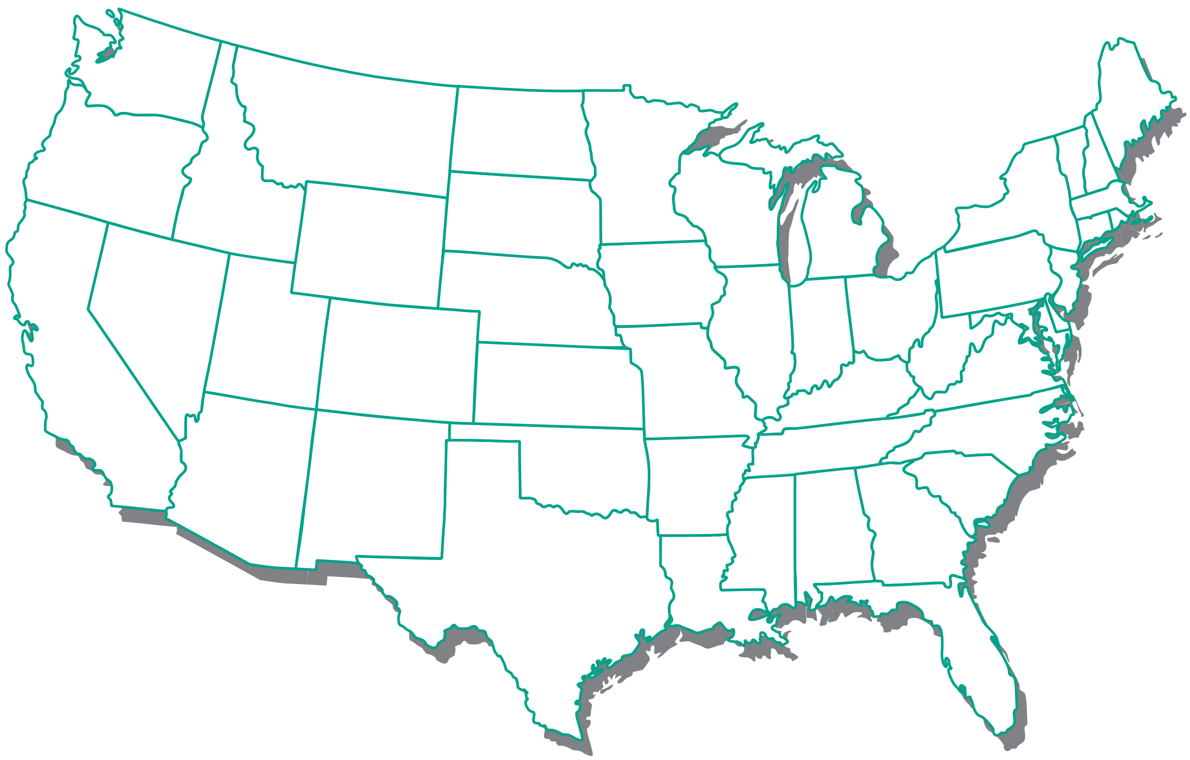
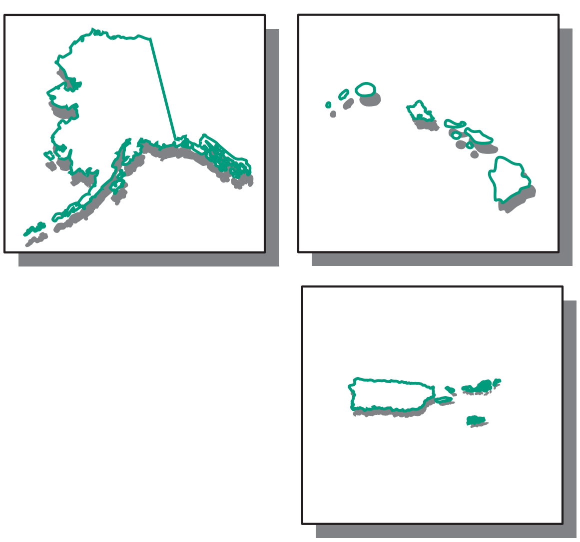
Regional Activity

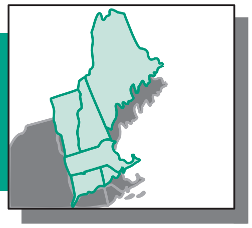




The following summaries of housing market conditions and activities have been prepared by economists in the U.S. Department of Housing and Urban Development's (HUD's) field offices. The reports provide overviews of economic and housing market trends within each region of HUD management. Also included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



During the 12 months ending March 2006, nonfarm employment in the New England region averaged 6.9 million jobs, an increase of 44,300 jobs, or 0.6 percent, from the 12 months ending March 2005. Massachusetts led the region with almost 19,000 jobs created, primarily in the professional and business services and educational and health services sectors. The job total for New Hampshire increased by 1.1 percent, nearly twice the rate for the region, with 7,000 jobs gained primarily in the same sectors. After making some gains in 2005 from 2004, goods-producing industries in the region declined by 9,600 jobs during the 12 months ending March 2006. Gains in construction have been more than offset by the loss of manufacturing jobs. Only Vermont was able to maintain a flat level of manufacturing jobs. During the 12 months ending March 2006, service-providing industries throughout the region gained almost 54,000 jobs, an increase of 0.9 percent, with all states registering gains. Massachusetts had the greatest increase of service-providing jobs, at 22,300. Increases in Connecticut and New Hampshire, at 15,600 and 7,700 jobs, respectively, however, were considerably higher than their respective shares of total service-providing jobs in the region, at 24 percent and 9 percent, respectively. Overall, New England continued to lag the nation and all other regions in the rate of job growth.

The unemployment rate in New England remained relatively unchanged from a year ago. During the 12 months ending March 2006, the average unemployment rate was 4.8 percent, down from 4.9 percent during the previous 12 months. Vermont and New Hampshire had the lowest average rates of unemployment in the region, at 3.4 percent and 3.6 percent, respectively. The unemployment rate increased only in Maine during the 12-month period, from 4.6 percent to 4.8 percent.

According to the Census Bureau, as of July 2005, an estimated 14.2 million people resided in the New England region, an increase of 18,000 people since July 2004 and 317,200 people, or 2.3 percent, since April 2000. New Hampshire had the highest rate of growth, at 6 percent, between 2000 and 2005 as Massachusetts residents continued to migrate to southern and coastal New Hampshire counties due, in part, to the lack of a state income tax. Massachusetts lost population during the 2 years between July 2003 and July 2005. Massive job losses in the early part of the decade and significantly increasing housing costs have led to out-migration to higher growth areas, particularly to southern and western states. Rhode Island also lost population between 2004 and 2005.

The number of single-family homes permitted in the region during the 12 months ending March 2006 was virtually flat at 41,500 units, an increase of fewer than 200 units. For the most part, gains in the number of permits issued for the construction of single-family housing in Massachusetts and Vermont, at 6 percent and 5 percent, respectively, were offset by decreases in single-family housing permits in the other four states. Maine, New Hampshire, and Rhode Island had small declines, but the total number of single-family units permitted in Connecticut decreased by more than 600 units, or 0.7 percent, to 8,400 units. Local sources indicate that increases in the cost of land, recent significant increases in the cost of building materials, and shortages of skilled labor in the region may begin to affect the level of housing construction in the near future.

Although the sales market for existing single-family homes has been strong throughout the region, increased interest rates and previously higher levels of appreciation have begun to slow sales and moderate gains in home sales prices. In Massachusetts, total home sales for the 12 months ending March 2006 declined by about 5 percent to approximately 48,350 units, according to the Massachusetts Association of REALTORS® (MAR). The median home sales price for this period increased by 4 percent to $359,650. The Maine Real Estate Information System, Inc., reports that total home sales for the 12 months ending March 2006 were down 1 percent to 14,440 units and the median sales price was $192,260, up 8 percent but down from the average annual appreciation rate of 11 percent since 2000. The Rhode Island Association of REALTORS® reported that during the first quarter of 2006 single-family home sales were down 12.5 percent to 1,600 units compared with the first quarter of 2005. The median sales price increased 16 percent to $280,000 during the first quarter of 2006, considerably higher than the average annual appreciation rate of 10 percent since 2000.

The condominium market continues to post strong sales, but a rising inventory of units for sale, recent appreciation levels, and rising interest rates have begun to slow activity. The MAR reports that condominium sales in Massachusetts were up 11 percent to 23,130 units during the past 12 months and that the median sales price was up 5 percent to $277,600. According to Listing Information Network, Inc., in the first quarter of 2006, condominium sales in downtown Boston were down 1 percent and the median sales price held steady at $455,000 compared with the first quarter of 2005. Condominium sales in Rhode Island slowed by 18 percent in the first quarter of 2006, but the median price rose 21 percent to $230,000 compared with the first quarter of 2005.

Sales of multifamily properties, 2-4 unit buildings, in Massachusetts decreased to 7,980 in 2005 from 9,400 in 2004, a 15-percent decline. The median selling price increased by 17 percent to $369,900. The decline in sales of multifamily properties, a popular resource for condominium conversions, is a direct result of the current increased inventory of for-sale condominiums on the market. The MLS Property Information Network reports that more than 6,500 condominium units were on the market at the end of 2005, almost twice the total for the previous year.

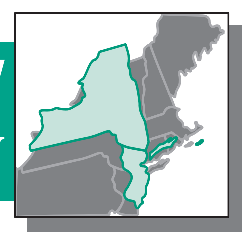
According to the Office of Federal Housing Enterprise Oversight (OFHEO), price appreciation in New England was 9.9 percent for the fourth quarter of 2005 compared with the fourth quarter of 2004. This rate of appreciation has been in a downward trend since its recent peak of 14.9 percent in the third quarter of 2004.

During the 12 months ending March 2006, multifamily building activity in the region, as measured by units permitted, was up almost 5 percent, totaling more than 16,100 units. More than 75 percent of those units were built in Massachusetts and Connecticut, where units totaled 9,100 and 3,150, respectively. The number of multifamily units permitted in Rhode Island almost doubled to 1,300 as a result of several projects permitted in downtown Providence. Multifamily building activity was down by about one-third in both New Hampshire and Vermont, where units permitted totaled 1,250 and 500, respectively. With 7,900 units permitted, multifamily building activity in the Boston-Cambridge-Quincy, Massachusetts-New Hampshire metropolitan area represents almost 50 percent of the units authorized in the region for the 12-month period ending March 2006.

Rental markets in New England generally have improved during the past year. Data recently released by the Census Bureau indicates that the 2005 average rental vacancy rate for states in the region was 6.5 percent compared with 6.7 percent in 2004. This rental vacancy rate is the second lowest in the nation; the New York/New Jersey region has the lowest rate. Vermont, at 4.4 percent, and New Hampshire, at 5.1 percent, rank first and second in the nation in terms of rental vacancy rates.

In the Boston metropolitan area, Reis, Inc. reported that the rental vacancy rate was 5.1 percent in the first quarter of 2006, down from 5.4 percent a year earlier. Despite this decrease, it is anticipated that the 8,200 rental units expected to be completed during 2006 and 2007 will result in a higher vacancy rate. The average asking rent in Boston increased 1.7 percent to $1,583 between the first quarter of 2005 and the first quarter of 2006. This is the second year of moderate rent increases after 2 years of declines. Reis, Inc., indicates that the rental vacancy rate in the Hartford, Connecticut metropolitan area was 5.0 percent in the first quarter of 2006, unchanged from a year ago. A series of new, upscale residential projects are under construction and planned in downtown Hartford. More than 1,000 units will enter the market during the next few years in a continuing effort to revitalize the downtown Hartford residential real estate market. The Burlington, Vermont metropolitan area rental market continues to be tight. Local sources indicate the rental vacancy rate is about 2.5 percent as a result of the continually strong labor market and limited additions to rental unit inventory. The Fairfield County, Connecticut rental market also remains tight, with a vacancy rate of 3.5 percent in the first quarter of 2006. According to Reis, Inc., more than 1,500 new rental units are expected to enter the market during 2006 and 2007. Even though this market is usually supply constrained, the asking rent increased only 2.1 percent during the past year.

NEW YORK/ NEW JERSEY



The New York/New Jersey region benefited from moderate employment growth and favorable housing market conditions through the first quarter of 2006. During the 12-month period ending March 2006, total nonfarm employment increased by 114,500, or 0.9 percent, to 12.5 million jobs. In New York, 67,400 jobs were added, an increase of 0.8 percent to 8.5 million jobs, while in New Jersey 47,100 jobs were created, a

1.2-percent net gain to 4 million jobs. In both states, job growth in service-providing sectors, including leisure and hospitality, educational and health services, and financial activities, offset losses in the manufacturing sector.

The strongest employment growth occurred in New Jersey and Downstate New York. During the 12-month period ending March 2006, nonfarm employment increased in all downstate metropolitan areas, ranging from 0.5 percent in the Kingston, New York metropolitan area to 1.0 percent in the Poughkeepsie-Newburgh-Middleton, New York metropolitan area. Aggregate employment also increased between 1 and 2 percent in most metropolitan areas in New Jersey, continuing the growth trend of the last 3 years. In the 12-month period ending March 2006, the strongest employment growth was in the Atlantic City and Trenton-Ewing, New Jersey metropolitan areas, where total nonfarm employment increased by 1.7 and 1.9 percent, respectively. Employment growth occurred in all other metropolitan areas in New Jersey except for Ocean City and Newark-Union, which remained relatively stable. In Upstate New York, employment increased by 1 percent or less in the Albany-Schenectady-Troy, Syracuse, and Utica-Rome metropolitan areas. Conversely, total nonfarm employment declined in the Binghamton, Buffalo-Niagara Falls, Elmira, and Rochester metropolitan areas.

Significant employment growth occurred in New York City (NYC) due to an expanding service-providing sector, especially the financial activities and the professional and business services sectors. During the 12-month period ending March 2006, 50,700 total jobs were created, a 1.4-percent increase to 3.6 million jobs. NYC employment increased because of an improving stock market and gains in the securities industry. Increases in tourism and healthy real estate market conditions also contributed to employment growth.

During the 12-month period ending March 2006, the average annual unemployment rate in New York State decreased from 5.5 percent to 4.9 percent compared with a year earlier. Similarly, in New Jersey, the average annual unemployment rate declined from 4.7 percent to 4.4 percent during the same period.

For the past 2 years, favorable economic conditions and low residential mortgage interest rates have contributed to exceptionally strong residential activity. According to the New York State Association of REALTORS®, the median sales price of a single-family home increased 11 percent to $255,000 between 2004 and 2005. In 2005, the level of home sales set a record of 105,000 units, representing a 2-percent increase above the previous year's high sales volume. According to the New Jersey Association of REALTORS®, the median sales price of a single-family home increased 10 percent to $344,300. In Northern New Jersey, the most expensive area of the state, the median sales price of a single-family home increased 11 percent to $427,900. In Southern New Jersey, the median sales price increased 21 percent to $220,000. Annual home sales in New Jersey decreased 2 percent to 184,600 units during 2005. The number of sales transactions declined in all three major geographic areas of the state, ranging from decreases of 2,100 units in Northern New Jersey and 1,800 units in Central New Jersey to a negligible 200 units in Southern New Jersey.

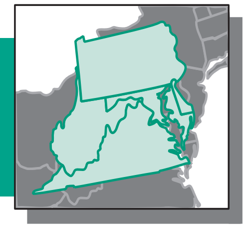
Wall Street bonuses and strong employment growth in NYC promoted housing sales price inflation in Manhattan. According to Prudential Douglas Elliman, Inc., in the first quarter of 2006 the median sales price of a Manhattan apartment increased by 9 percent to $825,000 from the first quarter of 2005. Sales were oriented toward the larger two-, three-, and four-bedroom units, resulting in a large median sales price increase. Home sales activity declined approximately 1 percent to 2,000 units, while both the time units spent on the market and the listing inventory increased. During the first quarter of 2006, for-sale units in Manhattan remained on the market for an average of 138 days, an increase of 44 days from the first quarter of 2005. The number of units currently available for sale increased 15 percent from 6,000 units to 6,900 units. The increased inventory, along with the housing units currently under construction (especially condominium developments), should help create a more balanced home sales market in NYC.

Conditions in the Upstate New York sales housing markets improved during the first quarter of 2006, compared with the fourth quarter of 2005. According to the Greater Capital Association of REALTORS®, during the 12-month period ending March 2006, sales of existing single-family homes in the Albany-Schenectady-Troy metropolitan area declined by 5 percent to 9,650 units compared with the previous 12 months. During this period, the median sales price increased an estimated 12 percent to $184,000. Buffalo-Niagara Association of REALTORS® data indicated that 10,650 homes were sold in the Buffalo metropolitan area during the 12-month period ending March 2006, a 4-percent increase from a year ago. During the same period, the median sales price of single-family homes and condominium units increased by approximately 4 percent to $97,100. In the first quarter of 2006, total sales increased 7 percent to 2,550 units, but new residential listings were up 23 percent, increasing the available inventory and easing market conditions. In the Rochester metropolitan area, single-family home sales increased 3 percent during the first quarter of 2006. During this period, the sales price of an existing home in the area increased by approximately 3 percent to $104,400. Price inflation is expected to remain low in the Rochester area because of a significant increase in the available inventory and a weak local economy.

Residential construction activity in the New York/New Jersey region, as measured by building permits, continued at a strong pace through the first quarter of 2006. During the 12-month period ending March 2006, homebuilding activity increased 6 percent from approximately 92,000 units to 97,300 units. During this period, the number of units permitted increased by 6 percent to 61,200 units in New York and by 6 percent to 36,100 units in New Jersey. During the 12-month period ending March 2006, the number of single-family homebuilding permits issued in the region remained stable at 45,300 units. In New Jersey, the number of single-family homebuilding permits issued decreased by 1,150 units, a 5-percent decline, which was offset by an increase of 1,100 permits for single-family homes, or 5 percent, issued in New York State. Total residential construction activity in the region increased as a result of higher levels of multifamily housing activity, which rose by approximately 12 percent to almost 52,000 units.

Tight rental markets and increasing apartment rents currently exist in NYC and both Central and Northern New Jersey. More balanced market conditions, with lower rent appreciation, exist in Upstate New York. Preliminary first quarter 2006 Reis, Inc., data indicated strong absorption of apartment units and low vacancy rates in NYC and in Central and Northern New Jersey. During the first quarter of 2006, average asking monthly rents in NYC rose to $2,430, a 5-percent increase, and the apartment vacancy rate was only 3 percent. During this period, average annual apartment rents in Central and Northern New Jersey increased by less than 1 percent, with vacancy rates of approximately 4 percent. The more affordable Upstate New York metropolitan areas of Buffalo, Syracuse, and Rochester were characterized by average monthly apartment asking rents ranging from $625 in Syracuse to $660 in Rochester. Through 2005, annual average apartment vacancy rates were balanced in all three metropolitan areas, ranging from 5 to 6 percent; apartment rent increases during this period were limited.

Mid-Atlantic



Nonfarm employment in the Mid-Atlantic region averaged 13.8 million during the 12 months ending March 2006, an increase of 207,100 jobs, or 1.5 percent, compared with the same period ending March 2005. Gains were reported in all states in the region with the most significant increase in Virginia, where 82,800 jobs were added. Employment in the professional and business services sector increased by 25,900 in the state, with approximately two-thirds of those jobs located in the Northern Virginia suburbs of the Washington, D.C. metropolitan area. Employment growth in Pennsylvania totaled 61,900, with almost half of the new jobs, or 31,000, being in the educational and health services sector. Pennsylvania also accounted for 55 percent of the total regional gain in employment in the educational and health services sector, compared with 47 percent during the 12-month period ending March 2005.

The unemployment rate in the Mid-Atlantic region for the 12 months ending March 2006 was 4.2 percent, down from 4.7 percent reported a year ago. Rates declined in all of the states in the region except Delaware, where the rate remained stable at 4.1 percent. The labor market of the Northern Virginia suburbs in the Washington, D.C. metropolitan area is one of the strongest in the nation due in part to the large number of federal and federal-support jobs. The 2.5-percent unemployment rate in those suburbs contributed to the state having the lowest rate, at 3.4 percent, of all of the states in the region. The average unemployment rate in the District of Columbia fell from 7.5 percent for the 12 months ending March 2005 to the current rate of 6.0 percent.

According to the Census Bureau, the population of the Mid-Atlantic region increased by 988,300 to 28,808,400 as of July 2005, a 3.6-percent increase since April 1, 2000. All states in the region reported population growth, but the highest rates were in Delaware and Virginia, where population increased by 7.6 and 6.9 percent, respectively. The population increase in Virginia since the 2000 Census was the 11th highest among all states in the nation, with almost half the growth in the state attributed to net in-migration.

Continued economic growth kept the demand for existing homes strong in the Mid-Atlantic region, but the record sales pace of the past 2 years is easing as buyers adjust to increases in interest rates. According to the Maryland Association of REALTORS®, the average monthly inventory of homes for sale during the 12 months ending March 2006 rose to 22,100 homes, 60 percent more than the monthly average during the same period ending in 2005. Approximately 97,200 existing homes were sold in Maryland between April 1, 2005, and March 31, 2006, a decrease of 4 percent compared with the 101,100 homes sold during the 12-month period ending March 2005. The average price rose slightly more than 13 percent to $341,746. In the Baltimore metropolitan area, almost 43,500 homes were sold at an average price of $293,851, reflecting a 2.5-percent decrease in sales but a 15-percent increase in price since March 2005.

The Virginia Association of REALTORS® reported approximately 134,963 existing home sales during the 12 months ending March 2006, 3 percent fewer than the number of homes sold during the 12 months ending March 2005. During the 12-month period ending March 2006, the average home price was $265,666, which is 13 percent greater than a year ago. The number of sales in the Northern Virginia suburbs of the Washington, D.C. metropolitan area declined by almost 12 percent during the year, and the average number of days that homes remained on the market rose from 21 to 34. During the 12 months ending March 2006, the average price of a home in Northern Virginia increased almost 9 percent to $529,718. During this same period, the average price of an existing home in the Richmond, Virginia metropolitan area rose almost 5 percent to $224,380 and the number of sales declined by less than 1 percent to 16,315 homes.

Existing home sales activity in the remainder of the Mid-Atlantic region remained strong through the end of 2005 (the most recent data available). The NATIONAL ASSOCIATION OF REALTORS® reported sales of approximately 254,500 homes in Pennsylvania, 38,400 in West Virginia, and 19,300 in Delaware. Sales in these states exceeded the number of homes sold during 2004 by 3, 7, and 2 percent, respectively.

Homebuilding activity, as measured by single-family building permits, continued at a relatively high pace in most of the states in the Mid-Atlantic region, with increased production outside the larger metropolitan areas in the nonmetropolitan fringe and the smaller metropolitan areas. Building permits were issued for approximately 125,550 homes during the 12 months ending March 2006, an increase of almost 6 percent over the number issued during the same period ending in 2005. The largest increase in single-family activity occurred in Pennsylvania, where permits were issued for 39,000 homes, 10 percent more than in the comparable period ending in 2005. High levels of activity also continued in Virginia and Maryland, where permits issued increased by 1,900 and 1,800, respectively. During the 12 months ending March 2006, activity in the largest metropolitan areas in the region was relatively unchanged from activity during the period ending March 2005 with the exception of Richmond, where the number of permits issued increased by 8 percent to approximately 8,800 homes, and Baltimore, where the number increased from 7,750 to 8,650. In the Washington, D.C. metropolitan area, the 24,100 permits issued represented a 9-percent decline from the previous 12 months as developers sought more affordable tracts of land outside the borders of the metropolitan area.

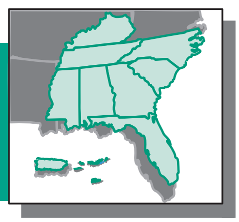
Multifamily building permit activity in the region declined by almost 3,600 units, or 12 percent, during the 12 months ending March 2006. Increased numbers of units permitted were reported only in Delaware, where permits were issued for 400 more units than the 900 issued in the comparable period ending in 2005, and in the District of Columbia, where the 3,000 units permitted was an increase of almost 1,150 over the number issued in the 12 months ending March 2005. At least half of the new multifamily permits issued in the District of Columbia are estimated to be for condominium development. During the 12 months ending March 2006, activity in the largest metropolitan areas in the region exceeded that of the previous period only in the Washington, D.C. area, where permits for approximately 10,950 units were issued.

Rental apartment vacancy rates remain low throughout most of the mid-Atlantic region, but conditions in certain submarkets of Baltimore and Philadelphia have softened during the past 12 months. In the Baltimore metropolitan area, Delta Associates reported that vacancy rates increased in both the northern suburbs and the city of Baltimore from 2.1 and 3.3 percent, respectively, in March 2005 to 2.8 and 4.3 percent, respectively, in March 2006. Conditions tightened in the apartment market in the southern suburbs and contributed to an overall reduction in the metropolitan area's vacancy rate, which fell from 3.3 to 3.0 percent during the year.

Overall, the apartment vacancy rate for the Philadelphia metropolitan area increased from 3.3 to 3.7 percent during the 12-month period. Vacancy rates in the Pennsylvania suburbs of the Philadelphia metropolitan area rose from 3.2 percent in March 2005 to the current rate of 4.3 percent, according to Delta Associates. In the New Jersey suburbs, vacancy rates declined from 2.9 to 2.2 percent and, in Center City Philadelphia, vacancy rates in Class A highrise properties remained stable at 3.9 percent.

The rental market continued to tighten in the Washington, D.C. metropolitan area. According to Delta Associates, the vacancy rate for Class A apartments in the metropolitan area declined from 3.1 percent in March 2005 to the current rate of 2.3 percent. The vacancy rate for Class A highrise units in the District of Columbia was 2.9 percent, unchanged from a year ago.

Southeast/ Caribbean



Following 3 years of contraction during the early 2000s, the economy of the Southeast/Caribbean region continued its 2-year expansion during the first quarter of 2006. Total nonfarm employment increased by 610,500 jobs, or 2.4 percent, to 26,424,200 for the 12 months ending March 2006. Most of the increase in jobs resulted from growth in the service-providing sector, which now accounts for almost 83 percent of nonfarm employment. The professional and business services, educational and health services, and leisure and hospitality sectors accounted for a combined 294,800 new service-providing jobs during the past 12 months. In the goods-producing sector, strong growth in construction employment of 92,500 jobs offset a decrease of 21,800 manufacturing jobs.

All eight states in the region recorded gains in nonfarm employment, including Mississippi, where a small increase was reported despite extensive damage from Hurricane Katrina. In Mississippi, significant gains were reported in sectors contributing to the rebuilding efforts, including construction and professional and business services. Other sectors, such as manufacturing and leisure and hospitality, declined because of damage to plants, casinos, and resort hotels near the Gulf Coast. To support a rapidly increasing population, largely as a result of significant net in-migration, Florida continued to record strong employment growth across a broad spectrum of sectors and accounted for half of the new nonfarm jobs added in the region. Construction contributed to the 6.5-percent growth in the goods-producing sector in the state with a gain of 57,000 jobs. In the service-providing sector, the professional and business services and the leisure and hospitality sectors had increases of 75,600 and 30,900 jobs, respectively.

The expanding economy during the past 2 years led to a small decrease in the unemployment rate in the region from 5.5 percent to 5.2 percent during the 12-month period ending March 2006. Strong employment growth in Alabama and Florida produced full percentage point decreases in rates to 3.8 percent and 3.5 percent, respectively. Unemployment in Mississippi increased 1.5 percentage points to 8.2 percent during the past 12 months because of the impact of Hurricane Katrina.

Homebuilding activity in the eight states continued to expand since a brief contraction at the beginning of the current decade. Building permits were issued for 521,600 single-family homes during the 12 months ending March 2006, an increase of 10 percent from a year ago. Increases were reported in all states in the region, except for Kentucky, where 1,750 fewer permits were issued. Florida accounted for 45 percent of the increase in building permit activity. In South Carolina, single-family home permits increased by 23 percent, due in large part to a substantial increase in single-family home construction in the Myrtle Beach metropolitan area.

Rising mortgage interest rates have impacted home sales markets to varying degrees. Rapid sales and escalating prices occurred in some areas while other markets recorded fewer sales, rising inventories, and lower price increases. According to data from the Florida Association of REALTORS®, sales of single-family homes statewide decreased by 9,650, or 4 percent, during the 12-month period ending March 2006 compared with the previous year. Comparisons of first quarter sales for 2005 and 2006 show an even greater decline of 20 percent. Data from the Greater Tampa Association of REALTORS® indicated a 9-percent increase in home sales for the past 12 months but a 7.5-percent decrease when first quarter 2006 sales are compared with first quarter 2005 sales. Home sales for the Orlando metropolitan area showed accelerated growth during the first quarter. The 10-percent increase from the first quarter of 2005 to the first quarter of 2006 exceeded the 7-percent increase reported during the past year. Rising inventories, however, were reported in both areas. In the Orlando area, the first quarter 2006 average existing home inventory was more than four times the level of a year ago. The large inventories are expected to slow price increases.

In Alabama, strong labor market conditions, particularly in activities related to the growing automobile assembly presence, have given a boost to the residential real estate market. Sales of existing homes increased 10 percent during the 12 months ending February 2006 to 60,600, compared with 55,000 for the same period a year earlier, according to the Alabama Real Estate Research and Education Center. Statewide, the median sales price for existing homes increased by 14 percent. Double-digit price increases were reported on the Gulf Coast, including Mobile and adjacent Baldwin County. Home price increases have also been very strong in Calhoun and Russell Counties because of the large transportation equipment manufacturing industry.

Favorable economic conditions and a robust second-home market produced strong sales growth in South Carolina and North Carolina. Based on data from the South Carolina Association of REALTORS®, the number of homes sold increased by 18 percent to 73,700 during the 12-month period ending March 2006. Sales of vacation and investment homes contributed to a 27-percent increase in sales in the Coastal Carolinas area that includes Myrtle Beach, North Myrtle Beach, Conway, and Georgetown. The North Carolina Association of REALTORS® reported 136,800 existing homes were sold during the past 12 months, an increase of 15 percent. The average sales price increased by 6.6 percent to $210,600. Reflecting strong employment growth, Charlotte led the three largest metropolitan areas of the state in existing home sales with a 20-percent increase to 40,400. Sales of new and existing homes in Raleigh increased 18 percent to 36,100.

Of the three largest Tennessee metropolitan areas, Knoxville recorded the fastest rate of growth in single-family home sales during the past 12 months. The number of homes sold in Knoxville increased by 14 percent to 17,650. In Nashville, the increase was 8 percent to 39,800 homes sold, while in Memphis the increase was 12 percent to 18,300 homes sold. Reflecting their increasing popularity, sales and prices of condominiums are increasing at faster rates than single-family homes in Memphis and Nashville as new developments are completed. In Memphis, condominium sales increased 39 percent while their median sales price increased 12 percent during the past year. In Nashville, the corresponding rates of increase were 14 percent and 13 percent, respectively. In the downtown areas of Memphis and Nashville, an estimated 2,855 and 1,500 condominium units, respectively, have recently been completed, are under construction, or are planned.

Multifamily construction, as measured by building permits, grew at a modest pace during the past 12 months, although activity in local markets varied substantially. The number of multifamily housing units permitted in the region increased by 2,725, or 2 percent, to 129,800 during the 12 months ending March 2006. The active Orlando metropolitan area had a 44-percent increase, while the Atlanta market declined by 20 percent.

Most major metropolitan apartment markets in the region showed continued strengthening during the first quarter of 2006. According to surveys prepared by Reis, Inc., vacancy rates decreased in 14 of the 17 market areas surveyed compared with the first quarter of 2005. Rapid economic and population growth combined with conversions of apartments to condominiums have produced extremely tight markets in Florida. M/PF YieldStar reports a 1.6-percent apartment vacancy rate for the Miami metropolitan area as of the first quarter of 2006 and an increase in average rent of 9 percent since last year. The company reported in its fourth quarter 2005 survey that 10,000 rental units in Miami-Dade County and 17,000 rental units in Broward County were converted to condominiums during 2005 alone. Several South Florida apartment properties that were originally purchased with the intent to convert to condominiums are reported to have reverted to rental properties because of the strong market.

Strong absorption aided by restrained production resulted in a decrease in the vacancy rate for the Atlanta area apartment market. M/PF YieldStar reported the vacancy rate fell from 8.4 percent during the first quarter of 2005 to 5.6 percent during the first quarter of 2006. The market absorbed 16,800 units for the year ending March 2006 while 6,025 units were placed in service. Particularly strong absorption was reported for the central submarkets located within the Interstate Route 285 perimeter. Despite the 2.8-percentage point decline in vacancy rate, rent increases were minor and concessions remained prevalent. During the past year, the effective rent increased by 1 percent to $777, and 56 percent of the properties surveyed still offered discounts.

MIDWEST

Economic conditions in the Midwest region improved moderately during the first quarter of 2006. Nonfarm employment for the 12 months ending March 2006 rose by 0.7 percent to an average 24.2 million, an increase of 159,100 jobs compared with the previous 12-month period. Gains in the educational and health services, leisure and hospitality, and professional and business services sectors offset losses in the manufacturing and information sectors. All states in the region except Michigan recorded net job gains for the 12 months ending March 2006 compared with the previous 12 months. The gains ranged from 0.5 percent in Ohio to about 1 percent in the remaining four states. The Michigan economy has not recovered from the economic slowdown of the early 2000s. The average unemployment rate in the region declined from 5.9 percent for the 12 months ending March 2005 to 5.5 percent for the 12 months ending March 2006. Unemployment rates ranged from a low of 4 percent in Minnesota to a high of 6.6 percent in Michigan.

Employment in the Chicago metropolitan area increased by 43,700 jobs, or 1.1 percent, during the 12 months ending March 2006. In comparison, the number of jobs rose by 30,000 during the previous 12 months. In north suburban Chicago, the redevelopment of industrial space for research in biotechnology is expected to cost $500 million and add up to 1,000 jobs during the next 2 years. Job growth is also expected to come from continued strengthening in the professional and business services, educational and health services, and leisure and hospitality sectors during the next 2 years.

Although employment has grown only moderately and mortgage interest rates have risen, home sales in many Midwest markets reached record levels in 2005, partly because of affordable home sales prices. According to data from the Illinois Association of REALTORS®, a record 183,100 homes were sold in Illinois in 2005. The statewide average home sales price in 2005 was about $251,700, up 9 percent from 2004. More than 70 percent of the sales occurred in the Chicago area, where the average home sales price was nearly $298,400. The average home sales price for the remainder of the state was $126,800. According to the Ohio Association of REALTORS®, home sales in 2005 totaled a record 146,800 units, up 3 percent from 2004. In 2005, the average home sales price was $156,700, a 3-percent increase from 2004.

Home sales in 2005 in the Indianapolis area were at a record high of approximately 30,300 units, 8 percent higher than the previous record of 29,950 home sales in 2004. In 2005, the average home sales price for the area was $155,500. During the same period in the Milwaukee and Madison areas of Wisconsin, home sales set records with increases of 6 and 3 percent, respectively. In the Twin Cities area, the average sales price rose 6 percent to about $272,500 between 2004 and 2005 but home sales declined by 2 percent to nearly 57,300 units. The Michigan Association of REALTORS® reports that about 134,300 homes were sold in the state during 2005, down 2 percent from 2004. Between 2004 and 2005, the average sales price increased by about 1 percent to $151,300.

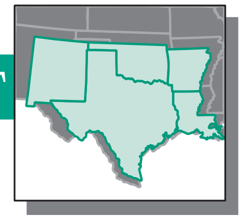
Residential building activity in the region, as measured by the number of units permitted, declined by approximately 11,600 units, or 4 percent, to approximately 280,000 units for the 12 months ending March 2006 compared with the previous 12 months. The decline is attributable to a 6-percent decrease in building permits for single-family units. During the same period, multifamily units showed a small increase in the number of permits issued. Markets for new single-family units softened in Michigan, Minnesota, Ohio, and Wisconsin, where decreases in permits issued ranged from 6 to 19 percent, partly because of rising mortgage interest rates. An increase in the inventory of unsold homes has also contributed to the decline in Minnesota. The 19-percent decrease in single-family home sales in Michigan is consistent with the weaker economic conditions in the state. In Indiana, the number of single-family units permitted during the 12 months ending March 2006 was nearly the same as the number permitted during the previous 12 months. With a 4-percent increase in single-family permit activity, Illinois is the only state in the region that registered any significant increase during this period. The increase reflects strong activity in the Champaign-Urbana, Chicago, and Rockford metropolitan areas.

During the 12 months ending March 2006, permits were issued in the region for 60,400 multifamily units, up 3,300 units, or 6 percent, from the previous 12-month period. Increases in multifamily activity of 44 and 18 percent were registered in Illinois and Ohio, respectively. Much of the increase in Illinois is attributable to continued strong condominium construction activity in Chicago. The number of multifamily units permitted in Ohio during the 12 months ending March 2006 is close to the total number of multifamily units permitted in 2003 after a significant decline in 2004. The declines in multifamily housing permitting activity in the remaining states ranged from 5 to 27 percent and were attributable to overbuilding relative to demand when low mortgage interest rates caused a large number of renter households to become homeowners. Demand for condominiums continues to increase. Production for the direct rental market has declined in most markets.

The Chicago condominium housing market is strong and projected to grow. Construction of new condominium units in downtown Chicago has been very active for the past several years, and this activity is expected to remain strong during the next 2 years. Approximately 5,000 new condominium units entered the market in 2005 and 6,500 new condominium units are forecast to enter the market during 2006. By contrast, in 2005 approximately 1,300 new apartment units came on line in downtown Chicago and only 400 apartment units are expected to enter the market in 2006. Because of the low production levels, occupancy rates for downtown apartments have risen to 95 percent for the first quarter of 2006 compared with 92 percent in the first quarter of 2005 and concessions have nearly been eliminated. In suburban Chicago, about 500 new apartment units were constructed in 2005 and a similar number are forecast to come on line in 2006. During the first quarter of 2006, occupancy rates in the suburbs were in the range of 94 to 95 percent and rents increased 2 to 4 percent compared with the first quarter of 2005.

Most other major rental markets in the region also were tighter during the first quarter of 2006 compared with the first quarter of 2005 because of reductions in the number of rental units constructed. In most areas, the number of renter households has increased because of improved economic conditions. According to GVA Marquette Advisors, rental demand in the Twin Cities area is up and the vacancy rate was 5.5 percent for the first quarter of 2006. Reis, Inc., reported first quarter 2006 vacancy rates between 8 and 9 percent for both Columbus and Cincinnati. The vacancy rate has been under 7 percent in Cleveland because of relatively less rental housing construction during the past 2 years. The Dayton and Detroit rental markets, with vacancy rates of 7 and 9 percent, respectively, did not tighten during this period; these areas had unemployment rates that were above the region average. Rents throughout the remaining rental markets in the region have risen moderately, by about 1 percent or less.

SOUTHWEST



Nonfarm employment in the Southwest region averaged 15.2 million jobs during the 12 months ending March 2006. This figure represents a gain of 248,000 positions, or 1.7 percent, compared with the 12 months ending March 2005. The most significant increases occurred in three employment sectors. The professional and business services sector added 65,000 jobs; the trade, transportation, and utilities sector added 50,000 jobs; and government employment increased by 40,000 jobs. In addition, the natural resources and mining sector increased 8 percent, or by 20,000 jobs, with gains recorded throughout the region because of natural gas recovery innovations and higher fuel prices. The construction sector increased by 31,000 jobs, or 3.7 percent, as residential and other building activity continued at high levels in all states. During the 12 months ending March 2006, nonfarm employment increased 2.7 percent in both Texas and Oklahoma; in each state, the largest gains in employment occurred in the same sectors as the employment gains recorded in the whole region. In New Mexico and Arkansas, the number of jobs increased by 20,000 each, or 2.6 percent and 1.6 percent, respectively. Data available for Louisiana indicate the recovery in the number of jobs is continuing, but it is likely that nonfarm employment will not reach prehurricane levels for quite some time.

For the 12 months ending March 2006, the unemployment rate in the Southwest region decreased to an average of 5.1 percent, down from 5.7 percent in the previous 12 months. Unemployment rates declined in all states in the region except Louisiana. In both Texas and New Mexico, the unemployment rate declined from 5.8 percent to 5.2 percent and 5.1 percent, respectively. In Arkansas, the unemployment rate dropped from 5.6 percent to 4.9 percent and, in Oklahoma, the rate dropped from 4.8 percent to 4.3 percent.

According to the Census Bureau, an estimated 35.6 million people resided in the Southwest region as of July 2005. This figure represents an increase of approximately 485,000 people since July 2004 and 2.4 million people since April 2000. The population of Texas, which increased by 1.7 percent and added

388,500 residents between July 2004 and July 2005, contributed 80 percent of the regional gain in population. Harris County, which includes Houston, and Tarrant County, which includes Fort Worth, were 2 of the 10 fastest growing large counties in the nation, gaining 52,000 and 32,000 residents, respectively, between July 2004 and July 2005. Collin County, a suburban county north of Dallas, was also in the top 10 fastest growing large counties and increased by 33,450 residents during the same period. The population growth levels can be attributed to the strong employment growth in the counties and the reasonable cost of housing—especially single-family homes.

Single-family construction activity in the Southwest region, as measured by building permits, totaled 230,400 homes during the 12 months ending March 2006, up 12 percent compared with the 12 months ending March 2005. Texas recorded the largest numerical gain in the five-state region with 169,600 single-family homes permitted, a gain of 24,800 units, or 17 percent higher than during the previous 12 months. In Oklahoma, permits were issued for 15,560 single-family homes, an increase of 15 percent, or 2,000 units, compared with the previous 12 months. In Arkansas, the number of single-family permits increased by 1,150, or 11 percent, to 11,350 units.

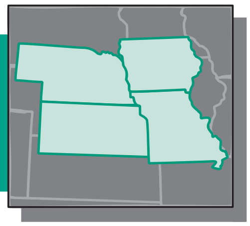
Elsewhere in the region, the double-digit growth rates of single-family construction during the past 3 years showed signs of slowing. In New Mexico, the number of homes permitted during the 12 months ending March 2006 increased by 850, or 5 percent, compared with the 12 months ending March 2005. During this same period, Louisiana registered a gain of 900 permits, or 7 percent. Single-family housing construction levels were down in the New Orleans and Lake Charles metropolitan areas but were up in Baton Rouge, Houma, and Shreveport.

Sales levels continued to set new records in Texas. According to multiple listing service (MLS) data, 271,900 homes were sold during the 12 months ending March 2006. The number of home sales in Texas represented a 10-percent increase compared with the previous 12-month period and a 23-percent increase compared with the 12-month period ending March 2004. The average sales price was nearly $180,500, up 7 percent from the 12-month period ending March 2005. Among the region's largest metropolitan areas, the highest rate of growth in sales activity occurred in Austin. MLS data indicate a 17-percent increase in the number of homes sold in the Austin area during the 12 months ending March 2006. Austin continued to have the highest average home sales price in Texas, at $215,500; the price increased 8 percent during the past 12 months. The Fort Worth area had the lowest average home sales price, at $134,950, up 8 percent from the previous year. In both San Antonio and Fort Worth during the 12 months ending March 2006, home sales were 13 percent higher than during the 12 months ending March 2005. In San Antonio, where nearly 24,000 homes sold, the average home sales price increased 11 percent to $161,300. In the Houston area between April 2005 and March 2006, the MLS recorded 75,300 sales, a gain of 11 percent compared with the previous 12 months. In the Dallas area during the 12 months ending March 2006, the number of sales increased 8 percent as 59,900 homes were sold. Average prices in the Houston and Dallas areas were $187,400 and $204,600, respectively.

In the Southwest region during the 12 months ending March 2006, 52,100 multifamily units were permitted, an increase of 1 percent compared with the previous 12-month period. Decreases in the number of multifamily building permits were 28 percent in Arkansas and 18 percent in New Mexico, indicating that builders are responding to soft rental markets in the major metropolitan areas of these states. The 26-percent permit decrease in Louisiana was partially due to insurance and building code flood map concerns in the 10 coastal parishes. The number of multifamily units permitted in Texas increased by 8 percent to 36,300 units; the number of multifamily units permitted in Oklahoma increased by 28 percent to 2,850 units.

Apartment rental markets in major metropolitan areas of the Southwest region improved during the past year. Increases in occupancy that followed the arrival of evacuees from Hurricanes Katrina and Rita resulted in average rent increases during the first quarter of 2006; this is the first time rents have increased in more than 2 years. According to ALN Systems, Inc., during the 12 months ending March 2006, the apartment occupancy rate in Austin increased by 2.7 percent to 92.5 percent and the average monthly rent increased 2 percent to $724. In Houston, apartment occupancy increased by 3 percent to 90.5 percent, and the average rent increased 1.7 percent to $686. In San Antonio, average apartment occupancy increased by less than 1 percent to 91 percent, but average rents increased 2.5 percent to $654. In Dallas, between April 2005 and March 2006, apartment occupancy increased by 2 percent to about 90 percent, but average rents remained unchanged. In Fort Worth, the softest large rental market, apartment occupancy increased by 1.5 percent to 89 percent, and average rents were flat. Concessions have been reduced in many areas, but high construction levels throughout the major markets are expected to keep occupancy levels around 90 percent. The number of multifamily units under construction is estimated at more than 15,000 each in the Houston and Dallas metropolitan areas, 10,000 in San Antonio, and 7,000 in Austin.

Great Plains



The economy in the Great Plains region continued the trend of the past 18 months, showing signs of a broad-based recovery. During the 12-month period ending March 2006, nonfarm employment increased to 6.6 million jobs, or by approximately 1.2 percent, compared with the same period ending March 2005. Jobs were added in all states in the region with increases recorded in the major economic sectors in all states. The construction sector led with a 3.5-percent increase, followed by gains of 2 percent each in the financial activities, professional and business services, and educational and health services sectors. All states in the region recorded a decline in the unemployment rate during this period, with the region posting an unemployment rate of 4.2 percent in March 2006 compared with 4.3 percent in March 2005.

Nonfarm employment increased in all major metropolitan areas in the region. In Des Moines, jobs rose to 310,300, up nearly 3.5 percent. Construction led all sectors in the metropolitan area with a 13-percent increase, followed by a 4-percent increase in the manufacturing sector. The increase in the number of construction jobs in Des Moines occurred because of the construction of several infrastructure projects in the downtown area. Employment rose nearly 2 percent in Kansas City, supported by a 9-percent increase in the construction sector. The sharp increase in construction jobs in Kansas City is attributable to jobs created by the expansion of the Nebraska Furniture Mart and other retail and entertainment developments around the Kansas Speedway in Kansas City, Kansas. Construction jobs have also been added in Kansas City, Missouri, as a result of the construction of the new performing arts center and the Sprint Center sports arena downtown. In economically hard-hit Wichita, jobs increased 1.5 percent primarily because of an increase in aircraft orders and defense manufacturing contracts. Employment rose 2 percent in Omaha and 1 percent in St. Louis.

Improved economic conditions continued to stimulate demand for new homes throughout the region. Approximately 53,000 single-family building permits were issued during the 12-month period ending March 2006, nearly the same number of permits issued during the 12 months ending March 2005. Annual permit activity through March 2006 continues to be 10 percent above the total permits issued during the 12 months ending March 2004. Kansas and Nebraska had increases in single-family building permit activity of 4 percent and 11 percent, respectively, while activity in Iowa remained at the same level during this period.

The existing homes sales market remained active during the 12 months ending March 2006. The Greater St. Louis Board of REALTORS® reported 24,500 existing homes sold during the 12 months ending March 2006, a 2-percent increase compared with the same period a year earlier, with the average sales price rising 3 percent to $146,000. According to the Heartland Association of REALTORS®, home sales in Kansas City totaled nearly 31,000 units, a 3-percent increase over the past year, with the average sales price rising 2 percent to approximately $178,000. Sales activity declined 4 percent in Johnson County, Kansas, the fastest growing county in the metropolitan area. The decline in sales of existing homes in the county is attributable, in part, to the availability of newly constructed homes and the affluence of home purchasers who can choose between new or existing units. The average home sales price in the county rose 4 percent to $257,000, the highest average sales price of any county in the area.

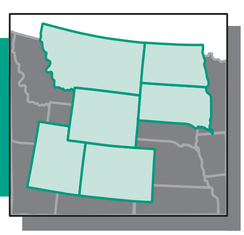
In 2005, the number of existing home sales in Kansas increased by 7 percent from 2004 to 77,000 and by 3 percent in Iowa to 76,000. In Missouri, sales remained relatively unchanged at 140,700 compared with 140,500 a year ago. Existing sales in Nebraska dropped 1 percent to 38,000 units.

Increased job growth has contributed to an increased demand for additional rental housing. Multifamily building permit activity in the region increased during the 12 months ending March 2006. During this period, permits were issued for nearly 15,000 units in the region, up approximately 11 percent compared with the previous 12 months. All states registered increases except Nebraska. Activity rose 43 percent in Kansas, 25 percent in Missouri, and 2 percent in Iowa. Approximately 98 percent of multifamily units developed in the Great Plains region become rental units. The condominium market is limited in the region because of the affordability of single-family homes in the area.

During the past 12 months ending March 2006, rental markets remained balanced to soft in the major metropolitan areas in the region but are beginning to tighten. Rental vacancy rates are declining and rents are beginning to increase. According to CB Richard Ellis, the vacancy rate in Des Moines was 7 percent in March 2006, down from 9 percent in March 2005, and rents increased by 1 percent during the past year. Kansas City posted an 8-percent vacancy rate in March 2006 compared with 9 percent a year earlier. The average rent was $750 during this period, approximately 2 percent higher than during the previous 12 months. With a 9-percent vacancy rate, Overland Park in Johnson County was the weakest submarket in the area, but the rental vacancy rate was 10 percent in March 2005 and 12 percent in March 2004. Rental concessions nearly have disappeared in the submarket compared with a year ago when properties offered rental concessions of 1 to 2 months' free rent in exchange for a 12-month lease. The strongest submarket areas are in Platte County, Missouri, and Leavenworth County, Kansas; each has vacancies of 5 percent.

In St. Louis, the vacancy rate was 8 percent in March 2006, down from 9 percent in 2005 and 10 percent in 2004. St. Charles County had the highest vacancy rate, at 11 percent, followed by a 9-percent vacancy rate in the city of St. Louis. Property managers estimate that approximately 50 percent of tenant turnover in the metropolitan area during the past year was a result of homeownership opportunities for residents. The average rent in the St. Louis metropolitan area was $760, up 1 percent from a year ago. Rental concessions remained prevalent throughout the St. Louis area, typically consisting of 1 month of free rent in exchange for a 1-year lease. The vacancy rate was 7 percent in Omaha in March 2006. The Sarpy County submarket posted the lowest vacancy rate, at 4 percent, while soft market conditions continued in North Omaha with a 9-percent vacancy rate.

Rocky Mountain



The economy of the Rocky Mountain region continued its 2-year expansion during the first quarter of 2006, adding jobs at a rate not seen since 2000. For the 12 months ending March 2006, average nonfarm employment increased by 126,200 jobs, or 2.7 percent, compared with the same period a year ago. The rate of growth in Utah during the past 12 months was 4.3 percent, or 47,500 jobs. Colorado followed closely with 47,300 jobs, or a 2.2-percent increase. Major employment advances in the construction, trade, and professional and business services sectors occurred in both Utah and Colorado. Montana and Wyoming gained 8,800 and 8,300 jobs, respectively, supported by increases in the construction and natural resources and mining sectors. The steady growth in North Dakota and South Dakota of approximately 7,000 jobs each enhanced the strong performance for the region. Except for Colorado, unemployment rates were lower than the national rate of 4.7 percent. The average 12-month rates as of March 2006 varied from 3.4 percent in North Dakota to 4.8 percent in Colorado.

Increasing demand for domestic energy supplies encouraged oil and gas exploration throughout the region. In Colorado, approximately 4,600 permits were issued for new oil and gas wells in the 12 months ending March 2006, up 47 percent from a year ago. In some instances, plans for energy production growth conflict with residential development. On land surrounding Denver International Airport, energy companies propose to significantly increase the number of wells. The 53 existing wells generate in excess of $3.8 million annually for the airport, and, with the prospect of more drilling, local residents are concerned about the impact on their neighborhoods. The oil and gas extraction industry in Colorado, which grew by 16 percent during the 12 months ending March 2006, accounts for approximately 5,000 jobs.

Reflecting a strengthening economy, single-family and multifamily home construction remained at high levels, although production in most states of the region subsided from the levels recorded last year. For the 12-month period ending March 2006, the number of single-family homes permitted increased to 70,000, or by 1 percent, compared with the previous 12 months. Strong gains in Utah and Wyoming offset slight declines in Colorado, Montana, North Dakota, and South Dakota. Colorado and Utah continued to lead single-family building permit activity for the region, accounting for 85 percent of the total. Multifamily building permit activity declined by 15 percent to 13,400 units, primarily due to cutbacks in apartment construction in Colorado and Utah. Even so, Colorado and Utah still account for 70 percent of multifamily building permit activity in the region.

Sales market conditions in the Rocky Mountain region continued to be strong during the fourth quarter of 2005. According to the NATIONAL ASSOCIATION OF REALTORS®, the annualized rate of single-family home sales was 252,000, an increase of 4 percent compared with a year ago. Except for North Dakota and Wyoming, all the states in the region reported an increase in existing home sales. The annual growth in home sales in Utah was an impressive 19 percent ahead of the fourth quarter of 2004, followed by 10 percent in Montana. According to the Office of Federal Housing Enterprise Oversight (OFHEO), home prices for the fourth quarter of 2005 increased in all states in the Rocky Mountain region. For the first time since 2001, home price increases in the region are beginning to approach the national rate of appreciation, which now stands at 13 percent. Montana, Utah, and Wyoming were above or near the national rate with increases of 15, 13, and 13 percent, respectively, compared with 1 year earlier. A gain of 8 percent in South Dakota was above the rate recorded last year, while the 8-percent increase in North Dakota was slightly below last year's rate. With the resurgence in employment growth, the 6-percent home price increase in Colorado was above the 4-percent annual average gain since 2001. Although home price appreciation has recently accelerated in Rocky Mountain states, the relatively low rate of appreciation since 2001 and recent strong employment growth should help maintain price levels despite rising interest rates.

Sales market conditions for single-family homes in the region remain strong and balanced for most metropolitan areas. The Salt Lake City Board of REALTORS® reports the volume of existing home sales for the 12 months ending March 2006 was 16 percent greater than the volume for the same period in 2005. The average sales price increased by 15 percent to $231,800. Sales in the Provo-Orem area increased by 21 percent, according to the Utah County Association of REALTORS®, while the average sales price increased by 9 percent to $223,500. Other indicators of market strength are a 20-percent reduction of inventory at the end of March 2006 compared with a year ago and a decline, by 16 percent to 63 days, in the average time required for a home to sell during the past 12 months. These factors are expected to continue to exert upward pressure on prices in the Salt Lake City and Provo-Orem areas.

In Denver and Colorado Springs, single-family home markets are generally balanced, but a recent buildup of inventory is causing some concern to local real estate officials. According to the Denver Board of REALTORS®, existing single-family home sales gained momentum in the first quarter of 2006 and, for the 12 months ending in March 2006, increased by 1 percent from a year ago. The average single-family home sales price increased by 6 percent to $310,200. The Colorado Springs Association of REALTORS® reported that existing sales activity was up 9 percent from the record pace of last year and the average single-family home sales price increased by 7 percent to $249,000. Contrary to these positive characteristics of a healthy market—increasing sales and prices—is the escalating supply of inventory on the market. Active listings as of March 2006 are up by approximately 20 percent from a year ago in the Denver and Colorado Springs markets and are at their highest levels in 2 years. Because of the high usage of interest-only and adjustable rate mortgages, many local homeowners have seen their monthly payments increase due to rising interest rates, forcing some to put their homes on the market or face foreclosure. Despite this unsettling trend, the existing home sales markets in Denver and Colorado Springs are expected to remain healthy because of strong employment growth and a reduction in new home construction.

The strengthening economy and housing market in Denver have set the stage for the biggest alteration of the city's downtown skyline in 20 years. At least a dozen highrise buildings along the fringe of the central business district are under way or planned. The buildings are in mixed stages of development, but several are already completed or will be completed during the next few years. Hotel and condominium towers will be the predominant building type instead of the highrise offices that were built during the 1980s. Together, the buildings represent more than $1.2 billion in new construction. Three of the developments include the 37-story Hyatt Regency Denver at the Colorado Convention Center completed in 2005, the proposed 50-story Four Seasons hotel and condominiums, and the 55-story Great Gulf condominiums. The highrise developments will change the view of downtown from all directions and strengthen the economy of downtown Denver.

Strong employment growth and reduced levels of construction have also led to improved rental market conditions throughout the region during the first quarter of 2006. According to the Denver Apartment Association's first quarter 2006 survey, the vacancy rate decreased by 2.6 points to 7.4 percent from a year ago and the average rent was unchanged at $834. In the Colorado Springs area, the market remains soft but has significantly improved. According to a survey by Doug Carter, LLC, the vacancy rate declined from 13.4 percent to 9.8 percent between the first quarters of 2005 and 2006. The rental market in the Salt Lake

City area is beginning to tighten. In the RealFacts first quarter 2006 survey, the apartment vacancy rate declined to 5.8 percent from 6.5 percent a year ago while average rent increased by 2 percent to $683. With escalating interest rates, expanding economies, and limited apartment construction, rental markets throughout the region are expected to continue to strengthen.

PACIFIC

Economic conditions in the Pacific region remained strong through the first quarter of 2006. Nonfarm employment rose by 2.6 percent, or 493,000 jobs, in the 12 months ending March 2006. The increase accounted for nearly one-quarter of the nonfarm jobs added in the nation during that time. Hiring in the service-providing industries was responsible for more than four-fifths of the new jobs, led by employment gains of 4.1 and 3.6 percent in the professional and business services and the leisure and hospitality sectors, respectively. High levels of building throughout most of the region supported the addition of 104,000 new construction jobs. In California, employment increased by 1.8 percent, or nearly 270,000 jobs, a substantial increase from the 190,000 jobs added in the previous 12 months. Approximately 62 percent of the new jobs in the state were added in the professional and business services, wholesale and retail trade, and construction sectors. Hiring occurred primarily in Southern California and the Central Valley, although the San Francisco Bay Area added more than 37,000 new jobs in the past 12 months after several years of declining or stagnant employment.

Arizona nonfarm employment increased by 5.5 percent, or 131,800 new jobs, in the 12 months ending March 2006, led by increased employment in the professional and business services and construction sectors. In Nevada, employment rose by 6 percent, or 72,800 new jobs, in the same period. Nearly four-fifths of the increase occurred in the Las Vegas metropolitan area, while employment in the Reno area gained 12,000 jobs, a record number of new jobs for both metropolitan areas. Employment in Hawaii rose by 3.3 percent, or 19,300 jobs.

Because of strong economic conditions, the unemployment rate in the region declined to an average of 5.0 percent in the 12 months ending March 2006 from 5.7 percent in the previous 12 months. Unemployment rates among the states in the region ranged from 2.7 percent in Hawaii, the lowest of any state in the country, to 5.2 percent in California.

Home sales activity in the Pacific region remained at high levels but the pace has slowed in many areas during the past year. Existing home sales declined 6 percent to 594,000 units in the 12 months ending March 2006 compared with record-level sales activity in the previous 12-month period, according to the California Association of REALTORS®. The median home sales price in the state rose 15 percent to $542,000, after a gain of 21 percent in the previous 12 months. In Southern California, total new and existing home sales maintained a near-record volume. Increased numbers of home sales in the relatively affordable Riverside-San Bernardino area nearly offset fewer sales in Los Angeles and San Diego. Total sales in the San Francisco Bay Area decreased 10 percent in the 12 months ending March 2006, cooling from an 8-percent gain in the previous 12 months. The median sales prices for total home sales in the San Francisco Bay Area and Southern California rose 15 percent and 16 percent, respectively, in the 12-month period ending March 2006.

Sales of existing homes in the Las Vegas area totaled 56,740 in the 12 months ending March 2006, down 9 percent from the previous 12-month period, the Las Vegas Housing Market Letter reported. This sales volume was exceeded only by the very high number of sales in 2004 and 2005. Home sales prices rose 13.5 percent to approximately $280,000 during the past 12 months but price increases have slowed recently due to higher interest rates and competition among a record number of active listings. According to the Phoenix Housing Market Letter, sales of existing and new homes rose 7 and 16 percent, respectively, in the 12 months ending March 2006 compared with the previous 12 months, and activity in both sectors remained near 2005 records. The Honolulu Board of REALTORS® reported nearly 12,500 existing sales in the 12 months ending March 2006, which nearly equaled the record existing sales volume of 2005. Median sales prices for single-family and condominium units rose 26 percent and 32 percent, respectively, during that period.

Home building activity in the region eased slightly, reflecting higher interest rates, but generally remained at or near record production levels. Single-family building activity for the four-state region declined 2 percent to approximately 269,000 homes permitted in the 12 months ending March 2006 and decreased less than 5 percent from the 2004 record. In California, 142,240 single-family permits were issued in the 12-month period ending March 2006, 4 percent below the total number of single-family building permits issued during the 12 previous months. In Arizona, single-family building permits declined 2 percent to almost 76,500 homes in the 12 months ending March 2006 compared with the previous 12 months. This volume greatly exceeded the average production of 57,000 single-family homes from 1996 through 2005. In Nevada, single-family building permits rose 7 percent to 39,000 homes, matching the 2004 record pace. In Hawaii, single-family home building activity measured 6,600 homes permitted, a 7-percent increase from the previous 12-month period.

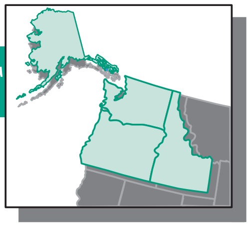
Rental market conditions in the Pacific region remained balanced to tight through the first quarter of 2006. Contributing to the strength of the market were high levels of employment growth, a moderate level of apartment construction, condominium conversions, and the diminished affordability of home prices. The apartment vacancy rate in both the San Francisco and San Jose areas tightened to 4.2 percent from approximately 5 percent a year earlier, and rents rose about 5 percent during that time, according to Reis, Inc. In the Oakland-East Bay area, apartment vacancy rates remained near 5 percent and average rents increased almost 3 percent in the past year after 4 previous years of declining or unchanged rents.

In Southern California, rental market conditions generally continued to be balanced to tight. The rental vacancy rates remained tight in Los Angeles County, Orange County, Ventura County, and the southern portion of Santa Barbara County. Los Angeles and Orange Counties had 4-percent vacancy rates and Ventura and Santa Barbara Counties had vacancy rates below 4 percent. The rental market in San Diego remained balanced at approximately 5 percent. Rental conditions remained relatively balanced in Riverside and San Bernardino Counties, where rental vacancy rates each increased by 1 percentage point to 7 and 6 percent, respectively, compared with a year ago. Both of these areas are still absorbing more than 4,000 rental units completed during the previous 12-month period. According to the Consumer Price Index covering most of Southern California, rents rose 5.7 percent in the past year, among the highest rates of increase in the nation.

According to RealFacts, rents in Reno rose 4.7 percent in the 12 months ending March 2006. The rental market currently is balanced with an apartment vacancy rate of approximately 5 percent. The Las Vegas rental market is tight and had an apartment rental vacancy of 4 percent in the first quarter of 2006 compared with 4.4 percent in the same period a year earlier. According to CB Richard Ellis, the average rent in Las Vegas rose 7 percent in the past year. Tight conditions prevailed as well in the Phoenix market, with the Arizona Real Estate Center reporting a 4-percent apartment vacancy rate, and in the Honolulu market, where the overall rental vacancy rate remained in the 3- to 4-percent range.

Multifamily building permit activity in the region increased 4 percent to 79,600 units in the 12-month period ending March 2006. In Arizona, multifamily units permitted rose 21 percent to more than 12,200 units. New rental apartments and condominiums in the Phoenix area accounted for more than 80 percent of the units permitted in Arizona and nearly all of the 12-month increase. Due primarily to new condominiums under construction in the Las Vegas area, multifamily permit activity in Nevada numbered 11,900 units, nearly 7,000 units more than in the previous 12 months. In Hawaii, permits were issued for 2,866 units, a 30-percent increase from the previous 12-month period. The significant gains in multifamily building permit activity in these three states more than offset an 11-percent decline in multifamily units permitted in California. Despite the decline from the 12 months ending March 2005, the 52,600 units permitted in California was a relatively high volume about equal to the average of the past 3 years.

NORTHWEST



Job gains accelerated in the Northwest region through the first quarter of 2006, continuing the trend that started in 2004. Regional nonfarm employment increased 3.3 percent, or 170,300 jobs, to an average of 2.8 million for the 12 months ending March 2006 compared with the previous 12 months. The increase in jobs was more than triple the gain during the 12 months ending March 2005 compared with the same period in 2004. Washington accounted for half the regional employment gain during the most recent 12-month period, with an increase of 86,250 jobs. Hiring in the construction, professional and business services, retail trade, and manufacturing sectors accounted for most of the new jobs in Washington. Approximately 70 percent of the increase in manufacturing employment was in the aerospace products and parts industry due to hiring at Boeing.

In Oregon, gains in the construction, educational and health services, and retail trade sectors contributed largely to nonfarm employment growth of 52,200 jobs, a 3.2-percent increase for the 12 months ending March 2006 compared with the previous 12 months. Idaho had the fastest growth rate in the region at 4.4 percent due to widespread gains that were led by the construction, retail trade, and administrative and support services sectors. In Alaska, the construction, educational and health services, and leisure and hospitality sectors supported a 1.8-percent increase in nonfarm employment, or an additional 5,500 jobs. An increase in mining jobs, due to higher fuel and mineral prices, contributed to job growth in Alaska as well. The faster rate of job formation in the Northwest region reduced the average regional unemployment rate to 5.4 percent, down from 6.2 percent for the previous 12 months ending March 2005. Unemployment rates ranged from 3.6 percent in Idaho to 6.8 percent in Alaska.

Sales market conditions in the Northwest region remained strong through the first quarter of 2006. During the 12 months ending March 2006, existing home sales in the Puget Sound region increased 4 percent compared with the 12 months ending March 2005, based on Northwest Multiple Listing Service data. The Tacoma area, with sales up 11 percent, accounted for most of the gain. In the Seattle metropolitan area, existing home sales increased 1 percent to 46,300 units, well above the annual average of 38,350 units recorded between 2001 and 2004. Existing home sales increased 7 percent in the Olympia area but declined 3 percent in the Bremerton area to 4,460 closings. Sales volume in the Bremerton area was still relatively high at 9 percent above the annual average recorded between 2001 and 2004. Median home sales prices increased between 16 percent and 24 percent in Puget Sound market areas. The Seattle area had the highest median home sales price at $358,000; the remaining Puget Sound market areas had medians near $250,000. New home sales in the Puget Sound region increased 6 percent to 12,100 closings because of a 31-percent sales gain in the relatively affordable Tacoma area. The median sales price for new homes increased between 5 percent and 21 percent and was typically near $300,000, except for the Seattle area where the median was $400,000.

In the major markets of western Oregon, total sales of new and existing homes increased 15 percent to 74,850 units for the 12 months ending March 2006 compared with the same period a year earlier, based on data from the Oregon Residential Multiple Listing Service. The median home sales price for the period was $229,350, a 17-percent increase. In the Portland-Vancouver area, the number of homes sold increased 7 percent and the median sales price rose 13 percent to $243,100.

Existing home sales in Idaho were exceptionally strong, particularly in the Boise area where the median sales price rose 20 percent to $178,100 and sales increased 39 percent to 19,650 homes, based on Intermountain Multiple Listing Service data. Steady job growth and a large supply of relatively affordable homes caused the sales and price gains in the Boise area. Market conditions were tight in other Idaho areas, including Coeur d'Alene, Lewiston, and Pocatello where annual average prices increased between 10 and 30 percent from 2004 to 2005. Data from the Anchorage Multiple Listing Service for the 12 months ending March 2006 indicated that home sales and average monthly listings each declined 7 percent compared with the previous 12 months. The average home sales price rose 11 percent to $297,600 over the same period.

Single-family housing construction activity, as measured by building permits, increased 8 percent to 83,800 units in the 12-month period ending March 2006 compared with the same period in 2005. The number of single-family building permits in Idaho increased 19 percent to 18,700. Permit activity increased 8 percent in Oregon, followed by a 4-percent increase in Washington. The number of permits issued totaled 39,450 in Washington and 24,000 in Oregon. In Alaska, single-family building activity declined 7 percent to 1,700 units, similar to the annual average for 2000 through 2004.

Rental market conditions continued to tighten throughout much of the Northwest region during the 12 months ending March 2006. In the Puget Sound region, the rental vacancy rate declined from 6.5 percent in March 2005 to 4.6 percent in March 2006, according to Dupre + Scott. The average overall rent increased 4 percent to $830, after being flat or declining in the three previous 12-month periods. Approximately 26 percent of properties offered concessions compared with 64 percent a year ago, and the value of concessions decreased. The lowest Puget Sound vacancy rate, at 4 percent in the Bremerton area, was due to an increase in military personnel at Naval Station Puget Sound. The remaining Washington rental markets were tight to balanced and had vacancy rates below 6 percent, except in the Richland-Kennewick-Pasco area where the vacancy rate was approximately 10 percent. Slower employment growth, overbuilding, and competition from the sales market have softened the Richland-Kennewick-Pasco rental market.

The Portland-Vancouver rental vacancy rate declined from 6.7 percent to 6.5 percent between the first quarter of 2005 and the first quarter of 2006. According to data from RealFacts, the average contract rent in the Portland area increased 3 percent to $760 during the same period. The Salem area had balanced market conditions and a vacancy rate of 5 percent, while the Eugene and Bend market areas had vacancy rates below 3 percent. In the Boise metropolitan area, soft market conditions still prevailed because of overbuilding and competition from the sales market. The estimated rental vacancy rate was 8 percent as of the first quarter of 2006, up from 7.8 percent in the same quarter a year ago. The average contract rent in Boise was $710, up 1.5 percent from the first quarter of 2005, based on RealFacts data. The remaining Idaho rental markets were balanced, with the exception of tight market conditions in northern Idaho and Teton County in eastern Idaho. Rental market conditions in Anchorage were still competitive due to new supply entering the market; the rental vacancy rate was approximately 7 percent.

Multifamily building permits totaled 22,600 units in the Northwest region for the 12 months ending March 2006, down 4 percent compared with the 12 months ending March 2005. Washington was the only state in the region where multifamily activity increased, up 2 percent to 12,400 units permitted. In Oregon, 6,550 units were permitted, followed by 2,300 in Idaho and 1,400 in Alaska.

Housing Market Profiles

Albany-Schenectady-Troy, New York

The Albany-Schenectady-Troy Metropolitan Statistical Area (MSA), located in the eastern part of New York State approximately 150 miles north of New York City, consists of Albany, Rensselaer, Saratoga, Schenectady, and Schoharie Counties. According to HUD estimates, between 2000 and 2005, total population in the MSA increased by 3.3 percent to 853,000 mainly due to net in-migration.

Employment growth in the area since 2003 continued in the first quarter of 2006. During the 12-month period ending March 2006, total nonfarm employment increased by 2,200 jobs, or 0.5 percent, to 447,100 compared with the previous 12-month period. Leading employers in the MSA include the New York State government, Albany Medical Center, and General Electric Company. Professional and business services, financial activities, and education and health services were the major growth sectors during the last 12 months; these sectors created a total of 1,800 jobs. Employment in the relatively small manufacturing sector remained stable, but total government employment declined by 700 jobs mainly due to decreased employment within the local government. In the 12-month period ending March 2006, the average annual unemployment rate in the MSA decreased from 4.1 percent to 3.9 percent.

Nanotechnology presents the most likely prospect for future high-technology employment growth in the area. The University at Albany is involved in nanotechnology research and has formed Albany NanoTech, a university-based entity that promotes education and research and leverages financial resources. Recently, The University at Albany received a $435 million grant from the Institute for Nanoelectronics Discovery and Exploration to fund research. In January 2006, Symantec Corporation announced plans to invest $50 million in a second research and development center at The University at Albany site. By 2007, Albany Nanotech's workforce is projected to increase from 700 to 2,100 workers.

Moderate employment gains and favorable residential mortgage financing have contributed to strong housing sales and increasing housing prices in the area. Overall, the sales market is balanced, but inventory levels have been increasing. According to the Greater Capital District Association of REALTORS®, housing sales have increased 3 to 4 percent each year since 2000; 2005 sales were in excess of 10,000 units. In 2005, the median price of a single-family home in the Albany-Schenectady-Troy MSA was $180,000. This figure represents a 13-percent increase from 2004 and a 70-percent increase from 2000. The highest median prices for single-family homes are in Albany and Saratoga Counties, where the median price increased 12 percent to $240,000 and 15 percent to $187,000, respectively, in 2005 compared with prices in 2004. In 2005, new sales listings increased to approximately 15,000 units, an 8-percent increase from the previous year. This increased housing inventory should lower the level of future price increases.

Despite escalating price levels, affordable sales housing is more readily available in Rensselaer, Schenectady, and Schoharie Counties. In 2005, the median price of a single-family home increased 13 percent to $150,500 in Rensselaer County and increased 15 percent to $142,000 in Schenectady County, compared with the previous year. The median price of a single-family home in Schoharie County, a more rural part of the MSA, increased 26 percent to $119,400 over the same period. In Rensselaer County, most residential development is occurring in the southern part of the county, especially in East and North Greenbush. In Schenectady County, growth is occurring in Niskayuna and Rotterdam. Several small condominium developments recently constructed in Rotterdam were absorbed very quickly.

During the past 5 years, residential building permits were issued for an average of 2,980 units annually in the MSA. Of this total, approximately 80 percent of the permits were issued for single-family homes. Custom-built homes in upscale suburban communities typically contain a minimum of 2,500 to 3,000 square feet of living space and are priced between $350,000 and $500,000. In Saratoga County, the most expensive housing developments are being constructed adjacent to the Adirondack Northway (Interstate 87). Significant development is occurring in the city of Saratoga Springs as well as in Ballston Spa, Clifton Park, Malta, and Wilton.

The rental market in the MSA currently is balanced. Vacancy rates in the newer suburban apartment complexes are estimated to be less than 5 percent. Soft rental market conditions exist in the central cities of Albany, Schenectady, and Troy and in the older rental housing stock in both Rensselaer and Schenectady Counties.

Multifamily housing development in the MSA has increased during each of the past 5 years; an average annual total of 680 units have been built during this period. Currently, numerous multifamily developments consisting of various types of housing, including age-restricted senior housing, condominium units, and large-scale luxury rental apartments, are under construction, in initial lease-up, or in various planning stages. Management agents in the area report that most of the new units in the market are being quickly absorbed.

Cincinnati-Middletown, Ohio-Kentucky-Indiana

The Cincinnati-Middletown metropolitan area includes 15 counties in the Ohio-Kentucky-Indiana tristate area. According to July 1, 2005, Census Bureau estimates, the population of the metropolitan area was 2,070,000, an average annual increase of 11,600, or 0.6 percent, since 2000. Ohio counties, including Warren, the fastest growing county in the metropolitan area, account for 77 percent of the population. Growth has occurred in suburban areas as the population of the city of Cincinnati has decreased 1.2 percent annually since 2000. The Kentucky portion of the metropolitan area represents 20 percent of the area population and includes the Cincinnati/Northern Kentucky International Airport.

The Cincinnati-Middletown economy has had moderate job growth during the past 3 years. For the 12 months ending February 2006, nonfarm employment increased by 11,600 jobs, or close to 1.1 percent, compared with the previous 12-month period. Job growth was attributable to the service-providing sector; the goods-producing sector held steady because construction job gains offset declining manufacturing employment. The professional and business services sector grew by 5,600 jobs primarily due to increases in employment agency placements. Local firms have responded to increased orders for goods and services by using temporary workers to meet demand without hiring full-time employees. The education and health services sector grew by 3,500 jobs as healthcare providers responded to the needs of an expanding and aging population. The Cincinnati-Middletown metropolitan area continues to be the regional healthcare hub of the tristate area. The leisure and hospitality sector grew by 2,500 jobs with almost all the growth in restaurant services. The financial activities sector, down by 1,000 jobs between 2003 and 2004, added 800 workers in the past 12 months. Employment opportunities in this sector will continue to increase, in part due to Fidelity Investments' $155 million expansion of its Covington campus. The expanded facility is expected to increase employment by 1,500 workers by early 2007. For the 12 months ending February 2006, the unemployment rate was 5.3 percent, unchanged compared with the previous 12-month period.

Job market gains, household and population growth, and low interest rates have strengthened the existing home sales market. For the 12 months ending March 1, 2006, the Greater Cincinnati Multiple Listing Service reported that residential sales in the Ohio portion of the metropolitan area were up 3 percent compared with the previous year. The 24,650 homes sold included 21,600 single-family residences and 3,050 condominium units. The median sales price of a single-family home was $149,900, which is 2 percent above the median single-family home price of $147,000 recorded for the previous year. The median condominium price increased from $117,900 to $122,900 in the same period. The Southeastern Indiana Board of REALTORS® reported that in 2005 existing home prices in the Indiana portion of the metropolitan area averaged approximately $158,000. Boone County, Kentucky's second fastest growing county and the location of the Cincinnati/Northern Kentucky International Airport, contains the city of Florence, which had an average existing home sales price of $173,000. This figure is up 5 percent from 2004.

Single-family homebuilding activity, as measured by the number of building permits issued, averaged more than 10,450 units annually from 2000 through 2005. Despite increases in mortgage interest rates in the past 2 years, the number of permits issued remained unchanged in the 12 months ending February 2006 compared with the previous 12-month period. The most significant residential development has been occurring in Boone, Butler, Clermont, and Warren Counties. Records from the Home Builders Association of Greater Cincinnati show that Liberty Township in Butler County had the highest number of newly constructed single-family homes (583) in 2005. A typical new single-family house in Liberty Township costs $209,000.

Since 2000, multifamily building permit activity has decreased by 6 percent annually. Apartment production has been declining but production of condominium units is increasing. Approximately 75 percent of all multifamily unit permits issued since 2003 were for condominiums. Condominium developments near downtown Cincinnati predominantly attract young professionals, while developments in suburban areas attract empty nesters and low- to moderate-income families. Previous rental development occurred primarily in the suburbs, but current rental development has focused on urban infill locations such as those near the University of Cincinnati (UC). Developers have responded to increased demand for off-campus housing by constructing approximately 560 units containing more than 1,400 beds near the UC campus.

The rental market is currently soft. CB Richard Ellis reports that the Cincinnati-Middletown rental market has a vacancy rate of 10.3 percent. Conditions have improved slightly since the first quarter of 2005 because of the reduction in supply, most notably the conversion of 600 apartments into condominium units and the small number of new rental units being constructed. Multifamily developers increased production in the early 2000s after the rental market tightened in the late 1990s. In the early 2000s, however, renter household formation slowed with the economy and low mortgage interest rates drew many existing renter households into the sales market. A rental vacancy rate of more than 10 percent has prevailed since 2001. Submarket vacancy is lowest in Northern Kentucky, where the vacancy rate is 8.7 percent, and highest in West Cincinnati, where the rate is 17.7 percent. Rents in the Cincinnati-Middletown market average $539 for a one-bedroom unit, $766 for a two-bedroom unit, and $906 for a three-bedroom unit.

Hamilton County and the city of Cincinnati are working to redevelop the Ohio riverfront. Plans are under way to create the Banks, a business and residential district that will be located between the Great American Ballpark and Paul Brown Stadium. This $600 million, 15-acre development will include retail space, entertainment venues, and up to 1,500 residential housing units. According to the Cincinnati Center City Development Corporation, the Banks will generate an estimated $14 million in yearly sales tax revenue and create up to 800 jobs upon completion.

Columbus, Georgia-Alabama

The Columbus metropolitan area, located approximately 120 miles southwest of Atlanta, consists of Chattahoochee, Harris, Marion, and Muscogee Counties in Georgia and Russell County in Alabama. The Chattahoochee River forms the border between Georgia and Alabama and separates the two largest communities in the metropolitan area—Columbus, Georgia, and Phenix City, Alabama. The leading employer in the Columbus area is Fort Benning Army Base (AB), "Home of the Infantry," one of the busiest deployment platforms for the U.S. Army. According to the Fort Benning Futures Partnership, the base covers more than 180,000 acres and, with an average population of 110,000, contributes more than $100 million each month to the area economy.

As of January 2006, the estimated population of the Columbus metropolitan area was 291,700, an average annual increase of 1,725 since 2000. Improved economic conditions due to new employment opportunities in the metropolitan area are expected to result in a more rapid rate of population growth during the next few years. The Fort Benning Futures Partnership estimates that, because of growth at the base, by 2011 the metropolitan area population will have grown by approximately 30,000.

Nonfarm employment increased by 2,050, or 2 percent, during the 12-month period ending February 2006 compared with the previous 12 months. Increases in nonfarm employment were driven by the service-providing sectors, which rose by 2,300 jobs. The goods-producing sectors decreased by 240 jobs, or 1 percent, during the past 12 months, an improvement compared with an average annual decrease of 1,575 jobs, or 5.8 percent, from 2000 to 2004. In addition to Fort Benning AB, leading employers in the area include Synovus Corporation, Muscogee County School District, and American Family Life Assurance Company (AFLAC).

The economic outlook for the next several years in the Columbus metropolitan area is favorable because of expected job gains in the military, automobile manufacturing, the professional and business services sector, and the financial activities sector. The most significant impacts will be the growth at Fort Benning AB, expansion of the AFLAC headquarters, and construction of a $1.2

billion KIA Motors Corporation automotive plant. Significant growth is scheduled for Fort Benning AB as a result of Base Realignment and Closure (BRAC) actions, new emphasis on the Army Modular Force (AMF), and Integrated Global Presence and Basing Strategy (IGPBS) initiatives. Impacts from BRAC will begin in 2007 and will add approximately 3,225 permanent military positions, 1,175 permanent civilian positions, and 29,000 short-term military trainees over the next few years. Additions to the workforce from AMF and IGPBS began during 2005 and, when completed, will amount to approximately 1,100 permanent military positions and 120 permanent civilian positions. AFLAC's $100 million expansion of its Columbus headquarters will create 2,000 jobs in the next 5 to 7 years. The first 1,000 jobs will be filled by 2007, and the remaining 1,000 will be filled by 2012. Expected to begin production in 2008, the new KIA automotive plant will require 2,900 employees to operate. Although the plant site is located just outside the metropolitan area, it will significantly impact the Columbus area economy.

With an estimated base strength of 31,000 active duty military and 6,700 civilian personnel, activity at Fort Benning AB has a profound impact on the local housing market. The base has approximately 4,000 family housing units and a barracks capacity of 21,650 beds on base. The number of active duty military in off-base housing varies monthly depending on current deployments, reassignments, and base restructuring. In response to anticipated population growth at the base, local governments are planning to add infrastructure to support new housing developments in the off-base community. According to the Fort Benning Futures Partnership, the incoming population associated with the expansion of Fort Benning AB will be able to afford off-base housing for single-family homes from $130,000 to $225,000 and apartments from $500 to $1,000 a month. The military plans to renovate 4,000 existing housing units on base and add 8,500 beds to the existing barracks capacity for trainees.

Residential construction, as measured by building permits, has increased during the past year as developers in the Columbus metropolitan area prepare for the housing needs of new residents and respond to a shortage of multifamily units. During the 12 months ending February 2006, the number of residential units permitted increased by 73 percent from 1,700 to 2,925 compared with the previous 12-month period. Multifamily units permitted increased dramatically from 150 to 1,300 and account for 94 percent of the change in total units permitted. Almost all of the multifamily housing units in the metropolitan area are rental, and the dramatic increase in multifamily units permitted during the past 12 months consisted primarily of apartment units located close to Fort Benning AB. During the 12-month period ending February 2006, single-family homes permitted increased from 1,550 to 1,625, or 5 percent.

Sales market conditions in the metropolitan area are currently balanced. The market has tightened from the soft conditions present in 2000, and the current vacancy rate is estimated at 2 percent. According to the Columbus Board of REALTORS®, single-family home sales increased from 2,350 to 2,450, or 4 percent, in the past 12 months ending mid-March 2006. The average sales price increased from approximately $139,700 to $154,700, or 11 percent, from the first quarter of 2005 to the first quarter of 2006. Sales of existing and new single-family homes are expected to increase as the Columbus economy continues to expand.

Increased in-migration and low production of rental units during the past several years have caused the rental market to tighten. The rental vacancy rate, which was 11.2 percent as of the 2000 Census, decreased to less than 5 percent in the past year, according to local sources. More than 750 apartment units in the development pipeline, including many luxury apartment communities, are expected to enter the market in the next 1 to 2 years.

Indianapolis, Indiana

Located in central Indiana, the 10-county Indianapolis Metropolitan Statistical Area (MSA) is the economic and political center of the state. The home of the Indianapolis 500 and headquarters of Eli Lilly and Company, the area's leading private employer, Indianapolis is nationally recognized for motor sports events and pharmaceutical research. Several industries, including state government, transportation and warehousing, and health care, serve clients throughout the state or region and help form a stable base for the local economy. According to the Census Bureau, the population as of July 1, 2005, was estimated to be 1,640,600, representing an average increase of 22,000, or 1.4 percent, annually since the 2000 Census.

In the 12 months ending February 2006, average nonfarm employment increased by 9,300 jobs, or 1.1 percent, to 889,300. The current rate of job growth exceeds the annual average of 0.7 percent recorded between 2000 and 2004. Recent job gains were led by the transportation and utilities sector, which increased by 2,100 jobs, or 4.4 percent. Within the sector, transportation and warehousing employment increased by 2,000 jobs, or 4.6 percent, annually. Indianapolis is a major distribution center for numerous companies because it is located within a 1-day drive of half of the population of the United States. During 2006, plans are under way for several new expansions in the transportation and utilities sector, including a new distribution center for automobile parts, which will add 500 jobs by the end of the year.

The professional and business services, leisure and hospitality, and education and health services sectors each increased by approximately 2,000 jobs, or 2 percent, in the 12 months ending February 2006. Employment increases should continue because of expansions or new facilities planned in all these sectors. A new $1 billion stadium for the Indianapolis Colts and a 275,000-square-foot expansion of the Indiana Convention Center will begin construction in mid-2006. Local officials estimate that hosting larger conventions and more sporting events will support 30,000 more leisure and hospitality positions by 2010. In the education and health services sector, the Riley Hospital for Children plans to add 160 hospital beds and Clarian Health Partners plans to expand the Indiana University Cancer Center. The unemployment rate averaged 4.7 percent for the 12-month period ending February 2006; that rate is unchanged from the previous 12-month period.

Steady job growth, affordable home prices, and low mortgage interest rates have continued to support an active market for new and existing homes. According to the Metropolitan Indianapolis Board of REALTORS®, almost 27,900 new and existing single-family homes were sold in the metropolitan area in the 12 months ending February 2006, a 2.6-percent increase compared with the preceding 12-month period. The median sales price for new and existing single-family homes increased 2.3 percent to $126,900. Marion County, where Indianapolis is located, registered the most activity, with almost 14,000 sales during the most recent 12-month period. Hamilton, a quickly developing suburban county adjacent to Marion County, reported the highest median sales price for the area at $193,700.

During the 12 months ending February 2006, building permits were issued for 12,700 single-family units, a 2-percent increase compared with the previous 12-month period. This increase ends a 5-year trend of small declines in permit activity. Typical new single-family homes range in price from $150,000 to $200,000 for 1,750-square-foot starter homes and from $350,000 to $450,000 for 3,500-square-foot and larger luxury homes. During the most recent 12-month period, Hamilton and Marion Counties led the metropolitan area in single-family permits issued, with 3,700 and 3,100 units, respectively. The highest average sales price in the MSA was $252,300, recorded in Hamilton County. The average price in Marion County was $190,700. In Boone County, Duke Realty Corporation is developing a new project, Anson, as a 1,700-acre, mixed-use community of retail and commercial space and housing. Anson, which will begin construction in 2006, will include 680 single-family homes priced from $225,000 to $600,000 and 420 condominiums priced between $180,000 and $230,000. Approximately 300 rental units are planned.

The condominium market in Indianapolis continues to grow as developers target empty nesters, retirees, and urban professionals. In the 12 months ending February 2006, 2,260 new and existing condominiums were sold, up 14 percent from the previous 12-month period. The median sales price increased by 4 percent to $123,900. Upscale, single-story condominiums developed in suburban counties appeal to retiree households. Located in downtown Indianapolis close to cultural attractions and office jobs, condominiums with loft-style floor plans are selling rapidly to professionals and others seeking an urban lifestyle. New condominiums in the Indianapolis area are commonly 1,500 to 2,100 square feet and sell for approximately $100 per square foot.

The Indianapolis rental market is currently slightly soft but tightening. The rental vacancy rate dropped to 9 percent as of February 2006, down from 10 percent in February 2005. Improved market occupancy is the result of a decline in the rate of new construction and also gains in employment, which have stimulated in-migration and household formation. Reis, Inc., reports that in 2005 the average effective rent rose to $590, a 1.2-percent increase compared with 2004. Asking rents increased in many Indianapolis submarkets and concessions were offered less frequently. Typical new units rent from $685 for a one-bedroom unit to $880 for a two-bedroom unit.

During the past year, the rate of multifamily building activity, as measured by the number of building permits issued, continued to decrease, as it has since 2002. In the 12 months ending February 2006, permits were issued for approximately 3,100 multifamily units, a 7-percent decrease compared with the previous 12-month period. According to CB Richard Ellis, rental apartment production has declined by even more as the share of multifamily permits for condominiums has been increasing since 2000. In addition, 410 apartments were converted into condominiums in 2005, a 17-percent increase in apartment conversions compared with 2004. The tightening rental market is expected to stimulate an increase in apartment development during the remainder of 2006. The current apartment pipeline of 900 units represents a 30-percent increase compared with 2005. Most of these apartments will be built in the southwestern counties of Morgan and Johnson during the next 12 months.

Los Angeles County, California

Los Angeles County in Southern California has approximately 10 million people as of March 1, 2006. If the county were a state, it would rank eighth in total population. Net natural increase accounted for nearly all of the population increase of 68,450, or 0.7 percent, during the past 12 months. Net migration is currently around zero after 2 years of domestic out-migration exceeding international in-migration. The major factor in the domestic out-migration was residents moving out of the county looking for jobs and lower cost housing.

The diverse economy continues to create jobs but total nonfarm employment remains below the level for 2000. For the 12 months ending February 2006, nonfarm employment averaged approximately 4,025,400 jobs, growing slowly as 27,400 jobs, or 0.7 percent, were added during the past 12-month period. Government, especially at the local level, is the largest employment sector, averaging more than 584,000 jobs during the past 12-month period. Kaiser Permanente, in the healthcare sector, is the leading private employer with 30,500 jobs, followed by aerospace/defense firms Northrop Grumman, with 21,000 jobs, and Boeing, with 18,500 jobs. The manufacturing sector lost 11,950 jobs, or 2.5 percent, during the past 12 months as aerospace employment continued to decline and more apparel jobs were moved overseas. The number of jobs increased in several sectors, with the largest gains in professional and business services, retail trade, and construction. Unemployment dropped to 5.2 percent during the past 12-month period compared with 6.4 percent during the previous 12-month period.

In response to strong demand, single-family building permit activity for the 12-month period ending February 2006 increased by 6.0 percent, or 700 units, to 12,500 units compared with the previous year. The northern cities of Lancaster, Palmdale, and Santa Clarita, with only 4 percent of the total population in the county, accounted for 37 percent of the single-family permit activity. The availability of large land parcels with relatively lower prices has made northern Los Angeles County attractive to builders.

Population growth and historically low mortgage interest rates have maintained the demand for new and existing homes during the past several years. Recently, sales activity has been slowing as rising home prices combined with increasing mortgage interest rates result in fewer potential homebuyers qualifying for mortgages. DataQuick recorded total new and existing home sales of 117,600 for the 12-month period ending February 2006. This level of sales was 3,100 homes, or 2.6 percent, below the previous 12-month period. The median sales price for new and existing homes during the 12-month period ending February 2006 was $478,500, an increase of $73,500, or 18 percent, compared to the previous 12-month period.

Local real estate agents report that the sales market is moving from one that favors sellers to a neutral buyer-seller market. During the past 12-month period ending February 2006, most homes priced below $500,000 sold in less than 30 days. Homes priced from $500,000 to $1 million, however, took between 30 to 60 days to sell. Many homes selling for less than $1 million received multiple offers, but usually at less than the list prices. This market compares with the previous 12-month period when homes in all price ranges usually sold in less than 30 days and had multiple offers exceeding the list prices.

During the current 12-month period, condominiums represented more than 20 percent of the existing home sales in Los Angeles County. Existing condominiums are typically priced 25 percent less than existing single-family detached homes. Because most of the land within 20 miles of downtown Los Angeles is fully developed, developers are starting to use condominium conversions as a source of for-sale units.

New homes, especially condominiums, are no longer selling out before construction is completed. Most of the unsold new homes are located in the San Fernando Valley. These new homes are priced from $600,000 for condominiums and from $1 million for single-family, detached homes.

During the 12-month period ending February 2006, multifamily units permitted for new construction totaled approximately 13,600, down 1,900 units, or 12 percent, from the previous 12 months. Even with the decline, the number of units permitted is at the second highest level since 1990. Demand for additional rental units remains high, but builders are finding a scarcity of land zoned for large-scale multifamily development within 20 miles of downtown Los Angeles. Most of the rental units permitted during the past 12 months within that radius will be built on in-fill or revitalization land in complexes of fewer than 100 units. The multifamily units in the pipeline are evenly divided between rental units and for-sale condominiums.

Less than 15 percent of the households in Los Angeles County can afford to purchase the median-priced home compared with approximately 49 percent nationwide. This low level of affordability will keep the rental market tight. The current rental vacancy rate is 4 percent, down from 4.5 percent a year ago. Complexes built before 1995 have the lowest vacancy rates because the market-rate rents are $800 less than in the newer complexes. The distance of the complex from downtown Los Angeles also affects the rental vacancy rates. Apartments within 20 miles of downtown have vacancy rates that are as much as 2.5 percentage points lower than apartments in northern Los Angeles County and the San Gabriel Valley.

Rents increased 6 percent during the 12-month period ending February 2006. The median rent for a two-bedroom apartment is currently $1,400. The cities of Los Angeles, Santa Monica, and West Hollywood, all of which have some form of rent control, contain more than 47 percent of the rental units in the county.

Downtown Los Angeles continues to transform from a corporate and government office center into a mixed residential and business use area. In 2000, the downtown area contained fewer than 3,500 residential units, which consisted mainly of apartments built before 1980 and old hotels with converted single-room occupancy units. Currently, more than 8,000 residential units are in the downtown area. During the past 3 years, vacant office space has been converted into high-priced rental lofts and condominiums. Market-rate rents start at around $1,500 for a loft, and loft condominiums start at around $350,000. Approximately 5,000 residential units are now under construction and more than 10,000 additional units are in the planning stages. As a result of the residential growth, the first full-service supermarket to be built in downtown in more than 50 years is under construction.

Madison, Wisconsin

The Madison metropolitan area, located in south central Wisconsin, consists of Columbia, Dane, and Iowa Counties. The city of Madison, the state capital, is located in Dane County and is the center of education, government, and employment in the region. The abundant supply of land and the low cost of developing and operating businesses have contributed to economic growth in the metropolitan area since the late 1990s. Stimulated by economic expansion, Madison and suburban areas in Dane County recorded moderate growth in population and housing since 2000.

As of July 1, 2005, the Census Bureau estimated the population in the metropolitan area at 537,100, an average annual increase of 6,680, or 0.3 percent, since 2000. Population growth was evenly divided between net in-migration and net natural increase (resident births minus resident deaths). During this 5-year period, Dane County was the fastest growing county in the metropolitan area due to growth in the city of Madison of approximately 3,000 people annually.

Nonfarm employment increased by 7,050 jobs, or 2.1 percent, to 343,400 during the 12-month period ending February 2006 compared with the previous 12-month period. Employment growth was concentrated in the professional and business services sector, primarily as a result of increased hiring of temporary workers, and in the educational and healthcare sector in response to the needs of an expanding and aging population. Major employers in the area include University of Wisconsin Hospital and Clinics, with 6,000 employees, and Meriter Health Services and Dean Health Systems, each with 3,200 employees. The average unemployment rate in the metropolitan area was 3.2 percent for the 12 months ending February 2006, down slightly from 3.3 percent in the previous 12 months.

In the metropolitan area, economic development is concentrated in the city of Madison and suburban Dane County. More than $300 million in industrial, commercial, and medical development was invested in Madison from 2003 through 2005. In the first quarter of 2006, Covance, Inc., completed a $25 million expansion of its pharmaceutical laboratory, which will add 500 jobs. University Square, a $130 million private and public project involving the University of Wisconsin and Executive Management, Inc., is scheduled to begin construction in 2006 and will include retail and educational space and student housing. In suburban Dane County, economic expansion is boosting growth in several communities. Epic Systems, a developer of medical software, is constructing a $350 million, 400-acre corporate headquarters in Verona that will add 2,000 jobs. The city of Sun Prairie anticipates a retail and commercial construction boom of more than $200 million, which is expected to begin in late 2006.

Economic growth and the increased demand for homes have contributed to the strong sales market for single-family homes. In 2005, the REALTORS® Association of South Central Wisconsin reported record sales of existing single-family homes. More than 9,000 homes were sold in the metropolitan area, compared with 8,600 homes in 2004. Sales of condominiums in 2005 increased to 2,250, up 14 percent from the previous year.

In response to the increased demand, builders boosted residential construction in the metropolitan area. Between 2000 and 2005, more than 17,400 single-family building permits were issued in the Madison area, a high level of permit activity compared with 12,850 single-family permits issued during the previous 6-year period. Although single-family permit activity in the 12 months ending February 2006 was down 12 percent to 2,800 units from the previous 12 months, the level was approximately equal to the annual average between 2000 and 2005. In Dane County, where construction of new homes is concentrated, single-family permits were down 11 percent to 2,400 units from 2,700 units in the 12 months ending February 2005. Several suburban communities in the county continued to report strong residential activity. In Verona, where job growth is strong, six single-family, condominium, and apartment subdivisions with 2,000 total units are planned. In Fitchburg, subdivisions with approximately 1,500 single-family, condominium, and duplex residences are under construction.

Multifamily construction in the metropolitan area, as measured by building permits, has been strong since 2000. Building permits were issued for approximately 13,600 multifamily units through 2005. Madison accounted for 60 percent of the multifamily activity, or 8,100 units. For the 12 months ending February 2006, the number of multifamily permits increased by 21 percent to 2,450 units, up from 2,025 units in the previous 12-month period. Most of the increase was concentrated in condominium units, which have accounted for 30 percent of new multifamily units permitted in the area since 2000, up from 20 percent before 2000. Strong demand for condominiums has primarily been from young professionals, first-time homebuyers, and empty nesters.

The rental market in the Madison metropolitan area is balanced. The overall rental vacancy rate was 5.4 percent in the first quarter of 2006, down from 6.1 percent in the first quarter of 2005. Property managers report vacancy rates of 10 percent or higher in Class A properties throughout the metropolitan area, as homeownership opportunities have increased. As a result, many Class A properties offer rent specials including 1 and 2 months of free rent, reduced security deposit, and free iPods®. For the overall market, the average monthly rent in 2005 is $525 for a one-bedroom unit, $630 for a two-bedroom unit, and $725 for a three-bedroom unit, down approximately $30 for each bedroom size from last year.

Miami, Florida

The Miami-Dade County Housing Market Area consists of the city of Miami and surrounding Miami-Dade County. It is part of the Miami-Fort Lauderdale-Miami Beach Metropolitan Statistical Area that also includes Broward and Palm Beach Counties. Located at the southern tip of the Florida peninsula, Miami-Dade County, with its warm winter climate and close proximity to Latin America, is a center of international trade and tourism. The Miami International Airport is a hub for passenger travel to and from Latin America, and the Port of Miami reported the passage of more than three million cruise passengers in 2005.

As of July 2005, the population of Miami-Dade County was 2,376,014, an increase of 12,265 per year or less than 1 percent annually since 2000. A population of more than 5,400,000 was reported for the larger area in 2005. Approximately 60 percent of the population is Hispanic. The country of origin for most Hispanics in this area is Cuba, but large numbers of Hispanics from other countries, as well as Puerto Rico, also reside in Miami-Dade. A large number of Haitian immigrants have also settled in Miami-Dade County in recent years. Recent migration patterns show that the county's population is constantly changing, even though the net increase is not large. For the 12 months ending July 1, 2005, international migration offset internal out-migration following a long-standing pattern. The county has continued to attract immigrants from Central America, South America, and the Caribbean. The diversity of Miami makes it an attractive destination for international tourists and a location for international firms to conduct business.

The local economy has continued the expansion that began in 2003. For 2005, overall nonfarm employment in the Miami metropolitan area averaged 1,042,400, an increase of 18,900, or 1.8 percent, over 2004. Employment in the private service-providing sector increased by 22,200, or 2.9 percent, to 795,600, more than offsetting losses in other sectors. The unemployment rate averaged 4.3 percent in 2005.

Reflecting the strength of tourism, the leisure and hospitality sector reported a more rapid rate of growth than other sectors in the local economy. In 2005, employment in this sector averaged 102,400, an increase of 4,600, or 4.7 percent, over 2004. Two leading private employers in the Miami-Dade County tourism sector are American Airlines and Royal Caribbean International.

Miami is a center for international trade, an industry that continues to expand in the area. The Datamyne Inc. recently relocated its headquarters operations to Miami-Dade. Originally based in Uruguay and Argentina, The Datamyne is a leading import-export database and trade software company that provides services to companies involved in foreign trade. The company has already hired 25 full-time employees and occupies 5,600 square feet of office space in an Enterprise/Empowerment Zone near Miami International Airport. The Port of Miami recently announced Evergreen/COSCO will launch an express shipping service between Mainland China and the Port of Miami, beginning later in May.

Over the past 2 years, housing production in the metropolitan area has increased rapidly. During 2005, 24,300 units were permitted, divided between 9,800 single-family units and 14,500 multifamily units. From 2004 through 2005, an average of more than 23,500 units were authorized each year, compared with an annual average of approximately 14,200 from 2000 through 2003. Multifamily production has risen more rapidly than single-family production, increasing by 93 percent over the 2-year period. A large percentage of the multifamily units recently permitted are condominiums, which have attracted large numbers of investors, both international and domestic. Many units have been purchased at the preconstruction or preconversion stage under purchase contracts that are then resold ("flipped") repeatedly at higher prices to other investors before final closing of the purchase. The willingness and ability of the last owners of purchase contracts to close will be tested during the coming year as interest rates rise and doubt grows about future unit prices.

Home prices in Miami have followed the trend seen over the past 2 years in other metropolitan areas in Florida. The Office of Federal Housing Enterprise Oversight (OFHEO) reported that prices of homes in the Miami metropolitan area increased by 27 percent on an annual basis during the fourth quarter of 2005. This was the sixth quarter that annual price increases exceeded 20 percent. Much of the increase in prices can be attributed to increased demand, particularly from investors.

Recent data show sales of existing homes are declining. The Florida Association of REALTORS® reported that 11,016 existing homes were sold in 2005, a decline of 1,606, or approximately 13 percent, from 2004, although the median price increased 28 percent to $351,200. Since 2000, the median price of an existing home has increased from $138,200, a cumulative increase of 154 percent.

Several local factors contribute to a chronic shortage of affordable housing in the metropolitan area. The county has the highest population density in the state, creating a land shortage, which results in high costs for the limited amount of available land. As a consequence, the construction of affordable housing is very difficult. According to the 2004 American Community Survey, almost 18 percent of the county's population had incomes below the poverty level, compared with 12.2 percent for the state. The large number of low-income households puts intense pressure on the existing affordable housing.

The rental market in the Miami metropolitan area is extremely tight. M/PF YieldStar reported that as of the fourth quarter of 2005 the rental vacancy rate among large apartment complexes was 1.2 percent and rents increased by 7.8 percent over the year. More than 10,000 rental units in Miami-Dade County, however, were converted to condominiums during 2005, and large numbers of the converted units, as well as new condominium units, will eventually impact the rental market as investors attempt to rent their units. Depending on how many units come on the rental market, and how quickly, the impact could be substantial.

New York City, New York

New York City (NYC) comprises the five counties of New York (Manhattan), Kings (Brooklyn), Queens, Bronx, and Richmond (Staten Island). With more than 8.1 million people as of July 2005 according to the Census Bureau, the Housing Market Area has grown an average of 0.3 percent since 2000. Total building permit activity increased by 24 percent to a record 31,700 units permitted in 2005. Rental vacancy rates remain low in NYC. Even at the high end of the rental market—which had offered incentives as of 2 years ago—vacancy rates have been trending downward. Price appreciation and activity in the sales market, while strong through 2005, have been slowing during the past 9 months.

The rate of job growth, which has increased since 2003, averaged 1.5 percent during the 12-month period ending February 2006. Nonfarm employment, which increased by 53,000 jobs, now totals 3.6 million. Although the rate of job loss in the manufacturing sector has increased during the past year, service-providing sectors are adding jobs at a rate approximately 50 percent greater than the rate at which they added jobs during the previous 12-month period. The two sectors with the largest job gains were the educational and health services sector, which added 14,900 jobs, and the professional and business services sector, which increased by approximately 10,500 jobs during the 12 months ending in February 2006. The unemployment rate declined to 5.7 percent as of February 2006, compared with 6.7 percent in February 2005.

Wall Street historically has provided strength to the NYC economy. The previous 12 months were no exception as more than 11,200 jobs were added to the 450,000 jobs that existed in the financial activities sector as of February 2006. Based on Wall Street's growth, the Real Gross City Product grew 3.3 percent in 2005 compared with 2.4 percent in 2004. To underscore the importance of the financial activities sector to the NYC economy, the overall wage rate, which grew 4.4 percent in 2005, would have been less than 3 percent without the inclusion of the financial activities sector.

The leisure and hospitality sector had strong growth in 2005 and added 6,800 jobs during the 12-month period ending February 2006. New York City & Company (formerly known as the New York Convention & Visitors Bureau) estimates that NYC hosted 34.8 million domestic and 6.7 million international visitors in 2005. Tourism, which accounts for 330,000 jobs in NYC, generated $22 billion in revenue and $5 billion in taxes last year. According to PKF Consulting, increased tourism in 2005 raised the hotel daily occupancy rate to a record high of 86 percent, and the average daily room rate increased to $243.

The 2005 NYC Housing and Vacancy Survey (HVS) conducted by the Census Bureau reported that NYC's total inventory of residential units was 3.3 million. Between the 2002 and 2005 HVSs, NYC's housing stock increased by 52,000 units, including 1,000 rent-stabilized units. In 2005 the homeownership rate in NYC was 33 percent, a record level according to the HVS.

The sales market in NYC remains tight. According to Prudential Douglas Elliman, in 2005 the median sales price of co-op apartments increased by 23 percent to $650,000 and the median sales price of condominiums increased by 23 percent to $900,000. Sales activity was slower during the fourth quarter of 2005, resulting in only a 1-percent increase in the median price of sales apartments. Median sales prices for Manhattan condominiums declined and median sales prices for Manhattan co-ops were flat during this period. Sales in the fourth quarter of 2005 amounted to 1,574 units, 27 percent fewer sales than in the fourth quarter of 2004. The decline in sales has resulted in an increase in the average number of days that Manhattan sales apartments remain on the market.

The rental market remains tight with an HVS-reported vacancy rate of 3.1 percent as of 2005, a marginal increase over the 2.9-percent vacancy rate reported in 2002. Accordingly, gross rents increased from $788 in 2002 to $920 in 2005, a 5.6-percent annual average increase. Rental vacancy rates varied throughout the five boroughs. Manhattan had the highest rate, at 3.8 percent; the Bronx had the lowest rate, at 2.6 percent.

Multifamily housing construction activity for NYC condominiums, co-ops, and rentals, as measured by building permits issued, increased 42 percent to 21,600 units during the 12 months ending February 2006 compared with the previous 12-month period. More than 55 percent of the increase occurred in Manhattan, where multifamily building activity increased 69 percent to 9,000 units. An estimated 7,600 multifamily units will be completed in Manhattan this year. An additional 20,000 units are planned, as developers remain confident in the strength of the Manhattan real estate market. Brooklyn and Queens are also major multifamily development markets with 5,500 and 3,800 units permitted, respectively, during the 12-month period ending February 2006.

Outside the island of Manhattan, several major developments are under way. A series of major projects planned in the Long Island City area of Queens will add 4,000 residential apartments during the next 5 years. Similarly, new projects in Brooklyn are expected to add more than 7,000 units and 2 million square feet of commercial space over the next 10 years.

Since 2002, NYC has created more than 55,000 affordable housing units under the New Marketplace Housing Plan (NMHP). NYC recently revised its 2008 goal of 68,000 affordable housing units for low- and moderate-income residents to 165,000 units by 2013. This revised NMHP will provide $7.5 billion to create 92,000 new homes primarily targeted to middle-income residents and will preserve an additional 73,000 moderately priced units.

Philadelphia, Pennsylvania

The Philadelphia Housing Market Area (HMA) has a strong sales market and balanced rental market despite slow population growth. The HMA is the Pennsylvania portion of the four-state Philadelphia metropolitan area and comprises Bucks, Chester, Delaware, and Montgomery Counties and the city of Philadelphia. With nearly 3.9 million people as of July 2005, as estimated by the Census Bureau, the HMA contains approximately 70 percent of the population of the Philadelphia metropolitan area.

Since 2000, the population of the HMA increased by 7,725, or 0.2 percent, annually. Most growth occurred in suburban Bucks, Chester, and Montgomery Counties; this growth has offset population declines in the city of Philadelphia. Center City Philadelphia has emerged as a distinct submarket, with nearly 1,600 people added each year since 2000 as demand for condominiums increased among professionals, empty nesters, and recent graduates.

The Philadelphia HMA economy is expanding. For the 12 months ending February 2006, nonfarm employment averaged 1,873,000, an increase of 20,750 jobs, or 1.1 percent, from the same period a year ago. Gains in the service-providing sector more than compensated for losses in the goods-producing sector. The largest increase was in the education and health services sector, which added 8,775 jobs, or 2.3 percent. Most of the new jobs were added in health care, particularly in ambulatory healthcare services, which increased by more than 2,400 jobs. Approximately 20 percent of the jobs in the HMA are in the education and health services sector, which is a higher percentage than the national average of 13 percent. This sector includes the first and third largest employers, the University of Pennsylvania and Jefferson Health Systems. The second largest employer, Merck & Company, the pharmaceutical research and development firm, is also health related. Growth also occurred in the professional and business services sector, which increased by 4,900 jobs, and the leisure and hospitality sector, which rose by 3,975 jobs. Although jobs declined in the leisure and hospitality sector in the city of Philadelphia between 2001 and 2003, the city currently accounts for half of the jobs added in this sector in the HMA during the 12 months ending February 2006. Hospitality employment is expected to remain strong in the city because the Pennsylvania Convention Center expansion, which is expected to be completed in 2009, is anticipated to add thousands of new jobs, according to the Philadelphia Convention and Visitor's Bureau. The average unemployment rate declined from 5.4 percent in February 2005 to 4.9 percent as of February 2006.

The rate of homebuilding in the HMA, as measured by single-family building permits, has remained nearly unchanged since 2001, averaging approximately 8,300 homes a year. In the 12 months ending February 2006, single-family permits totaled 8,450, an increase of approximately 400, or 5 percent, compared with the same period a year ago. Bucks, Chester, and Montgomery Counties account for more than 85 percent of homebuilding in the HMA. Although single-family construction in the city of Philadelphia is modest compared to condominium development, the number of single-family permits issued nearly tripled to approximately 430 homes during the 12 months ending February 2006. New single-family homes and townhomes are being developed on former industrial, military, and vacant land in and near Center City.

Sales volume and prices of existing homes increased steadily over the past several years. Data from the Pennsylvania Association of REALTORS® for an area that includes the Philadelphia and Reading metropolitan areas indicate that single-family sales increased nearly 20 percent to 110,300 homes for the 12 months ending September 2005 (the most recent data available). In 2005, the median price of a single-family home was $215,300 for the Philadelphia metropolitan area according to the NATIONAL ASSOCIATION OF REALTORS®, 16 percent higher than in 2004.

Multifamily building permit activity in the HMA has moderated from its peak of more than 4,300 units in 2004. During the 12 months ending February 2006, the number of multifamily units permitted declined by 27 percent to 3,625 units, a level significantly above the average of approximately 2,200 units permitted annually from 1996 to 2003. According to Delta Associates, an estimated 1,800 units in Center City and 1,450 units in the Pennsylvania suburbs, primarily in Montgomery and Bucks Counties, are expected to enter the rental market within the next 3 years. From 2004 to 2005, this supply pipeline had been cut in half as the number of units under construction decreased in the suburbs. Although multifamily rental construction in Center City increased from 2004 to 2005, it is expected to decline in 2006 because tax incentives and low interest rates have made the purchase of condominiums more attractive than renting.

The Philadelphia HMA rental market is balanced, despite a slight increase in the vacancy rate in the suburbs. During the past year, absorption of new units continued at a steady pace throughout most of the HMA. According to Delta Associates, the number of available apartments at actively marketing projects declined by nearly half to 850 units in 2005, compared with 1,650 units in 2004. The stabilized Class A apartment rental vacancy rate is unchanged at 3 percent in Center City, although the overall vacancy rate, which includes actively marketing projects, declined from 10 percent to 8 percent because the absorption of new apartments remained strong in 2005. During the same period, the vacancy rate increased from 3 percent to 4 percent in the Pennsylvania suburbs because absorption slowed in Bucks and Montgomery Counties. Rent concessions increased in Bucks County from approximately 5 percent in 2004 to nearly 9 percent in 2005. Class A apartment gross rent levels average approximately $1,725 in Center City and $1,250 in the Pennsylvania suburbs. Reis, Inc., reports that, in 2005, the median rent for all units in the overall Philadelphia metropolitan area was $924.

Demand for the urban lifestyle from professionals, empty nesters, and recent graduates has driven population growth in Center City Philadelphia. The Center City District (CCD) estimates that the population was 88,000 in 2005, an increase of more than 9,000 since the 2000 Census. As development continues, the traditional boundaries of Center City are expanding to include neighborhoods such as Northern Liberties and Queen Village, as well as vacant industrial land along the Delaware River.

During the past 8 years, an annual average of more than 1,000 housing units have been developed in Center City Philadelphia. The city began a 10-year property tax abatement for residential conversion in 1997 and for new construction in 2000. From 1997 through 2005, conversions totaled 6,390 units and new construction totaled 1,840 units. An estimated 66 percent of new residential units were apartments, 30 percent were condominiums, and 4 percent were single-family homes. Conversions have declined recently from a high of 1,175 units in 2004 to an expected 675 units in 2006 since most of the suitable buildings have been converted.

During the past few years, most of the new housing development in Center City has been condominiums. The CCD estimates 3,575 units will be completed in Center City within the next 2 years, including 720 condominium unit conversions and 2,615 new condominiums. The size of condominium developments has risen from an average of 40 units for those constructed in 2005 to an average of 118 units for those scheduled for completion during the next 2 years because new construction of large-scale developments is replacing conversions.

Phoenix, Arizona

The Phoenix metropolitan area, comprising Maricopa and Pinal Counties, ranks as one of the top 10 growth areas in the nation. According to state of Arizona estimates, the Phoenix metropolitan area population is estimated to be 3.9 million as of July 2005, a gain of 122,500, or 3.8 percent, a year since April 2000. The city of Phoenix had an estimated population of more than 1.45 million in July 2005. In-migration accounted for most of the growth in the Phoenix area population, with new residents attracted by the expanding employment base and many popular retirement communities. Maricopa County led the nation's counties with an average annual population growth of 110,000 since 2000 and accounts for more than 90 percent of the total metropolitan area population. Pinal County had an estimated population of 246,700, an increase of 7 percent annually since 2000 due largely to an influx of homebuyers working in Maricopa County.

The Phoenix economy grew rapidly during the past year. In the 12 months ending February 2006, nonfarm employment averaged 1.81 million jobs, a gain of 107,800, or 6.3 percent. The increase substantially exceeded the 72,000 jobs added in the previous 12 months. Service-providing employment rose by 80,000 jobs, or 5.6 percent, led by increases in professional and business services, retail trade, and healthcare employment. Due to strengthening tourism and business travel, employment in the leisure and hospitality sector gained 8,400 jobs. The expansion of the population and business activity continued to support an extremely strong volume of residential and nonresidential development, increasing construction sector employment by more than 23,000 jobs. Rising demand for capital goods and defense products supported small job gains at manufacturing firms, especially electronics and aerospace-related companies. Motorola and Intel are the major high-technology manufacturers in the Phoenix area with approximately 10,700 and 10,000 local employees, respectively. Labor market conditions in the Phoenix area remained tight. The local unemployment rate averaged 4.1 percent in the 12 months ending February 2006, compared with 4.3 percent in the previous 12 months.

Strong job growth in nearly all major sectors is expected to continue in 2006 and 2007, fostered by a number of notable major developments in the healthcare, education, high-technology manufacturing, and hospitality industries. Banner Health, the largest Phoenix healthcare system, with 19,250 employees, is building to add nearly 600 new beds; local medical providers are currently building health facilities totaling $1.5 billion in value. Arizona State University is adding a new downtown campus that is expected to add 500 faculty and staff immediately to its current total of 11,250 at the Tempe main campus and two smaller campuses in the area. In the high-technology sector, Intel is building a $3 billion semiconductor plant in Chandler, adding 1,000 jobs on completion in late 2007. Increased visitation and hotel occupancy are reflected in the 1,000-room Sheraton® under construction in downtown Phoenix, which will be the largest hotel in the Phoenix area.

High rates of job growth, population gains, and investment demand supported record-setting home sales in the Phoenix area in 2005. According to the *Phoenix Housing Market Letter*, sales of existing and new homes rose 13 and 18 percent, respectively, in the 12 months ending February 2006, compared with the previous 12 months. Activity in both sectors remained near their 2005 record pace. The high demand for homes and a scarcity of available homes for purchase for much of the year resulted in rapid price appreciation. The Arizona Real Estate Center reported a median resale price of $260,000 and a median new home price of $281,500 for the fourth quarter of 2005, rising 40 and 36 percent, respectively, from the same quarter a year ago. According to the Office of Federal Housing Enterprise Oversight (OFHEO), home price appreciation in the Phoenix area surpassed all other metropolitan areas in 2005.

By the first quarter of 2006, home sellers were finding signs of more competitive market conditions, as evidenced by lower sales volume and lower price appreciation compared with the very strong sales market conditions of the first quarter of 2005. The Arizona Regional Multiple Listing Service also reported that the average time to sell an existing single-family home rose to 53 days in the first quarter of 2006 from approximately 24 days a year earlier and indicated a substantial increase in the number of home listings compared with the first quarter of 2005.

Single-family building permit activity remained at a very high volume, although permits declined 12 percent to 52,274 units in the 12 months ending February 2006 compared with the near-record level of the previous 12-month period. Local sources indicate subdivision sales are beginning to moderate, reflecting in part the rapid increase in new home prices during 2005 and a recent slowing in move-up sales. Builders are still increasing base prices but at a more measured pace, and incentives are becoming more common. In recent years builders seeking cheaper developable land within commuting range of Maricopa County job centers have turned to Pinal County, where home permits rose 10 percent in the 12 months ending February 2006 and accounted for more than one-fifth of the Phoenix area single-family permits.

The Phoenix rental market tightened during 2005. According to the Arizona Real Estate Center survey, the rental vacancy rate for larger apartments fell to 5 percent in the fourth quarter of 2005, from 8 percent a year earlier and nearly 10 percent at the end of 2003. Rental demand has increased due to population growth and the rapid increase in home prices, although the level of new apartment completions remains relatively steady. Rental vacancies are lowest in the Scottsdale, Sky Harbor, and North Phoenix areas and are above average in the South Mesa and Glendale submarkets. Effective rents rose nearly 4 percent in 2005, compared with less than 2 percent in the previous year, according to Reis, Inc., as fewer properties are offering incentives. The rental vacancy rate is expected to gradually decline further through the end of 2006.

In the 12 months ending February 2006, multifamily building permit activity in the Phoenix area rose 28 percent to 9,661 units, a pace exceeding any year since 2000. According to RealData, about 6,000 of the units permitted in 2005 are large rental apartments, primarily luxury apartments in Phoenix, the Northwest Valley, and the East Valley. New condominiums comprise an increasing share of multifamily activity, reflecting increased demand, although conversions from apartments still exceed the building of new condominiums. According to Arizona State University estimates, more than 11,000 units have been converted to condominiums in the past 2 years, exceeding the number of apartment units completed. These conversions have contributed to the tightening of the rental market, although a significant number sold to investors are expected to eventually return to the rental market.

Rochester, Minnesota

The Rochester metropolitan area in southeastern Minnesota includes Dodge, Wabasha, and Olmsted Counties. Rochester, the central city in this fast-growing metropolitan area, is the third largest city in the state and home to the Mayo Clinic. The city also is home to a major IBM research and development and manufacturing facility and to many small high-technology firms. Rochester has the highest concentration of high-technology businesses in the nation, according to the Milken Institute.

The population of the area rose by an annual average of 2,550, or 1.6 percent, since 2000 to an estimated 178,250 as of January 2006, including 95,450 in Rochester. Olmsted County accounted for 136,200 of the latest estimated population and 81 percent of the annual increase. The number of households in the metropolitan area was estimated at 68,350 as of January 2006, an annual increase of 1.6 percent since 2000.

The local economy has paralleled the growth in population and households. Average nonfarm employment increased by 1.4 percent to 103,300 for the 12 months ending February 2006 compared with the previous 12 months. Private service-providing industries were up by 2 percent for the most recent 12 months. Education and health services, the largest and fastest expanding sector, averaged 37,150 jobs in the most recent 12 months, an increase of 1,025, or 2.8 percent. The Mayo Clinic dominates the industry and the local economy with 29,000 workers in Rochester, an increase of 860 during 2005. The city also has an extensive hospitality industry, primarily to accommodate clinic visitors. The leisure and hospitality sector, at 9,050 jobs for the most recent 12 months, was up 4.1 percent from the previous 12 months. Both health services and the hospitality industry have expanded in response to increases in patient visits, particularly from foreign countries.

Led by IBM, with 4,350 employees plus additional workers under contract, manufacturing averaged 13,350 jobs during the 12 months ending February 2006, a modest increase from the previous 12 months. Recent overall job increases lowered the unemployment rate from 4 percent in the 12 months ending February 2005 to 3.5 percent in the subsequent 12 months.

Sales of single-family homes remain strong following several years of record-breaking activity. In 2005, a record 2,400 existing homes were sold in the city of Rochester, compared with 2,300 homes in both 2003 and 2004. The average sales price of $191,500 for existing homes in Rochester in 2005 is much higher than prices of homes in most outlying communities, such as the Dodge Center area, where the 2005 average sales price was $129,000.

Builders in the Rochester area have responded with a range of new home styles and prices to meet the strong demand for sales housing. The median family income for the area is currently estimated to be $70,900 with an economic base featuring highly paid medical, engineering, and managerial professionals; entrepreneurs; and business owners. Most new and existing homes throughout the area are priced from $250,000 and higher. New starter homes start at $120,000 to $130,000 for modest two-bedroom units and $150,000 and higher for three-bedroom homes.

Strong demand has kept the sales market tight, with a vacancy rate below 1 percent since the late 1990s, and has led to high levels of residential construction during recent years. For the 12 months through February 2006, building permits were issued for 1,280 housing units, including 1,193 single-family homes. This total represents a return to more typical levels of permit activity from the near-record units permitted during the previous 12 months, when 1,620 units were authorized, including 1,511 single-family homes. Olmsted County and Rochester accounted for 80 percent and 68 percent, respectively, of the single-family units permitted in the area over the past 2 years. For 2000 through 2005, Olmsted County accounted for 78 percent and Rochester accounted for 58 percent of single-family units permitted. Because construction in Rochester has been exhausting the supply of available land, the city has been expanding rapidly via annexation to facilitate continuing development.

The rental market is currently balanced, with a vacancy rate estimated at less than 5 percent, down from an estimated 8.4 percent in 2003. The higher vacancy rates early in the decade resulted from a pause in employment expansion in 2001, movement of renters to sales housing, and high rates of multifamily production between 2000 and 2002. Permits were issued for 660 multifamily units in 2000 and 483 in 2001, with reduced activity thereafter. Most recently, multifamily permits were issued for 109 units in the 12 months through February 2006 compared with 87 units authorized in the previous 12 months.

Seattle, Washington

The Seattle-Bellevue-Everett metropolitan area is the economic center of the Greater Puget Sound Region and consists of King and Snohomish Counties. Economic conditions in the Seattle area continued to improve during the 12 months ending February 2006. Nonfarm employment averaged 1.38 million, up 3.3 percent compared with the previous 12 months, and the average unemployment rate declined from 5.2 percent to 4.7 percent. Employment increased at the fastest rate in 10 years, resulting in 44,000 new jobs, with one-fourth in the professional and business services sector. The manufacturing sector added 8,000 jobs, mainly because of hiring at Boeing, where employment has increased 20 percent since March 2005. Boeing is expected to continue adding to its workforce of approximately 42,000 in the Puget Sound Region for the next 2 to 3 years to fulfill increased aircraft orders.

The 7,100 jobs added in the construction sector during the past 12 months ending February 2006 resulted from the strong housing market and major commercial developments. In downtown Seattle, projects include the Seattle Art Museum expansion, remodeling of the Seattle Aquarium, the new waterfront sculpture park, and the construction of several new mixed-use hotel and residential complexes. Work on the Sound Transit's light rail line also contributed to construction employment gains. The retail trade sector and educational and health services sector also had notable job growth during the past 12 months.

The Seattle area population increased at an annual rate of 1.1 percent to 2.45 million between July 2004 and July 2005 based on Census Bureau estimates, compared with average annual growth of 0.6 percent during the previous 3 years. The accelerated job gains attracted new residents, raising net in-migration to an estimated 46 percent of population growth for the 12 months ending July 2005 compared with 19 percent between 2001 and 2004. In Snohomish County, where home prices are relatively affordable and land is available for development, the population increased by 1.8 percent, or twice the King County rate, to 655,950.

The tight sales market conditions in the Seattle area continued due to low mortgage interest rates, employment gains, and fewer home listings. During the 12 months ending March 2006, 46,300 existing homes were sold through the Northwest Multiple Listing Service, essentially unchanged from the previous 12-month period. Active listings for existing homes declined 4 percent overall and 5 percent in King County; existing home sales in King County were 1 percent below the total for a year earlier. In Snohomish County, closings for existing homes rose 8 percent to 15,000 and active listings increased slightly. The new home market in King County was impacted by a 10-percent decline in active listings because of land supply constraints—sales were down 13 percent to 4,000 homes. New home listings in Snohomish County rose moderately and sales increased 18 percent to 3,400 homes. Reflecting the tight market conditions in the Seattle area, the median sales price increased 16 percent to $378,650 and $396,500 for existing and new homes, respectively. The median price for existing homes in King County was approximately $80,000 higher than in Snohomish County; the median for new homes was $44,000 higher in King County. Realtors reported that the decline in King County home listings, particularly in close-in Seattle neighborhoods, contributed to multiple offers above listing prices.

Condominium sales increased 2 percent in the Seattle area for new and existing units to 14,100 for the 12 months ending March 2006 compared with the same period ending in 2005. Local sources indicated that demand came from a broad range of buyers, including investors, first-time buyers, and people wanting small-business space. The median sales price for existing units increased 9 percent from the previous year to $215,200, and the median price for newly constructed homes increased 12 percent to $265,400. Approximately 80 percent of new and existing condominium sales occurred in King County where the median sales price was $265,000, compared with $200,000 in Snohomish County.

Rental market conditions in the Seattle metropolitan area continued to tighten because of population growth, limited new apartment supply, and conversion of rental units to condominiums. The estimated rental vacancy rate was 4.7 percent as of March 2006, down from 6.5 percent in March 2005, according to Dupre + Scott data. Average rents increased 2 percent to $875 in King County and $775 in Snohomish County. Despite the increase, rents were still slightly below late-2001 averages. The share of properties offering concessions declined to 30 percent, compared with 70 percent a year ago, and the value of concessions decreased. In the past 12 months, approximately 3,000 rental units in the Seattle area were converted to condominiums, outpacing new apartment supply by 1,500 units. The city of Seattle accounted for half of the converted units and had approximately 900 new rental units enter the market.

Building activity increased 4 percent in the Seattle area to 18,600 units permitted during the 12 months ending February 2006 compared with the 12 months ending February 2005. Single-family construction activity rose in response to the demand for new homes with 12,100 single-family homes permitted, a 4-percent increase. Almost half of the homes permitted were in Snohomish County where activity rose by 13 percent. Home permits declined 3 percent in King County and 29 percent in the city of Seattle because of land supply constraints. In the city of Seattle, 500 home permits were issued, compared with 700 in the previous 12 months.

Multifamily building activity, as measured by building permits, increased 3 percent in the Seattle area to 6,500 units for the 12 months ending February 2006. King County accounted for 5,500 units permitted because of condominium demand and tighter rental market conditions. Most of the King County activity was in the city of Seattle where permits increased 21 percent to 3,300 units, two-thirds of which were condominiums. Multifamily building activity is expected to increase in downtown Seattle because recent legislation eliminated a building height cap. In exchange for increased building height, developers are required to help fund new affordable rental units.

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

HUD Region and State	2006 Through March			2005 Through March			Ratio: 2006/2005 Through March		
	Total	Single Family	Multi-family*	Total	Single Family	Multi-family*	Total	Single Family	Multi-family*
Connecticut	2,177	1,515	662	2,220	1,548	672	0.981	0.979	0.985
Maine	1,435	1,308	127	1,480	1,322	158	0.970	0.989	0.804
Massachusetts	5,279	2,992	2,287	4,564	2,682	1,882	1.157	1.116	1.215
New Hampshire	1,275	1,138	137	1,447	1,153	294	0.881	0.987	0.466
Rhode Island	638	415	223	436	334	102	1.463	1.243	2.186
Vermont	598	466	132	426	358	68	1.404	1.302	1.941
New England	**11,402**	**7,834**	**3,568**	**10,573**	**7,397**	**3,176**	**1.078**	**1.059**	**1.123**
New Jersey	7,716	4,716	3,000	8,127	4,813	3,314	0.949	0.980	0.905
New York	12,388	4,423	7,965	10,942	3,856	7,086	1.132	1.147	1.124
New York/New Jersey	**20,104**	**9,139**	**10,965**	**19,069**	**8,669**	**10,400**	**1.054**	**1.054**	**1.054**
Delaware	1,525	1,246	279	1,808	1,725	83	0.843	0.722	3.361
District of Columbia	1,327	11	1,316	565	43	522	2.349	0.256	2.521
Maryland	6,135	5,545	590	7,999	5,470	2,529	0.767	1.014	0.233
Pennsylvania	10,314	8,364	1,950	8,168	6,438	1,730	1.263	1.299	1.127
Virginia	13,445	11,170	2,275	13,584	11,449	2,135	0.990	0.976	1.066
West Virginia	1,489	1,410	79	1,288	1,148	140	1.156	1.228	0.564
Mid-Atlantic	**34,235**	**27,746**	**6,489**	**33,412**	**26,273**	**7,139**	**1.025**	**1.056**	**0.909**
Alabama	7,848	6,753	1,095	8,155	6,131	2,024	0.962	1.101	0.541
Florida	68,866	51,257	17,609	66,577	49,524	17,053	1.034	1.035	1.033
Georgia	26,795	22,006	4,789	24,755	21,577	3,178	1.082	1.020	1.507
Kentucky	3,616	3,076	540	5,003	4,484	519	0.723	0.686	1.040
Mississippi	3,518	3,218	300	2,997	2,654	343	1.174	1.213	0.875
North Carolina	26,325	21,812	4,513	23,384	19,738	3,646	1.126	1.105	1.238
South Carolina	14,806	11,609	3,197	12,758	9,965	2,793	1.161	1.165	1.145
Tennessee	12,555	10,359	2,196	10,615	9,129	1,486	1.183	1.135	1.478
Southeast/Caribbean	**164,329**	**130,090**	**34,239**	**154,244**	**123,202**	**31,042**	**1.065**	**1.056**	**1.103**
Illinois	15,793	9,731	6,062	12,680	9,018	3,662	1.246	1.079	1.655
Indiana	7,542	6,164	1,378	7,359	6,177	1,182	1.025	0.998	1.166
Michigan	6,606	5,622	984	10,106	8,749	1,357	0.654	0.643	0.725
Minnesota	5,721	4,517	1,204	5,149	4,170	979	1.111	1.083	1.230
Ohio	10,088	8,145	1,943	10,293	8,840	1,453	0.980	0.921	1.337
Wisconsin	5,918	4,382	1,536	6,046	4,490	1,556	0.979	0.976	0.987
Midwest	**51,668**	**38,561**	**13,107**	**51,633**	**41,444**	**10,189**	**1.001**	**0.930**	**1.286**
Arkansas	4,086	2,761	1,325	4,241	2,689	1,552	0.963	1.027	0.854
Louisiana	5,737	5,409	328	5,571	5,129	442	1.030	1.055	0.742
New Mexico	3,705	3,450	255	3,177	3,080	97	1.166	1.120	2.629
Oklahoma	4,473	3,815	658	4,311	3,546	765	1.038	1.076	0.860
Texas	56,848	43,678	13,170	49,409	37,404	12,005	1.151	1.168	1.097
Southwest	**74,849**	**59,113**	**15,736**	**66,709**	**51,848**	**14,861**	**1.122**	**1.140**	**1.059**
Iowa	2,781	2,268	513	3,162	2,322	840	0.880	0.977	0.611
Kansas	3,250	2,545	705	2,853	2,298	555	1.139	1.107	1.270
Missouri	7,387	4,873	2,514	7,165	5,967	1,198	1.031	0.817	2.098
Nebraska	2,434	1,733	701	2,237	1,757	480	1.088	0.986	1.460
Great Plains	**15,852**	**11,419**	**4,433**	**15,417**	**12,344**	**3,073**	**1.028**	**0.925**	**1.443**
Colorado	10,774	8,540	2,234	10,590	9,275	1,315	1.017	0.921	1.699
Montana	1,151	821	330	1,035	691	344	1.112	1.188	0.959
North Dakota	212	172	40	563	188	375	0.377	0.915	0.107
South Dakota	1,830	877	953	1,029	816	213	1.778	1.075	4.474
Utah	5,873	5,235	638	6,176	5,095	1,081	0.951	1.027	0.590
Wyoming	584	510	74	672	535	137	0.869	0.953	0.540
Rocky Mountain	**20,424**	**16,155**	**4,269**	**20,065**	**16,600**	**3,465**	**1.018**	**0.973**	**1.232**
Arizona	20,143	16,729	3,414	21,467	19,017	2,450	0.938	0.880	1.393
California	44,293	28,551	15,742	47,229	33,623	13,606	0.938	0.849	1.157
Hawaii	2,335	1,687	648	2,097	1,853	244	1.113	0.910	2.656
Nevada	14,087	9,184	4,903	9,196	7,810	1,386	1.532	1.176	3.538
Pacific	**80,858**	**56,151**	**24,707**	**79,989**	**62,303**	**17,686**	**1.011**	**0.901**	**1.397**
Alaska	578	272	306	512	301	211	1.129	0.904	1.450
Idaho	4,398	4,052	346	4,457	3,982	475	0.987	1.018	0.728
Oregon	6,545	5,260	1,285	7,443	5,577	1,866	0.879	0.943	0.689
Washington	10,783	8,539	2,244	11,627	9,303	2,324	0.927	0.918	0.966
Northwest	**22,304**	**18,123**	**4,181**	**24,039**	**19,163**	**4,876**	**0.928**	**0.946**	**0.857**
United States	**496,025**	**374,331**	**121,694**	**475,150**	**369,243**	**105,907**	**1.044**	**1.014**	**1.149**

*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	2006 Through March		
		Total	Single Family	Multi-family*
12060	Atlanta-Sandy Springs-Marietta, GA	18,914	14,857	4,057
26420	Houston-Baytown-Sugar Land, TX	17,713	13,788	3,925
19100	Dallas-Fort Worth-Arlington, TX	14,552	11,925	2,627
35620	New York-Northern New Jersey-Long Island, NY-NJ-PA	14,543	4,389	10,154
38060	Phoenix-Mesa-Scottsdale, AZ	13,393	10,566	2,827
16980	Chicago-Naperville-Joliet, IL-IN-WI	12,588	7,073	5,515
29820	Las Vegas-Paradise, NV	12,550	7,877	4,673
40140	Riverside-San Bernardino-Ontario, CA	11,738	9,789	1,949
33100	Miami-Fort Lauderdale-Miami Beach, FL	11,031	5,357	5,674
31100	Los Angeles-Long Beach-Santa Ana, CA	9,152	3,650	5,502
47900	Washington-Arlington-Alexandria, DC-VA-MD-WV	8,154	5,464	2,690
36740	Orlando, FL	7,929	6,745	1,184
45300	Tampa-St. Petersburg-Clearwater, FL	7,729	6,230	1,499
12420	Austin-Round Rock, TX	7,406	5,521	1,885
15980	Cape Coral-Fort Myers, FL	7,327	5,265	2,062
41700	San Antonio, TX	6,309	3,877	2,432
16740	Charlotte-Gastonia-Concord, NC-SC	6,148	5,348	800
42660	Seattle-Tacoma-Bellevue, WA	5,472	4,015	1,457
27260	Jacksonville, FL	5,238	4,030	1,208
19740	Denver-Aurora, CO	5,132	3,834	1,298
29460	Lakeland, FL	4,791	3,590	1,201
39580	Raleigh-Cary, NC	4,789	3,419	1,370
37980	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	4,137	2,945	1,192
41860	San Francisco-Oakland-Fremont, CA	4,038	1,495	2,543
34980	Nashville-Davidson--Murfreesboro, TN	3,885	3,608	277
34820	Myrtle Beach-Conway-North Myrtle Beach, SC	3,861	1,885	1,976
38900	Portland-Vancouver-Beaverton, OR-WA	3,822	2,833	989
28140	Kansas City, MO-KS	3,664	2,447	1,217
42260	Sarasota-Bradenton-Venice, FL	3,550	2,622	928
33460	Minneapolis-St. Paul-Bloomington, MN-WI	3,478	2,922	556
14460	Boston-Cambridge-Quincy, MA-NH	3,477	1,580	1,897
26900	Indianapolis, IN	3,346	2,649	697
41740	San Diego-Carlsbad-San Marcos, CA	3,172	1,475	1,697
41180	St. Louis, MO-IL	2,900	2,648	252
17140	Cincinnati-Middletown, OH-KY-IN	2,817	1,981	836
16700	Charleston-North Charleston, SC	2,770	2,183	587
40900	Sacramento--Arden-Arcade--Roseville, CA	2,767	2,375	392
32820	Memphis, TN-MS-AR	2,732	2,054	678
14260	Boise City-Nampa, ID	2,620	2,432	188
46060	Tucson, AZ	2,577	2,290	287
47260	Virginia Beach-Norfolk-Newport News, VA-NC	2,404	1,788	616
12580	Baltimore-Towson, MD	2,377	2,049	328
13820	Birmingham-Hoover, AL	2,350	1,922	428
19820	Detroit-Warren-Livonia, MI	2,330	1,876	454
40060	Richmond, VA	2,303	2,190	113
32580	McAllen-Edinburg-Pharr, TX	2,232	1,903	329
36100	Ocala, FL	2,221	2,029	192
48900	Wilmington, NC	2,215	1,705	510
36420	Oklahoma City, OK	2,194	1,985	209
38940	Port St. Lucie-Fort Pierce, FL	2,193	2,035	158

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