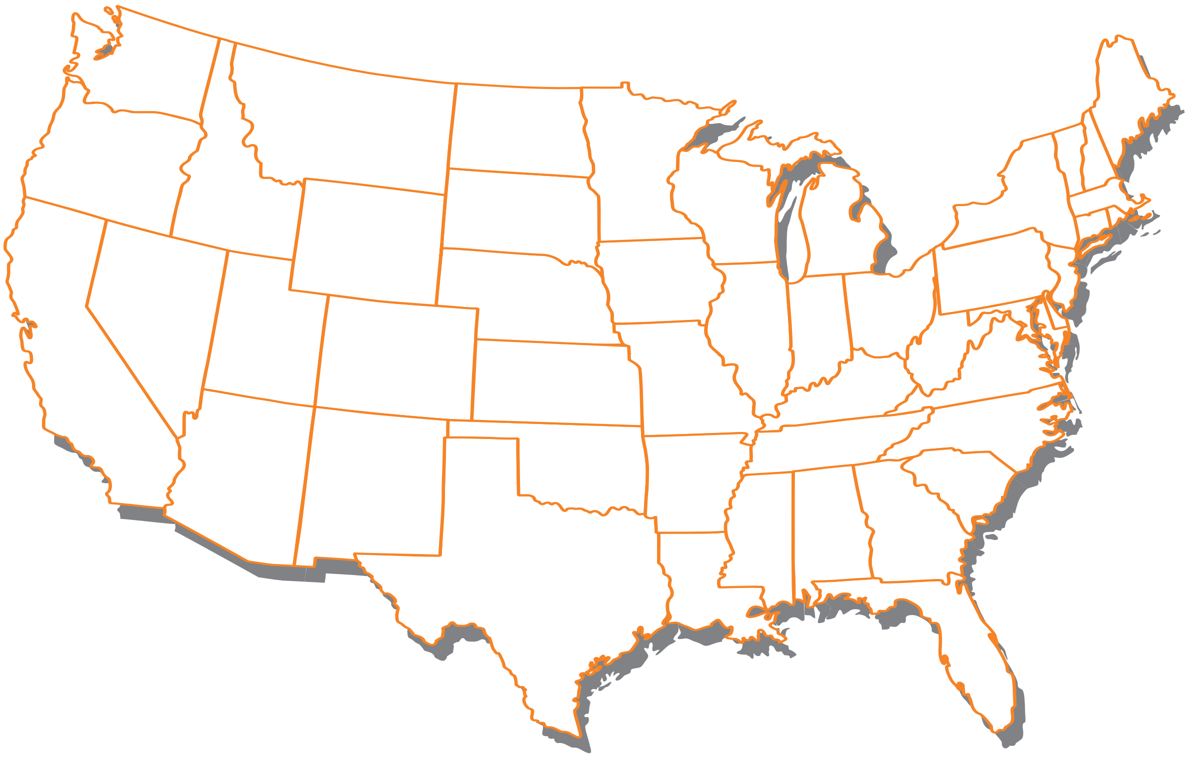
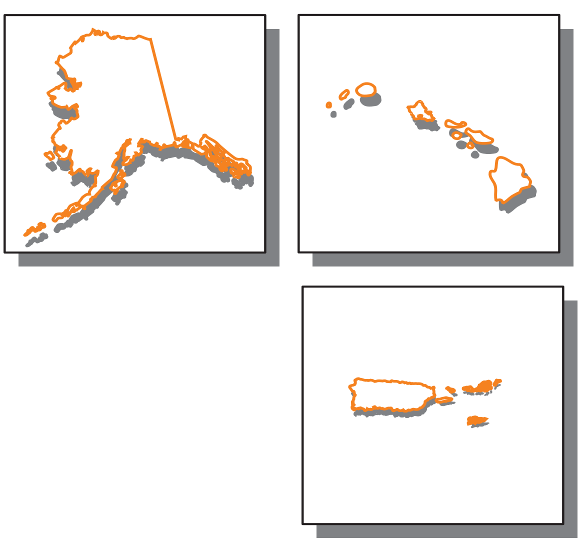
Regional Activity

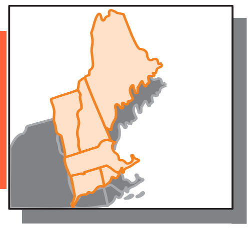




The following summaries of housing market conditions and activities have been prepared by economists in the U.S. Department of Housing and Urban Development's (HUD's) field offices. The reports provide overviews of economic and housing market trends within each region of HUD management. Also included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

Regional Reports

New England



Nonfarm employment in the New England region averaged 6,927,300 jobs, an increase of 43,700 jobs, or 0.6 percent, during the 12 months ending June 2006. With annual job growth of less than 1 percent during the past 2 years, New England continues to have one of the lowest rates of job growth in the nation. Job gains were led by Massachusetts and Connecticut with increases of 20,900 and 10,900 jobs, respectively. New Hampshire had the highest rate of growth, up 1 percent, with 6,600 jobs gained during the past year. Goods-producing industries lost 8,900 jobs; employment in this sector was down in all states except Vermont. In most of the region, job losses in the manufacturing sector were partially offset by job gains in the construction sector.

Employment in service-providing industries increased by 52,600 jobs, or 0.9 percent, during the 12 months ending June 2006 compared with the previous 12 months; most of these job gains occurred in the financial activities and professional and business services sectors. Job growth in Massachusetts and Connecticut accounted for about 70 percent of the regional employment gain, with New Hampshire having the highest rate of growth at 1.5 percent. In Massachusetts, employment in the healthcare industry, which accounts for 12 percent of the total employment compared with 9 percent nationally, will likely increase because of recent legislation mandating statewide health insurance. In Connecticut, where financial activities is the dominant employment sector, expansions by several banks and insurance companies are expected to increase employment significantly in the Stamford and Hartford metropolitan areas during the next several years.

The unemployment rate in the New England region remained relatively unchanged from a year ago. During the 12 months ending June 2006, the average unemployment rate was 4.6 percent, down from 4.7 percent during the previous 12 months. Vermont and New Hampshire had the lowest average unemployment rates in the region at 3.4 and 3.5 percent, respectively, and Rhode Island had the highest rate at 5.2 percent.

Higher interest rates and increasing land, construction, and labor costs are beginning to moderate new construction in the region. During the 12 months ending June 2006, the number of single-family homes permitted in the region declined by more than 1,700 units to 39,400, a 4-percent decrease compared with the previous 12-month period. This total was also 2 percent below the comparable period in 2004. The number of single-family units permitted fell in all states except Massachusetts, where a small increase of 2 percent was recorded. Construction of single-family homes declined more than 14 percent in Connecticut.

Sales markets throughout the region are generally characterized by slowing sales, flat-to-moderate median home sales price changes, and increased inventories of homes for sale. According to the Massachusetts Association of REALTORS® (MAR), lower levels of home sales during 9 of the past 12 months ending June 2006 compared with the same months of 2005 resulted in a 7-percent decrease in total sales of single-family homes from 50,340 to 46,900 units. The median home sales price for this period increased 2 percent to $358,800. In June 2006, the number of single-family homes on the market increased 8 percent to 38,660 units, nearly an 8-month supply. The Maine Real Estate Information System, Inc., reported that for the 12 months ending June 2006, total home sales were virtually flat, at 14,490 units, compared with the previous 12 months, and the median home sales price was $193,700, up 6 percent from the previous 12 months. This home sales price increase is less than the 11-percent average annual appreciation rate recorded since 2000. The Rhode Island Association of REALTORS® reported that for the first 6 months of 2006, single-family home sales in Rhode Island were down 11 percent to approximately 4,000 units and the median home sales price rose 5 percent to $283,500 compared with the first 6 months of 2005. According to the Northern New England Real Estate Network, during the 5 months ending May 2006 home sales in New Hampshire were down 9 percent to 7,260 units compared with the same period in 2005, and the average home sales price was up 1 percent to $264,900.

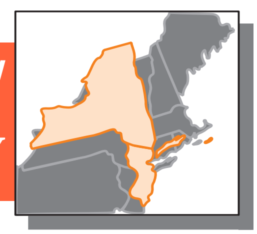
In the Hartford metropolitan area, homes sales were down 9 percent to 4,970 units during the 6 months ending June 2006 compared with the same period in 2005 and the median home sales price was up only 3 percent to $253,000. Between 2003 and 2005, home sales price appreciation averaged 10 percent annually. According to real estate analysis firm Allen & Brooks, Inc., in the Burlington, Vermont metropolitan area sales of single-family homes have fallen 31 percent in the 6 months ending June 2006 compared with the first 6 months of 2005. During this same period, the median home sales price fell 2 percent to $260,500.

The condominium market in the region is still active but is beginning to slow because the pace of sales and price appreciation has moderated. With lower sales levels for the past three months, total condominium sales were up only 3.2 percent to 22,500 units during the 12-month period ending June 2006, according to MAR. The median sales price for condominiums during the 12 months ending June 2006 was $277,200, up only 2.5 percent from the previous 12-month period. Between 2003 and 2005, the average annual sales price appreciation for condominiums in Massachusetts was about 18 percent. Condominium sales in downtown Boston were down more than 12 percent during the second quarter of 2006 compared with the second quarter of 2005. According to Listing Information Network, Inc., a real estate data service focusing on the Boston area, the median sales price for condominiums also fell, declining 4.5 percent to $454,500 from $475,000 between the second quarter of 2006 and the second quarter of 2005. Condominium sales in Rhode Island slowed by 20 percent during the first half of 2006, but the median price rose 12 percent to $233,250 compared with the first half of 2005.

Multifamily building activity in the region, as measured by the number of building permits issued, was up only 3 percent and totaled 16,000 units during the 12 months ending June 2006 compared with the previous 12 months. Nearly 90 percent of the units permitted, or 13,725 units, are in the southern New England states of Massachusetts, Connecticut, and Rhode Island, an area where multifamily building continues to increase. The number of units permitted in the northern New England states of Maine, New Hampshire, and Vermont was down about 25 percent to 2,225 units from the 3,000 units permitted during the 12-month period ending June 2005. Most of the multifamily development in the region continues to be located in the Boston-Cambridge-Quincy, Massachusetts-New Hampshire metropolitan area with almost 8,500 units permitted, 53 percent of the total multifamily permits issued in the region. With 1,650 and 1,050 units, the Providence-New Bedford-Fall River, Massachusetts-Rhode Island and the Bridgeport-Stamford-Norwalk, Connecticut metropolitan areas, respectively, are two other markets in which the number of multifamily units permitted has increased.

Rental markets in New England have been relatively stable during the second quarter of 2006. According to Reis, Inc., a real estate analysis firm, the rental vacancy rate in the Boston metropolitan area decreased to 4.7 percent during the second quarter of 2006 from 5.1 percent in both the first quarter of 2006 and the second quarter of 2005. Higher interest rates hindering homeownership opportunities, limited additions to the rental market inventory, and recent moderate job growth appear to have tightened the market. In the Boston area, however, 8,250 rental units are still expected to be completed in 2006 and 2007 and another 2,200 units are expected to be completed each year for the subsequent 3 years. The Reis, Inc., asking rent index for Boston has increased 3.3 percent from the second quarter of 2005 to the second quarter of 2006. The Fairfield County, Connecticut market, which includes Stamford, Danbury, and Bridgeport, has softened slightly. Units being added to the inventory have high rents and are taking longer to be absorbed. About 1,425 multifamily units are under construction, of which 775 are rentals and 650 are condominiums. The Reis, Inc., asking rent index for the Fairfield County market was up 5.1 percent from the second quarter of 2005 but was flat compared with the first quarter of 2006. The recent Residential Rental Cost Survey conducted by the New Hampshire Housing Finance Authority reported that, as of April 2006, the statewide rental vacancy rate for New Hampshire was 3.7 percent, up from 3.1 percent a year ago. The median rent reported was $928, up 3 percent from $901 a year ago.

New York/ New Jersey



Modest employment growth occurred in the New York/New Jersey region during the second quarter of 2006, continuing the trend of the past 2 years. For the 12-month period ending June 2006, nonfarm employment in the region increased by 108,300 jobs, or 0.9 percent, to 12.7 million total jobs, primarily because of gains in service-providing sectors of the economy led by the education and health services, professional and business services, and financial activities sectors. During this period, New York gained 64,300 jobs, a 0.8-percent increase to 8.6 million jobs, and New Jersey gained 44,000 jobs, a 1.1-percent increase to 4.1 million jobs. During the past 12 months, the region lost approximately 30,000 manufacturing jobs, 40 percent more than were lost during the previous 12-month period.

Employment in New York City increased for the third consecutive year. For the 12 months ending June 2006, nonfarm employment in New York City was 3.6 million jobs, an increase of 51,700, or 1.5 percent, from a year ago. The expanding job market in New York City was responsible for more than 80 percent of the employment growth in the state. Other metropolitan areas in Downstate New York posted employment gains, but annual average increases were less than 1 percent. Employment gains in Upstate New York were more sporadic. In the 12 months ending June 2006, annual average nonfarm employment increased 1.5 percent in Syracuse and 0.5 percent in the Albany-Schenectady-Troy metropolitan areas. Nominal employment gains also occurred in smaller metropolitan areas, including Utica-Rome, Ithaca, and Glens Falls. Manufacturing losses affected the Buffalo-Niagara Falls and Rochester metropolitan areas, which lost 600 and 4,900 jobs, respectively, over the past year. During the recent 12 months, the annual average unemployment rate in New York State decreased from 5.2 to 4.9 percent compared with the previous 12-month average.

A $1.6 billion project has been proposed in Long Island to renovate the Nassau Veterans Memorial Coliseum and the 73-acre adjoining parcel into a National Hockey League rink, build a 136,000-square-foot convention center, and construct 1,500 multifamily housing units, including apartments and condominiums. The preliminary plan includes $200 million to renovate the existing Nassau Coliseum and convert it into a state-of-the-art hockey arena for the New York Islanders franchise. The project also includes retail and commercial office space, some of which will be designed specifically for firms specializing in sports medicine and related sports products. The development of a formal site plan is pending approval by the Nassau County legislature.

Employment growth also strengthened in New Jersey, increasing between 1 and 2 percent in most metropolitan areas during the 12-month period ending June 2006 compared with a year ago. The strongest growth rates were in the Ocean City and Trenton-Ewing metropolitan areas. Employment increased in all metropolitan areas in New Jersey except for Newark-Union, which lost 4,100 jobs during the year, a 0.4-percent decline from a year ago. Despite employment growth, the annual average unemployment rate in New Jersey increased slightly from 4.5 to 4.6 percent.

Residential construction in the New York/New Jersey region declined for the first time in 3 years, reflecting higher interest rates. During the 12-month period ending June 2006, total residential building activity, as measured by the number of building permits issued, decreased by 3.6 percent from approximately 95,400 units to 91,900 units. The total number of units permitted decreased 2.2 percent to 58,100 units in New York and 6.1 percent to 33,800 units in New Jersey. Single-family building permit activity in New York remained stable at approximately 23,800 units, but in New Jersey single-family building permit activity declined by 5.5 percent to 19,900 units. During the past 12 months, multifamily housing construction in the region contracted by almost 5 percent to 48,300 units. In New York, the number of multifamily units permitted declined approximately 4 percent to 34,300 units, while in New Jersey multifamily construction declined 7 percent to almost 14,000 units permitted.

Throughout the New York/New Jersey region, employment growth helped sustain housing demand; however, there are indications that the market is beginning to soften. In response to slowing home sales and an increase in the unsold housing inventory, single-family home construction, as measured by the number of building permits issued, decreased by approximately 8 percent in the region during the first half of 2006 compared with a year ago. Because of the increased listings of single-family homes and additional unsold supply in many areas, market conditions are now favoring homebuyers.

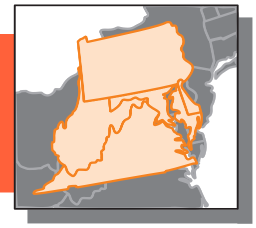
Despite evidence of slowing in the sales market, price increases for existing homes are still occurring, but the rate of appreciation has slowed, particularly in New York. According to data from the New York State Association of REALTORS®, the median price of an existing single-family home in New York increased 8 percent to $262,000 for the 12-month period ending June 2006 compared with a year ago. The total number of home sales remained stable at approximately 104,000 units. The New Jersey Association of REALTORS® data through the first quarter of 2006 indicates that the median sales price of an existing single-family home in the state increased 15 percent to $378,000 compared with a year ago. During this period, total home sales volume declined by almost 3 percent to 182,700 units.

The housing market in New York City has been bolstered by strong employment growth. Prudential Douglas Elliman, Inc., reported that, even with an increasing supply and slower sales, the median sales price of a co-op or condominium unit in Manhattan increased to $880,000, up 13.5 percent, in the second quarter of 2006 compared with the second quarter of 2005. An increasing number of sales were attributed to second-home buyers. During this same period, sales transactions declined by approximately 15 percent. The reduced number of sales and an increase in the unsold inventory contributed to lower price appreciation and an increase in the amount of time required to sell a home. The unsold inventory should continue to increase as interest rates rise and housing units currently in planning stages or under construction, particularly condominium developments, are placed on the market.

Homes sales prices in Upstate New York continued to increase through the first 6 months of 2006, but the number of homes sold declined in many areas. Sales of existing single-family homes in the Albany-Schenectady-Troy metropolitan area totaled approximately 1,000 units, a 7-percent decline compared with a year ago, while the median sales price increased 8 percent to $195,000. According to the Buffalo-Niagara Association of REALTORS®, during the first half of 2006 the number of existing homes sold in the metropolitan area remained stable, while the median sales price increased 8 percent to $103,500. In the Rochester area, the median sales price of an existing home increased by 3 percent to $117,000 despite a 12-percent decline in the number of sales, which decreased to 13,300 units during the first half of 2006.

Rental market conditions are extremely tight in New York City and in Central and Northern New Jersey. For New York City, preliminary second quarter 2006 statistics from Reis, Inc., indicate a slight increase in the apartment vacancy rate from 1 percent in the second quarter of 2005 to 1.6 percent in the second quarter of 2006, with continued rent escalation. In Central and Northern New Jersey, rental vacancy rates remain below 4 percent, with limited rent appreciation. Average asking rents in New York City increased to $2,470 a month during the second quarter of 2006, up 7 percent on an annual basis. Average annual apartment rents in Central and Northern New Jersey increased by less than 1 percent to $1,070 and $1,380 a month, respectively. Average monthly asking rents in more affordable rental markets in the Upstate New York metropolitan areas of Buffalo, Syracuse, and Rochester ranged from a high of $675 in Buffalo to a low of $630 in Syracuse. Upstate rental markets also tightened between the first and second quarters of 2006; however, apartment vacancy rates remain balanced in the 4- to 5-percent range.

MID-ATLANTIC



The economy of the Mid-Atlantic region continued a 2-year period of expansion during the second quarter of 2006. During the 12 months ending June 2006, nonfarm employment increased by 198,500 jobs, or 1.5 percent, to 13,883,100. In the goods-producing sectors, gains of 30,600 jobs in the construction sector offset the 17,300 manufacturing jobs lost during the period. The number of jobs in the service-providing industries has grown steadily, increasing from 83 percent of all jobs at the beginning of the decade to 85 percent currently. Together, the professional and business services and education and health services sectors accounted for 56 percent of the gain with a combined 111,900 new jobs during the past 12 months.

All states in the region recorded job gains during the 12 months ending June 2006 compared with the 12-month period ending June 2005. Virginia had the fastest employment growth rate, at 2.2 percent, with more than half of all new construction jobs and 45 percent of all new professional and business services jobs in the Mid-Atlantic region. Pennsylvania accounted for 60 percent of the decline in all regional manufacturing jobs but had a positive overall growth rate of 1 percent due to an increase of almost 31,000 jobs in the education and health services sector. Employment in Maryland and the District of Columbia grew by 1.5 and 1.2 percent, respectively, but both the state and the District reported job losses in the federal government sector as the number of retirements continues to increase. Employment growth rates in Delaware, at 1.6 percent, and West Virginia, at 1.2 percent, reflected continued strength in the construction sector in both states.

Continued economic expansion in the Mid-Atlantic region led to declines in the unemployment rate. During the 12 months ending June 2006, the rate was 4.1 percent, down from 4.6 percent reported a year ago. Economic conditions continue to improve in the District of Columbia, causing the unemployment rate to fall from 7.3 percent during the 12 months ending June 2005 to the current rate of 5.7 percent. Unemployment rates declined in all states in the region during the most recent 12-month period and ranged from a low of 3.2 percent in Virginia to a high of 4.7 percent in Pennsylvania.

Despite continued economic expansion, rising mortgage interest rates have affected sales of existing homes in the region. According to the Virginia Association of REALTORS®, 128,700 existing homes were sold during the 12 months ending June 2006, a decline of 9 percent from the number of homes sold during the 12 months ending June 2005. The average home sales price in Virginia was $274,400, almost 16 percent higher than a year ago. The Northern Virginia suburbs of the Washington, D.C. metropolitan area have been the most active market in the state during the past 3 years, but during the 12 months ending June 2006 the number of home sales in this market declined by 21 percent. Home sales in Northern Virginia fell from 30 percent of the state total during the 12 months ending June 2005 to less than 25 percent during the 12 months ending June 2006. Average home sales prices remain the highest in the state, at $547,400, up 13 percent from a year ago. During this same period, 16,500 homes were sold in the Richmond, Virginia metropolitan area, up 3 percent from the 16,000 homes sold during the 12-month period ending June 2005. The average sales price of an existing home in the Richmond area rose by more than 16 percent to $256,200.

According to the Maryland Association of REALTORS®, during the 12 months ending June 2006 91,600 existing homes were sold in the state, a decrease of almost 11 percent compared with the 102,800 homes sold during the comparable period ending in 2005. The average home sales price rose by slightly more than 14 percent to $353,650 from $309,300 a year ago. The average monthly inventory of homes for sale increased from 14,000 during the 12 months ending June 2005 to 27,100 currently. In the Baltimore metropolitan area, 41,200 homes were sold at an average price of $306,900, reflecting a 9-percent decrease in sales but a 15-percent increase in sales price since June 2005. During the same period, the number of homes sold in the Maryland suburbs of the Washington, D.C. metropolitan area also declined, falling 12 percent to 29,900 homes sold at an average price of $428,550, an increase of 16 percent from the average price of homes sold during the 12 months ending June 2005.

Existing home sales activity remained strong in Pennsylvania through the 12 months ending March 2006 (the most recent data available), but the number of homes sold in Delaware and West Virginia declined. The Pennsylvania Association of REALTORS® reported 247,800 homes sold in the state, an increase of 11 percent over the number sold during the 12-month period ending March 2005. The average home sales price rose 15 percent to $223,200. According to the NATIONAL ASSOCIATION OF REALTORS®, during the 12 months ending March 2006, the number of homes sold in Delaware and West Virginia declined by 4 and 7 percent, respectively, compared with the previous 12-month period.

Homebuilding activity, as measured by the number of single-family building permits issued, declined throughout most of the Mid-Atlantic region during the 12 months ending June 2006. Building permits were issued for 119,200 homes; this number is relatively unchanged from the 119,800 homes permitted during the period ending June 2005. In Pennsylvania, the only state where housing production during the most recent 12-month period exceeded that of the previous period, building permits were issued for 38,200 new homes, an increase of 4,800, or 15 percent, over a year ago. Most of the increase occurred in nonmetropolitan areas where production costs, particularly land, are less expensive. In Virginia, Maryland, and Delaware, increased mortgage interest rates resulted in cancelled sales contracts and offers of purchase incentives. The number of homes authorized by building permits in Virginia declined by 7 percent, or 3,550, to a total of 46,400 homes, and in Maryland the decline equaled 4 percent, or 800 homes, for a total production of 22,900. Although the Delaware homebuilding industry had been a leading producer of single-family homes during the past 3 years, activity during the 12-month period ending June 2006 declined by 15 percent, or 1,100 homes, to a total of 6,500. Among the metropolitan areas in the region, Washington, D.C., typically accounts for the largest number of new homes, but during the 12 months ending June 2006 housing production declined by 22 percent. During this period, 21,200 new homes were permitted, 6,300 fewer than the number permitted a year ago.

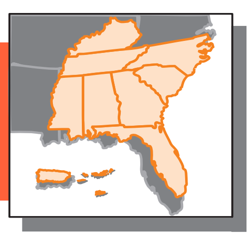
During the 12 months ending June 2006, multifamily building permit activity in the region declined by almost 2,675 units, or 9 percent. Increased numbers of multifamily units permitted in Delaware, the District of Columbia, and Pennsylvania totaled 585 but were not enough to offset the losses of 1,425 and 1,650 fewer units permitted in Maryland and Virginia, respectively. During the most recent 12-month period, multifamily building activity declined in all the largest metropolitan areas in the region. This decline was led by a 22-percent drop in the number of multifamily units permitted in the Philadelphia metropolitan area.

The number of actively marketed projects has impacted the rental apartment vacancy rates in each of the three largest markets in the Mid-Atlantic region. In the Philadelphia metropolitan area, Delta Associates reported an increase in the apartment vacancy rate from 10.2 percent in June 2005 to 11.3 percent in June 2006 as approximately 1,000 units are being marketed in new suburban projects. In Center City Philadelphia, a vacancy rate decrease from 13.7 percent to 5.6 percent slightly offset the vacancy rate increase from 9 percent to almost 13 percent recorded in the suburban counties. During the next 3 years, approximately 4,800 new rental apartment units are expected to become available in the metropolitan area.

In the District of Columbia and Northern Virginia suburbs, the apartment vacancy rates for Class A highrise units increased to 10.4 and 4.3 percent from 8.6 and 2.3 percent, respectively, as approximately 1,200 units new units began marketing during the first half of 2006. The garden apartment rental market remained stable in the Washington, D.C. metropolitan area; according to Delta Associates, the vacancy rate for Class A garden apartments was 4.2 percent in June 2006 compared with 4.1 percent a year ago.

Delta Associates reported that from June 2005 to June 2006 the vacancy rate in the Baltimore metropolitan area decreased from 10 percent to 5 percent. In Baltimore city, where rental conditions had been very soft for the past 2 years, vacancy rates fell from 21.2 percent to 9.4 percent due to high levels of concessions and stable rents. The 3-year pipeline of units under construction and in planning stages in the metropolitan area has increased slightly from 6,000 units in June 2005 to 6,500 units currently.

Southeast/ Caribbean



The economy of the Southeast/Caribbean region continued a 5-year expansion through the first half of 2006. Nonfarm employment increased by 863,000 jobs, or 2.3 percent, for the 12 months ending June 2006 to a total of 38.4 million. The service-providing sectors accounted for more than 60 percent of the increase, adding 522,800 jobs, or 2.4 percent. Gains in the construction sector, which totaled 99,500 jobs, or almost 7 percent, also significantly contributed to total employment growth. Manufacturing employment continued to decline as employment fell by 26,600 jobs, or about 1 percent. Mississippi continues to recover from the effects of Hurricane Katrina. During the 12 months ending June 2006, total nonfarm employment in Mississippi returned to levels recorded before the storm occurred. Florida recorded the largest increase in the number of jobs, 291,500, and the highest percentage increase, 3.8 percent, resulting in a total of 7,746,100 jobs. During this same period, the construction sector added 58,900 new jobs, or 10.9 percent, as both residential and commercial construction continued to expand.

Solid job growth has continued in Alabama since 2003. For the 12 months ending June 2006, total nonfarm employment was up 2.2 percent compared with the same period a year earlier. The transportation equipment manufacturing industry continues to experience the most growth, with an increase of 8,000 jobs, or about 20 percent, in the past year. Alabama currently has several large automotive assembly and parts production plants; this industry continues to expand. Nonfarm employment in Georgia increased by 93,900 jobs, or 2.4 percent, during the 12-month period ending June 2006 compared with a year earlier. South Carolina reported an increase of 33,800 new nonfarm jobs, or 1.8 percent, during the same period. A gain of 35,200 jobs in the service-providing sector in South Carolina offset a loss of 1,400 jobs in the state's goods-producing sector.

Because of the expanding economy, the regional unemployment rate has decreased to 4.7 percent for the 12 months ending June 2006, down from 5.2 percent for the previous 12-month period. Most states in the region recorded decreases in unemployment rates; only Kentucky and Mississippi reported increases. The unemployment rate in Kentucky increased from 5.6 percent to 6.1 percent. The unemployment rate in Mississippi increased from 7.0 percent to 8.2 percent, as the state continues to deal with the aftermath of Hurricane Katrina.

The strong regional economy is contributing to significant population growth. According to the Census Bureau, the population of the region was 57,416,000 as of July 2005, an increase of nearly 794,000, or almost 1.5 percent, annually since April 2000. In-migration accounted for more than 68 percent of the increase since the expanding economy attracts workers and the favorable climate attracts retirees. The population of all the states increased, led by Florida with a gain of more than 344,300 a year, or 2 percent annually, to 17,800,000. The population of both Georgia and North Carolina also expanded rapidly. Georgia's population has increased by 168,800 a year, or more than 2 percent annually, to 9,072,600, and North Carolina's population has increased by 120,800 a year, or 1.5 percent annually, to 8,683,200 since April 2000.

Despite rising interest rates, single-family home production in the region has been increasing as the number of units authorized by building permits increased by nearly 6 percent, or more than 24,000 units, for the 12 months ending June 2006. Florida accounted for more than 195,000 of the single-family units authorized in the region; this figure represents an increase of almost 4,500 units, or 2 percent. Significant gains in the number of single-family units authorized also occurred in Georgia and North Carolina, with 5- and 10-percent increases, respectively.

Sales of existing homes in the individual states displayed varied trends. The Florida Association of REALTORS® reported that the 212,500 existing homes sold throughout the state during the 12 months ending June 2006 represented a 13-percent decrease from the same period a year ago. According to the Alabama Real Estate Research and Education Center, during the 12 months ending May 2006 60,600 existing homes were sold in Alabama, an 8-percent increase compared with the 56,000 existing homes sold during the same period a year earlier. Data from the South Carolina Association of REALTORS® show that sales of existing homes in the state are increasing at a slower rate in 2006 compared with a year ago, largely because of slower sales in the coastal areas. During the 12 months ending June 2006, 73,500 existing homes were sold statewide, an increase of 7,175 units, or 11 percent, over the 66,300 homes sold the year before. During the first half of 2006, 35,300 homes were sold statewide, a 2-percent increase over the 34,600 homes sold during the same period in 2005, and sales during the first half of 2005 were 21 percent above the same period the previous year. The North Carolina Association of REALTORS® reports that during the 12 months ending May 2006, 138,500 existing homes were sold in the 20 markets covered by multiple listing service data in North Carolina, a 12-percent increase from the previous 12-month period.

The Mid-Florida Regional Multiple Listing Service, which publishes sales and inventory data covering most of the REALTORS® Associations in the Orlando metropolitan area, reported that although sales were still increasing, the available inventory has increased from about 5,900 homes in June 2005 to 26,500 homes in June 2006. The June 2006 inventory represents about an 8-month supply based on the average monthly sales over the past 12 months. In June 2005, the inventory represented about a 4-month supply.

For the 12 months ending June 2006, single-family building activity increased in two of the three largest metropolitan areas of North Carolina. Single-family homebuilding increased in the Charlotte metropolitan area by 3,500 homes, or 20 percent, to 20,900 units, and in Raleigh, single-family homebuilding increased by 1,590 units, or 12 percent, to 14,400 homes compared with the previous 12-month period. In the Greensboro metropolitan area, single-family home production remained relatively unchanged at 5,100 units.

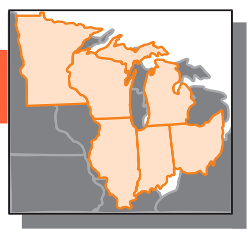
During the 12-month period ending June 2006, the number of multifamily units authorized in the region declined by 6,600 units, or 5 percent, to more than 125,500 units; nevertheless, this number of units is well above historical levels. The number of multifamily units authorized declined in every state except two: North Carolina and Tennessee. Builders are reducing the pace of construction after the substantial 18-percent expansion recorded during the previous 12-month period. Many of the new units are condominiums, and rising interest rates and increasing inventories are affecting expectations for future sales. Many proposed condominium projects that have not been started yet are being delayed or cancelled for lack of sufficient demand. In North Carolina and Tennessee, the number of multifamily units authorized increased by 7 and 11 percent, respectively. In North Carolina, the number of multifamily units authorized increased during the recent 12-month period, but production is still below the peak reached in 1999. In Tennessee, the large percentage increase is the result of a relatively small number of units authorized during the 12-month period ending June 2005.

In the Atlanta metropolitan area, the number of multifamily units authorized decreased by 4,000 to 13,050 units and equaled 78 percent of the multifamily units permitted in the state. Condominium development continues to represent a significant share of multifamily housing activity in Atlanta.

Rapid employment growth in the Orlando metropolitan area has been resulting in increased population growth, largely through immigration. The new residents, many of whom are service workers, have significantly affected the rental market. M/PF YieldStar, a provider of real estate data and information, reported that, in June 2006, the vacancy rate among large rental projects was below 3 percent. The conversion of more than 22,000 apartment units to condominiums has also affected the rental market in the Orlando metropolitan area. The Tampa rental market has tightened in the past year. RealData, Inc., reported that, as of June 2006, the vacancy rate in larger rental apartment complexes was 4.1 percent, down from 5.4 percent a year earlier, and rents have risen 4 percent over the same period. In the past year, more than 9,500 rental units have been converted to condominiums in the Tampa metropolitan area. According to M/PF YieldStar, the vacancy rate in the Atlanta apartment market decreased from 7.2 percent in June 2005 to 5.5 percent in June 2006, the lowest rate in almost 5 years.

According to Reis, Inc., apartment vacancy rates during the past year were stable in Greensboro but declined in the other two largest metropolitan areas in North Carolina: Charlotte and Raleigh. The apartment vacancy rate in Charlotte had the greatest decrease, from 9.2 percent in the second quarter of 2005 to 8.1 percent in the second quarter of 2006. In Raleigh, the vacancy rate was 9.0 percent, down from 9.3 percent a year ago. The vacancy rate in Greensboro remained around 9 percent.

MIDWEST



The economy of the Midwest region continued to grow at a moderate pace in the second quarter of 2006. During the 12 months ending June 2006, nonfarm employment increased by 210,000 jobs, or 1 percent, compared with the gain of 110,000 jobs in the previous 12-month period. Gains in the construction, education and health services, leisure and hospitality, and professional and business services sectors offset losses in the manufacturing and information sectors. All six states in the region recorded job gains except Michigan, where employment decreased by 8,000 jobs in the past 12 months. The University of Michigan forecast that job losses in the state would persist in the second half of 2006 because of continued restructuring in the domestic automobile industry. In the Indianapolis area, Honda Motor Company will construct a $500 million automobile assembly plant and hire up to 2,000 workers during the next 2 years. Private surveys of business conditions in the first 6 months of 2006 show local economies strengthening in the Chicago, Milwaukee, Minneapolis-St. Paul, Cincinnati, and Cleveland metropolitan areas compared with the first 6 months of 2005. During the past year, the unemployment rate in the region declined from 5.6 percent to 5.0 percent. Unemployment rates in the states ranged from a low of 3.6 percent in Minnesota to a high of 6.3 percent in Michigan.

The market for existing home sales in the region remained strong during the first half of 2006, continuing a 5-year trend. According to the NATIONAL ASSOCIATION OF REALTORS®, the annual rate of sales of existing homes topped more than 1.2 million homes in the first quarter of 2006, up 2.5 percent from the first quarter of 2005. Sales of existing homes increased in all states in the region except Michigan, where activity was down 8 percent. The Michigan Association of REALTORS® reported that sales activity in the second quarter of 2006 continued a 9-month decline because of the slow economy. In the Minneapolis-St. Paul metropolitan area, sales activity was down 10 percent in the first 6 months of 2006 from high levels of sales recorded in 2005, but the median home sales price increased 2 percent to $236,800.

In other states of the region, sales of existing homes remained strong during the second quarter of 2006. The Ohio Association of REALTORS® reports that current sales of existing homes in the state are on track to surpass the record-breaking number of existing homes sold in 2005. During the first 6 months of 2006, sales volume was 1 percent above the same period in 2005. In Illinois, the strengthening economy and increased consumer confidence in 2006 continued to support strong sales of existing homes in most areas of the state. Sales of existing homes in the Chicago metropolitan area were down 5 percent in the first half of 2006, but the level of home sales for the year is expected to be one of the best since 2000. In Wisconsin, REALTORS® are optimistic about 2006 home sale levels because of strong sales activity in major markets. During the first half of 2006, sales of existing homes in the Milwaukee and Madison areas nearly equaled record home sales in the first 6 months of 2005. In the Indianapolis metropolitan area, sales activity in the first 6 months of 2006 was up 2 percent and the average sales price of existing homes increased 1 percent to $154,500.

Single-family construction, as measured by the number of building permits issued, slowed during the second quarter of 2006 in the Midwest region, but activity varied widely by state. During the 12 months ending June 2006, the number of single-family building permits issued declined 7 percent to approximately 205,000 units and decreased 3 percent from the annual average of 213,000 units for the past 4 years. Michigan recorded a 22-percent decline in single-family building permits to 33,800 units because of 35- and 30-percent declines in the Detroit-Ann Arbor and Grand Rapids metropolitan areas, respectively. In contrast, single-family building permits issued in Illinois during the 12 months ending June 2006 were up 2 percent to 47,300 units because construction in the Chicago and Rockford metropolitan areas remained strong. During this same period, the number of single-family building permits issued in Indiana, Minnesota, and Wisconsin decreased by 7 to 8 percent but remained constant in Ohio at approximately 42,000 units.

Residential construction and new home sales in the city of Chicago are brisk. In downtown Chicago, a record 9,000 new homes and apartments are expected to enter the market in 2006 compared with the 6,000 new units that entered the market in 2005. Sales of new homes in downtown Chicago are at a record pace for the first 6 months of 2006. Three major residential projects totaling 2,000 units are under construction in the South Side of Chicago, where the revitalization of neighborhoods has been strong for the past 10 years. In the Near South neighborhood, a project to redevelop the Stateway Gardens public housing community into market-rate sales housing continues to make good progress. According to the developer, the majority of new homes in the revitalization area are selling in the $275,000-to-$325,000 price range.

Since 2004, the city of Chicago has contributed more than $790 million toward constructing and preserving 18,500 units of affordable housing, including 10,000 rental units and 8,500 for-sale units. In 2005, the city committed approximately $400 million toward developing 9,700 homes and apartments. Chicago also plans to allocate $600 million over the next 4 years to construct approximately 4,000 affordable homes and apartments for seniors.

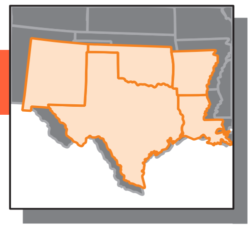
Multifamily building permits issued in the region totaled approximately 57,000 units in the 12-month period ending June 2006, down 1 percent from the previous 12 months. Multifamily building activity varied widely by state. In Illinois, multifamily building permits increased 30 percent to 21,000 units because condominium construction in the city of Chicago remained strong. Ohio showed a 2-percent gain in multifamily building activity, and, with Illinois, more than offset declines in Michigan and Minnesota of 28 and 29 percent, respectively. Multifamily building activity declined in Michigan because of the local economy. The construction of condominium units has slowed in Minnesota, particularly in the Twin Cities area. In Indiana and Wisconsin, multifamily building activity was down 6 and 13 percent, respectively.

The apartment market in the Chicago metropolitan area continued to tighten in the second quarter of 2006. Suburban apartment occupancy increased to 95 percent, up from 92 percent in the second quarter of 2005. All three submarkets in Lake, northwest Cook, and DuPage Counties recorded increased occupancy rates. Rents in these counties increased 2 to 4 percent annually during the 12 months ending June 2006 compared with the flat rents recorded during the previous 12 months. The apartment market in downtown Chicago also strengthened in the second quarter of 2006. Appraisal Research Counselors reported that rents were up 5 to 6 percent annually, concessions remained in only a handful of buildings, and the absorption of new apartments was strong. The apartment market is expected to continue to tighten in 2006 because the local economy is expanding and apartment construction remains low. Approximately 1,500 new apartment units are expected to enter the housing market this year, including 1,200 units in downtown Chicago and 300 units in suburban areas.

In Ohio, CB Richard Ellis, a provider of real estate services, reported strengthening in major apartment markets in the first 6 months of 2006. Conditions are expected to continue to improve in the second half of the year. Apartment occupancy in Columbus was in the 91-to-92-percent range in the second quarter of 2006, up from 90 to 91 percent in the second quarter of 2005. Conditions in Cleveland also are improving as the local economy continues to expand and the construction of new apartments remains low. Rents in the metropolitan area are forecast to increase 2 to 3 percent in 2006 compared with increases of 1 to 2 percent in 2005. In Cincinnati, demand for apartments is increasing as the local economy strengthens. The vacancy rate of 8 to 9 percent recorded in the second quarter of 2006 is expected to decline to 7 to 8 percent by the end of the year.

In Minnesota, rental markets in the Twin Cities and Rochester metropolitan areas are tightening. GVA Marquette Advisors' June 2006 quarterly survey of the Minneapolis-St. Paul metropolitan area showed a vacancy rate of 4.8 percent, down from 6.0 percent a year earlier. In Rochester, the strengthening economy and low level of apartment construction during the past 3 years have resulted in a tight rental market with vacancies currently estimated at 3.2 percent. According to CB Richard Ellis, in the second quarter of 2006 apartment occupancy in the Indianapolis metropolitan area was approximately 91 percent, up from 90 percent in 2005. In the tightening North Side submarket, rents are increasing and concessions are less prevalent than they were a year ago.

Southwest



Nonfarm employment in the Southwest region averaged 15.2 million jobs during the 12 months ending June 2006, an increase of 198,300 jobs, or 1.3 percent, compared with the previous 12 months ending June 2005. The professional and business services sector recorded 60,000 additional jobs for a gain of 3.6 percent, leading overall job growth for the third consecutive 12-month period. The government and trade sectors each increased by approximately 35,000 jobs, or 1.5 and 1.4 percent, respectively. The natural resources and mining sector added 20,000 jobs, or 7.6 percent, and construction jobs increased by 29,000 jobs, or 3.4 percent.

Strong employment growth, which has been occurring for the past 24 months, continued in Texas, where the number of positions rose by 2.8 percent, or 263,300 jobs, during the 12 months ending June 2006 compared with the previous 12 months. Employment in Texas gained almost 66,000 jobs in the professional and business services sector and more than 40,000 jobs in the retail and wholesale trade sectors combined. Jobs gained in Texas exceeded the 144,000 jobs lost in Louisiana. Oklahoma recorded an increase in nonfarm employment of 37,300 jobs, or 2.5 percent, which included gains in every sector except information. During the 12 months ending June 2006, nonfarm employment in New Mexico increased by 2.5 percent, or 21,100 jobs, including 4,500 jobs in construction. Arkansas gained 17,800 jobs, an increase of 1.5 percent, because of increases in most sectors that more than offset the loss of 4,100 jobs in the manufacturing sector. The effects of Hurricanes Katrina and Rita continued to impede job growth in Louisiana, but year-over-year monthly losses have declined since April 2006 compared with the same months in 2005.

Residential construction activity, as measured by the number of building permits issued, has remained strong in the region during the past year. During the 12 months ending June 2006, 290,500 units were permitted, an increase of 34,300 units, or 14 percent, compared with the previous 12 months. This increase was nearly triple the gain in building permits that occurred between June 2004 and June 2005. The increase in Texas totaled 32,100 units, or 92 percent of the regional gain. During the 12 months ending June 2006, approximately 232,800 single-family homes were permitted in the region; every state recorded increases compared with the previous 12 months. The number of single-family homes permitted in Texas increased by 23,400 units, or 16 percent, to a total of 172,400 homes. The 15,600 building permits issued in Oklahoma represented a 9-percent increase from the previous year. In contrast, a small gain of fewer than 500 building permits was reported in New Mexico, where 11,100 single-family homes were permitted in the past 12 months. Gains of fewer than 800 building permits were recorded in both Arkansas and Louisiana, where permits were issued for 11,300 and 20,300 single-family homes, respectively.

In the metropolitan areas of the Southwest region, single-family building permit activity generally was strong. During the 12 months ending June 2006, the number of single-family homes permitted in the Austin area increased 35 percent to 18,900 units compared with the previous 12-month period. The number of building permits issued for single-family homes increased by 20 percent in Houston and 14 percent in Dallas-Fort Worth to 53,600 and 51,000 units, respectively. During the past 12 months, significant increases in the number of single-family homes permitted also were recorded in Tulsa, up 1,200 units, and in Las Cruces, up 1,000 units, compared with the previous 12-month period. The number of single-family homes permitted was down significantly in New Orleans and Lake Charles, the areas hit hardest by Hurricanes Katrina and Rita, but homebuilding levels in the Alexandria, Baton Rouge, and Houma metropolitan areas were up 20 percent or more.

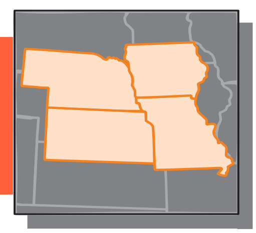
Home sales in Texas continued to set records. According to multiple listing service data from the Real Estate Center at Texas A&M University, during the 12 months ending May 2006 more than 276,000 homes were sold, a 10-percent increase compared with the previous 12-month period. The inventory of existing homes for sale during the past 12 months averaged 111,300 units, down 4 percent compared with the previous 12 months. In the Houston area, the multiple listing service recorded 76,500 home sales between June 2005 and May 2006, an increase of nearly 11 percent compared with the 12 months ending June 2004. Home sales in the Dallas-Fort Worth area totaled 71,300 units, an increase of 9 percent, and sales in San Antonio totaled 24,600 units, up 13 percent. The Austin area recorded 28,300 home sales, a 17-percent increase compared with the 12 months ending May 2005 and a 36 percent increase compared with the 12-month period ending May 2004. In Oklahoma, home sales rose 12 percent to 54,100 units, with increases of 6 percent in the Oklahoma City area and 22 percent in the Tulsa area. In Arkansas, statewide home sales were down approximately 4 percent.

Home sales prices in Texas increased more during the past 12 months than they have in any year since 2000. For the 12 months ending May 2006, the average home sales price was $178,500, up 7 percent compared with the 12 months ending May 2005, a significant change from the annual average increases of less than 4 percent between 2000 and 2005. The home sales prices in the largest metropolitan areas in Texas all increased. The average home sales price in El Paso rose 11 percent over the past 12 months to $135,000 but continued to be the lowest price of the large metropolitan areas in Texas. The average home sales price also increased by 11 percent in the San Antonio area to $164,000, by 6 percent in Fort Worth to $138,000, and by 6 percent in Houston to $189,700. The Texas areas with the highest average home sales prices continue to be Dallas, at $207,000, and Austin, at $219,000; these figures represent increases of 6 and 8 percent, respectively. The average home sales price increased more than 8 percent in Oklahoma City to $141,700 and by more than 7 percent in Tulsa to $145,200. In Arkansas, the average home sales price increased 6 percent in Fayetteville and 4 percent in Little Rock.

Despite soft conditions in many of the major metropolitan area rental markets, during the 12 months ending June 2006 more than 47,600 multifamily units were permitted in Texas, a gain of 8,700 units, or 22 percent, compared with the previous 12-month period. Texas accounted for 82 percent of the 57,700 multifamily units permitted in the Southwest region. Multifamily building permit activity increased by 30 percent in New Mexico and by 10 percent in Oklahoma. A moderate decline of 700 multifamily units, or 14 percent, was recorded in Arkansas, and a small decrease of 100 units occurred in Louisiana.

Rental market conditions in several major metropolitan areas of the Southwest region have improved during the past year but are still competitive. According to ALN Systems, Inc., during the past 12 months Houston registered a 4.5-percent gain in apartment occupancy to 91 percent and a 3-percent increase in average rent to $693, primarily because of the large number of hurricane evacuees. In Austin, employment growth, evacuees, and students helped increase occupancy by 2.5 percent to 92.9 percent and raise average rents by 3.5 percent to $734. In Dallas, apartment occupancy was up 2.5 percent from a year ago to 90.4 percent and the average rent rose 1 percent to $733. In San Antonio, the occupancy rate increased 1 percent to 91.3 percent and the average rent increased 2.5 percent to $659. Occupancy in Fort Worth increased 2.5 percent to 89.3 percent, the first gain in 3 years; the average rent increased 1 percent to $647, but concessions of 1 month's rent or more on a 12-month lease are still common. Construction levels in the larger metropolitan areas of Texas indicate that improvement in occupancy rates and increases in average rents will be slow. An estimated 12,000 units are under construction in each of the Houston and Dallas-Fort Worth areas, more than 8,000 in San Antonio, and more than 5,000 units are being built in Austin. According to CB Richard Ellis, the Tulsa market improved significantly during the past 12 months. Occupancy increased to 92.5 percent from 91 percent, and average rent rose 3 percent compared with a year ago to an amount above the record rent levels set in 2001.

Great Plains



The economy of the Great Plains region grew during the 12-month period ending June 2006. Nonfarm employment rose an average of 3 percent to 6.6 million jobs during this period compared with 6.4 million jobs during the 12-month period ending June 2005. Reflecting a broad-based expansion, job gains occurred in all major economic sectors in the region. The highest rates of increase during this period occurred in the construction and education and health services sectors, which each grew by 3 percent. The finance and insurance sector increased by 2 percent, and the manufacturing sector rose 1 percent. The information sector was the only employment sector that declined. Job losses occurred primarily because of a reduction in defense contracts to companies in the region and further consolidation by Kansas City-based Sprint Communications. The average annual unemployment rate decreased to 4.8 percent in the region compared with 5.2 percent a year earlier. The unemployment rate declined in all major metropolitan areas in the region.

Nonfarm employment increased in all metropolitan areas. Employment generally increased in most economic sectors except the information and manufacturing sectors. Jobs in the information sector decreased in all metropolitan areas. Manufacturing jobs increased approximately 1 percent in Omaha and Des Moines but decreased 1 percent in Wichita, Kansas City, and St. Louis. In Wichita, the loss of manufacturing jobs occurred primarily because of reductions in defense contracts awarded to local aircraft manufacturers; however, contracts for commercial aircraft are up significantly, so the decline in manufacturing jobs should be temporary. In St. Louis and Kansas City, manufacturing jobs declined largely because of cutbacks in automobile production and defense contracts.

Although homebuilding contributed to regional economic growth from 2001 through 2005, homebuilding activity, as measured by the number of building permits issued, has slowed during the past 12 months. During the 12-month period ending June 2006, building permits were issued for approximately 48,000 single-family homes, a 6-percent decline compared with the previous 12 months. Single-family housing construction also was down in all major areas in the region except Des Moines, where building permit activity increased 2 percent. Building permit activity decreased 26 percent to 4,670 units in Omaha-Council Bluffs, 15 percent to 10,800 units in Kansas City, and 10 percent to 12,100 units in St. Louis. These figures represent declines from record levels of building permit activity that occurred during the previous 36 months.

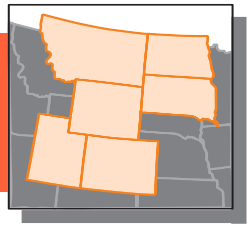
The sales market for existing homes strengthened in the Great Plains region with home sales and prices up in all major metropolitan areas during the 12 months ending in June 2006. According to the Heartland Board of REALTORS®, sales of existing homes in Kansas City were up 1 percent to 29,800 units for the 12-month period ending June 2006 compared with 2005, and the average sales price rose to $152,000, also up 1 percent. For existing homes in St. Louis, sales rose 2 percent to 24,500 units and the average sales price rose 1 percent to $146,000, according to the Greater St. Louis Board of REALTORS®. The Omaha Board of REALTORS® reported that sales of existing homes increased 1 percent to 10,100 units sold in the metropolitan area and that the average home sales price increased 3 percent to approximately $153,000.

Multifamily construction, as measured by the number of building permits issued, increased in the region in response to improving rental market conditions. Construction was up 6 percent with 15,000 units permitted during the 12-month period ending June 2006. The rental vacancy rate in the St. Louis metropolitan area has declined from 9 percent in June 2005 to 7.5 percent in June 2006. St. Charles County has had the highest rental vacancy rate of any submarket in the St. Louis metropolitan area, but the vacancy rate has declined in the county from 12 percent in June 2005 to 9 percent in June 2006, according to Kramer and Associates. The Interstate-70 corridor near Lambert-St. Louis International Airport in St. Charles County has remained one of the strongest rental submarkets in the metropolitan area, recording a 5-percent vacancy rate in June 2006. The average rent per unit in the metropolitan area increased by approximately 2 percent to $710 over the past year.

The rental market in Kansas City also has improved, resulting in a vacancy rate decline from 9 percent to 7 percent during the past 12 months. According to Reis, Inc., the softest rental market is currently the downtown and East Kansas City submarket, which has a vacancy rate of 10 percent. Historically, this submarket has been the strongest rental submarket in the metropolitan area but has softened over the past year as a result of the nearly 1,000 rental units that have come on line in downtown Kansas City since the beginning of 2005. Rental conditions in Johnson County, Kansas have improved as the vacancy rate fell from 11 percent in June 2005 to 8 percent in June 2006. The rental vacancy rate also declined from nearly 11 percent to 7 percent in the Kansas City submarket north of the Missouri River, locally referred to as the Northland. Currently, the strongest rental submarket in the area is Leavenworth County, Kansas, with a 5-percent vacancy rate. Rental concessions are becoming less prevalent in the area than they have been over the past 3 years. Concessions of 2 months' rent in exchange for a 1-year lease were common 3 years ago. As of June 2006, concessions are typically averaging 2 weeks' rent. The average rent per unit in the metropolitan area was $730 in June 2006.

Rental conditions in Omaha have remained relatively stable during the past 12 months. The rental vacancy rate in Omaha remained at 7 percent in June 2006, the same rate as in June 2005. In June 2006, the vacancy rate in the North and South Omaha submarkets was nearly 7 percent and the rate in the southwest suburban and Sarpy County submarkets was approximately 5 percent. Contract rents averaged approximately $670 in the Omaha metropolitan area.

Rocky Mountain



The Rocky Mountain economy continued its 2-year expansion during the second quarter of 2006. For the 12 months ending June 2006, nonfarm employment in the region increased by 130,400 jobs, or 2.8 percent, to 4,849,600 jobs. Utah and Colorado together gained 97,800 jobs, accounting for 75 percent of the increase for the region. Growth rates of 4.4 percent for Utah and 2.8 percent for Colorado were supported by large increases in the construction and professional and business services sectors. The growth rate in Utah ranked among the top five of all states in the nation. Employment growth of 3.4 percent in Wyoming was bolstered by high demand for the state's energy resources. Montana, North Dakota, and South Dakota each posted job-growth rates of slightly more than 2 percent.

Labor markets continued to tighten throughout the Rocky Mountain region, and unemployment rates were down in all states. The annual average unemployment rate in the region declined from 4.7 to 4.1 percent in the 12 months ending June 2006 compared with the same period a year ago. Utah and Colorado showed the most improvement, decreasing by 0.7 and 0.8 percentage points, respectively, from a year ago. The 3.3-percent unemployment rate for North Dakota was the lowest in the region, while Colorado had the highest rate, at 4.7 percent. South Dakota and Wyoming both recorded unemployment rates of 3.5 percent, followed by Montana and Utah, which both had rates of 3.8 percent.

Homebuilding activity in the region eased slightly, reflecting higher interest rates, but generally remains at near-record production levels. During the 12 months ending June 2006, single-family building activity declined by 2 percent to about 68,000 homes permitted. In Utah, single-family housing construction activity, as measured by the number of building permits issued, increased; however, the gains were offset by declines in the number of building permits issued in Colorado, Montana, North Dakota, and South Dakota. Nearly 22,250 single-family homes were permitted in Utah during the past 12 months. At the current pace, the number of single-family building permits issued will exceed the record number of permits issued in 2005. During the 12-month period ending June 2006, Utah and Colorado accounted for 70 percent of total building permit volume. Colorado accounted for 80 percent of the total decline for the region; the state issued 34,800 single-family building permits, a 5-percent decrease from a year ago. Over the past year, 2,550 single-family homes were permitted in Wyoming; this number is unchanged from a year ago.

Improved economic conditions resulted in continued demand for existing single-family homes in the Rocky Mountain region. According to the NATIONAL ASSOCIATION of REALTORS®, the annual rate of sales of existing single-family homes in the region increased by 3 percent in the first quarter of 2006 compared with the first quarter of 2005. Utah and Montana, the only states in the region that registered double-digit increases, had sales rates of 13 and 18 percent, respectively. Sales volume in Colorado was up 3 percent, and gains in Colorado, Montana, and Utah more than offset sales volume declines in North Dakota, South Dakota, and Wyoming. In the first quarter of 2006, a sampling of metropolitan markets revealed that median home sales prices for existing single-family homes were $360,400 in Boulder, Colorado, $133,400 in Fargo-Moorhead, North Dakota, and $132,900 in Sioux Falls, South Dakota. In Boulder, the higher median home sales price coincides with the area's higher income levels and higher construction costs.

According to the Office of Federal Housing Enterprise Oversight (OFHEO) Housing Price Index, for the first quarter of 2006 home prices in the region have increased compared with the first quarter of 2005. Growth rates in all states are at their highest level since 2002. Price increases of approximately 14 percent in each of Montana, Utah, and Wyoming exceeded the national rate of 12.5 percent. North Dakota followed with a gain of 9 percent. Although growth rates are improving, Colorado and South Dakota recorded the lowest gains in the region of 5 and 6 percent, respectively. The 5-percent increase in Colorado topped the state's past 4-year average rate of 4 percent.

The sales markets for existing homes in some of the region's metropolitan areas are also strengthening because of increased job growth. The Salt Lake City and Provo-Orem single-family home sales markets have also been affected by second-home purchases by primarily Californians for relocation or investment purposes. The Salt Lake Board of REALTORS® reported an increase of 16 percent in sales of existing homes through the 12 months ending June 2006 compared with a year ago. During this same period, the average home sales price also increased by 16 percent to $231,800. Similarly, sales of existing homes in the Provo-Orem area were up 23 percent, according to the Utah County Association of REALTORS®.

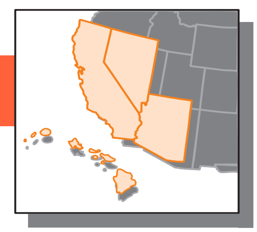
In Colorado metropolitan areas, conditions in sales markets for existing homes are mixed; home sales prices have been increasing but gains remain modest because of a buildup of inventory. According to the Boulder Area REALTORS® Association, for the 12-month period ending June 2006 the average sales price for an existing single-family home in Boulder increased by 7 percent to $424,560. Boulder ranks as the most expensive metropolitan area in Colorado and in the region. The Colorado Springs Association of REALTORS® indicates that the average single-family home sales price in Colorado Springs rose by 6 percent to $252,300. Active inventories of existing homes in Boulder and Colorado Springs are up 17 and 31 percent, respectively, from a year ago and are now at record levels. Inventories in both markets, however, should begin to subside with reductions in homebuilding and expected strong employment growth.

First quarter 2006 data from the National Delinquency Survey showed a slight increase in the average foreclosure rate for the Rocky Mountain region because of an increased number of foreclosures in Colorado. The increase was primarily due to the extensive use of interest-only and adjustable rate loans in which monthly payments vary according to the current mortgage interest rate. During the first quarter of 2006, the foreclosure rate in Colorado increased from 1.2 to 1.3 percent, the 10th highest rate in the nation. Conversely, delinquency rates for all other states in the Rocky Mountain region significantly improved. The rate decreased from a 3.7-percent average in the fourth quarter of 2005 to a 3-percent average in the first quarter of 2006, which is well below the national delinquency rate of 4 percent. The decline in delinquency rates indicates that strong employment growth is beginning to take hold and future improvement in the foreclosure rates can be expected, especially in Colorado.

During the second quarter of 2006, rental markets continued to tighten throughout much of the Rocky Mountain region. The Salt Lake City and Provo-Orem areas are in a 2-year period of strong population growth, and few rental units are entering the market. According to EquiMark Properties, Inc., the Salt Lake City area's second quarter 2006 apartment vacancy rate of 5.6 percent was down from the 6.5 percent recorded a year ago. The average overall rent increased by 3 percent to $650 after being flat or declining in the previous 36-month period. Approximately 40 percent of properties offered concessions compared with 55 percent a year ago, and the value of concessions decreased. In the Provo-Orem area, the rental market showed even greater improvement. The vacancy rate decreased from 7.1 percent a year ago to 5.3 percent. The tightening trend in the Salt Lake City and Provo-Orem areas is expected to continue. In Fargo-Moorhead, an oversupply of new rental units has kept the rental market soft, although the market has improved from a year ago. An Appraisal Services, Inc., survey for the first quarter of 2006 indicates that the vacancy rate of 8 percent in Fargo-Moorhead was a slight improvement from the 8.5-percent rate recorded in the first quarter of 2005.

The Colorado Springs rental market is improving but remains soft. The apartment vacancy rate declined from 12.5 to 9.4 percent between the second quarter of 2005 and the second quarter of 2006. According to Doug Carter, LLC, average contract rent in the Colorado Springs area increased by 4 percent to $609. The arrival of 3,000 soldiers assigned to the 3rd Armored Cavalry at Fort Carson Army Base (AB) in February 2006 improved market conditions. Fort Carson AB is slated to receive an additional 6,000 military personnel from Fort Hood, Texas, by 2008. The additional military personnel will bring the total number of personnel stationed at the base to 25,000. A balanced rental market is expected by 2008.

PACIFIC



The economy of the Pacific region continued to expand through the second quarter of 2006. During the 12 months ending June 2006, nonfarm employment in the region averaged more than 19.4 million jobs. This figure represents a gain of 481,000 jobs, or a 2.5-percent increase, which significantly exceeded the increase of 427,000 jobs during the 12 months ending June 2005. Employment growth was greatest in the service-providing sector, which accounted for 82 percent of the new jobs. The professional and business services and retail trade sectors added 110,300 and 54,600 jobs, respectively. Reflecting rising business travel and tourism, leisure and hospitality sector employment rose by 71,700 jobs. In the goods-producing sector, high levels of homebuilding and nonresidential construction activity throughout the region supported a gain of 94,300 construction jobs, or a 7.6-percent increase.

Employment in California rose by 263,000 jobs, a 1.8-percent increase, during the 12 months ending June

2006. The professional and business services and construction sectors accounted for 25 and 18 percent of the new jobs, respectively. During this same period, nonfarm employment in Arizona rose by nearly 130,000 jobs, or 5.3 percent, exceeding the record number of jobs added in 2005. The Phoenix area led all other metropolitan areas in the country with the addition of more than 105,000 new jobs. Employment in the retail trade and professional and business services sectors rose 8 and 10 percent, respectively. Construction employment in Phoenix increased by 23,300 jobs, or 15 percent, because of a high volume of residential and nonresidential building activity. Employment in Nevada increased by 69,600 jobs, or 6 percent, with about 30,500 new jobs in the construction and leisure and hospitality sectors in the past 12 months and in Hawaii increased 3.1 percent, a gain of 18,400 jobs, primarily as a result of increased tourism and construction.

The growing economy has tightened labor markets throughout the Pacific region. During the past 12 months ending June 2006, the unemployment rate in the region declined to an average of 4.9 percent from 5.5 percent in the previous 12 months. In the past 12 months unemployment in Hawaii remained among the lowest in the country, at 2.7 percent, while Nevada and Arizona rates averaged 4.3 and 4.6 percent, respectively. During this same period, unemployment in California declined to 5 percent, the lowest rate since 2001.

Home sales in the Pacific region remain strong, but higher interest rates, rapid home sales price increases in recent years, and reduced investor purchases have resulted in sales below recent peak levels. According to the California Association of REALTORS®, sales of existing homes declined 12 percent to 558,850 units in the 12 months ending June 2006 compared with the near-record sales volume in the previous 12 months. During this same period, the median home sales price in California rose 14 percent to $552,500. The rate of appreciation is slowing, reflecting the growing inventory of homes available for sale. Total sales of new and existing homes in Southern California and the San Francisco Bay Area declined by 6 and 14 percent, respectively, in the 12 months ending June 2006 compared with very strong sales levels recorded a year earlier. In both areas, the median sales price of new and existing homes rose approximately 13 percent during the 12 months ending June 2006.

In the Phoenix area, sales of existing homes declined 14 percent to 90,750 homes in the 12 months ending June 2006 compared with the record 105,000 existing homes sold during the same period in 2005, according to the Arizona Regional Multiple Listing Service. The median home sales price rose 31 percent to $256,500 in the 12 months ending June 2006 compared with the 26-percent increase in the 12 months ending June 2005. Despite the slowing of home sales to more moderate levels, the median home sales price still increased 11 percent in the second quarter of 2006 compared with the same period in 2005. The inventory of homes for sale as of the end of June 2006 has increased to more than four times the inventory level of early 2005, while the average number of days required to sell a home has doubled to 60 days in the second quarter of 2006 compared with the year-earlier period. According to the Las Vegas Housing Market Letter, during the 12 months ended June 2006, sales of existing homes in Las Vegas totaled 52,700 units, a decline of 11 percent from the previous 12 months but still 8 percent more than the 5-year average sales volume. After gains of 39 and 18 percent in 2004 and 2005, respectively, the median sales prices of existing homes in Las Vegas increased 11 percent to $284,000 in the 12 months ending June 2006 and just 6 percent in the second quarter of 2006, compared with the same quarter in 2005. The slowing of price increases to more moderate levels reflects the slower level of home sales and a 32-percent rise in active unsold inventory in the past 12 months. During the same period in Hawaii, the total volume of 12,000 existing homes sold fell less than 5 percent from the 2005 record level, according to the Honolulu Board of REALTORS®, which also reported the rise of the median sales price of existing single-family homes and condominiums by 22 and 30 percent, respectively.

Homebuilding activity in the Pacific region declined moderately as builders responded to slowing sales in most markets. Production levels generally remained high compared with the historical volume. Single-family building permit activity in the region fell 8 percent to approximately 248,000 homes permitted in the 12 months ending June 2006 compared with the previous 12-month period but exceeded the 10-year average by 22 percent. In the past 12 months, California builders received building permits for 133,100 homes, a decline of 11 percent. In Arizona, the number of single-family building permits issued declined 9 percent to 71,900 homes in the past 12 months compared with the record number of single-family building permits issued in 2005. In Nevada, 36,750 new homes were authorized in the 12 months ending June 2006, a 6-percent decline from the record number of single-family homes authorized in 2004. In the past 12 months, single-family building permit activity in Hawaii declined 1 percent to 6,200 homes, about 10 percent below the single-family building permit level that peaked in 2005.

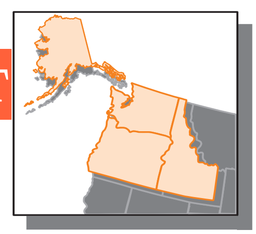
Rental markets in the Pacific region continued to strengthen during the second quarter of 2006, evidenced by stable or declining vacancy rates and a higher rate of rent increases. Employment and income growth, in-migration, rising home sales prices, and condominium conversions all contributed to stronger rental market conditions. According to RealFacts, a multifamily housing research organization, in the second quarter of 2006 the apartment vacancy rate in the San Francisco Bay Area declined to approximately 4 percent from nearly 6 percent a year earlier, while the average rent rose by 6 percent. During the past year, the Sacramento metropolitan area rental market remained balanced with a 4.5-percent apartment rental vacancy rate and a 1-percent rent increase. Rents rose 4 percent in the tight Fresno metropolitan area rental market, reflected in an apartment vacancy rate of just 3 percent.

Southern California has one of the strongest rental markets in the country in terms of both occupancy and rents. During the second quarter of 2006, rental market conditions remained tight in Los Angeles County, Orange County, Ventura County, and southern Santa Barbara County, where the rental vacancy rate was 4 percent or lower. In San Diego County, the rental vacancy rate remained at 5 percent as the completion of new rental units offset the conversion of more than 4,000 rental units to condominiums. In Riverside and San Bernardino Counties, rental vacancy rates remained at 7 and 6 percent, respectively. Both counties are still absorbing more than 5,000 rental units that were completed during the previous 12-month period. According to the Consumer Price Index covering most of Southern California, rents rose more than 6 percent during the past year.

The Phoenix rental market tightened significantly during the second quarter of 2006. The Arizona Real Estate Center at Arizona State University reported an apartment vacancy rate of 4 percent, down from nearly 8 percent a year earlier and the lowest rate since 1995. A major reason for the decline in apartment vacancy was the conversion of more than 11,000 apartment units to condominiums in the past 3 years. As a result of the tighter rental market conditions, Phoenix area rents rose 7 percent in the past 12 months compared with a gain of 4 percent in the previous 12-month period. According to CB Richard Ellis, the Las Vegas rental market remained tight, recording an apartment vacancy rate of 5 percent that was up slightly from a year earlier. The average rent rose 5 percent in the 12 months ending June 2006. Rents in Reno increased 4.3 percent in the past 12 months, and RealFacts recorded an apartment vacancy rate of just 3.5 percent. More than 700 apartments in Reno are in the process of being converted to condominiums, which is reducing the rental stock. Rental markets in Hawaii remain tight, with a rental vacancy rate in the 3- to 4-percent range. Because of the strength of the tourist industry, many investor-owned condominium units have been shifted to the visitor market, diminishing the availability of long-term rental housing.

Multifamily building permit activity in the region rose 4 percent to 79,550 units in the 12 months ending June 2006. Multifamily building permits were issued for 12,700 units in Arizona, an increase of 24 percent compared with the previous 12-month period. This increase reflects increased demand for both rentals and condominiums in the fast-growing Phoenix area. In Nevada, multifamily building permit activity increased 78 percent to 11,460 units authorized in the past 12 months compared with a relatively low building permit level recorded in the previous 12 months. In the Las Vegas area, most of the new building permits are for condominium properties. In Hawaii, multifamily building permit activity increased 15 percent to 2,500 units authorized during the 12 months ending June 2006; most of these units are highrise condominiums located in Honolulu. During the past 12 months, multifamily building permit activity in California declined 8.5 percent to 52,850 units but is still the second highest level recorded since 1990.

NORTHWEST



Economic conditions in the Northwest region remained strong through the second quarter of 2006. Regional nonfarm employment averaged 5.5 million jobs for the 12 months ending June 2006, up 3.3 percent, or 176,600 jobs, compared with the 12 months ending June 2005. Almost half of the new jobs in the region were in the construction, professional and business services, and education and health services sectors. Supported by strong residential and commercial real estate markets in the Northwest region, the construction sector registered the highest gain in employment, at 32,500 jobs. Idaho led the region and most of the nation with a 4.8-percent employment growth rate, largely due to strong population growth, followed by Oregon at 3.4 percent, Washington at 3.2 percent, and

Alaska at 1.6 percent. Regional employment in the manufacturing sector increased by 3 percent, or 15,600 jobs, with more than a third of the increase in the aerospace industry in Washington due to hiring at the Boeing Company. In Idaho, the manufacturing sector increased slightly because Micron Technology hired 300 people; the semiconductor company plans to fill 900 more positions in the next 12 months. In Alaska, higher fuel and mineral prices continued to contribute to hiring in the natural resources and mining sector, which rose by 9 percent, or 900 jobs, followed by smaller gains in the education and health services and retail trade sectors. The strong job growth throughout the Northwest region contributed to a decline in the regional unemployment rate from 5.9 percent to 5.2 percent. Unemployment rates ranged from 3.5 percent in Idaho to 6.8 percent in Alaska.

During the 12 months ending June 2006, home sales activity in the Northwest region remained at high levels and sales prices increased rapidly. According to data from the Northwest Multiple Listing Service, sales of existing homes in the Puget Sound area increased 1 percent to 70,500 units compared with the previous 12-month period. Sales of existing homes in the Seattle area declined 1 percent to 45,250 units; this level of sales is still 18 percent higher than the annual average for 2001 through 2004. Sales of existing homes in the Olympia and Tacoma areas continued to increase, rising 10 and 7 percent, respectively. Sales of existing homes in the Bremerton area declined 4 percent to 4,400 units, but the average sales price increased 18 percent to $325,500. The average home sales price increased 16 percent to $443,200 in the Seattle area and rose 18 percent to $288,600 in the Tacoma area. In the Olympia area, the average home sales price was $272,000, a 21-percent increase from the previous 12 months. Sales prices for new homes were also on the rise during the past 12 months. The average sales price for new homes was $491,700 in the Seattle area and $321,900 in the Tacoma area, up 19 percent and 13 percent, respectively. Sales of new homes were down 4 percent in the Seattle area but increased 26 percent in the Tacoma area due to increased supply and the relative affordability of new homes.

According to data from the Residential Oregon Multiple Listing Service, during the 12 months ending June 2006, sales of new and existing homes in the major markets of western Oregon totaled 78,000 units, essentially unchanged compared with the 12 months ending June 2005. The average home sales price increased 19 percent to $281,600 from $236,000. In the Portland-Vancouver area, sales were also unchanged compared with the 12 months ending June 2005 and the average home sales price increased 18 percent to $301,100. Steady demand from retirees contributed to strong market conditions in Central Oregon, including the Bend area, where the average home sales price increased 29 percent to $304,000 and the number of homes sold rose 7 percent to 10,600 units. Retirees are attracted to the moderate weather and numerous recreational opportunities, including fishing, skiing, hiking, and golfing, in Central Oregon.

Sales market conditions in the Boise metropolitan area remained exceptionally strong through the second quarter of 2006 because of steady job growth and a large supply of relatively affordable homes. According to data from the Intermountain Multiple Listing Service, during the 12 months ending June 2006, the number of new and existing homes sold totaled 18,850, a 32-percent increase compared with the previous 12 months. The average home sales price in the Boise metropolitan area rose 21 percent to $218,000. In Coeur d'Alene and Twin Falls, sales were below year-ago levels while average home sales prices increased 24 and 13 percent, respectively. According to data from the Alaska Multiple Listing Service, sales also slowed in the Anchorage area, down 6 percent to 3,140 units. The average home sales price in Anchorage increased from $273,500 to $305,200, a 12-percent gain.

In the Northwest region, single-family housing construction activity, as measured by the number of building permits issued, increased 2 percent to 82,000 units in the 12-month period ending June 2006 compared with the same period in 2005. Single-family building permits totaled 1,800 in Alaska, 18,400 in Idaho, 23,400 in Oregon, and 38,500 in Washington. The number of single-family building permits issued in Idaho, spurred by a strong demand for new homes throughout the state, increased by 9 percent, or 1,500 units, accounting for 80 percent of the regional gain. Single-family building activity was up 2 percent in Alaska and 1 percent in Washington. The number of single-family building permits issued in Oregon was the same as in the previous 12-month period.

Rental market conditions tightened throughout most of the Northwest region during the second quarter of 2006. In the Seattle metropolitan area, according to data from M/PF YieldStar, a provider of real estate data and information, during the past 12 months the rental vacancy rate declined from 5 percent to 4 percent. The overall average rent increased 9 percent to $908, with an average of $729 for studios, $787 for one-bedroom units, $958 for two-bedroom units, and $1,200 for three-bedroom units. Rental vacancy rates in the Bremerton, Olympia, and Tacoma areas were 5 percent or lower. Steady job growth and minimal new apartment construction contributed to the tighter market conditions in the Puget Sound and Portland-Vancouver areas. In the Portland-Vancouver area, according to data from Hendricks & Partners, the rental vacancy rate declined from 6.5 percent to 6 percent and the average rent increased 2 percent to $723, the fastest rate of increase in 3 years. Tight market conditions prevailed in the Salem, Medford, and Eugene rental markets, where the estimated rental vacancy rates were below 4 percent. Many property managers throughout the Northwest region reported reduced competition from the sales market because of rising prices for single-family homes and increased mortgage interest rates.

The Boise metropolitan area rental vacancy rate declined from 7.5 percent to 5.5 percent, mainly due to strong employment growth. Rental market conditions were balanced in the Coeur d'Alene, Idaho Falls, and Twin Falls areas, with vacancy rates of approximately 5 percent. In the Lewiston area, conditions were tight, with a vacancy rate of approximately 4 percent and an average rent of $650, up an estimated 11 percent in the past year. Conditions in the Moscow area were competitive because nearly 400 new rental units entered the market in 2004 and 2005, and the estimated rental vacancy rate was 7 percent. In Anchorage, the average rent was $875, up 2 percent from the first quarter of 2005, and the rental vacancy rate was 7 percent, essentially unchanged over the past 12 months.

In the Northwest region, for the 12 months ending June 2006, the number of multifamily building permits issued totaled 25,100 units, up 8 percent compared with the same period in 2005. In Alaska, multifamily building activity increased by 7 percent, or 100 units, to 1,400 units. In Oregon and Washington, multifamily building activity rose by 9 and 10 percent, respectively. The number of multifamily units permitted totaled 7,700 in Oregon and 13,900 in Washington. In Idaho, the only state where multifamily building activity was below the previous 12-month total, the number of building permits issued decreased 5 percent, primarily because of a decline in the number of units permitted in the Boise metropolitan area. Increased rental housing production levels from 2003 through 2005 resulted in competitive rental market conditions in the Boise metropolitan area until the second quarter of 2006.

Housing Market Profiles

Austin-Round Rock, Texas

The Austin-Round Rock metropolitan area is the economic and healthcare center of central Texas and comprises Bastrop, Caldwell, Hays, Travis, and Williamson Counties. As of June 1, 2006, the estimated population of the metropolitan area was 1,473,000, up 36,200 or 2.7 percent annually since 2000. The University of Texas (UT) is the leading employer, with more than 20,000 faculty and staff. Dell Computer Corporation, with approximately 16,000 employees, is the leading private-sector employer.

A significant economic recovery, which began in 2004, is under way. From 2001 through 2003, nonfarm employment fell by more than 21,100 jobs, or 3.1 percent. The economy rebounded in early 2004, and nonfarm employment began to increase. For the 12-month period ending May 2006, average nonfarm employment was up 3.8 percent to 703,500 jobs compared with the previous 12-month period. Job gains during the past year were primarily in the construction, leisure and hospitality, professional and business services, and retail trade sectors. Manufacturing was the only sector that declined during the past year. The unemployment rate was 4.2 percent compared with 4.8 percent during the same period a year ago.

Employment is expected to continue to increase during the next several years. The Greater Austin Chamber of Commerce has announced that more than 130 businesses plan to relocate, expand, or build new facilities in the metropolitan area and are expected to add more than 8,200 new jobs during the next 3 to 4 years. Among the largest, Texas ACCESS Alliance, an administrator of social services programs, announced plans in 2005 to open a new facility in Austin and employ 1,200 people. Advanced Micro Devices, Freescale Semiconductor, and Samsung announced three large high-technology expansions, which together will create more than 1,700 total jobs.

Since June 2004, construction of single-family homes in Hays County and in eastern Travis and Williamson Counties has increased significantly. In Hays County, most of the growth occurred in the communities of Buda and Kyle. In eastern Travis and Williamson Counties, single-family housing developments have increased along the Texas Highway 310 corridor. During the 12-month period ending May 2006, single-family building permit activity in the five-county area increased by 28 percent to almost 19,000 homes. Approximately 16,500 homes were permitted in Travis and Williamson Counties and 2,100 homes were permitted in Hays County. According to RS Means 2005 data, the estimated construction cost for an 1,800-square-foot, average-quality home was approximately $80 a square foot compared with $73 in 2004, a 9.6-percent increase. The increase is partially attributed to higher labor costs and the increasing cost of building materials. Currently, 6,500 homes are under construction in the metropolitan area.

An important segment of residential building is age-restricted communities. One of the largest, Sun City, is located in eastern Williamson County. Since the inception of the community 11 years ago, out-of-state buyers have purchased more than half of the 4,100 homes sold in the community. Residents of Sun City are attracted to the community because of its affordable prices compared with other retirement communities in Arizona, California, and Nevada. The bulk of the homes range in price from $120,000 to $350,000; custom homes can exceed $500,000. The developer of Sun City has announced plans to build an additional 2,500 homes beginning in mid-2007. The new homes are expected to be available in 2008. When completed, the multiphase expansion is expected to add 4,500 to 5,000 residents to the 8,000 people already residing in Sun City.

The revitalized economy has resulted in a substantial increase in residential sales. Despite rising interest rates, the attractiveness of the area and recent job growth have resulted in multiple offers on homes and higher sales prices. In addition, out-of-state investors have entered the sales market during the past year. Investors are drawn to the metropolitan area because of its relatively stable and affordable housing market. For the 12-month period ending May 2006, the Real Estate Center at Texas A&M University reported approximately 28,300 residential sales compared with 24,300 sales during the previous year. In May 2006, the median sales price of a home increased 6.7 percent to $170,200 compared with $159,500 in May 2005.

Multifamily development, which has occurred primarily in Austin, includes condominiums in the downtown area, apartments near the UT campus, and a mix of condominiums and apartments in east Austin. According to the April 1, 2006, city of Austin Multifamily Report, more than 20,000 units are slated to enter the market during the next 2 to 3 years, compared with approximately 15,000 units reported in the first quarter of 2005 and 14,600 units reported in the first quarter of 2004. Currently, about 5,200 units are under construction in Austin. Moreover, site plans for projects totaling 10,500 units have been approved, and site plans for an additional 5,000 units are under review. Nearly 7,600 units were permitted in the metropolitan area for the 12-month period ending May 2006 compared with 4,400 units permitted during the previous year. Currently, an estimated 6,800 multifamily units are under construction throughout the metropolitan area. Approximately 65 percent of those units are apartments, and the remainder are for-sale condominium units.

The rental housing market is improving from the weak conditions that occurred from 2002 to 2004. Rental occupancies and apartment rents have increased because of improved job growth and fewer apartment units entering the market. Local sources estimate that approximately 4,500 apartment units will be completed in late 2006 and in 2007, down considerably from 9,100 units completed in 2001. Another important factor contributing to the increase in rental occupancy is the impact of the hurricane evacuees from the Gulf Coast Region. As of June 1, 2006, the Federal Emergency Management Agency (FEMA) reported an estimated 11,700 applicants who applied for FEMA and other services indicated their current mailing address was in the metropolitan area. A significant number of the evacuees are occupying rental units throughout the metropolitan area. For the 12-month period ending May 2006, ALN Systems, Inc., reported an overall apartment vacancy rate of 6.9 percent, down from 8.1 percent a year ago. During the same period, average monthly rents increased from $711 to $751.

Dallas, Texas

The Dallas Housing Market Area (HMA) is part of the Dallas metropolitan area and consists of Collin, Dallas, and Denton Counties. Improving economic conditions and relatively affordable housing prices have resulted in steady population growth in the HMA. Since 2000, the population has increased by an average of 67,400, or 2 percent, annually to an estimated 3.5 million as of April 2006. Dallas County has the largest population in the HMA, with 2.3 million; however, all the population growth since 2000 has occurred in Collin and Denton Counties.

During 2005 nonfarm employment in the HMA averaged 1.8 million jobs, a 2.4-percent increase compared with average nonfarm employment during 2004. Employment growth totaled 43,000 jobs in 2005, more than double the number of jobs added in 2004. During 2005 employment growth in the HMA was led by the construction, professional and business services, and education and health services sectors. Most of the job growth occurred in Collin County, where the number of jobs increased by 36,900, or 18 percent, and in Denton County, where the number of jobs increased by 15,000, or 11 percent. The number of jobs in Dallas County declined by 8,900 primarily because of losses of high-technology jobs in the manufacturing sector and airline industry. Despite the decline in jobs in Dallas County, manufacturing jobs increased by approximately 4,800 in the HMA, ending a 4-year decline. An estimated 1,000 additional manufacturing jobs are expected by 2007 as a result of the $3 billion expansion of a Texas Instruments semiconductor plant in north Dallas County. The number of financial services jobs is expected to increase by more than 6,000 within the next 3 years due to planned hiring at Citigroup, Inc., and Countrywide Financial Corporation.

An expanding economy, low interest rates, and population growth have supported a record level of single-family home construction in the Dallas HMA, as measured by the number of building permits issued. During the 12 months ending June 2006, building permits were issued for 27,700 single-family homes in the HMA, an increase of 10 percent compared with the previous 12 months. The level of homebuilding activity in Dallas and Denton Counties was approximately the same as it was during the previous year. The largest gain occurred in Collin County, where building permits were issued for 13,400 single-family homes, a 19-percent increase from the previous 12-month period. Most homebuilding activity occurs in the southern half of Collin County, where new homes are typically priced at more than $200,000. Relatively more affordable new homes priced under $130,000 are being built in Denton County.

The sales market in the Dallas HMA remains balanced. According to the Real Estate Center at Texas A&M University, during the 12 months ending June 2006 the average sales price for new and existing homes was $212,700, a 4-percent increase from the previous 12-month period. The average home sales price was lowest in Denton County, at $196,400, and highest in Collin County, at $233,900.

These home sales prices for Denton and Collin Counties represent increases of 3 and 4 percent, respectively, from the previous 12 months. During the 12 months ending June 2006, 99,700 homes were sold in the HMA, a 25-percent increase compared with the same period a year earlier. The inventory of existing homes for sale contains an estimated $5^{1}/_{2}$-month supply, slightly higher than in recent years because of increased speculative building and rising interest rates.

Conditions in the rental market in the HMA improved during the first half of 2006 but remain soft. As of June 2006 the occupancy rate was approximately 90 percent, up 2 percent from a year earlier, reflecting the absorption of 17,800 units, many of which were rented by hurricane evacuees. Soft market conditions are expected to continue because more than 9,000 multifamily units were under construction at the end of 2005. According to the ALN survey, June 2006 apartment occupancy rates were below 90 percent in Dallas County and about 93 percent in Collin County. Denton County had a 92-percent occupancy rate, mainly because of the 40,000 university students residing in the area. Apartment rents in the HMA averaged $742 at the end of June 2006, ranging from a low of $727 in Dallas County to a high of $818 in Collin County. During the past 12 months, average rents have increased by 2 percent in Dallas County, by 3 percent in Collin County, and 5 percent in Denton County. Despite rent increases, concessions of up to 2 months' free rent remain common in the Dallas County submarket.

Despite the soft market conditions, multifamily homebuilding development increased during the 12 months ending June 2006, partly in response to a growing economy and population gains. During this period, 8,600 units were permitted in the HMA, 3,100 units more than were permitted during the preceding 12-month period. Nearly all of the gains occurred in Collin and Denton Counties, where the number of building permits issued increased by approximately 1,850 and 1,100 units, respectively, resulting in a total of 2,640 and 1,620 building permits, respectively, in each county. The number of multifamily building permits issued in Dallas County totaled 4,360, a slight increase from a year ago.

Current development trends in the HMA include several large-scale, mixed-use projects that incorporate office and retail space and housing. A redevelopment initiative in downtown Dallas includes the Victory project, which is anchored by the American Airlines Center (a sports arena and entertainment venue). The Victory project and adjacent developments will include more than 4,000 residences in upscale condominiums and apartments. The project also will include several high-end hotels and more than 4 million square feet of retail and office space. In the adjacent Uptown area just northwest of downtown Dallas, approximately 2,700 new residential units will enter the market within the next 3 years, adding significantly to the 9,000 existing residential units in the downtown Dallas and Uptown areas.

Denver-Boulder, Colorado

The Denver-Boulder metropolitan area encompasses 11 counties in north central Colorado. The population of the metropolitan area was estimated at 2.68 million as of June 2006, an increase of 37,000, or 1.5 percent, annually since the 2000 Census. This population growth is the result of a diversified economy that continues to attract workers and families to the area. Economic conditions in the metropolitan area have been improving during the last 2 years after a downturn in the early part of the decade. For the 12 months ending May 2006, nonfarm employment averaged 1.36 million jobs, up 2.1 percent compared with the previous 12 months. Employment increased at the fastest rate in 5 years, resulting in 28,000 new jobs; one-fourth of these jobs are in the professional and business services sector. Except for the information sector, all industry sectors registered job increases. The average unemployment rate declined from 5.3 percent to 4.8 percent during the past 12 months.

Because of strong economic conditions, the prospects for employment growth over the next several years are good. Total employment in the metropolitan area is expected to grow between 2 and 3 percent annually over the next 2 years. Major commercial and infrastructure developments are expected to increase employment in the construction industry. At least a dozen highrise buildings along the fringe of the central business district are either planned or under way. Major commercial and residential developments near light-rail stations are also under construction or in the planning stages, including a mixed-use development on the site of the former Gates Rubber plant near downtown Denver.

Employment in the aerospace manufacturing industry is expected to increase. Boeing Company and Lockheed-Martin Corporation have merged their rocket operations; the merger is expected to bring between 750 and 1,000 jobs to the metropolitan area over the next few years.

Health care and biotechnology are also growing industries in the area. A $4 billion renovation is under way at the former Fitzsimons Army Hospital. Upon completion, the Fitzsimons Medical Campus will include the University of Colorado at Denver's Health Sciences Center, a new Department of Veterans Affairs hospital, and facilities for biotechnology research and development companies.

Local home builders have begun to curtail production amid rising interest rates and a buildup of inventory. During the first 5 months of 2006, the number of single-family building permits issued declined by 6 percent compared with the same period a year ago. This decline brought the number of building permits issued during the 12 months ending May 2006 to approximately the same level of permits issued during the previous 12 months. The reduced level of single-family building permits in 2006 reflects slower new home sales.

According to a first quarter 2006 survey from The Genesis Group, during the past 12 months sales of new detached homes decreased by 12 percent while the average home sales price increased by 9 percent to $332,900. Sales of new attached homes declined 7 percent during the period, but the average home sales price increased by 13 percent to $249,300. The inventory of new homes for sale is up 19 percent compared with last year's inventory and is at its highest level in 6 years. Despite this buildup of inventory, some submarkets, particularly those with stronger job growth such as the south Interstate-25 corridor, northwest Boulder Turnpike corridor, and downtown Denver area, continue to have strong demand. The market is considerably weaker in areas farther from employment centers and especially for two-story detached homes in the $250,000-to-$350,000 price range.

General indicators have shown a balanced market for existing homes during the past 12 months, but current conditions favor buyers because of a buildup in inventory. According to the Denver Board of REALTORS®, during the 12-month period ending May 2006, sales of existing single-family homes were up by 1 percent from a year ago. During this same period, the average home sales price increased by 6 percent to $312,000. An increase in sales of homes priced at more than $500,000 contributed to the average home sales price increase. During the past year, sales of existing attached homes were up by more than 1 percent and the average sales price of these homes increased by 3 percent to $189,100.

The inventory of unsold homes increased by 20 percent in the past 12 months to 30,450 units as of May 2006. The increase in inventory is partially due to the prevalence of interest-only and adjustable rate mortgages. Many local homeowners have had their monthly payments increased significantly due to rising interest rates, forcing some to put their homes on the market or face foreclosure. During the 5 months ending May 2006, the percentage of home foreclosures in the Denver metropolitan area increased by 31 percent compared with the same period a year ago. According to local real estate officials, the number of foreclosures is expected to peak in 2006 and begin to decline in 2007 as a result of expected stronger employment growth and reduced levels of new construction.

During the 12 months ending May 2006, multifamily construction in the Denver-Boulder area, as measured by the number of building permits issued, declined by 8 percent to 4,600 units. This figure is well below the pace of the 2000-through-2002 period, when an average of approximately 10,000 multifamily units were built each year. According to the Home Builders Association of Metropolitan Denver, apartments accounted for 20 percent of the multifamily units permitted during the 12-month period ending May 2006. In contrast, apartments accounted for 75 percent of total multifamily units permitted in 2000. The reduction in apartment construction is due to overbuilding in the early part of the decade and the time required for the market to absorb the surplus rental units.

The rental market in the Denver-Boulder metropolitan area is improving but remains somewhat soft. According to a survey published by the Apartment Association of Metro Denver (AAMD), during the first quarter of 2006 the rental vacancy rate was 7.4 percent, the lowest rate in 5 years, and was down from the 9.3-percent rate recorded during the first quarter of 2005. Over the past year, average monthly rents have increased slightly to $834 while the average value of concessions has increased slightly to 16 percent. Strong job growth and a limited supply of new apartments have contributed to the market's gradual recovery. According to AAMD, 8,100 units were absorbed in 2005, the highest rate of absorption in 20 years. Colorado Apartment Insights, LLC, forecasts 2,700 scheduled apartment unit completions in 2006, well below the expected absorption rate. Demand is expected to continue to exceed supply in

2007 and 2008 as builders continue to hold back on production until rents become more in line with construction costs. As a result, renters can expect rent increases and fewer concessions.

According to M/PF YieldStar's first quarter 2006 report, submarkets with strong demand potential for rental development include central Denver, Thornton, the Denver International Airport area, Boulder County, and Douglas County. Occupancy and rental rate increases in these submarkets should continue to improve ahead of occupancy and rent increases in other submarkets.

Detroit-Warren-Livonia, Michigan

The Detroit-Warren-Livonia metropolitan area consists of Lapeer, Livingston, Macomb, Oakland, St. Clair, and Wayne Counties. The area economy largely depends on the domestic automobile manufacturing industry. The top four private-sector employers—General Motors Corporation, Ford Motor Company, DaimlerChrysler, and Visteon Corporation—are directly involved in manufacturing motor vehicles or motor vehicle parts.

As of July 1, 2006, an estimated 4.5 million people live in the metropolitan area. The population of the area has remained relatively stable since the 2000 Census, gaining 0.2 percent annually. In comparison, the national population has increased by 1 percent annually during this period. The stable population of the Detroit area is attributable to almost equal levels of net out-migration and net natural increase. The net out-migration is related to weaknesses in the local economy.

During the 12 months ending May 2006, average nonfarm employment was down 12,800 jobs, or 0.6 percent, compared with the average for the previous 12 months. The decline is attributable to employment losses in goods-producing sectors, primarily manufacturing. The number of jobs in service-providing sectors remained relatively constant. Employment growth occurred in the education and health services and professional and business services sectors but was offset by losses in the government and wholesale and retail trade sectors. During the 12 months ending May 2006, the average unemployment rate in the Detroit area was 7 percent, down from 7.5 percent during the previous 12 months.

Although manufacturing employment declined in both the Detroit area and the nation during the first part of the decade, decreases in the Detroit area have been relatively greater. From 2001 through 2005, manufacturing jobs decreased 5.4 percent annually in the Detroit metropolitan area but only 3.5 percent annually throughout the nation. During this same period, the percentage of nonfarm employment occurring in the manufacturing sector in the Detroit area decreased from 16.6 to 13.9 percent. Nearly 50 percent of the decrease in manufacturing jobs in the Detroit area occurred in the transportation equipment industry, but only 7.5 percent of the nationwide loss in manufacturing jobs occurred in this industry. Although nationwide employment in the transportation equipment industry trended upward with a gain of 6,600 jobs between 2004 and 2005, Detroit area employment in the industry decreased by 7,700 jobs during this period. Losses in market share and profitability have caused domestic automobile manufacturers to realign operations in 2006. More than 47,000 union workers from General Motors Corporation and Delphi Corporation have accepted buyouts or taken early retirement.

Declining employment levels and uncertainties about the domestic automobile industry have softened most home sales markets in the Detroit area. During the 12 months ending May 2006, sales of existing homes were down 10 percent from the previous 12 months but near the level posted for the 12 months ending May 2004. Average home sales prices were down about 5 percent for the 12 months ending May 2006 compared with the previous 12 months. For-sale inventories are up approximately 10 percent compared with the previous year. In the city of Detroit, the number of sales has been rising for several years. This increase in sales reflects the relative affordability of homes in Detroit. According to the Detroit Board of REALTORS®, the average sales price for homes sold during the 12 months ending May 2006 was nearly $71,000. This figure is about 40 percent of the average home sales price for the metropolitan area and 2 percent lower than the average for the previous 12-month period.

The slow economy and increase in mortgage interest rates also affected new residential development. The total number of residential building permits issued decreased by 34 percent to 13,650 units for the 12 months ending May 2006 compared with 20,600 units permitted during the previous 12 months. Declines were registered for both single-family and multifamily units. About 80 percent of the units permitted during this 24-month period have been for single-family homes, which reflects continued homeowner migration from Wayne County to outlying counties.

The rental market in the first quarter of 2006 is somewhat soft, with the occupancy rate remaining near 91 percent. Concessions are still common but have declined slightly because fewer new units entered the market during the past 12 months. Rents for suburban units average about $710 after concessions; this figure is down about $20 from the first quarter of 2005. Rents for one-bedroom units in the city of Detroit typically start around $400. In older projects with a number of amenities, one-bedroom rents typically start at $625 and smaller two-bedroom units rent for $750.

Several efforts are under way to redevelop the urban center in the city of Detroit. Key components include new office buildings, sports venues, entertainment centers, and housing developments. More than 230,000 employees are located in the central business district of Detroit, which provides a base for urban housing alternatives. Since 2000, more than 1,000 housing units have been completed in or near the central business district. Rents average near $900 for newer units in the downtown market.

Two projects are expected to be catalysts for additional housing in and near the downtown area. The 33-story Book-Cadillac building, a former prestigious hotel that has been closed for 22 years, will undergo a $180 million rehabilitation and renovation that will yield 455 hotel rooms, 66 condominiums, a conference center, a fitness center, and 119,000 square feet of retail and restaurant space. The project will create more than 450 full-time jobs. The Detroit RiverFront Conservancy is developing a 4.7-mile river walk with parks and pavilions from the Ambassador Bridge to the MacArthur Bridge at Belle Island. Approximately 650 condominium units are currently planned for development along the riverfront.

El Paso, Texas

The El Paso metropolitan area comprises El Paso County, Texas. It is bordered by New Mexico to the north and is separated from Mexico by the Rio Grande River, its southwest border. Fort Bliss, an air defense artillery training center, is one of the leading employers in the metropolitan area and has approximately 20,000 combined military and civilian workers. Fort Bliss has an estimated annual economic impact of $1.1 billion on the area, according to the Fort Bliss Residential Community Initiative, and significantly affects local housing market conditions.

As of July 1, 2006, the population of El Paso is estimated to be 731,000, an average annual increase of 9,200, or 1 percent, since 2000. Although net out-migration persists, it has lessened since 2000 because of the substantial increase in international in-migration. Since 2000, net natural increase in the area has averaged 10,300 annually, which accounts for the population gain.

During the 12 months ending May 2006, nonfarm employment increased by 4,700 jobs, or 1.8 percent, to an average of 262,800 jobs. The average unemployment rate was 6.8 percent during the past 12 months ending May 2006, compared with 7.6 percent in the previous 12 months. Most of the job growth has occurred in the financial activities, education and health services, and other service-providing sectors. Growth in the service-providing industries is primarily a result of the construction, relocation, and expansion of backoffice and call center operations. Seven of the top ten private-sector employers in El Paso are call centers that together employ more than 10,000 workers. The University of Texas at El Paso (UTEP) is another major contributor to the local economy, with 19,200 students and more than 2,500 faculty and staff. According to the Institute for Policy and Economic Development at UTEP, the university has an estimated annual economic impact of $228 million on the area.

El Paso derives significant economic benefits from its proximity to Mexico. Manufacturing employment has declined in El Paso but remains a substantial part of the local economy in Juarez, a community across the U.S.-Mexico border. Some companies maintain separate factories on each side of the border, with each factory performing different steps in the manufacturing process. The maquiladoras (assembly plants) located in Juarez are directly responsible for approximately $248 million in annual salaries for U.S. citizens employed in Mexico. In addition, the maquiladoras and related suppliers on both sides of the border purchase an estimated $1.6 billion annually in goods and services in El Paso.

Low interest rates and affordable home prices have prompted an increase in single-family building activity in El Paso. During the 12 months ending May 2006, building permits were issued for approximately 3,600 single-family homes, an increase of 490 units, or 16 percent, compared with the previous 12 months. Total homebuilding activity reached a new peak in 2005, with 5,400 units permitted.

A total of 5,650 homes were sold in the El Paso metropolitan area during the 12 months ending May

2006; the same number of homes was sold during the previous 12 months. During the most recent 12-month period, the average home sales price was $134,900, an 11-percent increase compared with the previous 12-month period. The average sales price for a new single-family home has increased 40 percent since 2000 due to strong demand for new homes and the higher cost of building materials. Sales prices for new homes with 1,300 square feet and two-car garages start at $90,000. The most active segment of the new home market is the $100,000-to-$130,000 price range, which accounts for an estimated 75 percent of the homes sold in the past 12 months. Retirees, including an estimated 35,000 military households, are attracted to this area because of affordable home prices, the climate, and the proximity to medical, recreational, and shopping facilities on base at Fort Bliss.

The presence of Fort Bliss has a significant impact on the local housing market. Of the 9,500 military personnel located at Fort Bliss in 2005, approximately half lived off base and were evenly divided between sales and rental housing. During the past year, 4,000 troops have been added and almost all have found housing off base. The additional demand for housing has resulted in a balanced market. A year ago the rental vacancy was 8.0 percent; it is currently 5.4 percent. No concessions are being offered and average rents have increased 4 percent from 2005. The current average rents are $495 for one-bedroom units, $650 for two-bedroom units, and $675 for three-bedroom units.

With the increased demand for rental units, apartment construction has increased. During the past 12 months ending May 2006, the number of multifamily building permits issued more than doubled to 1,025 units. The total of 500 multifamily units permitted during the 12 months ending May 2005 was up from the average of fewer than 300 units permitted each year from 2000 through 2003.

Fort Lauderdale-Pompano Beach-Deerfield Beach, Florida

The Fort Lauderdale-Pompano Beach-Deerfield Beach Housing Market Area (HMA), located on the southeast coast of Florida, comprises Broward County and is bounded by Miami-Dade County to the south and Palm Beach and Collier Counties to the north and west, respectively. Available land for commercial and residential development is limited to the eastern third of the county because much of the western part of the county is part of the Everglades conservation area. Tourism and retirees have a significant impact on the economy of the area.

As of July 2006 the estimated population of the HMA was 1,809,000, an increase of 186,000 since April 1, 2000. More than one-half of the growth since 2000 is the result of international in-migration of people from the Caribbean islands and South America. Fort Lauderdale is the largest city in the HMA, with an estimated population of 170,300 as of July 1, 2006.

The economy of the HMA is more broad based than in the past. The three largest employment sectors, which together account for 41 percent of nonfarm employment, are professional and business services, retail trade, and education and health services. Total nonfarm employment averaged 785,300 jobs for the 12 months ending June 2006, an increase of 4.8 percent, or 35,900 jobs, compared with the previous 12 months. Construction had the largest percentage gain of any sector, increasing by 3,900 jobs, or 7.3 percent, because of reconstruction from Hurricane Wilma and an increase in new condominium construction. With an increase of 7,700 jobs, the professional and business services sector had the highest absolute growth, followed by the education and health services sector, with an increase of 4,700 jobs. In the past 12 months the unemployment rate decreased from 4.3 to 3.2 percent, the lowest rate in two decades. Fort Lauderdale-Hollywood International Airport and the North Broward Hospital District are the leading employers in the HMA. Other major employers include Motorola, Inc., American Express Company, and JM Family Enterprises, Inc.

Condominiums have become an important element of the sales market as a result of increased land and construction costs and double-digit price appreciation that began in 2002. From 2002 through 2005, building permits issued for multifamily construction averaged approximately 4,500 units a year compared with an average of just over 3,100 multifamily units permitted a year from 1998 to 2001. A substantial number of multifamily units permitted from 2002 to 2005 were for owner occupancy. According to data in the second quarter housing report from Reinhold P. Wolff Economic Research, Inc., quarterly sales of new condominium units, as measured by deed recordings, have averaged 2,300 units since the beginning of 2004 compared with fewer than 350 units sold each quarter between 2000 and 2003. The median sales price for a new condominium is $215,317; this figure represents a 10-percent increase from a year ago. According to data from the Florida Association of REALTORS®, sales of existing condominium units totaled 4,275 units through May 2006, 29 percent lower than during the same period in 2005. Despite this slowdown in condominium sales, in June 2006 the South Florida *Sun-Sentinel* identified nearly 4,500 multifamily units planned or under construction in downtown Fort Lauderdale, 3,350 of which are condominium units. Softening in the condominium market is anticipated as these units become available.

The strength of the condominium market has resulted in a decline in single-family construction, as measured by the number of building permits issued. From 2002 through 2005 the number of single-family units permitted averaged 4,500 a year, a decline of nearly 50 percent compared with an average of 8,700 single-family units permitted a year from 1998 through 2001. Wolff's housing report for the second quarter reports that sales of new single-family units are 43 percent below last year's levels, while the median sales price increased 29 percent to $476,250. According to the Florida Association of REALTORS®, sales of existing single-family homes in the HMA totaled approximately 9,375 units during the 12 months ending June 2006 compared with 13,200 units sold during the same period a year ago, a decrease of 29 percent. June 2006 was the 24th consecutive month that existing single-family home sales declined in the HMA. The median price for existing single-family homes remained relatively unchanged at $377,400.

The increased development of condominiums has also affected the rental market. During 2004 and 2005, 17,000 apartment units in Broward County were converted to condominiums. As a result, rental occupancy in the HMA was 99 percent by March 2006 (the most recent data available); this rental occupancy rate was the highest in the country, according to M/PF YieldStar. M/PF YieldStar data also indicate that Broward County posted the nation's highest rent increase between March 2005 and March 2006. The average monthly rent rose to $1,145, a 12-percent increase from a year ago. Rents are expected to continue to trend upward, but not as sharply, because demand for existing condominiums is not keeping pace with conversions. As investors find it increasingly difficult to find buyers for the condominium conversion units, many of those units will convert back into the rental market.

Gillette, Wyoming

The Gillette Housing Market Area (HMA) encompasses Campbell County and is located in northeastern Wyoming. More than 30 percent of the nation's coal supply is mined in the Gillette HMA. The nationwide drive toward clean coal energy, natural gas production, and domestic alternatives to foreign supplies of petroleum has stimulated economic growth in the HMA. Despite strong demand for domestic energy resources, however, economic expansion is currently limited by energy transmission constraints and a housing shortage.

Employment in the mining industry, including oil and gas extraction, is the main component of the economic base of the HMA and accounts for approximately 30 percent of all jobs. North Antelope Coal Mine, Powder River Coal Company, and Thunder Basin Coal Company are among the leading employers in the HMA. Because of constraints in regional oil refining capacity and limited pipeline distribution systems, Wyoming crude sells for 20 to 30 percent less than the national average. Similar problems with coal shipments, which are transported by rail, are generating the need for substantial improvements in transportation infrastructure and upgraded distribution methods.

To meet the needs of the expanding economy, the Campbell County Economic Development Corporation actively recruits potential employment candidates from areas of the country with high unemployment rates. A recent recruitment fair in Michigan targeted individuals affected by automobile industry layoffs. New businesses with ventures in construction, manufacturing, health care, and professional and business services are locating in Gillette. For the 12 months ending May 2006, total employment averaged 23,700 jobs, up 7.3 percent from a year ago. The unemployment rate fell from 2.9 percent to a historic low of 2.5 percent.

As of May 1, 2006, the population of Campbell County was estimated at approximately 38,000, a 2-percent average annual increase since the 2000 Census. More than 60 percent of county residents live in Gillette. Officials representing the state of Wyoming estimate that the population of Campbell County will exceed 40,000 by 2010. The population of the HMA is relatively young; only 6.5 percent of the residents are over the age of 65. According to the Wyoming Department of Employment, in 2005 the median wage in Campbell County was $15.70 an hour, 19 percent higher than the state median wage. Despite above-average wages in the mining industry, continued population growth is restrained by a lack of housing.

Residential construction has primarily consisted of single-family development. Between June 2005 and May 2006, building permits were issued for 179 single-family residences, a 15-percent increase compared with the previous 12-month period. Construction of multifamily units had been nonexistent until the last half of 2005, when Gillette permitted 73 new units; all of these units were in age- and income-restricted housing developments. County officials report that construction outside of the city of Gillette primarily consists of modular homes and affordable single-family residences. Despite an increase in homebuilding activity in 2005, residential construction has not kept pace with the growing number of households and is expected to be insufficient to satisfy demand due to the lack of major builders in the HMA.

According to the Campbell County Board of REALTORS®, the sales price for existing homes in the HMA has averaged $237,000 through the first 5 months of the year, a 16-percent increase compared with the same period in 2005. The number of homes for sale in the area is far fewer than necessary to meet demand and has resulted in a very tight market. As of May 2006, the Greater Gillette Multiple Listing Service showed 69 new and existing single-family homes for sale.

According to the Gillette Planning Office, which surveys both single-family and multifamily rentals, the rental housing market is extremely tight as well, with a vacancy rate of less than 1 percent. According to the Wyoming Cost of Housing Index, between 2004 and 2005 the average rent for an apartment in Campbell County increased by 10 percent to $611 and the average rent for a single-family home increased by 4 percent to $827.

Jonesboro, Arkansas

The Jonesboro metropolitan area is located approximately 65 miles northwest of Memphis, Tennessee, and includes the northeastern Arkansas counties of Craighead and Poinsett. The city of Jonesboro, which is located in Craighead County, is the home of Arkansas State University (ASU) and Riceland Foods, one of the largest rice mills in the world. As the fastest growing and fifth largest city in Arkansas, Jonesboro serves as a regional manufacturing, retail, and medical center for northeast Arkansas. Since 2000, the population of the area has increased by an average of 1.3 percent a year to an estimated 113,550 as of July 1, 2006. Net in-migration accounts for almost half of the population increase.

During the 12 months ending May 2006, nonfarm employment increased by 300 jobs to a total of 48,700 jobs, up 0.6 percent from the previous 12 months. The professional and business services sector increased by 350 jobs, and 100 positions were added in the education and health services sector. Gains in these two sectors largely offset the 600 jobs lost in the manufacturing sector. Since 2000, the healthcare sector has added about 230 jobs annually. Although employment in manufacturing has declined over the past several years, Quebecor World and Frito-Lay are still the two largest manufacturing employers and employ about 650 workers each. ASU, the leading employer in the metropolitan area, has 2,600 faculty and staff, 10,400 students, and an annual economic impact of approximately $181 million, according to the university. St. Bernards Healthcare Center is the second leading employer and, combined with ASU, provides more than 9 percent of the jobs in the metropolitan area. Turtle Creek Mall, the largest shopping mall in Arkansas, opened in early 2006 and has projected annual sales of $225 million. Retail stores in the mall employ 1,500 people, and additional stores are expected to add 500 jobs by the end of 2006.

The sales market remains balanced because of affordable prices, relatively low mortgage interest rates, and a stable economy. According to the Arkansas REALTORS® Association, the average sales price for existing homes in Craighead County increased 5 percent to $105,000 during the 12 months ending June 2006, but the average sales price for new homes declined 1 percent to $136,250. Sales for new and existing homes in Craighead County totaled 1,276 units, up 28 percent from the previous 12-month period.

Developers have met increased demand for homes with higher levels of production. The number of building permits issued for single-family homes during the 12 months ending May 2006 totaled 500, up 17 percent from the previous 12 months. Approximately 92 percent of the homebuilding activity in the area occurred in the city of Jonesboro, and approximately 75 percent of new homes sold in recent years were built on a speculative basis. In southeast Jonesboro, the Valley View community, with 11 subdivisions, is the largest new development in the metropolitan area. Since 1999, 1,000 to 1,200 homes, with an average sales price of $160,000, have been built and, as part of the mixed-use component of the community, 22 commercial buildings have been completed. Valley View's developer plans to build an additional 9 to 18 commercial buildings over the next 2 years.

The rental market in the Jonesboro area is balanced with a vacancy rate of 6 percent. About 1,000 units have entered the market over the past 4 years in response to increased demand, primarily from service workers. Newly constructed units have been absorbed quickly. Currently an estimated 160 rental units are under construction, 44 of which are low-income housing tax credit (LIHTC) units. In early 2006, average contract rents were approximately $525 for apartments and $750 for single-family homes; the latter account for one-third of the rental housing stock. Rent increases during the past 3 years have been minimal. To date, approximately 480 rental units in the metropolitan area are financed by the LIHTC program; these units have a vacancy rate of 7 percent.

A downtown Jonesboro housing market has slowly begun to emerge. In the past 3 years, warehouses and other vacant buildings have been converted into loft apartments with commercial space on the first floors of the buildings. The market currently includes eight completed loft projects with about 35 units. Twenty units in nine buildings are under construction. The contract rent for loft units ranges from $1,200 to $1,500.

Palm Bay-Melbourne-Titusville, Florida

The Palm Bay-Melbourne-Titusville metropolitan area, located on the central east coast of Florida, comprises Brevard County and is located approximately 35 miles east of Orlando. Known as the "Space Coast," the area is home to the National Aeronautics and Space Administration's (NASA's) space program and is the primary launch site for most of NASA's missions. In 2005, total direct spending by NASA in the metropolitan area was more than $1.6 billion. As of April 1, 2006, the population of the metropolitan area was estimated at 544,000, an average increase of 2.3 percent annually since 2000. Palm Bay, the largest city in the area, had a population of 92,800 as of July 1, 2005, according to the Census Bureau.

The population has grown as a result of retirees and working families migrating to the area. The trend is expected to continue as job growth, high-quality health care, and recreational activities attract people to the area. The north and central mainland areas and Merritt Island have had moderate population growth. Rapid population increases have occurred in the southern part of the county in response to job opportunities at expanding industries. Growth in the beach areas has remained stable, as retirees continue to migrate to the area.

Economic expansion is creating jobs at a strong pace. Nonfarm employment in the metropolitan area averaged 212,900 jobs during the 12 months ending May 2006, an increase of 5,300 jobs, or 2.5 percent, compared with the same period a year earlier. The fastest growing employment sectors in the past 12 months have been construction and leisure and hospitality. Employment increased in the construction sector by 2,200 jobs and in the leisure and hospitality sector by 1,400 jobs. Employment in the construction sector is expected to remain strong, maintained by current and planned housing and public works projects. The leisure and hospitality sector has grown steadily, as the metropolitan area remains an important tourist destination. Sport complexes, golf courses, and fishing and boating are among the primary employment sources in this sector. With a record 4.6 million passengers in 2005, Port Canaveral is the world's second largest cruise port. The economic contribution of Port Canaveral to the area includes 34,000 jobs and $1.1 billion in wages a year, according to the Brevard County government.

In other employment developments, Liberty Mutual Group and MedSolutions plan to establish regional call centers; each company plans to add approximately 600 new jobs over the next few years. A $5.4 million business incubation center under construction in Melbourne is expected to create up to 100 new jobs when completed in May 2007. The manufacturing sector has also added jobs during the past 12 months. Firms such as Knight's Manufacturing Company, which makes military hardware, Avidyne Corporation, which engages in avionics development, and Intersil, which manufactures integrated circuits, have added a total of 750 jobs to the local economy. As a result of substantial employment growth in the area, the unemployment rate declined significantly. For the 12-month period ending May 2006, the rate decreased to 3.2 percent from 4.2 percent recorded during the previous 12-month period.

Steady employment and population growth have contributed to a strong housing market, although the production of new housing remained stable during the past year. The housing inventory increased by an average of 900 units a year for the 2000-to-2005 period. For the 12-month period ending May 2006, single-family building permit activity totaled 6,120 homes, down by 175 homes from the previous 12-month period, and multifamily building permit activity totaled 1,840 units, an increase of 260 units. Most of the single-family and multifamily construction is in the cities of Palm Bay, Cocoa, and Melbourne.

The sales market is currently balanced and recent activity has remained relatively stable. Single-family home sales and prices increased at a rapid pace during the 2000-to-2004 period, averaging annual gains of 16 and 20 percent, respectively. Since 2004, home sales have remained relatively unchanged at 8,050 units a year, but sales prices have continued to increase. The Florida Association of REALTORS® reports that in 2005 the median price of a single-family home was $226,100, up 35 percent from $166,600 recorded a year earlier. The estimated sales vacancy rate of 2.7 percent is up slightly from the rate of 2.3 percent recorded in the 2000 Census. The sales vacancy rate has increased since 2000 because of increased condominium construction during the past 2 to 3 years. During the past 6 years, condominium sales have slowed and prices have declined, especially during the past year. According to data from the Florida Association of REALTORS®, 302 condominium units were sold during the first 5 months of 2006, down 70 percent from the 992 units sold during the same period in 2005. In May 2006, the median sales price for condominium units was $196,700, down 11 percent from a year ago.

The rental market is currently tight as the production of new rental housing has not been sufficient to meet demand. More than 45 percent of all multifamily building units permitted since 2000 have been for condominium units. In addition, more than 1,000 apartments have been converted to condominiums in recent years. According to ALN Apartment News, as of April 2006 the apartment rental vacancy rate was approximately 2.5 percent compared with 2.2 percent a year ago and the average rent increased from $668 to $739, or 11 percent, compared with a year earlier. The current slow pace of market-rate apartment construction and the continuing conversion of rental units to condominiums are expected to keep the rental market tight during the next few years. Approximately 1,000 rental units currently in the construction pipeline are expected to come on line in April 2007, including 160 low-income housing tax credit units.

Sacramento, California

The Sacramento metropolitan area, located in northern California, comprises Sacramento, Placer, El Dorado, and Yolo Counties. The demand for both single-family homes and apartments remains high as a result of steady population growth. As of July 1, 2006, the population of the area was estimated at 2,135,000, an average annual gain of 2.7 percent since the 2000 Census, compared with a 2-percent annual gain in population from 1990 to 2000. From 2000 to 2006, net migration averaged 40,100 people annually, more than twice the annual rate of migration that occurred during the 1990s. According to Census Bureau estimates, Elk Grove in Sacramento County ranked as the fastest growing city in the country, with a population growth rate of 11.6 percent from 2004 to 2005. Since 2000, Placer County has had nearly twice the growth rate of the other areas in the metropolitan area, due to the availability of land for development in the cities of Lincoln, Rocklin, and Roseville.

During the 12 months ending June 2006, nonfarm employment averaged 889,000 jobs, an increase of 20,000 jobs, or 2.4 percent, from the previous 12 months. The increase represents a gain from the 18,200 average annual job increase from April 2000 to July 2006. The overall job growth during the past 12 months resulted from a 3.5-percent employment increase in the goods-producing sector, a 2.4-percent increase in wholesale and retail trade, and a 1.5-percent increase in the education and health services sector. As the state capital, Sacramento has a large government sector; this sector and the professional and business services sector have been leading employment expansion in the area since 1990. Unemployment in the area averaged 4.6 percent during the past 12 months, down from 5.0 percent during the previous year.

Other major sources of employment include two casinos—Cache Creek Casino Resort in Yolo County, with approximately 2,500 workers, and Thunder Valley Casino in Placer County, with approximately 1,800 workers. The University of California (UC) at Davis in Yolo County and the California State University (CSU) at Sacramento are stable sources of employment, with 12,700 and 2,350 employees, respectively. Spring 2006 enrollment at UC and CSU was 28,000 and 27,000 students, respectively, about the same as last year's enrollment figures. The former McClellan Air Force Base is now a business park specializing in "smart" U.S. military weapons. The area has a growing information sector, a spillover of the high-technology industry in the neighboring Bay Area.

The single-family housing market remains relatively strong despite higher prices, slower sales, increased inventory, and higher interest rates. According to The Gregory Group, 9,950 new homes were sold during the 12 months ending June 2006, a 31-percent decrease from the 14,500 new homes sold during the previous 12 months and a 24-percent decrease below the annual average of 13,100 new homes sold from 2000 through 2002. For the 12 months ending March 2006, approximately 35,500 existing homes were sold in Sacramento, Placer, and El Dorado Counties combined, a 16-percent decrease from the record sales volume in 2004 but 21 percent more than the 10-year average sales volume. For the first quarter of 2006, the median sales price for new homes increased from a low of $485,581, or an 11-percent increase, in Placer County to a high of $623,734, or a 19-percent increase, in El Dorado County compared with the same period a year ago. According to the NATIONAL ASSOCIATION OF REALTORS®, the median sales price for existing single-family units in the Sacramento metropolitan area increased to $376,200 in the first quarter of 2006, a 7-percent increase from a year earlier, compared with a 19-percent gain from 2004 to 2005.

The production of single-family homes has declined since 2004. From 2000 to 2002, building permits were issued for an annual average of 15,250 homes; from 2003 to 2005, building permits were issued for an annual average of 17,500 homes. During the 12 months ending June 2006, building permits were issued for 12,700 units, down from 17,175 during the previous 12 months. More than 50 percent of the homes permitted are in Sacramento County, and most of these homes are located in the Elk Grove, Rancho Cordova, and Rancho Murietta areas. Placer County accounts for approximately 30 percent of the homes permitted; most of the homes permitted in this county are located in the Roseville and Rocklin areas. Yolo and El Dorado Counties account for the remaining 70 percent of homes permitted in the Sacramento metropolitan area. From 2003 to 2005, multifamily building permits were issued for 3,675 units annually, down slightly from the 3,850 units permitted annually from 2000 to 2002. For the 12 months ending June 2006, building permits were issued for an average of 2,325 multifamily units, down from 4,050 units permitted during the previous year.

The rental market remains balanced in the second quarter of 2006 because of increased in-migration, lower levels of multifamily building permits issued, and a significant level of condominium conversions. Because the rental market is balanced, rents have increased only modestly. RealFacts data indicate a 1-percent rent increase for the first quarter of 2006 compared with the same period a year ago. The rental vacancy rate for the Sacramento metropolitan area is down slightly at 4.5 percent from 4.8 percent in 2000 but remains tighter for Class B and Class C units. Concessions are minimal and are limited to $^1/_2$ to 1 month's free rent. Because enrollment at the universities is projected to increase and no additional dormitories or private units are planned, apartment occupancy is likely to tighten slightly in the student-populated areas of Yolo and Sacramento Counties.

According to Reis, Inc., in 2005, 2,050 apartments were converted to condominium units, four times the number of conversions that occurred in 2004. Currently, 550 condominium units are under construction, approximately 150 more than were under construction at this time in 2005, and the same number of condominium starts is planned for 2007. Given new condominium construction and reduced rates of home sales price increases, the number of conversions should slow down from the record conversion level reached in 2005. The rental market will likely tighten as additional condominium conversions occur.

San Francisco Bay Area, California

The San Francisco Bay Area is home to 7.2 million people, or one-fifth of the population of California. The Bay Area comprises the following 10 counties: Alameda, Contra Costa, Marin, Napa, San Benito, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma. Since 2000, the total population has increased at an average annual rate of nearly 1 percent. San Benito and Contra Costa Counties, which are both suburban counties adjacent to employment centers, have been the fastest growing Bay Area counties over this period, with average annual population growth rates of 1.8 and 1.5 percent, respectively. Santa Clara County, however, has had the largest share of the total population growth in the Bay Area since 2000, with 26 percent.

The Bay Area economy has begun to add jobs after 4 years of employment losses. In the 12 months ending June 2006, nonfarm employment increased by 43,900 to total 3.25 million jobs, an annual gain of

1.4 percent. During this same period, the unemployment rate declined from 5.4 percent to 4.6 percent. The leading growth sectors, by number of jobs, were professional and business services, up 11,800; construction, up 10,450; and leisure and hospitality, up 6,775. With a 0.7-percent annual loss, the manufacturing sector decelerated to the lowest loss rate in the past 5 years. The Oakland area, which includes Alameda and Contra Costa Counties, led the Bay Area in job growth, with a 43-percent share of the new jobs in the past 12 months. Oakland now has the largest portion of all jobs in the Bay Area, at 32 percent.

Home sales remained a strong component of the local economy. During the 12-month period ending June 2006, sales volume declined by 14 percent to 114,600 new and existing homes sold, according to information from DataQuick. Despite this decline, the recent 12-month period was still the third most active year of the past 10 years. New and existing home sales peaked at 136,700 units during the 12 months ending March 2005. The housing sales market is currently moderating from the strong sellers' market that has prevailed during the past several years. Multiple offers without any contingencies are no longer commonplace. Local REALTORS® also report that contingencies for inspections and appraisals are once more included in purchase offers. The counties in the Bay Area with the greatest sales activity during the 12 months ending June 2006 were Santa Clara, Alameda, and Contra Costa, with 25-, 20-, and 20-percent shares, respectively. The median home sales price, including both new and existing homes, was $619,800, a 13.3-percent increase compared with the same period the year before. The median home sales price ranged from $476,400 in Solano County, which is located in the east portion of the Bay Area, to $809,800 in Marin County, which is in the coastal area north of San Francisco.

In the 12 months ending June 2006, single-family building permits were approved for 12,700 homes, a 16-percent decline from the previous 12-month period. All counties except San Francisco registered decreases in single-family building permit activity during this period. Because of rising land and construction costs, Bay Area developers find it difficult to meet demand for single-family housing. In 2002, single-family building permits peaked at 65 percent of the total number of residential permits issued. In the 12 months ending June 2006, only 49 percent of all permits were issued for single-family units. Tracts of developable land exist primarily in the parts of the Bay Area farthest from the Pacific Ocean. Fast-growing Contra Costa County, where new single-family houses start in the low $600,000s, accounted for 38 percent of the single-family building permits issued in the Bay Area during the past 12 months. Santa Clara, Solano, and Alameda Counties accounted for 18, 12, and 12 percent, respectively, of the Bay Area's approved single-family building permit activity.

In the 12 months ending June 2006, multifamily building permits were issued for 13,350 units in the Bay Area, the highest level of activity to date during the decade. This permit volume represents a 9-percent increase compared with the previous 12 months. The counties of Alameda, San Francisco, and Santa Clara accounted for 31, 27, and 21 percent, respectively, of the total multifamily building units permitted during the past 12 months. From 2000 through 2005, Santa Clara typically authorized the greatest number of permits, followed by San Francisco and then Alameda. In response to the strong demand for less costly homeownership options in the urban centers, many of these multifamily permits are for condominium developments. Continued interest in urban living has supported new construction in the South of Market area of San Francisco and in the downtown and waterfront areas of Alameda County. New one-bedroom condominium units in Alameda and Santa Clara Counties currently start in the $300,000s and in San Francisco start in the $400,000s.

The Bay Area apartment rental market has tightened in response to the improving job market, continued increase in home prices, conversion of multifamily rental units to condominiums, and modest supply of new rental units entering the market. Information from RealFacts, a multifamily housing research organization, indicates that the apartment rental market in the Bay Area had a vacancy rate of 4.2 percent in the second quarter of 2006, down from the 5.9-percent rate in the same quarter of 2005. The current vacancy rate is the lowest since the first quarter of 2001. Vacancy rates ranged from 3.3 percent in Santa Clara County to 7 percent in Solano County in the second quarter of 2006. During this same period, the average rent for the Bay Area increased to $1,365, a 6-percent annual gain. For Santa Clara County, the average rent was $1,414, a 9-percent increase from the previous year; for San Francisco County, the average rent was $1,940, a 7-percent annual increase; and for Alameda and Contra Costa Counties, the average rents were $1,255 and $1,215, respectively, representing more modest annual increases of 5 and 6 percent, respectively.

Savannah, Georgia

The Savannah metropolitan area consists of Bryan, Chatham, and Effingham Counties and is located in southeastern Georgia at the South Carolina border. Established in 1733, Savannah is the oldest city in Georgia and is famous for its historic district and coastal setting. The metropolitan area has become a retirement destination because of the relative affordability of sales housing in the area compared with other cities along the Southeast coast. The Port of Savannah, located along the Savannah River, is an attractive location for employers.

For the past 2 years, nonfarm employment growth in Savannah has been strong. During the 12 months ending May 2006, nonfarm employment averaged 153,400 jobs, an increase of 4,400 jobs, or 2.9 percent, from the previous 12-month period. Nearly half of all job growth occurred in the professional and business services and leisure and hospitality sectors. During the 12 months ending May 2005, the employment growth rate in Savannah was 6.1 percent, the highest annual rate of growth in 16 years. The average unemployment rate during the past 12 months was 4.2 percent, virtually unchanged from the 12 months ending May 2005.

The leisure and hospitality sector is the foundation of the local economy, accounting for 12 percent of the total nonfarm employment. According to the Savannah Convention and Visitors Bureau, in 2004 the area had 6.3 million visitors who contributed $1.7 billion in direct expenditures to the area. Tourism also affects net in-migration because visitors often return to work or retire in the area. Net in-migration has increased significantly in recent years and currently accounts for two-thirds of population growth, compared with 40 percent during the previous decade. As a result of strong in-migration, the population has grown to an estimated 328,500 as of July 1, 2006.

Recent hiring announcements are expected to contribute to strong employment and population growth during the next 2 to 3 years. Gulfstream Aerospace Corporation, a manufacturer of jet aircraft and aerospace equipment, announced it will add 1,100 new jobs to its workforce of 4,500 during the next 5 years. The ongoing 4-year, $109 million expansion of the Port of Savannah has helped attract new warehouse construction. Target Corporation and Inter IKEA Systems B.V. announced plans to construct warehouses in Savannah by 2007, which are expected to create a total of 350 new jobs. Wal-Mart Stores, Inc., and Home Depot U.S.A., Inc., currently have warehouses near the port.

During the 12 months ending May 2006, single-family homebuilding, as measured by the number of building permits issued, accounted for approximately 2,925 units, an 8-percent increase from the previous 12-month period. Single-family building permit growth slowed to a more typical rate for the area during the past 12 months, following a 28-percent increase from 2004 to 2005. The dramatic increase in building permit activity in 2005 was concentrated in the unincorporated areas of Chatham County, where new subdivisions are being developed. Since 2000, most new home construction in the area has occurred in the western portion of the county, including the cities of Pooler, Garden City, Bloomingdale, and Port Wentworth and the unincorporated areas of the county. Because of limited available land near the Savannah River and Atlantic coast, single-family construction in the eastern portion of Chatham County, where the city of Savannah is located, has primarily consisted of infill and neighborhood redevelopments.

Low interest rates and increasing net in-migration have resulted in greater demand for sales housing, which, in turn, has caused home sales prices to rise. Information from the Savannah Multi-List Corporation indicates that during the 12 months ending May 2006, approximately 5,850 single-family homes were sold in the metropolitan area, an increase of 13 percent from the previous 12-month period. The average home sales price increased by 7 percent from approximately $219,700 to $235,000.

Condominium and townhouse sales account for 12 percent of all home sales in the metropolitan area. During the past 12 months, approximately 830 condominiums and townhouses were sold, an increase of 7 percent. Because many of these units are luxury homes, the average sales price of $232,200 came close to the average single-family home sales price. Local real estate sources estimate that during the next 12 months 100 new condominium units will be constructed, a significant volume for the area.

Multifamily construction, as measured by the number of building permits issued, has returned to the level of the early 2000s. Approximately 680 units were permitted during the 12 months ending May 2006, an increase of 550 units from the previous 12 months. Building permit activity declined in 2003 because of soft rental market conditions. As conditions in the apartment market have improved, the number of rental units permitted has increased. More apartments are under construction in the western portion of Chatham County than in any other submarket.

The overall apartment market in Savannah is somewhat soft. In July 2005, an apartment survey by RealData, Inc., indicated the apartment vacancy rate was 10.2 percent. The apartment vacancy rate has declined to a current estimate of 8.0 percent. The improvement in the rental vacancy rate is due to strong net in-migration and a decline in the number of new rental units that entered the market during the past 12 months. Rental concessions remain common and include 1 month of free rent on 12- or 13-month leases or reduced security deposits or application fees. Because of the large number of rental units completed in the western portion of Chatham County during the past 12 months, the vacancy rate in this submarket is more than 15 percent, the highest in the area. In July 2005, RealData, Inc., reported that monthly rents in Savannah averaged approximately $720. Due to the existing soft market conditions, rents are estimated to have increased by less than 1 percent during the past year to approximately $725. The apartment market is expected to remain competitive in 2006 as new properties compete to attract residents.

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

HUD Region and State	2006 Through June			2005 Through June			Ratio: 2006/2005 Through June		
	Total	Single Family	Multi-family*	Total	Single Family	Multi-family*	Total	Single Family	Multi-family*
Connecticut	4,876	3,599	1,277	5,408	4,218	1,190	0.902	0.853	1.073
Maine	3,881	3,523	358	4,364	3,912	452	0.889	0.901	0.792
Massachusetts	11,275	6,120	5,155	11,173	6,590	4,583	1.009	0.929	1.125
New Hampshire	3,120	2,677	443	3,776	3,115	661	0.826	0.859	0.670
Rhode Island	1,213	799	414	1,069	875	194	1.135	0.913	2.134
Vermont	1,457	1,252	205	1,548	1,358	190	0.941	0.922	1.079
New England	**25,822**	**17,970**	**7,852**	**27,338**	**20,068**	**7,270**	**0.945**	**0.895**	**1.08**
New Jersey	16,895	9,411	7,484	19,179	10,582	8,597	0.881	0.889	0.871
New York	27,524	10,632	16,892	28,921	11,044	17,877	0.952	0.963	0.945
New York/New Jersey	**44,419**	**20,043**	**24,376**	**48,100**	**21,626**	**26,474**	**0.923**	**0.927**	**0.921**
Delaware	3,443	2,754	689	4,127	3,627	500	0.834	0.759	1.378
District of Columbia	1,539	45	1,494	1,476	69	1,407	1.043	0.652	1.062
Maryland	14,869	11,304	3,565	17,143	13,155	3,988	0.867	0.859	0.894
Pennsylvania	22,033	18,402	3,631	20,489	17,146	3,343	1.075	1.073	1.086
Virginia	26,789	22,651	4,138	31,837	26,543	5,294	0.841	0.853	0.782
West Virginia	2,775	2,673	102	2,836	2,645	191	0.978	1.011	0.534
Mid-Atlantic	**71,448**	**57,829**	**13,619**	**77,908**	**63,185**	**14,723**	**0.917**	**0.915**	**0.925**
Alabama	16,205	12,986	3,219	15,530	12,359	3,171	1.043	1.051	1.015
Florida	126,921	94,393	32,528	143,018	105,642	37,376	0.887	0.894	0.870
Georgia	55,192	46,067	9,125	52,807	45,385	7,422	1.045	1.015	1.229
Kentucky	8,383	7,058	1,325	11,335	9,818	1,517	0.740	0.719	0.873
Mississippi	8,642	7,460	1,182	6,567	5,833	734	1.316	1.279	1.610
North Carolina	54,626	45,259	9,367	50,488	43,341	7,147	1.082	1.044	1.311
South Carolina	28,523	23,400	5,123	27,118	21,946	5,172	1.052	1.066	0.991
Tennessee	23,953	20,481	3,472	23,353	20,109	3,244	1.026	1.018	1.070
Southeast/Caribbean	**322,445**	**257,104**	**65,341**	**330,216**	**264,433**	**65,783**	**0.976**	**0.972**	**0.993**
Illinois	32,774	22,004	10,770	30,949	23,190	7,759	1.059	0.949	1.388
Indiana	15,867	13,401	2,466	18,491	15,521	2,970	0.858	0.863	0.830
Michigan	16,338	14,126	2,212	23,857	20,705	3,152	0.685	0.682	0.702
Minnesota	14,226	11,759	2,467	16,393	13,854	2,539	0.868	0.849	0.972
Ohio	22,368	19,011	3,357	26,444	22,334	4,110	0.846	0.851	0.817
Wisconsin	14,830	11,476	3,354	17,250	13,099	4,151	0.860	0.876	0.808
Midwest	**116,403**	**91,777**	**24,626**	**133,384**	**108,703**	**24,681**	**0.873**	**0.844**	**0.998**
Arkansas	7,743	6,008	1,735	7,879	5,715	2,164	0.983	1.051	0.802
Louisiana	11,979	10,899	1,080	11,521	10,483	1,038	1.040	1.040	1.040
New Mexico	7,308	6,787	521	7,143	6,891	252	1.023	0.985	2.067
Oklahoma	9,094	7,845	1,249	9,125	7,729	1,396	0.997	1.015	0.895
Texas	119,315	91,112	28,203	103,783	82,216	21,567	1.150	1.108	1.308
Southwest	**155,439**	**122,651**	**32,788**	**139,451**	**113,034**	**26,417**	**1.115**	**1.085**	**1.241**
Iowa	6,827	5,392	1,435	8,149	6,224	1,925	0.838	0.866	0.745
Kansas	7,033	5,425	1,608	6,508	5,483	1,025	1.081	0.989	1.569
Missouri	14,778	10,270	4,508	16,227	13,132	3,095	0.911	0.782	1.457
Nebraska	4,416	3,872	544	5,115	4,441	674	0.863	0.872	0.807
Great Plains	**33,054**	**24,959**	**8,095**	**35,999**	**29,280**	**6,719**	**0.918**	**0.852**	**1.205**
Colorado	23,250	18,186	5,064	23,263	20,534	2,729	0.999	0.886	1.856
Montana	2,528	1,952	576	2,441	1,898	543	1.036	1.028	1.061
North Dakota	1,478	973	505	1,951	962	989	0.758	1.011	0.511
South Dakota	3,580	2,387	1,193	2,736	2,259	477	1.308	1.057	2.501
Utah	13,399	11,870	1,529	13,647	11,987	1,660	0.982	0.990	0.921
Wyoming	1,555	1,272	283	1,612	1,337	275	0.965	0.951	1.029
Rocky Mountain	**45,790**	**36,640**	**9,150**	**45,650**	**38,977**	**6,673**	**1.003**	**0.94**	**1.371**
Arizona	41,490	35,099	6,391	47,774	42,884	4,890	0.868	0.818	1.307
California	91,301	62,855	28,446	103,968	77,501	26,467	0.878	0.811	1.075
Hawaii	3,978	2,983	995	4,956	3,315	1,641	0.803	0.900	0.606
Nevada	25,779	17,595	8,184	22,699	18,352	4,347	1.136	0.959	1.883
Pacific	**162,548**	**118,532**	**44,016**	**179,397**	**142,052**	**37,345**	**0.906**	**0.834**	**1.179**
Alaska	1,646	960	686	1,522	857	665	1.081	1.120	1.032
Idaho	10,005	9,072	933	10,623	9,563	1,060	0.942	0.949	0.880
Oregon	15,514	11,592	3,922	15,947	12,642	3,305	0.973	0.917	1.187
Washington	25,272	18,988	6,284	25,437	20,168	5,269	0.994	0.941	1.193
Northwest	**52,437**	**40,612**	**11,825**	**53,529**	**43,230**	**10,299**	**0.980**	**0.939**	**1.148**
United States	**1,029,805**	**788,117**	**241,688**	**1,070,972**	**844,588**	**226,384**	**0.962**	**0.933**	**1.068**

*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 June		
		Total	Single Family	Multi-family*
12060	Atlanta-Sandy Springs-Marietta, GA	38,693	30,795	7,898
26420	Houston-Baytown-Sugar Land TX	38,120	30,125	7,995
19100	Dallas-Fort Worth-Arlington, TX	31,819	25,011	6,808
35620	New York-Northern New Jersey-Long Island, NY-NJ-PA	30,780	9,113	21,667
38060	Phoenix-Mesa-Scottsdale, AZ	27,695	22,416	5,279
16980	Chicago-Naperville-Joliet, IL-IN-WI	25,766	15,869	9,897
40140	Riverside-San Bernardino-Ontario, CA	24,828	21,306	3,522
29820	Las Vegas-Paradise, NV	22,062	14,472	7,590
33100	Miami-Fort Lauderdale-Miami Beach, FL	20,715	8,970	11,745
31100	Los Angeles-Long Beach-Santa Ana, CA	18,328	8,320	10,008
36740	Orlando-Kissimmee, FL	16,665	13,964	2,701
47900	Washington-Arlington-Alexandria, DC-VA-MD-WV	16,598	11,021	5,577
45300	Tampa-St. Petersburg-Clearwater, FL	14,541	12,115	2,426
12420	Austin-Round Rock, TX	14,363	10,227	4,136
42660	Seattle-Tacoma-Bellevue, WA	13,045	8,272	4,773
16740	Charlotte-Gastonia-Concord, NC-SC	12,923	11,025	1,898
15980	Cape Coral-Fort Myers, FL	12,772	9,862	2,910
19740	Denver-Aurora, CO	11,027	7,978	3,049
41700	San Antonio, TX	10,951	7,689	3,262
27260	Jacksonville, FL	10,683	7,603	3,080
39580	Raleigh-Cary, NC	10,124	7,503	2,621
38900	Portland-Vancouver-Beaverton, OR-WA	9,037	5,998	3,039
33460	Minneapolis-St. Paul-Bloomington, MN-WI	8,238	6,731	1,507
37980	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	8,219	6,175	2,044
41860	San Francisco-Oakland-Fremont, CA	8,145	3,344	4,801
14460	Boston-Cambridge-Quincy, MA-NH	8,100	3,375	4,725
34980	Nashville-Davidson--Murfreesboro, TN	8,006	7,467	539
28140	Kansas City, MO-KS	7,132	5,022	2,110
29460	Lakeland, FL	6,629	5,394	1,235
26900	Indianapolis, IN	6,601	5,403	1,198
41180	St. Louis, MO-IL	6,499	5,822	677
34820	Myrtle Beach-Conway-North Myrtle Beach, SC	6,494	3,844	2,650
40900	Sacramento--Arden-Arcade--Roseville, CA	6,176	5,107	1,069
41740	San Diego-Carlsbad-San Marcos, CA	5,828	2,966	2,862
32820	Memphis, TN-MS-AR	5,780	4,549	1,231
17140	Cincinnati-Middletown, OH-KY-IN	5,714	4,434	1,280
42260	Sarasota-Bradenton-Venice, FL	5,462	4,055	1,407
14260	Boise City-Nampa, ID	5,321	4,892	429
16700	Charleston-North Charleston, SC	5,321	4,261	1,060
19820	Detroit-Warren-Livonia, MI	5,291	4,136	1,155
46060	Tucson, AZ	5,112	4,728	384
40060	Richmond, VA	4,721	4,480	241
32580	McAllen-Edinburg-Mission TX	4,642	4,038	604
12580	Baltimore-Towson, MD	4,483	3,774	709
36420	Oklahoma City, OK	4,422	4,156	266
36100	Ocala, FL	4,316	4,051	265
47260	Virginia Beach-Norfolk-Newport News, VA-NC	4,304	3,312	992
18140	Columbus, OH	4,257	3,344	913
13820	Birmingham-Hoover, AL	4,148	3,592	556
17900	Columbia, SC	4,134	3,407	727

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