Olympia area and 31 percent in the Tacoma area.

The number of new and existing homes sold in 11 selected markets in Oregon declined 27 percent to 44,000 units during the 12 months ending September 2008 compared with the number sold during the previous 12 months, based on data from the local multiple listing services. The average price decreased by 3 percent to $301,200 during the same period. In the Portland-Vancouver-Beaverton, Oregon-Washington metropolitan area, sales of new and existing homes were down 30 percent, totaling 25,500 units, and the average price decreased 1 percent to $328,600. Prices were typically down 4 percent or less in the rest of the major markets in Oregon, with the exception of Coos and Douglas Counties, where the price declined by 8 percent and 11 percent, respectively. The average sales price was $200,000 in Coos and $191,600 in Douglas. In the Boise metropolitan area, during the 12 months ending September 2008, sales of new and existing homes totaled 7,500 units, a 33-percent decrease compared with sales recorded during the previous 12 months, and the price decreased by 10 percent to $217,000, according to Intermountain Multiple Listing Service data. Alaska Multiple Listing Service, Inc., data showed new and existing home sales at 2,500 units, a 13-percent decline in sales in Anchorage during the 12 months ending September 2008. The average price in Anchorage, at $325,650, was 2 percent below the average price during the previous 12 months.

Home construction activity, as measured by the number of building permits issued, declined by 40 percent in the Northwest region during the 12 months ending September 2008 in response to the reduced volume of home sales. During the period, the number of single-family building permits issued in the region totaled 36,100, which is 23,600 fewer homes than the number permitted during the previous 12 months. In Washington, the number of single-family permits issued declined by 11,400 to 18,800 homes compared with the number permitted in the previous 12 months. In Oregon and Idaho, the number of single-family permits issued decreased by approximately 7,800 to 9,300 homes and 4,100 to 7,200 homes, respectively. In Alaska, single-family construction activity totaled 750 homes, down 300 units from the number permitted in the 12 months ending September 2007.

Multifamily construction activity, as measured by the number of units permitted, slowed in the Northwest region during the 12 months ending September 2008. The total number of units permitted equaled 18,600 units, down 6,300 units, or 25 percent, compared with the number permitted during the previous 12-month period. In Washington, the number of multifamily units permitted declined by 3,200 units to 12,700 units and in Oregon, the number of units permitted totaled 4,700, a decline of 1,500 units. Multifamily construction activity in Idaho declined by 1,300 units to a total of 980 units and, in Alaska, activity totaled 350 units, down by 420 units compared with the number of units permitted during the previous 12 months.

Rental housing market conditions were tight to balanced in the Northwest region as of September 2008. Tight conditions eased in some market areas during the past 12 months due to more condominiums and single-family homes entering the rental market, new apartment construction, and slower job growth causing reduced renter household formation. In the Seattle area, according to Dupre+Scott data, as of September 2008, the apartment vacancy rate in the Seattle metropolitan area was 5 percent, up 1 percentage point from September 2007. The Tacoma metropolitan area apartment rental vacancy rate also increased 1 percentage point to 4.5 percent. In the Bremerton metropolitan area, the estimated apartment vacancy rate as of September 2008 was balanced at 4.8 percent. Market conditions have been tight in the Olympia metropolitan area since 2006 because of minimal new apartment construction; as of September 2008, the rental vacancy rate was 3.4 percent. The average rent in the Seattle and Tacoma metropolitan areas was $1,050 and $825, respectively, each up 7 percent compared with the average rent in September 2007. In the Olympia and Bremerton metropolitan areas, the average rent increased 4 percent to $810 and 6 percent to $847, respectively.

In the Portland-Vancouver-Beaverton metropolitan area, rental housing market conditions were balanced as of the third quarter of 2008, with an apartment vacancy rate of 5 percent, up 1 percentage point from a year ago. The average rent increased 3 percent to $865. In the Oregon metropolitan areas of Salem and Eugene-Springfield, the estimated apartment vacancy rate was 3.4 percent in each area due to limited new apartment construction; average rents increased by 4 and 7 percent, respectively. According to RealFacts data, for the third quarter of 2008, rental housing market conditions eased in the Boise metropolitan area compared with the same period a year ago. The apartment vacancy rate was 6.5 percent, up from 4 percent a year ago, and the average rent was $742, essentially unchanged compared with the average rent recorded for the third quarter of 2007. Rental housing market conditions in the Anchorage area were balanced, with an estimated rental vacancy rate of 6.5 percent as of September 2008.

Housing Market Profiles

Albany-Schenectady-Troy, New York

The Albany-Schenectady-Troy metropolitan area is located in eastern New York State, approximately 150 miles north of New York City, and consists of Albany, Rensselaer, Saratoga, Schenectady, and Schoharie Counties. The area also includes the city of Albany, the capital of New York State. Since 2000, the total population of the metropolitan area is estimated to have increased at an average annual rate of 0.5 percent to a current population of 858,200; growth is attributed equally to net natural change (resident births minus resident deaths) and net in-migration.

Employment growth in the metropolitan area has been slowing since 2004, and this trend has continued into the third quarter of 2008. During the 12 months ending September 2008, total nonfarm employment increased by only 400 jobs, or 0.1 percent, to 448,600. In comparison, 1,900 jobs were created during the 12 months ending September 2007. During the most recent 12-month period, employment growth occurred primarily in the professional and business services and education and health services sectors, up 2.0 and 1.6 percent, respectively, for a total of 2,300 jobs. These gains were partially offset by 2- to 3-percent declines in the manufacturing, financial activities, and information sectors, which lost a total of 1,400 jobs. During the 12-month period ending September 2008, the average annual unemployment rate increased from 3.9 to 4.7 percent. Despite this increase, the area unemployment rate remains below the comparable average annual unemployment rate of 5.0 percent for New York State.

Major employers in the metropolitan area include Golub Corporation, a large grocery retailer; Albany Medical Center; and St. Peter's Health Care Services. Historically, the area has been characterized by economic stability due to the large government sector, which accounts for approximately 25 percent of total nonfarm employment. During the 12-month period ending September 2008, the government sector increased by almost 600 jobs, or 0.5 percent, primarily due to increased state employment. Growth in the state government subsector will likely be constrained during the next several years by current and projected budget deficits.

Nanotechnology research has been a growing high-technology industry in the area. The Foundry Company, a subsidiary of Advanced Micro Devices, Inc., of Sunnyvale, California, recently announced plans to construct a $3.2 billion semiconductor fabrication plant in the Luther Forest Technology Campus in Saratoga County; the plant is expected to generate 1,500 new high-wage jobs by 2011.

Several factors, including a slowing economy, tighter credit conditions, and an increase in the unsold housing inventory, have impacted the area sales housing market. According to the Greater Capital Association of REALTORS®, the current inventory of unsold existing homes is 5,840 units, or an estimated 8-month supply. Through the third quarter of 2008, existing home sales totaled 5,530 units, a 16-percent decrease compared with the existing home sales recorded during the same period a year earlier. This decline in sales ranged from a 9-percent decrease to 800 units in Rensselaer County to a 20-percent reduction to 850 units in Schenectady County. During the first 8 months of the year, the median price of an existing home sold in the metropolitan area was $194,900; this figure represents an increase of less than 1 percent compared with the median price recorded during the same period of 2007. Despite fewer sales, the median price remained stable at $205,000 in Albany County and $255,000 in Saratoga County. Existing median home prices increased by approximately 1 to 2 percent in Rensselaer, Schenectady, and Schoharie Counties.

Weakening housing market conditions have affected the level of housing production. Residential construction activity, as measured by the number of housing units authorized by building permits, averaged 3,350 units a year from 2002 through 2005 and peaked at 3,650 units in 2005. The total number of units permitted decreased by 33 percent to 2,450 units in 2006 and by 24 percent to 1,850 units in 2007. Single-family construction activity peaked in 2002 at 2,650 units but remained high through 2005, averaging 2,550 for that period. In 2006 and 2007, the average number of units permitted each year was 1,700 units, down 33 percent from the average number of units permitted annually between 2002 and 2005. Multifamily construction activity peaked at 1,350 units permitted in 2005 and averaged only 850 units a year for the next 2 years. Based on data from jurisdictions that report building permit activity monthly, during the 12-month period ending August 2008, 1,700 housing units were permitted in the metropolitan area, relatively unchanged from the number of units permitted during the previous 12-month period. During the most recent 12-month period, the number of multifamily units permitted increased by 28 percent to 925, but the number of single-family homes permitted declined by 19 percent to 775. An estimated 2,000 multifamily units are currently under construction; of these units, more than 40 percent are estimated to be condominiums and are primarily in Albany and Saratoga Counties.

Increased demand for rental units has led to a tightening of the rental housing market in the metropolitan area. According to statistics from Reis, Inc., the apartment vacancy rate in the Albany-Schenectady-Troy area has declined since 2006. During the second quarter of 2008, the estimated apartment vacancy rate was 4.1 percent, down from 5.2 percent during same quarter a year ago. Reis data also indicate that the average annual apartment asking rent in the area remained relatively unchanged at $857 a month in the second quarter of 2008, with average monthly apartment asking rents ranging from $626 for a studio apartment to $1,188 for a three-bedroom unit.

Brownsville-Harlingen, Texas

The Brownsville-Harlingen metropolitan area, located at the southernmost tip of Texas along the United States-Mexico border, consists of Cameron County and includes the vacation area of South Padre Island. As the retail and healthcare center of south Texas, the metropolitan area provides many goods and services to the 430,000 residents of Matamoros in Tamaulipas, Mexico. The city of Matamoros is located south of Brownsville across the Rio Grande River. As of September 1, 2008, the population of the metropolitan area is estimated at 396,100; this figure represents an increase of 2 percent compared with the September 2007 population estimate. Since 2000, more than 90 percent of the population increase has resulted from net natural change (resident births minus resident deaths).

The economy of the metropolitan area is stable. During the 12 months ending August 2008, total nonfarm employment increased by 1,100 jobs to 124,400, a 1-percent gain compared with the number of jobs recorded during the previous 12 months. During the 12 months ending August 2007, nonfarm employment increased by 3,400 jobs, or 2.8 percent. The leading private-sector employer in the metropolitan area, Keppel AmFELS, Inc., a leader in offshore rig manufacturing, employs an estimated 3,000 employees. During the most recent 12-month period, the education and health services sector added 800 jobs, an increase of 2.8 percent, primarily resulting from hiring at hospitals and from the continued formation of small clinics and outpatient surgical centers. The transportation and utilities sector increased by 300 jobs, a gain of 6.3 percent, partially due to the testing of a pilot program for the first seawater desalination plant in Texas. Current plans call for the plant to produce 25 million gallons of fresh water a day, approximately one-third of the total municipal demand projected for the county in 2010. The transportation and utilities sector and the education and health services sector account for nearly 30 percent of all nonfarm jobs in the area and 70 percent of all jobs added during the past 12 months.

According to a 2006 report conducted by Martin Associates, the Port of Brownsville has an annual economic impact of $280 million on the local economy. The port offers access to the Gulf of Mexico and serves more than 230 companies. During the 12 months ending August 2008, the level of employment in the trade sector remained unchanged at 19,700 positions, following an increase of 14 percent between January 2000 and August 2007. The average unemployment rate in the area remained virtually unchanged at 6.1 percent compared with the 6-percent rate recorded during the previous 12 months.

The sales housing market for existing single-family homes in the metropolitan area is soft as a result of tightening credit standards and the current slowdown of economic growth. According to the Real Estate Center at Texas A&M University, during the 12 months ending August 2008, sales of existing homes in the city of Brownsville totaled 980 units, a decrease of 9 percent compared with the number sold during the previous 12 months. In the city of Harlingen, however, sales of existing homes totaled 1,120 units, an increase of 1 percent compared with the number sold during the previous period and nearly 3 times the amount of total sales for the same period ending August 2006 due to the availability of relatively more affordable housing. For the 12 months ending August 2008, the average home sales price in Brownsville decreased to $135,500, down nearly 8 percent compared with the average price recorded for the previous period. Harlingen recorded an average price of $112,900, up almost 3 percent compared with the price recorded for the 12-month period ending August 2007.

For the 12-month period ending August 2008, single-family construction activity, as measured by the number of building permits issued, totaled 1,150 homes, a decrease of nearly 40 percent compared with the level of activity posted during the previous 12 months. During the past 24 months, activity has been well below the record-level average of 2,850 single-family homes permitted annually from 2003 through 2006. The reduced level of construction activity reflects builders' response to declining sales and the increased inventory of unsold homes.

Condominium sales on South Padre Island have also decreased recently. According to Furcron REALTORS® Inc., during 2007 (the most recent data available), a total of 275 condominium units were sold, a decline from the 411 units sold in 2006. Condominium prices in the area averaged $278,700 in 2007, a 13-percent increase compared with the average price recorded during 2006.

The metropolitan area apartment market is currently balanced to soft with an estimated overall apartment vacancy rate of 7 percent. Concessions, which typically include 1 month's free rent, are prevalent in the market. According to the Rio Grande Valley Apartment Association, as of April 2008, apartment rents in Brownsville averaged $532 for a one-bedroom unit, $643 for a two-bedroom unit, and $700 for a three-bedroom unit. Due to the availability of more affordable options in duplex and fourplex units, rents in Harlingen were substantially lower at $434, $541, and $629 for one-, two-, and three-bedroom units, respectively. Both Brownsville and Harlingen have substantial numbers of low-income housing tax credit projects. According to the Texas Department of Housing and Community Affairs, since 2000, 1,275 units from the Low-Income Housing Tax Credit Program have been awarded in the metropolitan area, accounting for approximately 50 percent of all building permits issued for multifamily units.

During the 12-month period ending August 2008, apartment construction activity, as measured by the number of multifamily units permitted, decreased by 40 units to a total of 150 units. During the past 2 years, multifamily construction activity has dropped well below the annual average of 350 units permitted between 2000 and 2006. The soft rental market conditions are expected to continue through 2009 due to the 250 units currently under construction and slated for completion during the next 2 years.

Charlotte, North Carolina-South Carolina

The Charlotte metropolitan area consists of Mecklenburg County, which contains the city of Charlotte, as well as Anson, Cabarrus, Gaston, and Union Counties in southwest North Carolina and York County in northern South Carolina. The area is the second largest banking center in the nation after New York City and is headquarters for several large banks, including Wachovia Corporation and Bank of America Corporation, which together employ nearly 34,000 people. Other leading employers in the area include Carolinas HealthCare System, Duke Energy Corporation, and US Airways, Inc.

Due to mild weather and strong employment growth since 2000, the population of the Charlotte metropolitan area increased faster than that of any metropolitan area in the Southeast region, except Atlanta. The Charlotte metropolitan area primarily attracts residents from the Northeast United States and outlying areas of North Carolina. In the past 2 years, a slowdown in employment growth in the metropolitan area has resulted in lower population growth than during the beginning of the decade. In the past 2 years, the population increased by an estimated 31,000, or 2 percent, annually, down slightly from the average increase of roughly 36,300 annually during the first 6 years of the decade. As of September 1, 2008, the population of the metropolitan area is estimated at more than 1.6 million.

Nonfarm employment in the metropolitan area increased by an average of 19,400 jobs, or 2 percent, to 869,600 during the 12 months ending August 2008 compared with a gain of 37,000 jobs, or nearly 5 percent, during the previous 12 months. Despite a slowdown in nearly all employment sectors, only the manufacturing sector declined, continuing a trend that began in 1996. For the 12 months ending August 2008, the unemployment rate averaged 5.5 percent, up from 4.7 percent a year earlier.

Two-thirds of nonfarm employment growth resulted from gains in the professional and business services, leisure and hospitality, and education and health services sectors, which increased by 5,000, 4,400, and 3,500 jobs, respectively, during the 12-month period ending August 2008. In the same period, employment growth in the financial activities sector, which accounts for 9 percent of nonfarm employment, slowed to 800 jobs, or 1 percent, from 2,600 jobs, or 3 percent, in the previous 12-month period. The slowdown in the sector was partially a result of a reduction in mortgage and commercial lending.

In the fourth quarter of 2008, the $1.5-billion, 350-acre North Carolina Research Campus (NCRC) is scheduled to open its first building, which will house the David H. Murdock Research Institute (DHMRI), a charitable organization established to support research at NCRC. Located in Kannapolis, just north of the city of Charlotte, NCRC will become a center for nutrition, health, and biotechnology research and is expected to employ more than 5,000 researchers and staff after completion in 2012. DHMRI will make $100 million in advanced research equipment available to organizations located on the campus to promote scientific advancements. Eight universities in North Carolina, including The University of North Carolina at Charlotte, will have programs based at NCRC.

The sales housing market in the Charlotte metropolitan area is currently soft, with an estimated vacancy rate of 3 percent. The slowdown in the Charlotte sales housing market has occurred later than in many areas across the nation. During the 12 months ending September 2008, the number of existing homes sold in the Charlotte area declined from approximately 40,050 to 29,850, a decrease of 10,200 homes, or 26 percent, compared with the number sold during the previous 12-month period. During the third quarter of 2008, the 12-month average sales price of a home fell for the first time since 2000, decreasing 3 percent from approximately $229,900 to $223,600.

In response to the declining demand for sales housing and an increasing inventory of unsold homes, builders have reduced new home construction activity, as measured by the number of building permits issued. During the 12 months ending August 2008, the number of single-family building permits issued decreased by 48 percent to 9,300 homes compared with the number of permits issued during the previous 12 months. After a record-setting 20,300 single-family permits were issued in 2006, single-family construction activity fell to 15,900 homes in 2007.

The number of multifamily units permitted during the 12 months ending August 2008 declined by 6 percent to approximately 5,475 units compared with the number permitted during the same period a year earlier. Of the multifamily units permitted during the past 12 months, more than 95 percent are estimated to be apartments; in comparison, of the multifamily units permitted 2 years ago, approximately 55 percent were apartments. The decline in building permit activity is due primarily to a cutback in condominium production in response to the slowing sales market and more stringent financing standards. According to RealData, Inc., more than 5,300 apartments were under construction in August 2008, a significant increase from the approximately 4,200 units under construction in August 2007 and 3,200 units under construction in August 2006. Apartment construction was highest in southwest Mecklenburg County, where nearly 1,200 units were completed in the past 12 months. Construction in that area has been influenced by the recent completion of a large section of Interstate 485 that connects Interstates 77 and 85.

As a result of increased apartment completions and slower employment and household growth during the past 12 months, the rental housing market has become soft. The apartment vacancy rate increased from 6.8 percent in August 2007 to 9.1 percent in August 2008. Concessions have become more common and include reduced rent for the first month or lower monthly rent for selected floorplans. The overall vacancy rate is expected to continue to increase in 2009 because of the number of units that are expected to come on line. During the 12-month period ending August 2008, the average monthly rent was stable, increasing by less than 1 percent to approximately $750. Rents averaged approximately $665 for a one-bedroom unit, $770 for a two-bedroom unit, and $915 for a three-bedroom unit.

Chicago-Naperville-Joliet, Illinois-Indiana-Wisconsin

The Chicago-Naperville-Joliet metropolitan area encompasses nine counties in northeast Illinois, four counties in northwest Indiana, and one county in southeast Wisconsin. As of August 1, 2008, the population of the metropolitan area was estimated at 9.7 million; this figure represents an increase of 72,000, or 0.8 percent, annually since 2000. Approximately one-half of the population growth has occurred in the six core counties in Illinois: Cook, DuPage, Kane, Lake, McHenry, and Will.

In 2008, the Chicago-Naperville-Joliet metropolitan area continued an economic expansion that began in 2004, although last year's pace slowed compared with that of the preceding 2 years. During the 12 months ending August 2008, nonfarm employment averaged nearly 4.5 million jobs, an increase of 15,500, or 0.3 percent, compared with nonfarm employment during the 12-month period ending August 2007. In comparison, nonfarm employment increased by 58,800 jobs during the 12-month period ending August 2006 and by 44,100 during the same period ending August 2007. During the 12 months ending August 2008, hiring in the education and health services sector and the professional and business services sector added 12,000 and 6,000 jobs, respectively, which offset the loss of 5,000 jobs in the financial activities sector. Since 2000, approximately $4.5 billion has been spent on the construction of 64 new hospitals and medical centers. Advocate Health Care is one of the leading employers in the area, with 26,000 workers. The average unemployment rate for the past 12 months was 5.3 percent, up from 4.6 percent a year earlier. Weakness in the local sales housing market and a slowing national economy are expected to dampen area employment and cause employment growth to remain below 1 percent during the next 12 months.

In response to the slowing local economy and declining demand for new homes, during the 12 months ending August 2008, home builders in the metropolitan area reduced single-family construction activity, as measured by the number of building permits issued. During the period, single-family permits totaled 11,000 homes, a 47-percent decrease compared with the number of single-family homes permitted during the previous 12 months, after averaging 31,000 homes permitted annually since 2000. As has been typical for the past 7 years, the six core counties in Illinois accounted for approximately two-thirds, or 7,200 units, of the single-family home permits issued in the metropolitan area in the past 12 months. According to Hanley Wood Market Intelligence, the decline in building activity has led to a 5-year supply of developed home sites in the metropolitan area; in comparison, a 2-year supply is considered normal for the market. Suburban Kane, Kendall, McHenry, and Will Counties in Illinois accounted for one-half, or 45,000, of the new home sites in the area.

Despite the slowdown in homebuilding, the Chicago-Naperville-Joliet metropolitan area sales market for new homes is soft. Since 2005, when a record 33,200 new homes were sold in the metropolitan area, sales of new homes have slowed throughout the area. Approximately 15,500 new homes were sold in 2007, down 38 percent from the number sold in 2006. During the first 6 months of 2008, new home sales in suburban Chicago and the central city were down 55 and 47 percent, respectively, compared with the number recorded during the first 6 months of 2007. The slowing economy, tighter lending standards, and lower expectations for price appreciation contributed to the decline in new home sales. For new single-family homes in the metropolitan area, the median sales price, which increased 8 percent annually during the past 3 years, decreased by 5 percent in the first 6 months of 2008 to $332,000 compared with the median price recorded in the first half of 2007.

The slowing economy also led to a decrease in multifamily construction activity, as measured by the number of units permitted. During the 12 months ending August 2008, the number of multifamily units permitted was down 25 percent to 11,800 compared with 15,700 units permitted during the same period last year. This decline followed a 20-percent decrease in the number of units permitted during the 12-month period ending August 2007. Approximately 80 percent of the multifamily units constructed in the metropolitan area since 2000 have been condominiums. Despite a slowdown in condominium construction during the past 2 years, the sales market for new condominium units in the metropolitan area is soft. In downtown Chicago, the number of unsold condominium units doubled from 3,000 units in the second quarter of 2006 to 6,000 units in the second quarter of 2008. Sales of new condominium units in suburban Chicago fell by 53 percent to 1,600 units in the first 6 months of 2008 compared with sales during the same period last year.

Although Chicago's apartment market is balanced, the apartment vacancy rate in the metropolitan area increased to 7.2 percent in the third quarter of 2008 compared with 6 percent in the third quarter of 2007. The higher vacancy rate is partly attributed to the area's soft condominium market. As owners encounter difficulty selling their condominiums, more units are being made available for rent. According to Appraisal Research Counselors, during the third quarter of 2008, approximately 2,500 condominium units were available for rent in downtown Chicago, compared with the 1,200 units available during the third quarter of 2007. As of September 2008, the downtown apartment vacancy rate was 8 percent, up from 6 percent in September 2007. In suburban Chicago, the apartment vacancy rate increased to 7 percent in the third quarter of 2008, up from 6 percent in the third quarter of 2007. Reflecting softer market conditions, rents increased by 1 to 2 percent during the first 9 months of 2008 compared with rent increases of 3 to 4 percent during the same period in 2007. Average monthly rents for a one-, two-, and three-bedroom unit are $970, $1,150, and $1,395, respectively. During the next 12 months, apartment market conditions in the metropolitan area are expected to continue softening because of the slowing local economy and increased construction of new apartment units. In downtown Chicago, approximately 2,000 apartment units are under construction and another 3,000 units are planned. In suburban Chicago, about 1,000 units are expected to enter the market during the next 12 months, compared with fewer than 300 units a year during the past 5 years.

The American Seniors Housing Association's *Seniors Housing Construction Trends Report 2008* ranked the Chicago-Naperville-Joliet metropolitan area first among the 100 largest metropolitan areas in the country for the construction of seniors housing. As of March 2008, approximately 2,800 units for seniors were under construction in the metropolitan area, up from 2,000 units as of March 2007. These developments include 1,350 assisted-living units, 1,100 independent-living units, 250 apartment units, and 150 nursing home beds.

In the city of Chicago, affordable housing development remains strong. Since 2004, Chicago has spent more than $2 billion on constructing and preserving 28,000 units of affordable housing, including 16,000 rental units and 12,000 for-sale units. In 2008, the city plans to allocate another $400 million to support an estimated 15,000 affordable homes and apartments. When completed in 2011, Park Boulevard in the Near South Side neighborhood will include 900 affordable and market-rate homes for sale and 500 public housing units. Since 2000, the Chicago Housing Authority has completed 2,500 new mixed-income housing units. During the past 8 years, 11,000 public housing units for families and elderly residents were rehabilitated in 17 projects throughout the city.

El Paso, Texas

The El Paso metropolitan area, which consists of El Paso County, is located in west Texas along the Mexican border. The metroplitan area is home to the University of Texas at El Paso (UTEP) and Fort Bliss Army Base, headquarters for the U.S. Army

Air Defense Artillery School, the William Beaumont Army Medical Center, and the U.S. Army Sergeants Major Academy. Fort Bliss, the leading employer in the area, with approximately 26,400 military and civilian personnel, has an estimated $1.7 billion annual economic impact on the area, according to the U.S. Army. Steady job growth at Fort Bliss and UTEP in recent years has contributed to balanced sales and rental housing markets in the metropolitan area.

As of September 1, 2008, the estimated population of the metropolitan area was 756,700; this figure represents an average annual increase of 9,200, or 1.3 percent, since 2000. Nearly all of the population gain since 2000 has resulted from net natural change (resident births minus resident deaths), which averaged 11,400 annually. Net in-migration declined to an annual average of 2,200 people between January 2000 and August 2007 but totaled 250 people during the 12 months ending August 2008 primarily due to the arrival of approximately 4,000 additional military personnel at Fort Bliss. The population of the El Paso metropolitan area is projected to continue growing during the next 4 years because an additional 37,300 soldiers and their families are expected to relocate into the area.

Nonfarm employment in the metropolitan area averaged 275,900 jobs during the 12 months ending August 2008, which represents an increase of 7,160, or 2.7 percent, from the average number of jobs recorded during the previous 12 months. Steady job growth caused the average unemployment rate to decline to 5.6 percent during the 12 months ending August 2008, compared with the 6.3-percent rate recorded during the previous 12 months. Job growth was led by hiring in the natural resources, mining, and construction sector, which added 1,500 jobs, largely due to a $5 billion expansion at Fort Bliss. The expansion consists of new facilities and housing to accommodate the incoming personnel and their families. The education and health services sector added 1,150 jobs in the El Paso area, which is the regional center in west Texas for medical services, research, and education. Four of the top 10 private-sector employers are in the healthcare industry; together, these four companies employ a total of 8,200 workers. UTEP, with 20,500 students and more than 2,600 faculty and staff, contributes to the overall economic growth in the metropolitan area. According to university estimates, UTEP has an annual economic impact of $295 million in the El Paso metropolitan area.

Employment in the trade, transportation, and utilities sector, which grew by 625 jobs during the 12 months ending August 2008, is largely related to trade with Mexico. According to the El Paso Regional Economic Development Corporation (REDCO), approximately 15 to 30 percent of retail sales in the El Paso area are derived from Mexican nationals. Manufacturing assembly plants, known as maquiladoras, located in Juarez, Mexico, and related suppliers on both sides of the border purchase an estimated $1.7 billion annually in goods and services in the El Paso area, according to REDCO.

Sales housing market conditions in the El Paso metropolitan area were balanced during the 12 months ending August 2008. The number of new and existing homes sold during the period totaled 4,780, down 31 percent from the number sold during the previous 12 months and down 18 percent compared with the 3-year average annual volume sold before 2006, when the number of homes sold peaked at 6,965. During the 12 months ending August 2008, the average sales price increased by 3 percent to $160,350. Prices for new homes with 1,000 square feet and two-car garages start as low as $85,000. An estimated 4,000 military personnel own homes off base and approximately 35,000 retired military households live in the area.

In response to the reduced volume of home sales, single-family construction activity, as measured by the number of building permits issued, decreased 10 percent to 2,850 homes during the 12-month period ending August 2008 compared with the number of homes permitted during the previous 12-month period. Single-family construction reached its peak in 2005, when 4,300 homes were permitted. From 2000 to 2004, an annual average of 3,580 homes were permitted, about 730 units, or 25 percent, more than the number permitted during the 12-month period ending August 2008. An estimated 1,025 homes are currently under construction in the metropolitan area.

Rental housing market conditions in the El Paso metropolitan area were balanced as of August 2008. The apartment vacancy rate is currently 7 percent, down from 9 percent a year ago. The vacancy rate declined mainly due to the increase in military personnel; approximately 4,250 soldiers currently reside off base in private rental housing. In addition, nearly 20,000 UTEP students live off campus in private rental apartments. As of August 2008, no concessions were being offered and average rents had increased by 2 percent from the rents recorded 12 months earlier to $520 for a one-bedroom unit, $575 for a two-bedroom unit, and $680 for a three-bedroom unit.

Multifamily building activity, as measured by the number of units permitted, totaled 900 units during the 12 months ending August 2008, relatively unchanged compared with the number permitted during the previous 12 months but 29 percent higher than the annual average of 700 units permitted from 2003 through 2007. The number of multifamily units permitted has increased due to the current and projected rental housing demand from incoming military personnel. New developments primarily marketing to Fort Bliss soldiers include The Bungalows at North Hills, a recently opened 342-unit community, and Mountain Vista Apartments, a 160-unit complex.

Los Angeles County, California

Los Angeles County, located on the Pacific coast in southwest California, is the most populous county in the nation, with a population estimated at more than 10 million as of October 1, 2008. Los Angeles County is a major port, aerospace manufacturing hub, and center for the motion picture and television industries. The population of Los Angeles County grew by 47,500, or 0.5 percent, during the 12-month period ending September 2008. Net natural change (resident births minus resident deaths) accounted for all of the population increase. Since 2006, net out-migration has averaged 45,600 people annually, compared with an average of more than 91,000 people a year during 2004 and 2005.

Nonfarm employment in Los Angeles County, after increasing by an average of 45,800 jobs in 2006 and 2007, declined by 7,850 jobs to slightly more than 4.1 million during the 12-month period ending August 2008. The job losses resulted largely from declines in the construction and manufacturing sectors, retail store closures, and layoffs in mortgage and other housing-related companies. The largest job losses occurred in the construction, manufacturing, and trade sectors, which were down by 4,240, 3,500, and 850 jobs, respectively. Offsetting some of these losses were modest gains of 780 jobs in the education and health services sector, 400 jobs in the leisure and hospitality sector, and 400 jobs in the state and local government subsectors. Kaiser Permanente is the leading private-sector employer in the county, with 32,800 employees. Other major private-sector employers include Northrop Grumman Corporation and The Boeing Company, with 20,500 and 16,500 employees, respectively. During the 12-month period ending August 2008, the average unemployment rate of 6.3 percent was up significantly from the 4.7-percent rate recorded during the previous 12-month period.

Sales housing market conditions are currently soft in Los Angeles County. Existing home sales continued a 3-year decline during the 12 months ending August 2008. Stricter mortgage qualification standards, which have resulted in fewer potential homebuyers qualifying for loans, contributed to slower sales activity. According to DataQuick®, the number of existing single-family homes sold in the county declined by 20,500, or 34 percent, to 40,200 homes during the 12-month period ending August 2008 compared with the number sold during the previous 12 months. During the most recent 12-month period, the median sales price of an existing single-family home declined by 18 percent to $460,000. The average number of days homes remain on the market varies from less than 60 days in areas closer to the Pacific Ocean to more than 90 days in Antelope Valley, in the northern portion of the county. In comparison, the countywide average was less than 30 days from 2003 to 2005, when sales housing market conditions were tight. More than 20 percent of the total existing homes sold during the past 12-month period were condominiums, unchanged from the percentage a year ago. During the 12 months ending August 2008, condominium sales declined by 5,550 units, or 36 percent, to 10,100 units and the median price declined by $41,000, or 10 percent, to $384,000. According to RealtyTrac® Inc., in the third quarter of 2008, more than 50,000 homes in Los Angeles County were in some stage of the foreclosure process, up from 29,500 homes in the third quarter of 2007.

New home sales in the county have also declined because of stricter lending standards and a slower economy. According to the Real Estate Research Council of Southern California, during the 12 months ending June 2008, new home sales were down by 3,250 units, or 28 percent, to 8,200 homes compared with the number sold during the previous 12 months, and the median price of a new home declined by $33,350, or 7 percent, to $472,350. Between July 2007 and June 2008, 30 percent of the total new home sales in Los Angeles County occurred in Antelope Valley, up from 22 percent a year earlier. Discounts on new homes made this area attractive to homebuyers. During the 12-month period ending June 2008, the median price of a new home sold in Antelope Valley was less than $330,000, down from an estimated $440,000 in the middle of 2006. In June 2008, the inventory of unsold new homes increased to 15,650; this figure is 15 percent higher than the 13,600 unsold units recorded in June 2007. Most (56 percent) of the unsold single-family detached homes are in Antelope Valley. In June 2008, nearly 60 percent of the unsold new home inventory consisted of condominiums. Of those units, 57 percent were in the South Bay area located in the southwest portion of the county.

New single-family home construction activity, as measured by the number of building permits issued, slowed in response to the decline in both new and existing home sales and the rising inventory of new unsold homes. During the 12-month period ending August 2008, a total of 4,200 single-family homes were permitted, compared with 7,800 during the previous 12 months. From 2003 through 2005, single-family detached homes were permitted at an average annual rate of 11,850 units. Multifamily construction activity, as measured by the number of units permitted, totaled 9,600 units for the 12-month period ending August 2008, down 4,500 units, or nearly 32 percent, from the number of units permitted during the previous 12-month period. Between 2003 and 2005, multifamily construction activity averaged 11,800 units annually. Condominiums account for nearly 66 percent of the new multifamily units currently under construction, compared with 60 percent during the 12-month period ending August 2007.

Overall rental housing market conditions are tight in Los Angeles County despite the recent increase in the rental vacancy rate. During the 12-month period ending September 2008, the average rental vacancy rate was 5 percent, up from 4 percent during the previous 12 months. The higher vacancy rate caused the average rent in the county to increase by less than 2 percent during the past 12 months, compared with an increase of more than 3 percent during the same period a year earlier. The small increase in the overall rental vacancy rate reflects the effect of investors and owners converting condominiums and single-family detached homes to rental units. An estimated 11,500 single-family detached homes and condominiums were converted to rental units during the last 12 months. Apartments built after 2000 have a higher average vacancy rate, greater than 10 percent, primarily because the average rent of $2,000 for these units is more than $400 higher than the average rent for apartments built before 2000.

According to AXIOMetrics Inc., rents increased by less than 2 percent during the 12 months ending September 2008 compared with rents recorded during the previous 12 months. The highest average rent increase, more than 10 percent, occurred southeast of downtown Los Angeles in the Downey-Bellflower-Norwalk-Paramount area, where most of the rental stock was built before 1980. These pre-1980 units are still priced at about $300 less than the average apartment rent for the county. Rents declined in the Westside area, in the western portion of the county near the Pacific Ocean, where the rents are more than $600 higher than the average apartment rent for the county. Rents also declined in Antelope Valley, where apartment rentals faced increased competition from investor-owned condominiums and single-family homes converted into rental units. The average rent for a newly completed, two-bedroom, Class A apartment in Los Angeles County is currently $2,100.

Orlando-Kissimmee, Florida

Located in central Florida, the Orlando-Kissimmee metropolitan area is defined as Lake, Orange, Osceola, and Seminole Counties. The metropolitan area is home to Walt Disney World, Universal Studios, SeaWorld, and numerous other tourist attractions, which have a significant impact on the local economy.

The population of the Orlando-Kissimmee metropolitan area as of October 1, 2008, was estimated at approximately 2.1 million, indicating an increase of more than 51,500, or 2.8 percent, annually, since April 1, 2000. Population growth slowed somewhat during the past 1 1/2 years as a result of slower employment growth. The population of the area has increased at an average annual rate of about 37,200 since July 2006 compared with nearly 56,600 annually between April 2000 and June 2006. Approximately 75 percent of the population growth since 2000 has resulted from net in-migration; the balance is from net natural change (resident births minus resident deaths). Orlando is the largest city in the metropolitan area, with a Census-estimated population of 223,802 as of July 1, 2007.

Primary industries in the area economy include tourism, health care, and defense contracting. Nearly 49 million tourists visited the Orlando-Kissimmee metropolitan area during 2007, the last full year for which data are available. This number represents an increase of 1.2 million, or 2.5 percent, over the 47.8 million tourists in 2006. Of the top 50 employers in the metropolitan area, 15 are involved in the resort, hotel, restaurant, or airline industries; together, these 15 companies employ more than 115,000 workers and account for nearly 12 percent of nonfarm employment in the area. Resort tax revenue increased at a rate of $13.6 million, or 11 percent, a year between 2001 and 2007. Health care is the second leading industry in the metropolitan area; hospitals, medical centers, and healthcare systems account for more than 35,000 jobs, or nearly 4 percent of nonfarm employment. The Boeing Company, Northrop Grumman Corporation, and Lockheed Martin Corporation employ a total of more than 12,000 people who make aircraft components for the U.S. Department of Defense as well as electronic and other equipment used at the nearby Kennedy Space Center.

Nonfarm employment in the Orlando-Kissimmee metropolitan area increased by 5,100 jobs, or 0.5 percent, to more than 1.1 million during the 12-month period ending September 2008. This growth rate is considerably slower than the 2.7-percent increase observed during the 12-month period ending September 2007. A major factor in the declining rate of employment growth has been a sharp decrease in construction employment. During the 12 months ending September 2008, construction employment was down by 7,400 jobs, or 9 percent, compared with construction employment during the same period a year ago, when the number of jobs totaled 83,100. This decline follows a 2.5-percent employment decrease in construction during the previous

12 months. The decline in construction employment is the result of reduced home construction in response to a significant weakening in the sales housing market for both single-family and condominium units, as well as the impact of the nationwide economic slowdown. Before 2006, construction employment had increased every year since 1992. In the past 12 months, the average unemployment rate increased from 3.5 to 4.6 percent.

As a result of slower economic growth and tighter lending conditions, the sales market for both new and existing homes is currently soft, with an estimated vacancy rate of 4.5 percent. Sales of existing single-family homes declined for the second year in a row according to data from the Florida Association of REALTORS®. During the 12 months ending August 2008, existing home sales fell by 24 percent to 15,300 units, following a 35-percent drop during the same 12-month period a year earlier. During the past 2 years, sales totaled 35,400 homes, a 49-percent decrease compared with the 68,900 homes sold during the preceding 2 years. During the 12-month period ending August 2008, the median price of an existing home decreased by 14 percent to $222,500 after remaining flat during the previous 12 months.

Home builders have reduced construction activity for new homes in response to a rising inventory of unsold homes. Building permits issued for single-family homes declined from an annual average of more than 25,000 units between 2003 and 2006 to an annual average of 9,600 units since 2006. With inventories of unsold homes increasing and loans more difficult to obtain, the decline in construction activity has continued; single-family permits totaled 6,350 units for the 12-month period ending August 2008, 58 percent less than the 15,200 units permitted during the same period a year ago.

Between 2002 and 2005, an annual price appreciation of more than 10 percent for single-family homes prompted potential owners to choose condominium units, which provided a more affordable opportunity for homeownership. As a result, sales of condominium units increased significantly in the metropolitan area. As a result of the increased demand for this type of housing unit, the production of condominiums increased significantly. Most condominiums were built as townhouse units, so they were recorded as single-family building permits. Single-family permits averaged 16,150 a year between 1999 and 2002, but, as mentioned previously, averaged more than 25,000 a year between 2003 and 2006. From 2002 through 2006, the annual average number of multifamily permits issued was more than 7,600 units. During the 12-month period ending August 2008, only 3,900 multifamily units were permitted, a 40-percent decrease from the 6,500 units permitted during the previous 12 months. This decline is the result of reduced demand for apartments and resources being allocated to build condominium units.

According to data from the Florida Association of REALTORS®, during the 12 months ending August 2006, 5,750 condominium units were sold in the Orlando-Kissimmee metropolitan area. The number of sales declined to 2,900 for the year ending August 2007 before dropping another 45 percent to 1,600 for the 12 months ending August 2008. The decline in sales occurred at the end of a period during which thousands of apartment units were converted to for-sale units, resulting in a significant impact on prices. During the 12-month period ending August 2006, the median price of a condominium sold in the metropolitan area was $173,100. By August 2007, the price had decreased by 7 percent to $161,200, and, as of August 2008, the price had fallen by 13 percent to $139,900.

According to data from Reis, Inc., nearly 32,600 apartment units have been completed in the Orlando-Kissimmee metropolitan area since 2000; however, 84 percent of these units were completed before 2005. The sharp decline in apartment construction activity since 2005 has resulted from the increased demand for condominiums rather than apartments. In addition, between 2003 and 2006, an estimated 33,000 apartments were converted to condominiums, contributing to a decline in the rental unit inventory from more than 138,200 to approximately 111,600 units. As a result, the apartment vacancy rate decreased from 8.9 to 4.9 percent during this same period. During the 12 months ending August 2008, approximately 1,200 new rental units were completed and another 4,000 to 5,000 units were "reverted" to apartments from condominiums. The market has been slow to absorb these units and the vacancy rate has increased to a current level of 7.8 percent from 5.6 percent a year ago. Data available from Torto Wheaton Research indicate that effective rent has remained relatively stable at $828 compared with $830 a year ago. According to the McGraw-Hill Construction Pipeline database, about 1,650 apartment units are under construction, all of which are expected to be completed during the next 12 months. It is anticipated that some apartments converted to condominiums will continue to revert to rental units during the next 12 to 18 months. Weakness in the sales housing market is expected to accelerate the pace of reversions and put added pressure on the apartment market. More than half the complexes surveyed by Reis, Inc., were offering 1 month's free rent to new tenants, unchanged from the rental concessions offered a year ago.

Portland-Vancouver-Beaverton, Oregon-Washington

The Portland-Vancouver-Beaverton metropolitan area, located at the confluence of the Willamette and Columbia Rivers, consists of Clark and Skamania Counties in southern Washington State and Clackamas, Clatsop, Multnomah, Washington, and Yamhill Counties in Oregon. Since 2000, population growth in the metropolitan area has occurred at an average annual rate of 1.7 percent, or 35,750 a year, increasing from 1.9 million to 2.2 million as of September 2008. During the 12-month period ending September 2008, population growth slowed to 27,400, a 1.4-percent gain, due to the reduced pace of job growth in the local labor market and the difficulty potential newcomers are having selling their current homes.

Nonfarm employment in the metropolitan area increased by 10,500, or 1 percent, during the 12-month period ending September 2008 compared with a 2-percent increase recorded during the previous 12-month period. The loss of 1,250 jobs in the financial activities sector, mainly due to reduced sales housing activity, and the loss of 1,200 jobs in the manufacturing sector because of layoffs in the semiconductor and transportation industries were the primary reasons for slower job growth during the past 12 months. Job losses in these sectors, combined with a decline of 350 construction jobs, caused the unemployment rate to increase to an average of 5.3 percent for the 12 months ending September 2008 compared with 4.8 percent for the 12 months ending September 2007.

During the most recent 12-month period, employment in the education and health services sector increased from 126,600 to 130,400 jobs, a 2.7-percent gain. Hiring at hospitals, at medical and dental clinics, and by other healthcare providers accounted for 66 percent of the job increase in the sector. During the same period, employment also increased by 2,700 jobs, or 2.8 percent, in the leisure and hospitality sector; nearly all the gain resulted from hiring at eating and drinking establishments. Employment in the retail trade sector increased by 1,400 jobs, or 1.3 percent, during the 12 months ending September 2008. Employment growth occurred in all these sectors in response to the demand for services from the nearly 60,000 people who have moved to the Portland-Vancouver-Beaverton area during the past 2 years. Top employers in the area include Intel Corporation, Providence Health System, and Safeway, Inc., all with 10,000 or more employees.

A slowing economy, tighter lending standards, and buyer reluctance due to adverse national housing market trends led to the emergence of a soft sales housing market in the metropolitan area during 2008. According to RMLS™, during the 12-month period ending September 2008, sales of new and existing homes totaled 25,525 units, a decrease of 43 percent compared with sales during the same period a year ago. REALTORS® noted that, despite significantly slower home sales compared with sales in 2007, sales of homes priced at $250,000 or less remained strong. The average price for new and existing homes sold during the 12-month period ending September 2008 was $328,600, down 1 percent compared with an average price increase of 4 percent recorded during the 12 months ending September 2007. During the most recent 12-month period, the inventory of homes for sale increased by 3 percent from 16,050 to 17,000 homes compared with a 32-percent increase during the previous 12-month period. As a result, at the September 2008 pace of sales activity, the current inventory of homes for sale amounts to a 10-month supply of homes compared with a 9-month supply a year ago.

Slowing sales, falling prices, and a rising inventory of unsold homes have prompted the rapid slowdown of single-family home construction. Single-family homebuilding activity, as measured by the number of building permits issued, fell to 4,990 units during the 12-month period ending August 2008, down 44 percent from the number permitted during the same period a year ago. As of August 2008, the level of construction for new homes built for owner occupancy is on pace to finish the year at the lowest level since 1987, when 5,700 units were permitted, despite the nearly 1,400 condominiums that have started construction during the past year. Approximately 4,300 homes are expected to be completed in 2008.

The rental housing market in the Portland-Vancouver-Beaverton metropolitan area was balanced as of August 2008. As home sales have slowed, the demand for rental units has increased. As of August 2008, the rental vacancy rate was estimated at 5 percent, compared with 5.5 percent a year ago. According to Reis, Inc., as of the second quarter of 2008, apartment rents increased by 6 percent to $817 from an average of $770 as of the second quarter of 2007. Rents by unit type averaged $618 for a studio, $732 for a one-bedroom apartment, $849 for a two-bedroom apartment, and $1,004 for a three-bedroom apartment.

The construction of new apartments, as measured by the number of multifamily units permitted, decreased to 4,200 units for the 12-month period ending August 2008, down 15 percent from the number permitted during the same period a year ago. Only 26 percent of the multifamily units currently under construction are conventional apartments; of the remaining units, 44 percent are condominiums and 30 percent are specialized housing, including assisted-living facilities, mixed-use buildings, and dormitories. Belmar Commons Apartments, located in Hillsboro, Oregon, is currently under construction and will begin leasing units in October 2008. Rents at the 62-unit complex will be $750 for a one-bedroom unit, between $925 and $965 for a two-bedroom/two-bathroom unit, and $1,065 for a three-bedroom unit. Other projects currently under construction include Laurelwood Park, a 139-unit independent- and assisted-living facility located in a seven-story building, and a 320-unit residence hall at the University of Portland.

Salt Lake City, Utah

The Salt Lake City metropolitan area, which encompasses Salt Lake, Summit, and Tooele Counties in north-central Utah, is bordered by Nevada to the west and Wyoming to the northeast. Salt Lake County accounts for more than 90 percent of the population of the metropolitan area. As the state capital, Salt Lake City is the hub of government activities and financial services. The University of Utah, which is located in Salt Lake City, enrolls more than 28,000 students, employs more than 16,000 people, and operates on an annual budget of more than $2 billion. Summit County, located east of Salt Lake County, is home to Park City Mountain Resort, the largest resort in the state. As of October 1, 2008, the population of the metropolitan area is estimated at 1.1 million; this figure represents an increase of nearly 20,000, or 2 percent, annually since the 2000 Census.

Economic conditions in the metropolitan area have been strong during the past 3 years, although the national slowdown has affected the local economy. During the 12 months ending August 2008, nonfarm employment averaged 645,700 jobs, up 2.2 percent, or nearly 14,000 jobs, compared with the number of jobs recorded during the previous 12-month period. The current rate of employment growth is down significantly from annual growth rates of more than 4 percent recorded during the same 12-month period in 2006 and 2007. Although all employment sectors are slowing, a few continue to account for most of the job growth in the area. During the 12-month period ending August 2008, the fastest growing sector was education and health services, which grew by 5.7 percent, or 3,400 jobs. Intermountain Healthcare, the leading private-sector employer in the area, with 17,000 employees, contributed to growth in this sector with the opening of the 1.5-million-square-foot Intermountain Medical Center, which employs 5,300 people, in late 2007. During the past 12 months, employment in the leisure and hospitality sector grew by 3.3 percent, or 1,900 jobs, as a result of a record number of skier visits and increased hotel occupancies in resort areas. Offsetting the modest growth in these sectors was the loss of nearly 1,125 jobs, or 2.3 percent, in the natural resources, mining, and construction sector. A significant decrease in residential construction activity accounted for most of the job losses, and a record level of nonresidential construction activity helped offset some of those losses. Other leading private-sector employers in the metropolitan area include Discover Financial Services and Delta Air Lines, Inc., with approximately 3,400 and 3,250 employees, respectively. During the past 12 months, the average unemployment rate increased from 2.6 to 3.1 percent.

The sales market for new homes is currently soft. Housing demand has declined as a result of the average home sales price rising by more than 50 percent since 2004 and tighter credit standards. According to NewReach, Inc., during the 12 months ending September 2008, sales of new single-family homes in Salt Lake and Tooele Counties totaled 1,750, down 52 percent from the number of homes sold during the same period a year ago. During the same period, the average price of new single-family homes declined by 4 percent to $390,800. Demand remains strongest for new single-family homes priced under $400,000. During the 12-month period ending September 2008, new townhome and condominium sales volume was down by 4 percent to slightly more than 1,000 units, although the average price increased by 5 percent to $265,100.

In response to an overall slowdown in home sales and an increased inventory of unsold homes, local home builders have reduced single-family home construction activity, as measured by the number of building permits issued. During the 12 months ending August 2008, the number of single-family homes permitted totaled 2,200, a nearly 60-percent decline compared with the number permitted during the same period last year and the lowest level of single-family permitting activity since the 1990s. Nearly 430 of the 700 homes currently under construction in the metropolitan area are located in southwestern Salt Lake County.

The market for existing homes is also soft. According to NewReach, Inc., during the 12-month period ending September 2008, nearly 9,100 existing single-family homes and 2,000 existing condominiums and townhomes were sold in Salt Lake and Tooele Counties. The number of sales in both counties is down nearly 30 percent from the number sold during the same period a year ago. During the same period, the average single-family home price remained relatively unchanged at $276,100, but the average condominium price increased by 6 percent to $188,300. During the 12 months ending June 2008, the Park City resort area of Summit County also experienced a slowing sales market. According to the Utah Association of REALTORS®, the Park City area recorded 600 existing single-family home sales, a decline of 30 percent compared with home sales during the 12 months ending June 2007; condominium sales of 625 were off by 14 percent. Despite the sharp downturn in sales, the average price of an existing single-family home in the Park City area increased by 15 percent to $1.1 million, and the average price of an existing condominium increased by 37 percent to $941,600. A lower level of sales volume in the metropolitan area and an increase in the number of listings resulted in a doubling of the average number of days homes remained on the market, from 30 to 60 during the past year.

Multifamily construction, as measured by the number of units permitted, decreased by 31 percent to 1,575 units in the metropolitan area during the 12 months ending August 2008. This level of multifamily construction is slightly below the annual average of 1,700 units that has occurred since 2000. The smaller decline in multifamily development, relative to the slowdown in single-family development, is the result of builders shifting from single-family production to apartment construction. According to the Bureau of Economic and Business Research at The University of Utah, during the most recent 12-month period, apartments accounted for 60 percent of the multifamily units permitted in the metropolitan area. In contrast, during the previous 12-month period, apartments accounted for only 25 percent of the total number of multifamily units permitted in the area.

The rental housing market in the metropolitan area is currently tight. Decreased demand for owner housing, combined with a limited supply of new apartments over the past 2 years, has contributed to the current tight market conditions. Salt Lake County contains more than 95 percent of the rental inventory in the metropolitan area. According to a survey published by EquiMark Properties, Inc., the July 2008 average apartment rental vacancy rate for Salt Lake County was 5.3 percent, up from the 4.5-percent rate recorded in July 2007. During the 12-month period ending June 2008, the average apartment rent increased by 10 percent to $790, up from the annual growth rate of 7 percent for the previous 12-month period. Large average rent increases have been supported by nearly 2 years of tight rental market conditions. A total of 1,600 apartment units currently are under construction and another 2,700 units are in the planning stages, with starts expected over the next 3 years. The current level of construction is in line with the average annual absorption rate that has been recorded since 2000, and markets are expected to remain tight.

Waco, Texas

The Waco metropolitan area, which encompasses McLennan County, is located approximately halfway between Dallas/Fort Worth and Austin along Interstate 35. The area is home to Baylor University, which had a total enrollment of 14,200 students during the fall 2007 semester. According to a 2008 study by Baylor's Center for Business and Economic Research, the university had an estimated economic impact of nearly $1.4 billion on the Waco area economy. As of September 1, 2008, the estimated population of the Waco metropolitan area was 230,300; this figure represents an average annual increase of 2,000, or 0.9 percent, since 2000. Slightly more than one-third of the population growth since 2000 has resulted from in-migration, as local businesses continue to create jobs at a moderate pace.

During the 12 months ending August 2008, employment in the Waco metropolitan area grew by 2,900 jobs, or 2.7 percent, but the unemployment rate remained relatively unchanged, declining by just 0.1 percentage point to 4.2 percent. After slowing briefly in late 2005, the rate of employment growth has increased consistently during the past 3 years. During the most recent 12-month period, employment growth occurred in various service-providing sectors. The fastest growing sector was professional and business services, up by 8 percent, or 700 jobs, partly due to the relocation and expansion of several businesses to the Waco area. Wardlaw Claims Service opened a new 42,000-square-foot headquarters and training center in May 2008, and Geochemical Technologies Corporation, a technical consulting firm, relocated to Waco from Denver, Colorado, in January 2008.

The education and health services sector gained 300 jobs during the 12 months ending August 2008. The sector includes the largest private-sector employers in the region: Baylor University, with 3,200 full-time faculty and staff; Providence Health Center, with 2,175 employees; and Hillcrest Health System, with 1,700 employees. Hillcrest Health System is currently constructing a $184 million medical complex that will contain a community hospital with a level II trauma center as well as a women's and children's hospital. The project is expected to add 300 jobs and be completed during 2009.

The sales housing market in the Waco metropolitan area was slightly soft as of September 1, 2008. According to the Real Estate Center at Texas A&M University, during the 12 months ending August

2008, the average sales price in the Waco area was $129,400, approximately 50 percent below the state average of $193,200. The sales price in the Waco area increased by 1 percent during the 12 months ending August 2008, following growth of more than 5 percent during the previous 12-month period. The level of unsold inventory remained relatively unchanged during the most recent 12 months at approximately 9 months of supply. During the 12 months ending August 2008, 2,350 new and existing homes were sold, down approximately 6 percent from the record-setting level of 2,500 homes sold during the previous 12-month period.

Builders responded to the decline in home sales by reducing single-family construction activity, as measured by the number of building permits issued. Based on the number of jurisdictions in the Waco metropolitan area that report permit activity monthly, the number of single-family permits issued declined by 27 percent, from 660 to 480, during the 12 months ending August 2008. Single-family construction activity peaked in 2004, when 740 permits were issued in those jurisdictions. Permit activity averaged 560 units annually from 2000 through 2006, when low interest rates and attractive financing terms coupled with employment and population growth resulted in increased demand for single-family homes in the area.

The level of multifamily construction, as measured by the number of multifamily units permitted in jurisdictions that report permit activity monthly, increased to 210 units during the 12 months ending August 2008, compared with 100 units permitted during the previous 12 months. Permitting levels are still lower than those recorded earlier in the decade. From 2000 through 2006, permits were issued for a total of 2,175 multifamily units, or an annual average of 310 units, in jurisdictions that report permit activity monthly. Two multifamily developments are currently under construction as part of the Waco Town Square project, a $75 million development in downtown Waco that will include retail space, restaurants, offices, and lofts. Heritage Quarters, a 144-unit, 374-bed student living facility that will serve Baylor University, is expected to be ready for occupancy in the fall of 2009. Austin Avenue Flats will feature 49 loft residences available for sale or lease; prices start at $109,900 for for-sale units and monthly rents start at $795 for rental units. Of those units, approximately 50 percent are currently reserved, and the residences are expected to be ready for occupancy in December 2008.

The rental housing market in the Waco metropolitan area is currently balanced. Increased demand for rental housing, partly due to tighter lending standards in the sales market, contributed to the balanced market conditions. According to data from the American Community Survey, the overall rental vacancy rate in the area declined from 13.8 percent in July 2005 to 7.4 percent in July 2007. Median gross monthly rents increased consistently during this period, from $620 in July 2005 to $720 in July 2007. The monthly rent figures represent an annual increase of approximately 8 percent.

Baylor University has a strong influence on the local rental housing market. In the summer of 2007, the university completed construction on Brooks Village, a $42.8 million, 252,000-square-foot residence hall and parking structure. Baylor currently houses approximately 4,800 students in a combination of traditional dormitory-style residence halls and on-campus apartment complexes that the university owns and operates. Many of the other approximately 14,000 students enrolled in the university live off campus in nearby apartments or condominiums.

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

HUD Region and State	2008 Through September			2007 Through September			Ratio: 2008/2007 Through September		
	Total	Single Family	Multi-family*	Total	Single Family	Multi-family*	Total	Single Family	Multi-family*
Connecticut	4,119	2,556	1,563	5,829	4,049	1,780	0.707	0.631	0.878
Maine	2,966	2,458	508	4,741	4,085	656	0.626	0.602	0.774
Massachusetts	7,917	4,094	3,823	11,283	6,491	4,792	0.702	0.631	0.798
New Hampshire	2,630	1,952	678	3,512	3,150	362	0.749	0.620	1.873
Rhode Island	820	640	180	1,436	1,094	342	0.571	0.585	0.526
Vermont	1,205	957	248	1,680	1,373	307	0.717	0.697	0.808
New England	**19,657**	**12,657**	**7,000**	**28,481**	**20,242**	**8,239**	**0.690**	**0.625**	**0.850**
New Jersey	15,461	7,106	8,355	18,891	10,326	8,565	0.818	0.688	0.975
New York	47,610	10,501	37,109	42,091	13,989	28,102	1.131	0.751	1.321
New York/New Jersey	**63,071**	**17,607**	**45,464**	**60,982**	**24,315**	**36,667**	**1.034**	**0.724**	**1.240**
Delaware	2,726	2,216	510	4,235	3,562	673	0.644	0.622	0.758
District of Columbia	494	231	263	1,862	544	1,318	0.265	0.425	0.200
Maryland	11,915	7,216	4,699	16,543	11,953	4,590	0.720	0.604	1.024
Pennsylvania	18,307	15,125	3,182	28,051	22,918	5,133	0.653	0.660	0.620
Virginia	21,945	16,393	5,552	28,939	24,566	4,373	0.758	0.667	1.270
West Virginia	2,546	1,906	640	3,036	2,890	146	0.839	0.660	4.384
Mid-Atlantic	**57,933**	**43,087**	**14,846**	**82,666**	**66,433**	**16,233**	**0.701**	**0.649**	**0.915**
Alabama	12,034	9,503	2,531	18,802	15,121	3,681	0.640	0.628	0.688
Florida	52,400	33,346	19,054	86,519	60,816	25,703	0.606	0.548	0.741
Georgia	29,157	21,127	8,030	59,890	44,946	14,944	0.487	0.470	0.537
Kentucky	8,455	5,382	3,073	11,467	9,030	2,437	0.737	0.596	1.261
Mississippi	8,668	5,931	2,737	13,445	8,939	4,506	0.645	0.663	0.607
North Carolina	46,837	34,139	12,698	66,357	55,393	10,964	0.706	0.616	1.158
South Carolina	21,847	17,082	4,765	31,769	26,415	5,354	0.688	0.647	0.890
Tennessee	17,523	13,424	4,099	29,145	23,532	5,613	0.601	0.570	0.730
Southeast/Caribbean	**196,921**	**139,934**	**56,987**	**317,394**	**244,192**	**73,202**	**0.620**	**0.573**	**0.778**
Illinois	18,541	10,400	8,141	34,366	20,356	14,010	0.540	0.511	0.581
Indiana	13,471	9,779	3,692	19,566	15,806	3,760	0.688	0.619	0.982
Michigan	8,686	7,297	1,389	15,104	12,978	2,126	0.575	0.562	0.653
Minnesota	8,660	6,841	1,819	14,261	11,428	2,833	0.607	0.599	0.642
Ohio	17,075	13,341	3,734	26,274	20,752	5,522	0.650	0.643	0.676
Wisconsin	12,964	8,688	4,276	16,764	13,135	3,629	0.773	0.661	1.178
Midwest	**79,397**	**56,346**	**23,051**	**126,335**	**94,455**	**31,880**	**0.628**	**0.597**	**0.723**
Arkansas	6,810	4,090	2,720	8,447	6,011	2,436	0.806	0.680	1.117
Louisiana	13,672	9,478	4,194	18,110	12,895	5,215	0.755	0.735	0.804
New Mexico	5,011	4,273	738	7,680	7,005	675	0.652	0.610	1.093
Oklahoma	7,996	6,644	1,352	11,674	9,486	2,188	0.685	0.700	0.618
Texas	108,661	66,396	42,265	139,016	96,362	42,654	0.782	0.689	0.991
Southwest	**142,150**	**90,881**	**51,269**	**184,927**	**131,759**	**53,168**	**0.769**	**0.690**	**0.964**
Iowa	5,819	4,509	1,310	8,518	6,620	1,898	0.683	0.681	0.690
Kansas	5,987	3,798	2,189	7,647	5,818	1,829	0.783	0.653	1.197
Missouri	10,128	6,138	3,990	15,502	11,197	4,305	0.653	0.548	0.927
Nebraska	5,468	3,954	1,514	5,812	5,208	604	0.941	0.759	2.507
Great Plains	**27,402**	**18,399**	**9,003**	**37,479**	**28,843**	**8,636**	**0.731**	**0.638**	**1.042**
Colorado	15,877	10,182	5,695	23,978	17,660	6,318	0.662	0.577	0.901
Montana	2,144	1,760	384	3,742	2,831	911	0.573	0.622	0.422
North Dakota	2,339	1,351	988	2,364	1,668	696	0.989	0.810	1.420
South Dakota	3,514	2,593	921	4,168	3,030	1,138	0.843	0.856	0.809
Utah	8,727	6,167	2,560	18,053	14,915	3,138	0.483	0.413	0.816
Wyoming	2,131	1,667	464	2,464	2,263	201	0.865	0.737	2.308
Rocky Mountain	**34,732**	**23,720**	**11,012**	**54,769**	**42,367**	**12,402**	**0.634**	**0.560**	**0.888**
Arizona	21,722	15,507	6,215	41,949	32,985	8,964	0.518	0.470	0.693
California	50,026	26,396	23,630	86,658	55,694	30,964	0.577	0.474	0.763
Hawaii	3,360	2,172	1,188	5,833	3,652	2,181	0.576	0.595	0.545
Nevada	12,277	6,242	6,035	19,300	13,565	5,735	0.636	0.460	1.052
Pacific	**87,385**	**50,317**	**37,068**	**153,740**	**105,896**	**47,844**	**0.568**	**0.475**	**0.775**
Alaska	770	581	189	1,400	810	590	0.550	0.717	0.320
Idaho	6,283	5,637	646	10,681	8,792	1,889	0.588	0.641	0.342
Oregon	10,515	6,825	3,690	18,386	13,621	4,765	0.572	0.501	0.774
Washington	23,708	14,769	8,939	36,244	24,581	11,663	0.654	0.601	0.766
Northwest	**41,276**	**27,812**	**13,464**	**66,711**	**47,804**	**18,907**	**0.619**	**0.582**	**0.712**
United States	**749,924**	**480,760**	**269,164**	**1,113,484**	**806,306**	**307,178**	**0.673**	**0.596**	**0.876**

*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	2008 Through September		
		Total	Single Family	Multifamily*
35620	New York-Northern New Jersey-Long Island, NY-NJ-PA	47,960	7,038	40,922
26420	Houston-Sugar Land-Baytown, TX	35,757	24,213	11,544
19100	Dallas-Fort Worth-Arlington, TX	31,209	15,189	16,020
12060	Atlanta-Sandy Springs-Marietta, GA	17,628	11,363	6,265
38060	Phoenix-Mesa-Scottsdale, AZ	15,489	10,066	5,423
16980	Chicago-Naperville-Joliet, IL-IN-WI	14,010	6,683	7,327
42660	Seattle-Tacoma-Bellevue, WA	13,222	5,529	7,693
31100	Los Angeles-Long Beach-Santa Ana, CA	12,403	3,831	8,572
12420	Austin-Round Rock, TX	11,598	6,943	4,655
47900	Washington-Arlington-Alexandria, DC-VA-MD-WV	11,331	7,296	4,035
29820	Las Vegas-Paradise, NV	10,838	5,182	5,656
16740	Charlotte-Gastonia-Concord, NC-SC	10,264	6,326	3,938
39580	Raleigh-Cary, NC	10,224	5,857	4,367
36740	Orlando-Kissimmee, FL	8,935	4,512	4,423
37980	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	8,259	5,471	2,788
41700	San Antonio, TX	8,104	4,930	3,174
40140	Riverside-San Bernardino-Ontario, CA	7,569	5,040	2,529
45300	Tampa-St. Petersburg-Clearwater, FL	7,557	4,313	3,244
19740	Denver-Aurora, CO	6,953	3,369	3,584
38900	Portland-Vancouver-Beaverton, OR-WA	6,910	3,669	3,241
33100	Miami-Fort Lauderdale-Miami Beach, FL	6,635	2,899	3,736
14460	Boston-Cambridge-Quincy, MA-NH	6,390	2,652	3,738
34980	Nashville-Davidson--Murfreesboro, TN	6,015	4,804	1,211
27260	Jacksonville, FL	5,990	4,318	1,672
41860	San Francisco-Oakland-Fremont, CA	5,844	1,820	4,024
26900	Indianapolis, IN	5,508	3,660	1,848
41180	St. Louis, MO-IL	4,785	3,915	870
12580	Baltimore-Towson, MD	4,656	2,612	2,044
28140	Kansas City, MO-KS	4,628	2,324	2,304
41740	San Diego-Carlsbad-San Marcos, CA	4,597	1,816	2,781
33460	Minneapolis-St. Paul-Bloomington, MN-WI	4,568	3,380	1,188
47260	Virginia Beach-Norfolk-Newport News, VA-NC	4,415	2,744	1,671
40900	Sacramento--Arden-Arcade--Roseville, CA	4,368	3,059	1,309
35380	New Orleans-Metairie-Kenner, LA	4,128	2,253	1,875
40060	Richmond, VA	3,938	3,377	561
16700	Charleston-North Charleston, SC	3,815	3,095	720
36540	Omaha-Council Bluffs, NE-IA	3,814	2,616	1,198
17900	Columbia, SC	3,714	2,927	787
17140	Cincinnati-Middletown, OH-KY-IN	3,588	2,778	810
48900	Wilmington, NC	3,440	2,818	622
18140	Columbus, OH	3,382	2,145	1,237
36420	Oklahoma City, OK	3,321	3,008	313
46140	Tulsa, OK	3,151	2,419	732
12940	Baton Rouge, LA	3,075	1,934	1,141
13820	Birmingham-Hoover, AL	3,075	2,092	983
31140	Louisville, KY-IN	3,075	2,155	920
32580	McAllen-Edinburg-Mission, TX	3,036	2,589	447
46060	Tucson, AZ	3,029	2,430	599
21340	El Paso, TX	3,022	2,124	898
41620	Salt Lake City, UT	2,989	1,523	1,466

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