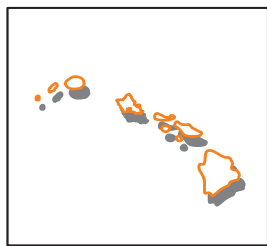
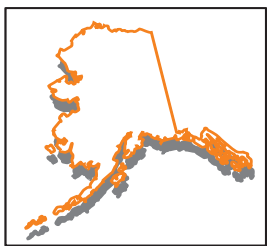
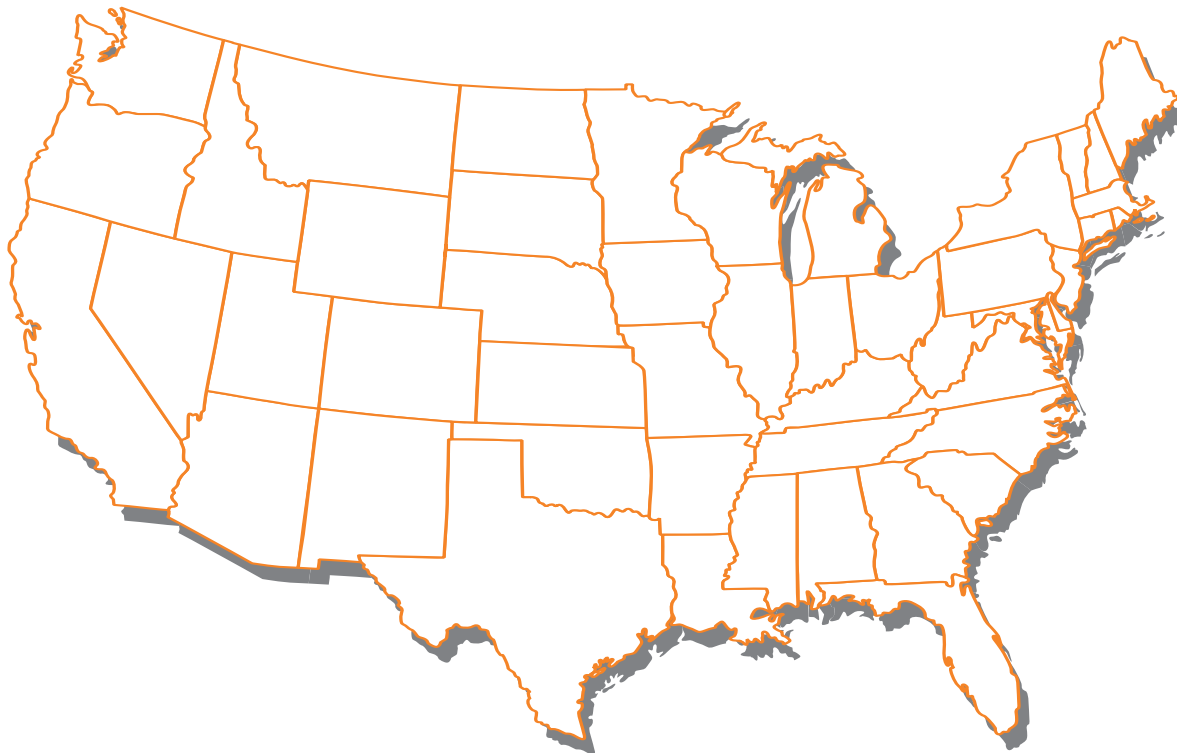




Regional Activity

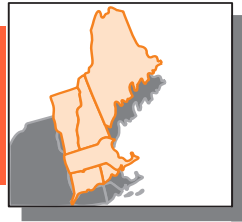


The following summaries of housing market conditions and activities have been prepared by economists in the U.S. Department of Housing and Urban Development's (HUD's) field offices. The reports provide overviews of economic and housing market trends within each region of HUD management. Also included 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 7 million jobs during the 12 months ending June 2007, an increase of 65,300, or 0.9 percent, compared with the number of jobs in the 12 months ending June 2006. With employment gains during the past 3 years, New England has replaced almost 80 percent of the jobs lost between 2001 and 2003. Employment in Massachusetts and Connecticut grew by 1.1 percent in each state, accounting for 53,100 new jobs, or 81 percent of the regional gain. The three northern New England states—Maine, New Hampshire, and Vermont—lagged in job growth, increasing employment only 0.4 to 0.6 percent. Rhode Island gained 4,400 jobs, or 0.9 percent, during the past 12 months compared with employment during the previous 12-month period.

During the 12 months ending June 2007, the region added 76,300 new jobs in the service-providing sectors, an increase of 1.3 percent, to total 6 million jobs. Massachusetts and New Hampshire accounted for 63 percent of that growth, adding 40,500 and 7,900 jobs, respectively, each up 1.5 percent. In Massachusetts, gains were primarily in the professional and business services and education and health services sectors; gains in New Hampshire were concentrated in the education and health services and government sectors. Connecticut and Rhode Island added 18,200 and 5,100 jobs, respectively, increases of 1.3 percent and 1.2 percent, respectively. Of the total new jobs in the states, 64 percent were in the professional and business services and education and health services sectors. Maine and Vermont, which had the lowest shares of jobs in these sectors, lagged in new service-providing job growth with increases of only 2,800 and 1,800 jobs, or 0.5 and 0.7 percent, respectively, during the past 12 months.

Goods-producing sectors continued to lose jobs in New England at a moderate rate of 1 percent. Massachusetts and New Hampshire accounted for nearly all the decrease, losing 10,300 jobs primarily in the construction and manufacturing sectors. Connecticut was the only state to gain goods-producing jobs, with an increase of 800, primarily in the construction sector.

During the 12 months ending June 2007, the average unemployment rate in the region was 4.6 percent, unchanged from a year ago. The largest decline occurred in Rhode Island, where the unemployment rate fell to 4.8 percent during the 12 months ending June 2007 from 5.2 percent a year earlier. New Hampshire and Vermont still have the lowest rates of unemployment in the region for the 12 months ending June 2007, despite increasing from 3.5 percent to 3.7 percent and 3.5 percent to 3.8 percent, respectively, during the past year.

Single-family sales markets in New England remain weak, with average annual sales down 9 to 13 percent; median sales prices ranged from flat to down 3 percent. According to the Massachusetts Association of REALTORS® (MAR), single-family sales for the 12 months ending June 2007 totaled approximately 42,100 homes, down 12 percent from the previous 12 months. Sales for the first 6 months of 2007, however, were down only 2 percent compared with sales for the same period in 2006, primarily as a result of a 7-percent increase in sales in the Greater Boston market. The median sales price in Massachusetts for the 12 months ending June 2007 was \$347,100, down 3 percent from the previous 12 months. Median sales prices ranged from \$211,700 in the western Massachusetts markets of Springfield and Pittsfield to \$478,650 in the Greater Boston market.

The Rhode Island Association of REALTORS® (RIAR) reported that single-family sales in the state totaled about 8,100 homes for the 12 months ending June 2007, down 11 percent compared with sales in the previous 12-month period. The median sales price for the most recent 12 months was \$279,100, down only 2 percent compared with the median sales price for the previous year. According to the Maine Real Estate Information System, Inc., single-family sales in Maine totaled about 12,550 homes for the 12 months ending June 2007, down 13 percent from the number sold the previous year; however, the median sales price was \$192,450, relatively unchanged from a year ago. The Connecticut Association of REALTORS® reported that sales of existing homes and condominiums for the 12 months ending March 2007 were 72,500, down 9 percent from the number of sales during the previous 12 months. The median sales price for single-family homes was \$313,600, down only 1 percent from the previous year's sales price.

On a 12-month average basis ending June 2007, condominium sales in the New England region continued to decline; however, trends in the first half of 2007 show some signs of stabilization. MAR reported sales of approximately 20,500 condominium units in Massachusetts during the 12-month period ending June 2007, down 9 percent from the number sold in the previous

12 months; however, sales for the first half of 2007 totaled almost 10,600 units, an increase of 1 percent compared with the number of sales during the first 6 months of 2006. The median sales price for the 12-month period ending June 2007 was \$276,900, virtually unchanged from the previous year. Sales of luxury condominiums in downtown Boston neighborhoods increased nearly 8 percent to 1,128 units during the second quarter of 2007 compared with the number of units sold in the second quarter of 2006 as demand from suburban empty-nesters and executives increased. During the same period, the median condominium sales price increased 4 percent to \$472,750 in downtown Boston. According to RIAR, condominium sales were down 4 percent in Rhode Island to about 1,900 units during the 12 months ending June 2007 but were up 5 percent during the first half of 2007 compared with sales during the first half of 2006. The median sales price, at about \$217,400 for the 12 months ending June 2007, was down 5 percent compared with the previous year's price.

In the New England region, according to the Office of Federal Housing Enterprise Oversight (OFHEO), rates of appreciation for home prices continued to decline, posting only a 1-percent gain in the first quarter of 2007 compared with rates in the first quarter of 2006, resulting in a last-place ranking among the nine census regions. The highest appreciation rate recorded was for Vermont, at 7 percent, and the lowest was for Massachusetts, where the rate of appreciation was slightly negative.

With tighter lending standards, lower sales, and significantly increased numbers of foreclosures, building activity, as measured by the number of building permits issued, has declined substantially since peaking in 2005. Single-family homebuilding activity in the region declined 26 percent to 29,000 units during the 12 months ending June 2007. All states, except Rhode Island, had declines of 20 percent or more, with Massachusetts declining 31 percent to 9,500 units permitted. Activity in Rhode Island declined only 10 percent during the past year.

After 2 years of peak production of multifamily rentals and condominiums, multifamily construction activity, as measured by the number of units permitted, declined by 24 percent to about 12,000 units for the 12 months ending June 2007. Rhode Island, New Hampshire, and Connecticut had declines of 65 percent, 33 percent, and 30 percent, respectively. The number of multifamily units permitted in Massachusetts, and particularly in

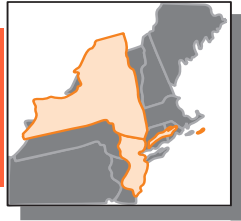
the Greater Boston market, declined by 18 percent to about 7,000 units. According to Reis, Inc., 8,500 new rental units are expected to enter the Boston market during the 2007–08 period. Approximately 4,600 condominium units were under construction during the first quarter of 2007. Production levels of multifamily housing are expected to slow considerably during the next several years as economic growth is expected to remain moderate.

Rental market conditions in New England vary directly with the amount of new product being delivered to each respective market. In the relatively balanced Boston market, according to Reis, Inc., 2,374 new rental units were added to the inventory in the first half of 2007 and another 3,000 are scheduled for completion during the remainder of the year. New rental units coming on line in 2006 and 2007 represent the most significant additions to the Boston market inventory since the 1980s. The current rental vacancy rate is estimated to be 5.6 percent, up from 4.5 percent a year ago. The average effective rent is \$1,582, up nearly 4 percent from a year ago. Significant inventory additions, current sales market trends, and uncertainty in the condominium market are expected to result in generally higher vacancy rates and limited increases in rent during the next year.

Conversely, the Fairfield County, Connecticut rental market, which includes Stamford, Norwalk, and Bridgeport, has had very few additions to the inventory during the past several years. The area now has a rental vacancy rate of 3.2 percent, down from 3.6 percent a year earlier, and is one of the tightest rental markets in the nation. The average rent is \$1,689, up 5 percent from a year ago and behind only New York City and Westchester County on the east coast, according to data supplied by Reis, Inc. More than 1,100 apartment units and 800 condominium units are currently under construction, however, and are due to enter the market in the next 2 years. In addition, multiyear plans are in place for redeveloping the South End section of the city of Stamford, which includes a \$3.5 billion investment in 4,000 apartment and condominium units and other commercial mixed-use properties. Hartford and New Haven have rental vacancy rates in the 5-percent range, limited recent additions, and recent annual rent increases of 3 to 6 percent. The Providence, Rhode Island market has a somewhat higher vacancy rate of 7.6 percent, due in part to recently completed developments entering the market. According to Reis, Inc., the average rent is \$1,227, which is more than 4 percent higher than the average rent a year ago.



NEW YORK/ NEW JERSEY



Moderate employment growth occurred in the New York/New Jersey region during the 12-month period ending June 2007. The highest relative gains were in Downstate New York, particularly in New York City, and in New Jersey, which altogether accounted for more than 90 percent of the total employment growth in the region. Total nonfarm employment in the region increased by 112,400 jobs, or approximately 1 percent, to 12.8 million, primarily due to gains in service-providing sectors, including professional and business services, with 34,500 new jobs, and education and health services, with 42,400 new jobs. In New York, the creation of 85,100 jobs resulted in a 1-percent increase to total 8.7 million, and nonfarm employment in New Jersey increased by 27,300, or 0.7 percent, to 4.1 million jobs. Manufacturing losses continued to hinder regional employment growth with a loss of 20,600 jobs, including 13,800 jobs in New York and 6,800 jobs in New Jersey.

In New York City, employment increased for the third consecutive year. During the 12-month period ending June 2007, total nonfarm employment in the city increased by 56,700 jobs to 3.7 million, up 1.6 percent from a year ago. Service-providing sectors accounted for most of these gains, increasing 1.7 percent during the year to 3.5 million jobs. Primary growth sectors included financial activities, professional and business services, and education and health services, with combined employment growth exceeding 44,000 jobs, or a 3-percent increase in each sector in the 12-month period ending June 2007 compared with the previous year. Slower growth occurred in Upstate New York metropolitan areas, ranging from an increase of 0.3 percent, or 1,300 jobs, in the Albany-Schenectady-Troy area to the loss of 100 jobs in the Elmira area. During the 12 months ending June 2007, the unemployment rate in New York City declined from 5.5 to 4.7 percent; in New York State, it decreased from 4.8 to 4.3 percent compared with the previous 12-month period.

Employment in New Jersey increased between 1 and 2 percent in most metropolitan areas during the 12-month period ending June 2007 compared with the number of jobs a year ago. During this period, 9,000 jobs were created in the Edison, New Jersey metropolitan area, the largest absolute increase in the state. The strongest

relative growth rates were in the Trenton-Ewing and Camden metropolitan areas, where the number of jobs increased by 2.2 and 1.5 percent, respectively. This increase in employment resulted in a decrease from 4.7 to 4.4 percent in the annual unemployment rate in New Jersey.

Although employment increased throughout much of the region, fewer home sales and a corresponding increase in the unsold inventory of single-family homes resulted in builders cutting back residential construction activity. In the 12-month period ending June 2007, total residential construction, as measured by units permitted in the region, decreased by more than 10 percent from 91,950 to 82,170 units compared with the number of permits issued a year ago. The total number of single-family and multifamily housing units permitted decreased 6 percent to 55,000 units in New York and almost 20 percent to 27,200 units in New Jersey, with the low level of single-family permits issued accounting for most of the decrease. In the 12-month period ending June 2007, total single-family permits in the region declined 24 percent to 33,200 units compared with the number of permits issued a year earlier. This contraction included a 21-percent reduction in New York to 18,700 units and a 27-percent decline in New Jersey to 14,500 units. Conversely, the number of multifamily housing units permitted in the region increased 1 percent overall to 48,960 units due to a 6-percent increase in New York to 36,240 units, which offset a 9-percent decline in New Jersey to 12,720 units.

Despite modest employment growth, the number of single-family home sales decreased significantly throughout the New York/New Jersey region. During the 12-month period ending June 2007, the NATIONAL ASSOCIATION OF REALTORS® reported that existing home sales in New York (excluding the New York City area) declined 10 percent to 97,200 units. In a similar trend, preliminary sales data for the 12-month period through March 2007, the most recent information available from the New Jersey Association of REALTORS®, indicated that existing single-family sales declined 17 percent to 151,100 units compared with a year earlier. In the 12-month period ending June 2007, the median sales price of an existing home in New York decreased 3 percent to \$251,000 compared with the median sales price for the same period in the previous year. Conversely, the median sales price of an existing home in New Jersey increased 3 percent during the 12 months ending March 2007 to \$370,700 compared with the sales price for the same period a year ago. The highest median sales price was in northern New Jersey at \$452,300, up 4 percent from a year ago. This figure is more than 20 percent greater than the statewide median sales price.

Reflecting continued job growth in New York City, the condominium and cooperative housing market in Manhattan remains tight. Demand for second homes contributed to the strong housing market in the city. According to Prudential Douglas Elliman Real Estate, the median price of a condominium or co-op unit in Manhattan increased to \$895,000 in the second quarter of 2007, up 2 percent from the same quarter a year earlier. In the second quarter of 2007, Elliman reported nearly 4,000 sales, an increase of 13 percent from the previous quarter.

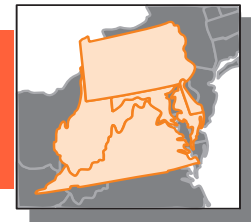
Housing markets have softened in most areas of Upstate New York; the number of sales declined significantly compared with the high volume of housing sales in the past several years. For the 12-month period ending June 2007, existing single-family sales in the Albany-Schenectady-Troy metropolitan area decreased to 9,800 units, or 4 percent, compared with a year ago, while the median price increased 2 percent to \$190,000. During the 12-month period through June 2007, data from the Buffalo Niagara Association of REALTORS® indicated that the number of existing single-family homes and condominiums sold in the area declined by 690 units, or 7 percent, compared with a year ago; the median sales price increased 3 percent to \$101,000. In the five-county Rochester metropolitan area, total existing home sales declined by 5 percent to 11,400 units during the 12 months, while the median price of an existing home increased by more than 2 percent to \$116,000.

Strong employment in New York City supported tight rental market conditions. Second quarter 2007 data from Reis, Inc., indicated that the apartment vacancy rate in New York City—the lowest apartment vacancy rate in the country—declined from 2.9 to 2.4 percent during the second quarter of 2007 compared with the previous year. Preliminary data from Reis, Inc., indicated that the average monthly asking rent for an apartment in New York City increased to \$2,657, up nearly 8 percent from a year ago.

Increased demand for apartments has created tight rental market conditions in Downstate New York and New Jersey. During the 12-month period ending June 2007, rental vacancy rates in Central and Northern New Jersey declined to 3.5 and 3.3 percent, respectively. Upstate New York rental markets remained balanced during the second quarter of 2007, with apartment vacancy rates in the range of 5 to 6 percent. In Central and Northern New Jersey, average apartment asking rents increased to \$1,108 and \$1,431 a month, respectively, an annual increase of between 3 and 4 percent in each area. The more affordable Upstate New York rental markets, including Buffalo, Syracuse, and Rochester, were characterized by second quarter 2007 average

monthly apartment rents ranging from a high of \$721 in Rochester to a low of \$650 in Syracuse. According to Reis statistics, annual rent appreciation in these metropolitan areas averaged approximately 3 percent.

MID-ATLANTIC



The economy of the Mid-Atlantic region continued its 3-year expansion during the 12 months ending June 2007 but at a slower pace than during the previous year. Average nonfarm employment increased by 1 percent to 14,018,000 jobs, a gain of 138,500 compared with growth of almost 1.5 percent during the 12 months ending June 2006. Employment in the professional and business services sector rose by 47,100, or 2.4 percent, and the number of jobs in the education and health services sector increased by 46,350, or 2.3 percent. Together, these two sectors led all sectors in both numerical and percentage growth and accounted for almost 70 percent of all new jobs in the region. All states in the region recorded job gains during the 12-month period. Virginia had the highest employment growth rate, at 1.3 percent, adding more than half of all retail trade jobs and 47 percent of all new financial activities jobs in the Mid-Atlantic region. Pennsylvania added 49,300 new jobs, more than 35 percent of all job growth in the region, up from less than 28 percent during the previous 2 years. The education and health services sector in Pennsylvania grew by 26,300 jobs, reflecting the large number of private schools, universities, and healthcare institutions in the state. Employment growth was less than 1 percent in Maryland, Delaware, and West Virginia, but jobs increased by almost 1.2 percent in the District of Columbia due to gains in education and health services and local government. Continued economic expansion in the Mid-Atlantic region led to declines in the unemployment rate. During the 12 months ending June 2007, the regional unemployment rate was 3.9 percent, down from 4.2 percent reported a year ago.

Despite continued economic expansion, the pace of existing homes sales continued the slowdown that started 2 years ago. Most areas of the region are experiencing a buyers' market, and prospective purchasers are spending more time evaluating the choice of homes available for sale. According to the Virginia Association of REALTORS®, 105,670 existing homes were sold during



the 12 months ending June 2007, a decline of 18 percent from the number of homes sold during the 12 months ending June 2006; the average number of days homes remained on the market increased from 90 to 120. The average home sales price in Virginia was \$282,200, only 3 percent higher than a year ago, compared with the 14-percent increase reported the previous year. The most active single-family home sales markets in the state are the Northern Virginia suburbs of the Washington, D.C. metropolitan area and the Norfolk, Virginia metropolitan area. Each area reported sales of approximately 25,200 homes, or 24 percent of all existing homes sold in Virginia during the 12 months ending June 2007. Northern Virginia has the highest average home sales price in the state, \$522,900, down 5 percent from a year ago. The average sales price in the Norfolk area was \$278,400, up 5 percent from last year. Average days homes remained on the market in Northern Virginia have doubled from a year ago and now range from 80 to 110 days, depending on the proximity to Washington, D.C. In Norfolk, the average number of days homes remained on the market rose to 63 from 38 a year ago. During this same period, 15,860 homes were sold in the Richmond metropolitan area, down 3 percent from the 16,300 homes sold during the 12-month period ending June 2006. The average sales price of an existing home in the Richmond area rose by 4 percent to \$269,100 and the number of days homes remained on the market increased from 38 to 55.

In Maryland, buyers had greater choices as unsold inventory levels rose and the pace of sales slowed. The average monthly inventory of homes for sale increased from 27,000 during the 12 months ending June 2006 to 40,275 currently. According to the Maryland Association of REALTORS®, during the 12 months ending June 2007, approximately 72,400 existing homes were sold in the state, a decrease of 21 percent compared with the 91,600 homes sold during the comparable period ending in 2006. The average home sales price rose by nearly 3 percent from a year ago to \$361,700. In the Baltimore metropolitan area, 34,300 homes were sold at an average price of \$315,500, reflecting a 17-percent decrease in the number of sales but a 3-percent increase in the sales price since June 2006. During the same period, the number of homes sold in the Maryland suburbs of the Washington, D.C. metropolitan area declined by 25 percent to 28,900 homes and the average price increased 3 percent to \$426,400 compared with the 12 months ending June 2006.

Existing home sales activity declined in Pennsylvania and Delaware through the 12 months ending March 2007 (the most recent data available), but the number of homes sold in West Virginia during this period

remained relatively stable. The National Association of REALTORS® reported 206,100 homes sold in Pennsylvania, a decrease of 8 percent from the number sold during the 12-month period ending March 2006. Almost 19,000 homes were sold in Delaware during the same period, amounting to a 2-percent decline. In West Virginia, 36,900 homes were sold, an increase of slightly more than 1 percent compared with the previous 12-month period.

Homebuilding activity, as measured by the number of single-family building permits issued, declined throughout the Mid-Atlantic region during the 12 months ending June 2007. Builders have slowed production because of the increasing inventory of unsold homes and reduced demand resulting from tighter lending standards. Building permits were issued for 88,300 homes, almost 26 percent fewer than the 119,200 homes permitted during the 12-month period ending June 2006. Building permits for single-family homes increased only in the District of Columbia, where several large redevelopment projects started during the last year. Permits were issued for 585 homes during the 12 months ending June 2007, almost 5 times the number issued during the previous year. The number of single-family homes permitted in Virginia declined 20 percent to 30,400 homes; in Pennsylvania, the number of permits fell by 29 percent to 32,900 homes. Throughout the remainder of the region, declines in the number of permits issued ranged from 23 percent in West Virginia to 31 percent in Maryland. Among the metropolitan areas in the Mid-Atlantic region, Washington, D.C., accounted for 16,300 new homes, the most built in the region during the 12 months ending June 2007.

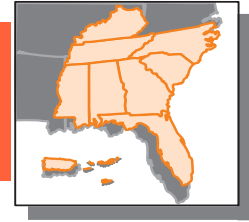
During the 12 months ending June 2007, multifamily construction activity, as measured by the number of units permitted, declined by almost 3,400 units in the region, or more than 12 percent, to 23,676 units. Only Maryland reported increased building activity. Nearly 8,400 new multifamily units were permitted during the period in Maryland, 35 percent more than during the 12 months ending June 2006. Almost half the new units were in rental projects in the Maryland suburbs of the Washington, D.C. metropolitan area. During the most recent 12-month period, multifamily building activity declined in all of the largest metropolitan areas in the region. The Washington, D.C. metropolitan area accounted for 8,450 new multifamily units, the largest total among the metropolitan areas in the region during the 12 months ending June 2007 but a decline of 15 percent from the previous year. The Philadelphia metropolitan area, the second leading area in the region for multifamily development, reported a decline of 30 percent in the number of multifamily units permitted.

Market conditions varied in the three largest rental markets in the Mid-Atlantic region. In the Philadelphia metropolitan area, Reis, Inc., reported a decrease in the overall apartment vacancy rate, from 4.4 percent in June 2006 to 4.2 percent in June 2007. Only 1,040 rental units were added to the rental stock during the year compared with almost 3,300 added during the 12 months ending June 2006. The decrease in completions caused a decline in the vacancy rate for Class A apartments, from 5.1 percent a year ago to 4.6 percent currently. Market-rate rents averaged \$980, up almost 5 percent from a year ago. In Center City Philadelphia, the vacancy rate decreased from 5 percent to 4.7 percent and rents averaged \$1,540, up almost 6 percent from June 2006. During the next 3 years, approximately 3,300 new rental apartment units are expected to become available in the metropolitan area, with approximately 800 of those in Center City Philadelphia.

In the Washington, D.C. metropolitan area, apartment vacancy rates rose between June 2006 and June 2007 but market conditions remain balanced. According to Reis, Inc., apartment vacancy rates in the District of Columbia rose from 3.9 percent to 4.3 percent. In suburban Maryland and suburban Virginia, rates rose from 3.8 percent to 4.6 percent and from 4.1 percent to 4.7 percent, respectively. Of the 3,100 units added during the past 12 months, 2,700 were in suburban Virginia, with the remainder in suburban Maryland. No new rental units were introduced in the District of Columbia market during the past year. Average rents in the Washington metropolitan area were \$1,425, up 3 percent from a year ago; in Washington, D.C., average rents rose almost 5 percent to \$1,980. In the next 3 years, availability of approximately 16,750 new units is anticipated in the metropolitan area; 50 percent will be in suburban Virginia, 37 percent in suburban Maryland, and the remaining 13 percent in the District of Columbia.

Reis, Inc., reported that, from June 2006 to June 2007, the apartment vacancy rate in the Baltimore metropolitan area rose from 4.4 percent to 5.8 percent. Average rents increased 5 percent to \$945 between June 2006 and June 2007. The rental markets are balanced throughout most submarkets in the metropolitan area, but vacancy rates in the city of Baltimore continue to indicate softer rental conditions. Vacancy rates in the city rose from 7.8 percent to 9 percent between June 2006 and June 2007 as the market absorbed 500 new units, which was a third of all new construction in the metropolitan area. Average rents in the city of Baltimore are \$1,040, an increase of 6 percent from June 2006. Approximately 850 of the 2,700 new units anticipated for completion during the next 3 years will be in the city.

SOUTHEAST/ CARIBBEAN



The economic expansion of the Southeast/Caribbean region continued during the second quarter of 2007 but was less robust than during the previous 2 years. Average nonfarm employment increased to 26,999,000 during the 12 months ending June 2007, a gain of 412,200 jobs, or 1.6 percent, compared with increases of more than 600,000 jobs in each of the two preceding 12-month periods. Continued steady growth in the education and health services sector, with 92,800 jobs, or 3 percent, produced the largest gain during the past 12 months. The professional and business services sector showed strong but slowing growth with the addition of 91,700 jobs, or 2.7 percent, compared with increases of 155,400 in the 12 months ending June 2006 and 167,900 in the 12 months ending June 2005. In the goods-producing sectors, 54,000 manufacturing jobs were lost during the past year, a decrease of 1.8 percent. Employment in the construction sector increased by 52,800, or 3.4 percent, which is less than half the 115,100 jobs added during the preceding 12 months, reflecting home builders' curtailment of new construction. In Florida, the growth in construction jobs dropped from 67,100 to 18,400 during the past 12 months.

Except in North Carolina and Mississippi, the pace of employment growth in each southeastern state slowed during the past year. In North Carolina, strong growth in the major metropolitan areas contributed to a state-wide increase in average nonfarm employment of 96,500, or 2.4 percent, during the 12 months ending June 2007 when compared with the 12 months ending June 2006. In Mississippi, 21,000 nonfarm jobs were added, a gain of 1.9 percent, as continuing rebuilding efforts from Hurricane Katrina produced strong employment growth in the coastal areas. The leisure and hospitality, education and health services, and trade sectors led the state with job increases of 4,400, 4,100, and 4,000, respectively. In Puerto Rico, nonfarm employment fell by 16,300 during the past 12 months, with two-thirds of the loss occurring in the manufacturing and government sectors. The unemployment rate for the region averaged 4.7 percent during the 12 months ending June 2007 as compared with the 5.0-percent rate for the preceding 12 months. Statewide unemployment rates decreased in all states and in Puerto Rico.



Single-family homebuilding in the region, as measured by the number of building permits issued, peaked at 521,600 units during the 12 months ending March 2006. Single-family home permits have since declined rapidly as developers scaled back production in response to slower home sales and rising inventories of new and existing unsold homes in most markets. Building permits were issued for 358,100 homes in the region during the 12 months ending June 2007, a decrease of 152,400 units, or 30 percent, when compared with the 12-month period ending June 2006. Single-family home production fell in all states in the region. The decrease was particularly large in Florida, where construction activity fell by 50 percent to 99,350 units during the 12 months ending June 2007.

Existing home sales decreased in most markets in the region during the 12 months ending June 2007. Some markets, benefiting from strong local economies and rapid in-migration, recorded sales increases. The Alabama Real Estate and Research and Education Center reported that home sales in the state decreased by almost 4 percent to 58,600 during the 12 months ending June 2007 compared with the preceding 12 months. Sales increased by 4 to 7 percent in the Birmingham-Hoover, Huntsville, and Tuscaloosa metropolitan areas. Alabama had an average supply of 35,100 unsold homes on the market during the 12 months ending June 2007, an increase of 21 percent from the average for the preceding 12-month period.

According to the Florida Association of REALTORS®, the rate of decline for existing home sales in the state increased during the past year. During the 12 months ending June 2007, 151,000 homes were sold, a decrease of 64,000, or 30 percent, from the 215,000 homes sold during the 12 months ending June 2006, which was a decrease of 29,600, or 12 percent, from the 244,600 homes sold during the 12 months ending June 2005. The median sales price for homes sold during the first half of 2007 was \$238,300, a decrease of 4 percent from the median sales price of \$247,400 during the first half of 2006. Statewide condominium sales totaled 45,850 during the past 12 months, a decrease of 33 percent from the 68,100 sales recorded during the preceding 12 months. The median sales price for condominiums sold during the first half of 2007 was \$209,400, a decline of 1 percent from the same period in 2006.

The South Carolina Association of REALTORS® reports that the number of homes sold statewide during the 12 months ending June 2007 decreased by 10 percent to 65,975 units when compared with the previous 12 months. The number of days homes stayed on the market increased approximately 14 percent to 131 in

June 2007 relative to June 2006. The median sales price of homes sold during the first half of 2007 was \$158,000, which is unchanged from the same period in 2006. Significant sales declines occurred in the four coastal markets as investor activity declined and the second-home market weakened. During the 12 months ending June 2007, sales declined by 31 percent in Myrtle Beach, 16 percent in Charleston, and 28 percent in both Beaufort and Hilton Head Island.

Data from 20 market areas reporting to the North Carolina Association of REALTORS® indicate existing home sales were down slightly and the statewide average sales price was up during the 12 months ending June 2007 compared with the preceding 12 months. The 135,600 existing homes sold during the past 12 months represent a 3.5-percent decline from the previous year. The average sales price increased by little more than 1 percent from \$216,400 to \$219,500. Sales were relatively stable in the state's two largest metropolitan areas. In both Charlotte and Raleigh, sales increased by less than 1 percent while the average sales price increased by approximately 5 percent. In Charlotte, 42,450 homes were sold at an average sales price of \$227,700. In Raleigh, 36,850 homes were sold at an average price of \$233,300.

In Tennessee, sales of single-family homes decreased in the Knoxville, Memphis, and Nashville metropolitan areas during the 12 months ending June 2007 compared with the preceding 12 months. In Knoxville, the decrease was 11 percent to 14,350 homes; in Memphis, the decrease was 7 percent to 16,450 homes; and in Nashville, the decrease was 6 percent to 30,450 homes. The average sales price in Knoxville increased by 4 percent to \$192,500 for the period. The average sales price for homes sold in Memphis remained unchanged from the \$176,100 price recorded during the preceding 12 months. The median sales price in Nashville during June 2007 was \$196,000, an 8-percent increase from June 2006. The number of condominiums sold during the past 12 months decreased slightly in Knoxville and Memphis but increased by 16 percent in the Nashville market, where in-town living is becoming increasingly popular.

Home sales in the Atlanta metropolitan area also slowed during the past year. According to Georgia Multiple Listing Service data, 72,000 homes were sold during the 12 months ending June 2007, a 14-percent decrease from the previous 12-month period. The median sales price for the past 12 months was \$177,500, an increase of 1 percent from the 12 months ending June 2006. Sales of condominiums and townhouses decreased by 7 percent to 9,700 during the past 12 months, while the median price increased by almost 4 percent to \$146,200.

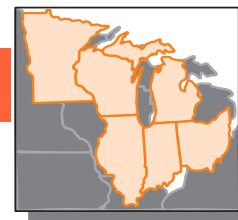
Multifamily construction in the region, as measured by the number of units permitted, declined by 20,350 units, or 16 percent, to 106,300 units during the 12 months ending June 2007. In Florida, the number of multifamily units permitted decreased by 24,200 units, or 36 percent, as apartment and condominium builders reacted to softer rental markets and large inventories of unsold condominiums. Mississippi recorded the largest increase in multifamily activity during the past year, more than doubling to 4,625 units due to expanding apartment construction along the coast. In North Carolina, Charlotte continues to record significant condominium and apartment activity in response to a strong local economy that is attracting a large number of people from outside the area. During the past 12 months, 5,675 multifamily units were permitted in the Charlotte area, an increase of 2,350 units, or 70 percent, compared with the preceding 12 months.

Apartment market conditions varied considerably within the region. The Atlanta area apartment market continued to soften during the second quarter of 2007 as a result of increasing competition from a growing supply of unsold single-family homes and condominium units made available for rent. According to M/PF YieldStar®, the apartment vacancy rate increased from 5.4 percent in the second quarter of 2006 to 7.3 percent in the second quarter of 2007. New apartment deliveries continue to be comparatively modest, with 6,125 units added during the past year, when compared with an annual average of 13,900 units added between 1999 and 2003. Despite the recent softening in the market, effective rents increased by more than 2 percent during the past year to an average of \$797 a month in the second quarter of 2007.

Apartment vacancy rates also increased in Orlando during the second quarter of 2007, according to RealData, Inc. The leasing of condominium units contributed to an increase in the Orlando apartment vacancy rate from 4.2 percent in March 2006 to 9.1 percent in March 2007. As a result, rents have remained relatively unchanged during the past year.

In North Carolina, apartment vacancy rates fell in the three largest metropolitan areas during the past 12 months, according to Reis, Inc. The vacancy rate declined in Charlotte from 8.1 percent during the second quarter of 2006 to 6.6 percent during the second quarter of 2007. The vacancy rate in Greensboro declined slightly from 8.8 to 8.3 percent. In Raleigh, the vacancy rate declined from 9.0 to 8.1 percent. All three metropolitan areas have had moderate increases in asking rent during the past year. Average rents increased nearly 3 percent in Charlotte, more than 2 percent in Greensboro, and by almost 2 percent in Raleigh.

MIDWEST



The level of employment remained stable in the Midwest region during the second quarter of 2007. Nonfarm employment increased by only 41,000 jobs, or 0.1 percent, to an average of 24.3 million jobs in the 12 months ending June 2007 compared with a gain of 165,000 jobs, or 0.6 percent, in the previous 12-month period. Increases in the education and health services, leisure and hospitality, and professional and business services sectors of 60,000, 33,000, and 29,000 jobs, respectively, offset declines in the manufacturing and construction sectors of 78,000 and 18,000 jobs, respectively. Almost all the manufacturing job losses were in durable goods production. The decline in construction was attributed to a slowdown in residential construction. All states in the region recorded job gains except Michigan and Ohio, where employment decreased by 54,000 and 3,000 jobs, respectively. The unemployment rate in the region increased from 5.1 percent to 5.6 percent during the past year. Unemployment rates ranged from a low of 4.5 percent in Minnesota to a high of 7.2 percent in Michigan.

The market for existing homes in the region softened during the first half of 2007 because of slower economic growth and higher interest rates. The annual rate of sales of existing homes in the first quarter of 2007 was down 6 percent to 1.1 million from the first quarter of 2006, according to the NATIONAL ASSOCIATION OF REALTORS®. Contributing to the relatively softer home sales market in the Midwest has been the higher rate of home foreclosures compared with other regions in the country. During the first quarter of 2007, the 2.5-percent foreclosure rate recorded in the region ranked first in the country and was above the national rate of 1.2 percent, according to the Mortgage Bankers Association.

Sales of existing homes in the second quarter of 2007 continued to slow in most areas of the region. The Michigan Association of REALTORS® reported that sales activity in the second quarter of 2007 continued a 2-year decline, primarily because of the slow economy. Existing home sales in the state were down 11 percent in the 12 months ending June 2007 compared with sales in the previous 12-month period. The decline in sales was widespread throughout the region; 21 of the 25 markets for which data were available recorded lower sales and



prices. In Minnesota, the Minneapolis-St. Paul metropolitan area recorded a 10-percent decline in sales of existing homes while the average sales price increased 1 percent to \$277,000. In the Indianapolis area, sales of existing homes were down 5 percent during the past 12 months and the median sales price was unchanged at approximately \$120,000.

Slower economic growth and tighter lending practices affected the home market in Ohio. The Ohio Association of REALTORS® reported 136,300 existing home sales during the 12 months ending June 2007, 6 percent below the 145,600 homes sold during the 12 months ending June 2006. In the Cleveland, Columbus, and Cincinnati metropolitan areas, the average sales prices of existing homes decreased 2 to 3 percent to \$166,200, \$172,700, and \$175,300, respectively. Sales of existing homes in the three metropolitan areas were down 7 to 10 percent during the past 12 months. In Wisconsin, existing home sales also slowed in major market areas. According to multiple listing services in Milwaukee and Madison, sales of existing homes in the metropolitan areas fell by 9 and 13 percent, respectively, during the 12 months ending June 2007.

The Illinois Association of REALTORS® reports that existing home sales in June 2007 increased for the fifth consecutive month, but home sales for the first half of 2007 were still 15 percent below the level of sales in the first 6 months of 2006. The 157,000 homes sold in the state during the 12 months ending June 2007 were down 14 percent from the number of sales in the previous 12-month period. In the Chicago metropolitan area, higher interest rates and tighter lending practices combined to reduce the number of existing homes sold to 108,000, down 19 percent from the 12 months ending June 2006 and 11 percent below the 122,000 homes sold annually in the past 5 years. According to the Chicago Association of REALTORS®, the average monthly inventory of homes for sale rose to approximately 92,000 in the 12 months ending June 2007, 22 percent more than the average monthly inventory a year ago.

Homebuilding activity in the region, as measured by the number of building permits issued, also declined during the first half of 2007 as builders responded to slower sales and increasing inventories of unsold homes. The number of single-family building permits issued in the 12 months ending June 2007 declined by one-third to approximately 136,800 units. Homebuilding was down in all states and major metropolitan areas in the Midwest. Michigan recorded a 40-percent decline in single-family building permits because residential construction in the Detroit metropolitan area was down approximately 50 percent to 7,500 new homes in the past

12 months. Single-family permits in Illinois decreased by 35 percent to 30,800 units during the 12 months ending June 2007. In Ohio and Wisconsin, homebuilding activity declined 29 percent in both states.

In Minnesota, single-family construction activity was down 37 percent in the past 12 months. The Builders Association of the Twin Cities reported that home builders are less optimistic about residential construction in 2007 than they were in 2006 because the inventory of unsold new homes remains high. Building permits for single-family homes in the Minneapolis-St. Paul area decreased by 39 percent to 9,500 homes during the 12 months ending June 2007 and were 45 percent below the annual average of 17,400 units for the past 5 years.

Slower sales of new homes and higher interest rates dampened residential construction activity in the Chicago metropolitan area. Building permits were issued for approximately 19,400 homes during the past 12 months, a decrease of 6,500 units, or 25 percent, compared with the number issued during the previous 12-month period. Despite the slowdown in residential construction activity in the Chicago metropolitan area, the city of Chicago continued its strong commitment to affordable housing. Since 2004, Chicago has contributed more than \$1.3 billion toward constructing and preserving 28,000 units of affordable housing, including 16,000 rental units and 12,000 for-sale units. In 2007, the city of Chicago plans to allocate another \$550 million to support an estimated 11,000 affordable homes and apartments, up 4 percent from \$525 million in 2006.

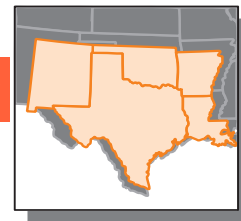
Multifamily construction in the Midwest region, as measured by the number of units permitted, continued to decline during the second quarter of 2007. In the 12 months ending June 2007, the number of multifamily building permits was down 23 percent to approximately 44,300 units and was 26 percent below the 60,500 units averaged annually since 2000. Multifamily construction activity, down in all states in the region, ranged from a 10-percent decline in Illinois to a 36-percent decline in Ohio. The number of building permits issued for multifamily units in Minnesota, Wisconsin, Indiana, and Michigan was down 25 to 34 percent. The overbuilt condominium market in the Minneapolis-St. Paul area contributed to a 25-percent decline in multifamily activity in Minnesota. As a result of Michigan's slow economy, which dampened demand for new condominiums and apartment units throughout the state, building permits for multifamily housing in the Detroit area decreased by 60 percent to 870 units during the past 12 months. Multifamily construction activity declined by 36 and 28 percent in Ohio and Indiana, respectively. Among the major metropolitan areas in the region,

only Cleveland recorded a small increase of 170 multifamily units during the past 12 months.

Most major apartment markets in the Midwest region tightened in the second quarter of 2007 because of increased demand for rental housing and the relatively low number of new apartments constructed in the region. In the Minneapolis-St. Paul metropolitan area, the apartment vacancy rate was 3.9 percent compared with 4.8 percent in the second quarter of 2006. The Indianapolis apartment market also continued to show modest improvement in the second quarter of 2007. The apartment vacancy rate in the metropolitan area was 6 percent, down from 7 percent in the second quarter of 2006. Major rental markets in Wisconsin are balanced. In the Milwaukee and Madison metropolitan areas, the apartment vacancy rates were 5 and 6 percent, respectively, in the second quarter of 2007, down from approximately 7 percent in both areas a year earlier. Rents in the Milwaukee and Madison areas increased modestly during the past year. Average rents increased more than 2 percent to \$820 in Milwaukee and 1 percent to \$800 in Madison.

Rental market conditions continued to improve in most areas of Illinois because of strengthening local economies and increased demand for rental housing. In the Rockford area, the apartment vacancy rate was approximately 8 percent in June 2007, down from 9.5 percent a year ago. The apartment market in Chicago remained balanced to tight in the second quarter of 2007. The suburban vacancy rate was 4 percent, down from 5 percent in the second quarter of 2006. In downtown Chicago, the apartment vacancy rate held steady at 5 percent. In Ohio, rental markets in Columbus, Cleveland, and Cincinnati also are tightening due to the low level of apartment construction. According to Reis, Inc., all three areas recorded modest declines in the apartment vacancy rate during the past 12 months. In Columbus, the apartment vacancy rate was 7 percent in the second quarter of 2007, down from 8 percent a year ago. In Cleveland and Cincinnati, the vacancy rates were 5.8 and 8.1 percent, respectively, slight declines from the 6- and 8.2-percent rates in the second quarter of 2006.

SOUTHWEST



For the fourth consecutive year, economic expansion continued in the Southwest region. From June 2003 through June 2007, nearly 1 million jobs were added in the region. The average number of jobs for the 12 months ending June 2007 is 15.8 million. During the past 12 months, average annual nonfarm employment increased by 376,000 jobs, or 2.5 percent, compared with the same period a year ago. With a 4.7-percent increase, or 84,000 jobs, the professional and business services sector led the strong growth, followed by the leisure and hospitality sector, adding 54,000 jobs, and the educational and health services sector, adding 49,000. The construction sector added 43,000 jobs; increased nonresidential construction more than offset a slowdown in residential building. The oil and gas industry, gaining 33,000 jobs in the natural resources sector, continued its 4-year expansion.

Nonfarm employment in Texas grew by 267,000 jobs, or 2.7 percent, which includes increases in all sectors except the information sector, which lost 2,000 jobs. The professional and business services and the leisure and hospitality sectors had the largest job gains in Texas, with 58,000 and 40,000 jobs, respectively. Louisiana gained 48,000 jobs, or 2.6 percent, during the 12 months ending June 2007, with gains spread throughout the state. Despite the 12,000 jobs added during the past 12 months in the New Orleans metropolitan area, employment is still down more than 100,000 jobs compared with pre-Hurricane Katrina levels. The number of jobs in Oklahoma rose by 28,000, or 1.8 percent; the most significant gain was in the natural resources and mining sector, which increased by 6,000 jobs. New Mexico employment increased by 19,400 jobs, or 2.4 percent, during the past 12 months compared with the previous 12 months. In Arkansas, the number of jobs increased by 14,000, or 1.2 percent. The government and the education and health services sectors each gained more than 4,000 jobs, offsetting 5,900 job losses in the manufacturing sector, a continuing trend.

The expanding economy contributed to a decrease in the average unemployment rate in the Southwest region. For the 12 months ending June 2007, the rate decreased to 4.4 percent, down from 5.2 percent for the previous 12 months. Average unemployment rates remained



unchanged at 5.1 percent in Arkansas and 4.1 percent in Oklahoma. In Texas, the unemployment rate was at its lowest level since 2001, decreasing from 5.2 to 4.5 percent in the past 12 months. Strong employment growth during the past 12 months in Louisiana contributed to a decrease in the unemployment rate from 6.1 to 4.0 percent. New Mexico had the lowest unemployment rate, 3.8 percent, in the region.

Existing home sales continued at high levels in Texas. According to data from the Real Estate Center at Texas A&M University, approximately 285,300 homes were sold during the 12 months ending June 2007, up 2 percent from the previous 12-month period. The average home sales price for the state increased 4 percent to \$188,600. Sales increased for all the larger metropolitan areas in the state except for San Antonio and Dallas, where sales remained relatively unchanged from last year. During the past 12 months, the average home sales price increased 4 percent to \$215,400 in Dallas, 8 percent to \$175,900 in San Antonio, and 4 percent to \$199,100 in Houston, where sales were up more than 3 percent to 80,500. The highest average sales price recorded in Texas was \$237,700 in Austin, where sales during the past 12 months increased 3 percent to 30,000 homes. The \$138,700 average sales price in Fort Worth was the lowest of the large metropolitan areas.

Individual market area conditions were mixed in Oklahoma. According to the Oklahoma Association of REALTORS®, the number of existing homes sold in the state remained relatively unchanged at 53,900 during the 12 months ending June 2007 compared with the previous 12 months. In the Tulsa area, sales were down 2 percent to 15,900 homes but the average price increased 4 percent to \$150,700. In Oklahoma City, sales fell by 2 percent to 19,800 but the average price increased more than 11 percent to \$157,500. A smaller number of entry-level sales contributed to the large home price increase.

In Arkansas, slower employment and population growth contributed to a softer home sales market. According to the Arkansas REALTORS® Association, existing home sales decreased by 11 percent during the 12 months ending May 2007. The number of homes sold in Little Rock decreased by 7 percent to 10,400 homes while the average price rose 3 percent to \$167,700. In the Fayetteville area, where market conditions are soft, sales declined by 18 percent to 6,700. In Albuquerque, the largest market in New Mexico, sales were down by 13 percent to 11,100 but the average price increased by 11 percent to \$238,700.

In the Southwest region, single-family construction activity, as measured by the number of building permits issued, slowed considerably during the 12 months ending June 2007 because tighter credit standards and rising levels of unsold inventory made builders more cautious. The total number of single-family homes permitted in the region during the 12 months ending June 2007 was 186,700 units, a decline of 46,100, or 20 percent, compared with the 12 months ending June 2006. The number of homes permitted during the recent 12 months was comparable to the level in 2004, which was a 15-year high. The current permit rate better reflects the current levels of household and economic growth.

Texas accounted for most of the decrease in single-family homebuilding activity in the Southwest region during the 12 months ending June 2007. The number of permits issued declined to 35,500, or 21 percent, during the 12 months ending June 2007. Elsewhere in the region, the number of permits issued in Arkansas was 2,900, or 26 percent, lower. In New Mexico and Oklahoma, single-family home permit levels each were down about 3,400, or more than 20 percent, when compared with the year-earlier period. In Louisiana, the number of permits, down by only 900 to 19,400, was bolstered by economic recovery and the return of households previously displaced by Hurricane Katrina.

Rental market conditions continue to be soft in large metropolitan areas in Texas, except for Austin. According to ALN Systems, Inc., the apartment vacancy rate in Austin was 6.7 percent for the past 12 months, down from 7.1 percent for the previous 12 months. The average rent in Austin increased 7 percent to \$716. In Dallas, the apartment vacancy rate remained at 9.7 percent for the past 12 months, and the average rent increased 4 percent to \$761. The rental market in Fort Worth is still very soft; the apartment vacancy rate increased slightly to an average of 11 percent. The vacancy rate in Houston increased to 10.3 percent from 8.6 percent recorded a year ago. Contributing to the softening market in Houston was a high volume of new construction and hurricane evacuees resettling out of apartment units. The average rent in Houston increased 3 percent to \$716 during the past 12 months. In San Antonio, the apartment vacancy rate increased about 1 percentage point to 9.5 percent while the average rent rose 4 percent to \$684.

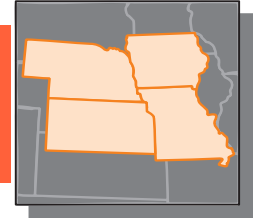
Market conditions are soft in other large metropolitan areas throughout the Southwest region except in Albuquerque, where conditions are balanced. In Albuquerque, for the past 12 months, Reis, Inc., reported

an apartment vacancy rate of 5.7 percent, down from 6.5 percent a year ago; the average rent increased 4 percent to \$655. In Little Rock, the vacancy rate was 7.9 percent, up from 6.4 percent a year ago; the average rent was up 2 percent to \$606. In Oklahoma City and Tulsa, apartment vacancy rates are 8.8 percent and 9.8 percent, respectively, which is relatively unchanged from the previous 12 months. Average rents were up 3 percent to \$501 in Oklahoma City and up 2 percent to \$535 in Tulsa.

Multifamily construction activity, as measured by the number of units permitted, increased during the 12 months ending June 2007 despite the soft markets in many metropolitan areas in the Southwest region. A total of 62,900 units were permitted in the region for the 12 months ending June 2007, up 9 percent compared with the previous 12 months. The number of units permitted in Louisiana was 5,400, up 3,500. Building permits were issued for more than 2,200 multifamily units in New Orleans, up from only 250 in the previous 12 months. In Baton Rouge the number of units permitted was 2,100, a gain of 1,700 when compared with the previous 12 months.

The number of multifamily units permitted in Texas was up 3,800, or 8 percent, to 46,500. The 4,800-unit gain in Houston was the largest of all metropolitan areas in the region, despite the increase in the apartment vacancy rate, because builders anticipate continued strong growth. In El Paso, multifamily permits were up 1,100, or 150 percent, when compared with the previous 12-month period. The increase is partially in response to the more than 4,000 additional soldiers stationed at the Fort Bliss Army Base since 2006. Soft rental market conditions in Arkansas prompted builders to reduce construction to 2,900 units, a 34-percent decrease. Cutbacks in Little Rock and Fayetteville should help those soft markets improve over the next 2 years. Oklahoma recorded a decrease of 700 multifamily units to 1,700 units permitted. The permit level in Oklahoma City was down more than 300 units to 420 for the past 12 months. In New Mexico, the number of multifamily permits was relatively unchanged at 850 units.

GREAT PLAINS



During the 12-month period ending June 2007, the economy of the Great Plains region grew at a moderate pace when compared with the previous 12-month period. During the recent 12 months, nonfarm employment increased by 93,000 jobs, or 1.4 percent, to 6,626,000. The professional and business services sector led the increase, growing by 3 percent to 697,100 jobs. The transportation and utilities sector followed with a gain of 2.7 percent to 276,900 jobs. Government is the leading employment sector in the region, with a total of 1.1 million jobs. Missouri and Kansas led the region with increases of 30,700 and 29,400 jobs, respectively. Employment growth in Missouri was supported by 7,700 new jobs in the professional and business services sector. In Kansas, the gain was supported by 4,200 new jobs in both the education and health services and the leisure and hospitality sectors. Employment gains of 18,300 and 14,600 jobs, respectively, in Iowa and Nebraska were also primarily in the professional and business services and the education and health services sectors. As a result of job growth, the regional unemployment rate declined from 4.9 percent to 4.2 percent in the 12 months ending June 2007.

The existing home sales markets in some of the region's larger metropolitan areas have softened from the more balanced market conditions of the previous 2 years due to tightening credit standards and rising interest rates. According to local REALTORS®, slower existing home sales, rising inventories of unsold homes, and price declines have been the norm during the 12 months ending June 2007. In Kansas City, the number of homes sold was down almost 9 percent while the unsold inventory increased by 5 percent to 21,200 homes. The average home sales price in Kansas City was off by 2 percent to \$192,300. In Omaha, home sales were down nearly 6 percent and the unsold inventory rose by 9 percent to 6,300. The average sales price in Omaha decreased by 8 percent to \$173,700. Home sales in Lincoln were down 4 percent, and the average sales price dropped by 6 percent to \$160,300. In Des Moines, home sales were down 4 percent to 10,500 and the unsold inventory increased nearly 3 percent to 6,640. At the same time, the average sales price decreased more than 1 percent to \$179,900.

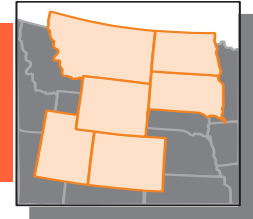


Home builders have slowed single-family home production in response to a decrease in demand and rising inventories in the Great Plains region. During the 12-month period ending June 2007, single-family building activity, as measured by the number of building permits issued, in Kansas, Missouri, and Nebraska declined by about 30 percent to 7,140, 14,100, and 5,200 units, respectively. In Iowa, single-family homes permitted decreased by 25 percent to 7,620 units. An estimated 13,200 homes are currently under construction throughout the region, including 5,400 in Missouri and about 3,000 in Iowa.

Rental markets in some of the region's larger metropolitan areas are slowly improving but remain somewhat soft. In general, rental markets have improved because of a slowdown in apartment construction and a decrease in the number of renters who became homeowners. For the 12-month period ending June 2007, according to Reis, Inc., annual average apartment rental vacancy rates were unchanged or declined slightly when compared with the previous 12-month period. The average vacancy rate in St. Louis was 7.9 percent, down from 8.2 percent a year earlier. In Kansas City, Wichita, and Omaha the average vacancy rates were relatively unchanged at 7.4, 9.5, and 6.4 percent, respectively. Average monthly apartment rents were up about 2 percent in each area compared with a year ago. Average rents were \$480 in Wichita, \$650 in Omaha, \$670 in Kansas City, and \$700 in St. Louis.

Because of the overall softness of the sales and rental markets, multifamily developers have been reluctant to start new developments. During the 12-month period ending June 2007, multifamily construction, as measured by the number of units permitted, declined almost 10 percent from a year ago to 13,300 units. Multifamily construction activity has decreased about 20 percent in Iowa to 2,450 units. Missouri and Kansas were each down by about 13 percent to 2,500 and 6,940 units, respectively. In Nebraska, multifamily construction activity was up 40 percent to 1,450 units due to increased development of apartments. According to *McGraw Hill Construction Pipeline* data, about 17,650 units in 120 developments are under construction in the region; approximately half are apartment units. Of the developments, about 25 are located in Kansas City and 50 are in St. Louis. The developments in Kansas City consist of approximately 800 condominium units and 1,900 apartment units. In St. Louis, about 2,200 units each of condominiums and apartments are under construction.

ROCKY MOUNTAIN



The Rocky Mountain economy continued its 3-year expansion during the second quarter of 2007. Nonfarm employment in the region for the 12 months ending June 2007 increased by 139,700 jobs, or 2.9 percent, to 5,011,700. Of that growth, 72 percent occurred in Utah and Colorado, which added 53,900 and 46,900 jobs, respectively. In Utah, employment gains across all sectors contributed to a 4.6-percent increase during the past 12 months. A record number of tourists visiting Colorado's ski areas during the 2006–07 season contributed to strong job increases in the leisure and hospitality sector and an overall 2.1-percent job growth rate. 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.

The growing economy has tightened labor markets throughout the Rocky Mountain region. During the 12 months ending June 2007, the annual average unemployment rate in the region declined from 4.0 to 3.4 percent compared with the same period a year ago. Average unemployment rates were down in all states and are well below the national rate of 4.5 percent. Rates in Utah and Montana showed the most improvement, decreasing by 0.9 and 0.8 percentage points, respectively, from a year ago. The 2.6-percent unemployment rate for Utah was the lowest in the region, followed by Montana at 2.7 percent; Colorado had the highest, at 4.0 percent. Wyoming, South Dakota, and North Dakota recorded unemployment rates of slightly more than 3 percent.

Because of lower demand, homebuilding activity in the region continued its 1-year decline in the second quarter of 2007. During the 12 months ending June 2007, single-family construction activity, as measured by the number of building permits issued, decreased by 17,200 units, or 25 percent, to 50,800 homes. The number of single-family homes permitted declined in each state in the region except in Wyoming and Montana, where the number remained relatively unchanged. In Utah and South Dakota, the number of permits declined by 15 percent to 18,900 and 2,900 units, respectively. In North Dakota, building permits for new homes were off by 10 percent to 1,760 units. Because of the

high building rate in Colorado relative to other states, the 13,000-unit decline to 21,800 single-family homes in the state accounted for 75 percent of the total reduction in the region.

In the first quarter of 2007, single-family home sales activity in the Rocky Mountain region began to stabilize after declining for the previous 9 months because fewer new homes entered the market. According to the NATIONAL ASSOCIATION OF REALTORS®, the annual average rate of existing home sales for the 12 months ending March 2007 was relatively unchanged, at 248,700 units, from the previous 12 months, an improvement from the fourth quarter of 2006, when annualized sales were off by 4 percent. Except in Colorado and North Dakota, sales in all states were up slightly. Strong sales activity in the first quarter of 2007 helped mitigate the 3-percent decline in Colorado and North Dakota and offset significant declines recorded in the third and fourth quarters of 2006.

According to the Office of Federal Housing Enterprise Oversight (OFHEO) Housing Price Index, for the 12 months ending March 2007, home prices in the region have increased an average of 10 percent compared with the home prices recorded during the previous 12 months. Appreciation rates remained relatively unchanged from a year ago, although some signs in the first quarter of 2007 indicated a slowing trend. In contrast, the average national rate of appreciation fell from 12 percent to 4 percent during the past 12 months. Utah, Wyoming, and Montana had approximately the same increases in home prices as last year, with gains of 17, 13, and 12 percent, respectively, compared with a year ago. These rates of increase were more than three times the national rate. Also above the national rate were price increases in North Dakota and South Dakota, at 7 and 6 percent, respectively; Colorado registered a 4-percent gain. The higher and somewhat more stable appreciation rates for the Rocky Mountain states are due to the moderately low rate of appreciation that occurred between 2001 and 2004 and the recent strong employment growth.

The home sales markets in some of the region's metropolitan areas have eased to more balanced conditions. The Salt Lake City and Provo-Orem single-family home sales markets recently have experienced lower demand because of fewer second-home and investor purchases. With stricter lending standards, these once very tight markets have experienced increased inventories to more normal levels, but price increases continue to be robust. According to NewReach Inc., for the 12-month period ending June 2007, existing single-family home sales in the four-county Salt Lake City housing market

area declined by 16 percent while active listings were up 30 percent. At the same time, the average sales price increased by 17 percent to \$248,500. Similarly, new home sales in the Salt Lake City area were down 8 percent, but the average sales price was up 18 percent to \$358,700. In the Provo-Orem area, sales of existing homes were down 6 percent, and the average sales price increased by 18 percent to \$279,700.

In Colorado metropolitan areas, conditions in the sales markets for existing homes are somewhat soft, but signs indicate market conditions are beginning to turn around. According to the Boulder Area REALTORS® Association, for the 12-month period ending June 2007, the average sales price for an existing single-family home in Boulder increased by 6 percent to \$449,500, while sales declined by 6 percent. The Denver Board of REALTORS® indicates the average single-family home sales price was relatively unchanged at \$316,000 and sales were down by 8 percent. Active listings of existing homes in Boulder and Denver were down 9 and 5 percent, respectively. Inventories in both markets have subsided because of reductions in homebuilding and relatively strong employment growth.

During the second quarter of 2007, rental markets continued their 3-year tightening trend throughout much of the Rocky Mountain region. The Salt Lake City area rental market has experienced a 3-year period of strong population growth, rapidly increasing home prices, and limited delivery of new rental units in the market. According to Reis, Inc., in the Salt Lake City area, the second quarter 2007 apartment vacancy rate of 5.4 percent was down from the 5.7-percent rate recorded a year ago. The average overall rent increased by 6 percent to \$702, the fastest growth rate this decade. During the past 12 months, the apartment vacancy rate in Denver declined from 6.9 percent a year ago to 6.2 percent, according to the second quarter 2007 survey of the Apartment Association of Metro Denver. Average rent was relatively unchanged at \$863. With few apartment units in the construction pipeline, the tightening trend in the Salt Lake City and Denver areas is expected to continue. In Fargo-Moorhead, a slowdown in new construction contributed to an improvement of rental market conditions, although supply still exceeds demand. An Appraisal Services, Inc., survey for the second quarter of 2007 reported the vacancy rate at 7.8 percent in Fargo-Moorhead, a decrease from the 9.3-percent rate recorded in the second quarter of 2006.

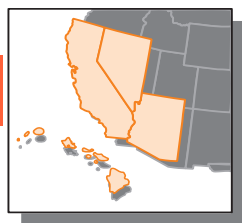
The Colorado Springs rental market remains soft but is improving. The apartment vacancy rate declined from 9.4 percent to 9 percent between the second quarter of 2006 and the second quarter of 2007. According to



Doug Carter, LLC, average contract rent in the Colorado Springs area was relatively unchanged at \$693. The market has been soft during the past 4 years because of deployments from Fort Carson Army Base (AB). Deployments have averaged about 40 percent of the 18,000 military personnel stationed at the base. Fort Carson AB is slated to receive approximately 7,000 military personnel transfers from the 4th Infantry Division at Fort Hood AB, Texas, by 2009. The additional military personnel will bring the total stationed at the base to 25,000. The increase in active-duty military personnel, many of whom live off base, is expected to result in more balanced rental market conditions by 2009.

In the Rocky Mountain region, for the 12 months ending June 2007, multifamily construction, as measured by the number of units permitted, totaled 14,900 units, unchanged from the same period in 2006. In Colorado, multifamily building activity increased by 8 percent to 7,800 units. In Montana, South Dakota, and North Dakota, multifamily building activity rose by 21, 16, and 11 percent, respectively, to approximately 1,300 units in each state. In Utah, the number of multifamily units permitted decreased by 10 percent. Wyoming had 300 multifamily units permitted during the period, a decline of 470 units from a year ago. Condominium production still accounts for an estimated 70 percent of multifamily units permitted in the region, but, as the demand for apartments continues to grow, builders are expected to increase apartment production. Two Denver developers already have responded to this trend; they decided to build luxury rental apartment units instead of for-sale condominiums as originally planned. The two projects, a 200-unit project in the Southglenn area and a 450-unit project in downtown Denver, are slated to begin construction in 2008.

PACIFIC



Economic activity in the Pacific region continued its 4-year expansion through the second quarter of 2007. Total nonfarm employment in the region rose by nearly 420,000 jobs, or 2.2 percent, in the 12 months ending June 2007. The growth in jobs was significantly lower than the 2.7-percent gain in the previous 12 months, due primarily to slower growth in the construction, financial activities, and retail trade sectors, which have

been most affected by the recent reduced pace of home sales. Employment in the professional and business services sector increased by 109,000 jobs, or 4 percent, while the education and health services, government, and leisure and hospitality sectors each added about 60,000 jobs.

California employers added 251,400 new jobs in the 12 months ending June 2007, a 1.7-percent gain, down from a 2-percent growth in the previous 12 months but still slightly above the national rate of growth. The service-providing sectors accounted for 85 percent of employment increases, led by the professional and business services, leisure and hospitality, and wholesale trade sectors, in which the number of jobs each rose by 3 percent or more. Employment in the construction, retail trade, and financial activities sectors each increased by less than 1 percent in the past 12 months. San Francisco Bay Area employers added 71,400 new jobs, a 2.2-percent gain, due largely to resurgent high-technology industries and tourism. In Southern California, the pace of job creation slowed to 133,000, or 1.5 percent, in the past 12 months, from 2.1 percent in the previous 12-month period.

In Arizona, nonfarm employment increased by 111,300 jobs in the 12 months ending June 2007, a 4.4-percent gain compared with the 5.7-percent gain that occurred in the previous 12 months. The professional and business services sector added 27,000 jobs, while the retail trade and education and health services sectors each gained 13,000 jobs. Construction employment in Arizona peaked in late 2006; strong commercial building in 2007 has failed to offset weakening homebuilding activity. More than 90 percent of the new jobs in the state were located in Phoenix and Tucson, where employment rose 5 percent and 3.5 percent, respectively.

Employment increased by 42,200 jobs in Nevada, a 3.4-percent gain for the 12 months ending June 2007, off considerably from a gain of nearly 6 percent in the year-earlier period. Job gains in the state were primarily in the professional and business services, government, and leisure and hospitality sectors. Construction employment has been relatively flat in the past year, reflecting the drop in residential building activity, but is expected to rise in the next several years due to a new cycle of hotel-casino building in Las Vegas. In Hawaii, employment rose 2.3 percent, or by 13,800 new jobs, reflecting strong tourism activity and rising defense spending. The unemployment rate fell to 4.7 percent in the Pacific region in the 12 months ending June 2007 from 4.9 percent in the previous 12 months. The rates ranged from 2.3 percent in Hawaii, the lowest in the nation, to 4.9 percent in California.

Since peaking in 2005, home sales have continued to slow throughout the Pacific region, particularly in the entry-level segments most affected by higher interest rates and tighter credit standards. According to the California Association of REALTORS®, single-family home sales declined 24 percent to 426,700 in the 12 months ending June 2007 as compared with the 12 months ending June 2006. The median sales price of existing homes rose just 3 percent in the past 12 months, to \$571,000, after increasing 14 percent in the previous period. The unsold inventory of existing homes rose from a 6-month supply to a 10-month supply between the second quarters of 2006 and 2007, reaching the highest level since the early 1990s. Total new and existing home sales declined 21 percent in the past 12 months in the San Francisco Bay Area and 27 percent in Southern California.

Sales markets continued to soften in both the Phoenix and Las Vegas metropolitan areas. In the Phoenix area, sales of new and existing homes declined by 17 and 37 percent, respectively, in the 12 months ending June 2007 from the previous 12-month period, according to the *Phoenix Housing Market Letter*. The slowing sales pace resulted in a record inventory of unsold existing homes: 51,000 in the second quarter of 2007, or about 10,000 more homes on the market than a year earlier. Despite the higher inventory, the median sales price of existing homes has held relatively steady at approximately \$255,000 in the past 12 months. According to the *Las Vegas Housing Market Letter*, the volume of existing homes sold also fell by 37 percent, contributing to a record 29,000 unsold homes on the market, up from 24,000 a year earlier. The median sales price of existing homes in the area declined 2 percent in the past 12 months to \$280,000. New home sales in Las Vegas were off 31 percent in the 12 months ending June 2007, putting the pace of sales roughly in line with the volume of the early 2000s. Returning to more normal levels from the 2005 record sales pace, existing home sales in Honolulu declined 19 percent to approximately 9,800 in the past 12 months through June 2007, according to the Honolulu Board of REALTORS®. The median sales prices of existing single-family and condominium homes rose 2 and 7 percent, respectively, in the past 12 months, after 5 years of double-digit price increases. The sales market in Honolulu is currently relatively balanced.

In response to declining sales demand and excessive unsold inventory, single-family homebuilding, as measured by the number of building permits issued, declined by 39 percent in the 12 months ending June 2007 to just 150,400 homes, the lowest level in 10 years. California builders obtained permits for 81,000 new homes during that period, also off 39 percent from the previous 12

months. Arizona home production fell 38 percent. In Nevada, new homebuilding was off 46 percent to 19,700 units, led by a 47-percent decline in Las Vegas. Homebuilding in Hawaii declined 16 percent to 5,200 homes, while production in Honolulu fell 17 percent, much less than the regional rate of decline. The slowdown in building permits in the Hawaiian Islands has been offset, in part, by the demand from Asian buyers with increased buying power from favorable currency exchange rates.

The rental markets in the Pacific region continue to be balanced to tight in the second quarter of 2007. Tight rental conditions reflected in apartment vacancy rates below 5 percent prevailed in most of the San Francisco Bay Area. The vacancy rate was just 3 percent in the San Jose-Silicon Valley area, the market most affected by accelerating technology-sector employment growth and, consequently, strong rental demand. According to the RealFacts apartment survey, average rents in the San Francisco and San Jose metropolitan areas rose 7 and 11 percent, respectively, in the past year, among the highest rates of increase in the country. In the Central Valley, conditions in the Sacramento apartment market remain relatively balanced with a vacancy rate of about 6.5 percent in the past year and the average rent increasing 2.5 percent. The Fresno vacancy rate remained under 5 percent in the second quarter, with average rents rising 5.5 percent in the past year, reflecting slightly tight rental market conditions.

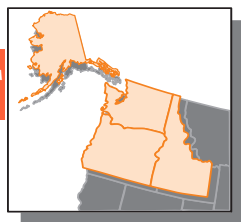
Rental market conditions remained tight throughout most of Southern California, except for Riverside and San Bernardino Counties, which remained balanced with overall vacancy rates of 7.5 and 6.5 percent, respectively. The two counties have continued to absorb the 4,500 rental units completed during the 12-month period ending June 2007. Limited apartment production and fewer renters able to qualify for mortgages are the main reasons for the tight rental conditions in the remainder of the region. The overall rental vacancy rates remained at approximately 4 percent in Los Angeles, Orange, and Ventura Counties. The rental vacancy rate in San Diego County was slightly higher, at 4.5 percent. Southern Santa Barbara County has the lowest rental vacancy rate in the region, less than 4 percent, primarily because fewer than 120 new apartment units were completed in the area during the 12-month period ending June 2007. According to the Consumer Price Index that covers most of Southern California, rents increased 6 percent during the 12 months ending June 2007, the same rate of increase as during the previous 12-month period.



The rental market in Las Vegas remained tight. According to Reis, Inc., the apartment vacancy rate was less than 5 percent, up slightly from a year earlier. The average rent rose by more than 3 percent in the past year, compared with nearly 5 percent in the previous year. In the Phoenix area, the apartment vacancy rate increased to approximately 6 percent in the current quarter from less than 4 percent in the second quarter of last year. The rise in vacancy reflects increased apartment completions and the return of some condominium conversions to the rental market because of slower sales demand. Rents rose nearly 6 percent on average in the area during the past year. The rental market remains tight in Honolulu, with an overall rental vacancy rate in the 4-percent range, while the average rent increased by approximately 10 percent in 2006, the latest available data.

Multifamily building activity, as measured by the number of units permitted, fell 22 percent to 61,800 units in the 12 months ending June 2007. Most of the decrease occurred in California, where multifamily permit activity declined 17 percent to 44,100 units, and in Arizona, off 24 percent to 9,600 units. In Nevada, just 5,500 multifamily units were authorized in the past 12 months, half the number of units permitted in the previous year, when a high level of Las Vegas high-rise condominium construction activity occurred. Multifamily construction in Hawaii held steady at about 2,600 units, mainly reflecting the building of condominiums in Honolulu.

NORTHWEST



The Northwest region—Alaska, Idaho, Oregon, and Washington—reached record nonfarm employment levels during the 12-month period ending June 2007. Regional employment in the Northwest averaged 5.6 million jobs, a 2.4-percent gain when compared with the previous 12-month period. Idaho led the regional growth in employment with an increase of 3.8 percent to 649,300 jobs; Washington was second with an increase of 2.3 percent to 2,888,250 jobs. Nonfarm employment grew by 2.1 percent to 1,716,025 jobs in Oregon and by 1.3 percent to 316,950 jobs in Alaska. Employment growth occurred throughout many industries, reflecting

the diversity of the regional economy. In Idaho, major contributors to job growth were in the construction, education and health services, and leisure and hospitality sectors. In Washington, aerospace production, construction, and software publishing led job growth. In Oregon, leading job growth industries included architectural and engineering services and software publishing. In Alaska, hiring in the oil and gas industry accounted for a third of the jobs added during the past year. Record employment levels achieved during the past year resulted in a decline in the regional unemployment rate to 4.9 percent for the 12-month period ending June 2007 compared with 5.3 percent during the previous 12 months.

As of the end of the 12-month period ending June 2007, the home sales markets in major metropolitan areas in the Northwest region were balanced. Inventory data from multiple listing services show a 6-month available inventory of homes for sale, twice that of a year ago. Based on multiple listing service data from selected markets, sales prices of new and existing homes continued an upward trend throughout the region, increasing by approximately 12 percent, while sales declined by an average of 16 percent.

In Washington, Northwest Multiple Listing Service data for the Puget Sound metropolitan areas of Seattle, Tacoma, Bremerton, and Olympia recorded 72,339 new and existing home sales during the 12-month period ending June 2007, a 14-percent decline compared with the number sold during the previous 12 months. The average price for new and existing homes sold was \$442,500, a 12-percent increase compared with the price a year ago. The average sales price for newly constructed homes was \$475,225 and for existing homes was \$424,750. Sales of existing homes declined in all four communities during the 12-month period, resulting in an average decrease of 15 percent compared with sales during the same period a year ago. Sales of newly constructed homes fell by an average of only 5 percent in the Puget Sound area but increased by 27 percent in Olympia and 6 percent in Seattle. Demand for new homes in Olympia has been strong because prices are 25 percent below the average price for a new home in the Puget Sound area.

According to the *Market Action Report* of the REALTOR Multiple Listing Service™, sales of new and existing homes for major markets in Oregon totaled 63,631 for the 12-month period ending June 2007, 16 percent lower than in the previous 12-month period. The average price of homes sold was \$310,050 for the 12-month period ending June 2007, up 11 percent from a year ago. Sales declined the most in central and southwest

Oregon markets, falling 41 percent during the period. Those two areas were among the strongest sales housing markets in Oregon during 2005 and early 2006 due to strong demand from California retirees and second-home buyers relocating to Oregon. As of the end of the 12-month period ending June 2007, sales of new and existing homes in the Portland-Vancouver-Beaverton housing market equaled 38,450, a decline of 9 percent compared with the number sold a year earlier. The average home sales price was \$343,950, an increase of 14 percent from the 12-month period ending June 2006. Although current sales activity is well below the peak sales activity of 2005, when sales reached 43,775 homes, steady in-migration of people attracted to a strong labor market in the Portland metropolitan area suggests the pace of sales activity will be strong enough to make 2007 the third highest on record.

According to the Intermountain Multiple Listing Service in southern Idaho, sales of new and existing homes declined 31 percent to 15,900 homes for the 12 months ending June 2007. The average home sales price increased 11 percent to \$239,400 during the period. Due to strong job growth in south-central Idaho, Jerome County was the only market area to record an increase in home sales, a rise of 8 percent during the 12-month period ending June 2007.

Data available from the Alaska Multiple Listing Sales indicate that sales of new and existing homes in Anchorage fell nearly 4 percent during the 12-month period ending June 2007. The average home sales price increased 6 percent from \$306,000 to \$324,475 during the period. The pace of sales activity slowed during the past year, with homes staying on the market an average of 70 days as of June 2007 compared with 32 days a year ago. The current inventory of new and existing homes for sale in Anchorage is 1,299, the highest level in 7 years.

In response to declining sales throughout the region, construction activity, as measured by the number of building permits issued, slowed to 63,690 single-family homes for the 12-month period ending June 2007, down 22 percent from a year ago. The decline in building activity was sharpest in Alaska, where single-family permits issued fell 32 percent from 1,750 to 1,175. Single-family permits issued in Idaho equaled 12,650 and in Oregon equaled 18,150, declines of 23 and 22 percent, respectively. Single-family construction activity in Washington totaled 31,750 homes during the 12-month period ending June 2007, down 17 percent from a year ago.

Rental markets are tight and rents are increasing in most of the major metropolitan areas in the Northwest. Steady population growth due to strong labor market conditions combined with rising home prices have strengthened the demand for rental units during the past year. According to Reis, Inc., as of the second quarter of 2007 in the Seattle metropolitan area, the apartment vacancy rate was 4.5 percent compared with 5 percent a year ago and rents rose by an average of 7 percent to \$973. In the Tacoma metropolitan area, the apartment vacancy rate fell slightly from 6.5 to 6.3 percent, with the average rent increasing from \$694 to \$709 during the same period. Reis, Inc., reported the vacancy rate during the second quarter of 2007 was 4.7 percent in the Portland metropolitan area compared with 5.6 percent a year ago and the average rent for Portland was up 6 percent to \$773. In Boise, a Hendricks & Partners, Inc., survey reported that the apartment vacancy rate fell to 3.2 percent in March 2007 compared with 6.2 percent a year earlier. The average rent increased to \$667, a 4.5-percent gain. According to the Alaska Housing Finance Corporation's annual *Alaska Housing Market Indicators* rental market survey, the total vacancy rate as of March 2007, including rentals of single-family homes and apartments, was 8 percent compared with 8.2 percent a year ago; the average rent rose by 4 percent to \$863 during the previous 12 months.

Multifamily building activity in the Northwest, as measured by the number of units permitted, totaled 25,600 for the 12-month period ending June 2007, up only 2 percent. Construction of multifamily dwellings increased by 20 percent in Washington to 16,625 units, 13,400 of which were in the Seattle metropolitan area. Alaska, Idaho, and Oregon all showed declines in multifamily activity during the past year. In Alaska, the number of units permitted slowed to 1,175 for the 12-month period ending June 2007 after averaging 1,325 units the previous 2 years. Mainly due to the decline in highrise condominium building activity in the Portland metropolitan area during the past year, the number of multifamily units permitted in Oregon declined 22 percent to 5,925. In Idaho, construction of multifamily units remained steady, with 2,175 units permitted during the past 12 months compared with 2,200 a year ago.



Housing Market Profiles

Amarillo, Texas

The Amarillo Housing Market Area (HMA), located in the center of the Texas Panhandle, comprises Potter, Randall, Carson, and Armstrong Counties. As of May 1, 2007, the population of the HMA is estimated at 244,400, an average annual increase of 2,575, or 1.1 percent, since 2000. The HMA is a regional center for trade, health services, and higher education for more than 500,000 people. Growth in these sectors and in local government and manufacturing has contributed to steady employment increases that have averaged 1,600 jobs annually for the past 3 years.

Nonfarm employment in the Amarillo HMA for the 12 months ending April 2007 averaged 110,800 jobs, up 2,500, or 2.3 percent, when compared with the previous 12-month period. Growth was strongest in the construction and mining sector, which increased by 750 jobs, or 11.4 percent. Employment in the manufacturing and financial activities sectors rose by 700 jobs, or 5.8 percent, and 370 jobs, or 6.2 percent, respectively. The education and health services sector added 250 jobs during the 12-month period when compared with the previous 12 months. The unemployment rate in the HMA remained relatively unchanged at 3.7 percent during the past 12 months when compared with 3.8 percent for the previous 12 months.

The Harrington Regional Medical Center is a major source of healthcare jobs in the HMA. With approximately 10,000 employees at a variety of member institutions, the healthcare facilities have a combined annual economic impact of approximately \$1 billion, according to an economic impact report by the Harrington Regional Medical Center. The leading employers in Amarillo include Tyson Foods, BWXT Pantex, and Baptist St. Anthony's Health System, each employing more than 2,500 people.

Nonfarm employment is expected to continue to grow during the next 3 years. Bell Helicopter, a helicopter manufacturing company that currently employs more than 900 workers, plans to hire about 300 workers in the next 3 years. Tyson Fresh Meats Inc., a food processing company that employs 3,500

employees, is adding approximately 220 jobs. With the December 2007 completion of a new BlueCross BlueShield of Texas call center that will employ 550 workers, the service-providing sector also is expected to grow.

The Amarillo home sales market is currently balanced. A steady rate of population growth, combined with a growing economy, and low mortgage interest rates, have contributed to a strong demand for homes during the past several years. For the 12-month period ending April 2007, the Real Estate Center at Texas A&M University reported approximately 3,480 residential sales, primarily of existing homes, compared with 3,075 sales during the previous 12-month period, a 13-percent increase. The average sales price of an existing home increased 2 percent to \$132,700 during the 12-month period ending April 2007 compared with \$129,800 a year earlier. Since 2000, the average sales price has increased 5 percent annually, but price increases slowed recently due to an increased level of unsold existing homes.

Since 2000, single-family home construction, as measured by the number of building permits issued, averaged 700 annually. For the 12 months ending April 2007, the number of single-family building permits decreased by 212 compared with the previous 12-month period. New homes are located primarily in the south, southwest, and northwest portions of the city of Amarillo because of land available for development and proximity to employment centers. According to local sources, new home prices start at approximately \$80,000 for a 1,200-square-foot, three-bedroom, two-bath house with a one-car garage.

Rental market conditions have softened slightly during the past 3 years, primarily due to increased competition from the sales market. The estimated rental vacancy rate is 9.0 percent, up from 7.7 percent in April 2004. Concessions currently being offered include \$99 move-in specials, 5- to 10-percent student rent reductions, and 2 to 3 weeks of free rent. Average rents have increased 3 percent during the past year to \$455 for one-bedroom units, \$600 for two-bedroom units, and \$730 for three-bedroom units. Building activity, as measured by the number of multifamily building permits issued, has been relatively constant since 2000, averaging 240 multifamily units permitted each year. Approximately 260 apartment units currently are under construction, 30 units fewer than the estimated 290 units under construction a year ago.

Ann Arbor, Michigan

The Ann Arbor metropolitan area, located 45 miles west of the city of Detroit in southeastern Michigan, consists of Washtenaw County. As of June 1, 2007, the Southeast Michigan Council of Governments estimated the population at 350,400, an average annual gain of 3,800, or 1.1 percent, since the 2000 Census. The University of Michigan is the leading employer in the area, with 15,000 employees and 40,000 students at the Ann Arbor campus. The University of Michigan Health System, the second leading area employer, with 13,000 employees, is the healthcare center for the seven-county southeast Michigan region.

Nonfarm employment in the Ann Arbor metropolitan area has declined more slowly since 2004 after declining by 3,500 jobs annually in 2002 and 2003. Nonfarm employment in the metropolitan area decreased by approximately 500 jobs, or less than 1 percent, in the 12-month period ending May 2007; 800 jobs were lost in the previous 12-month period. Employment losses in the durable goods subsector of manufacturing, specifically transportation equipment manufacturing, and in the construction sector continue to offset job gains in the education and health services sector and the state government subsector. Durable goods employment decreased by 1,800 jobs during the 12-month period ending May 2007, mainly as a result of ongoing buyouts at the General Motors Wixom Powertrain Facility and Automotive Components Holdings, LLC. Employment gains were greatest in the state government subsector, which increased by almost 770 jobs, or 1.6 percent, primarily as a result of the recent completion of the University of Michigan's \$230 million Life Sciences Institute and the expansion of the university's School of Public Health and the Ford School of Public Policy. The education and health services sector grew by 610 jobs, or 2.6 percent, in the past 12 months, largely due to expansions at University of Michigan Hospitals and Health Centers. A new cardiovascular center, which opened in June, created 500 additional healthcare jobs.

According to the University of Michigan's Institute of Labor and Industrial Relations, total nonfarm employment in the metropolitan area is not expected to increase until 2009. Ongoing buyouts at Ford Motor Company, General Motors, and Automotive Components Holdings, LLC will offset expanding employment at the Toyota Technical Center and the Hyundai-Kia American Technical Center. Employment in the service-providing sectors also is forecast to decline during the next 18 months.

Pfizer, Inc., the fourth leading employer in the area, recently announced that the company is closing its Ann Arbor research facility and will eliminate 2,100 jobs in the professional and business services sector by 2009. Google's plans to locate facilities in Ann Arbor and create 1,000 information jobs over the next 3 years will partially offset the Pfizer losses.

In response to weak economic conditions and rising interest rates, the Ann Arbor home sales market has slowed during the past year, but it remains balanced. For the 12 months ending May 2007, the number of new and existing single-family home sales declined 14 percent to 2,400 compared with the previous 12-month period. During the same period, the average sales price of a single-family home decreased 5 percent to \$275,250. Although the average sales price of a single-family home in the Ann Arbor metropolitan area has fallen slightly since it peaked at \$288,250 in 2005, Ann Arbor remains the highest priced metropolitan area in Michigan. For the first half of 2007, the average home sales price in the Ann Arbor metropolitan area was 58 percent higher than the average for the Detroit area and 68 percent higher than the average for Michigan overall. The city of Ann Arbor continues to generate the strongest housing demand in the metropolitan area. According to the Ann Arbor Board of REALTORS®, during the past 12 months the average sales price for homes sold in the city was 15 percent higher than the average sales price in the remainder of the county, and the average number of days homes remained on the market was 67, compared with 80 days for the county overall. The average sales price for new and existing homes in the city of Ann Arbor was \$306,800 for the 12 months ending May 2007, a 4-percent decline compared with the previous 12-month period.

Sales of condominium units in the Ann Arbor market also slowed during the past year. The number of condominium units sold in the 12 months ending May 2007 decreased 23 percent to 600 units compared with 775 units sold in the previous 12-month period. The average sales price declined by 2 percent, to \$194,400. During 2004 and 2005, low interest rates encouraged many parents of University of Michigan students to buy condominium units as investment properties. In response, sales of condominiums increased an average of 8 percent annually over the 2-year period. Rising interest rates since 2006 have mostly eliminated this segment of demand.

Single-family home construction in the metropolitan area, as measured by the number of building permits issued, declined by 44 percent during the 12 months ending May 2007. Builders cut back construction, from 699 homes to 392 homes, in reaction to



increases in unsold inventory. The number of multi-family units permitted in the area decreased as well, from 188 units during the 12 months ending May 2006 to 62 units during the 12 months ending May 2007. The North Quad Academic Complex, a nonpermitted 470-bed student housing property being built by the University of Michigan is scheduled to open the fall of 2010. The only other significant rental property currently under development is the Courtyards, a privately owned, 360-unit complex for University of Michigan students, which will open in the fall of 2008. West Towne Condominiums, an 87-unit property near downtown Ann Arbor, recently began presale of one-, two-, and three-bedroom units starting at \$194,000, \$267,000, and \$330,000, respectively.

The Ann Arbor rental market, traditionally tight due to constant demand from a combined enrollment of 63,000 students at the University of Michigan and Eastern Michigan University, has softened in recent years. According to Terzo & Bologna, the apartment rental vacancy rate averaged 4.2 percent between 2000 and 2004. Since 2004, a lack of significant enrollment increases at both universities, declining local employment, and an increased number of renter households moving to homeownership have combined to reduce rental demand. The apartment rental vacancy rate is currently 9.9 percent, up from 7.3 percent in 2006. Market rents for general occupancy units average \$720 and \$990 for one- and two-bedroom units, respectively, relatively unchanged from 1 year ago. Current rents for units close to the university and targeted toward students average \$780 and \$1,020 for one- and two-bedroom units, an average decline of 6 percent when compared with last year.

Baltimore, Maryland

The Baltimore metropolitan area comprises the independent city of Baltimore and the suburban counties of Anne Arundel, Baltimore, Carroll, Harford, Howard, and Queen Anne's. Economic and sales housing market conditions in the metropolitan area have slowed from the rapid growth that occurred during 2005 and 2006 and have returned to the levels experienced in 2004.

As of April 1, 2007, the population in the Baltimore metropolitan area is estimated at 2,679,000. Population growth slowed slightly during the past year to approximately 16,000 annually compared with increases of 18,000 a year during 2005 and 2006.

Nearly all the growth has occurred in the suburban counties outside the city of Baltimore. The counties located to the south of the city also attract commuters who work in the Washington, D.C. metropolitan area because home prices are relatively more affordable. After declining earlier in the decade, the population of the city of Baltimore has stabilized in recent years as the downtown area has become increasingly popular among young professionals, empty nesters, and retirees. According to the July 2006 estimate from the Census Bureau, the population of the city of Baltimore was 631,400. The Downtown Partnership of Baltimore, Inc., estimates nearly 37,000 residents live in downtown Baltimore.

Economic growth continues in the Baltimore metropolitan area but at a slower pace than the levels of growth recorded from 2005 through 2006. During the 12 months ending May 2007, total nonfarm employment increased by 9,700 jobs, or 0.7 percent, which was less than half of the 24,600 jobs added during the previous 12-month period. The employment sectors that had grown rapidly during the 12 months ending May 2006 grew more slowly during the 12 months ending May 2007, with the professional and business services sector expanding by 4,250 fewer jobs, the construction sector adding 3,200 fewer jobs, and the retail trade sector increasing by 2,025 fewer jobs. The goods-producing sectors declined by 970 jobs as a result of the 1,850 jobs lost in the manufacturing sector, which has lost an average of 3,400 jobs a year since 2000. The service-providing sectors added approximately 10,700 jobs, or 0.9 percent, substantially less than the 1.9-percent growth that occurred in the previous 12-month period. The unemployment rate remained relatively unchanged at 4.1 percent compared with 4.2 percent a year ago.

Government, the largest employment sector, accounts for nearly 17 percent of the total 1.3 million jobs in the area. During the 12-month period ending May 2007, the government sector expanded by approximately 2,300 jobs, or 1 percent, with most of the gain occurring in local government. Nearly all of the 4,100 jobs added in the education and health services sector were in health care, including 1,625 jobs in hospitals and 1,150 jobs in nursing and residential care facilities. The education and health services sector includes two of the leading employers in the area—Johns Hopkins University, which employs 24,750 workers, and Johns Hopkins Hospital and Health System, which employs 15,800 workers. Employment in the professional and business services sector increased by 2,500 jobs, or 1.3 percent, with

most of the new jobs added in the research subsector. The University of Maryland Industrial Partnership Program provides \$2.3 million a year in grants for local firms developing a variety of technology-based products, and Johns Hopkins University spends more than \$1 billion a year on science, medicine, and engineering research. The leisure and hospitality sector remained strong, adding 1,800 jobs during the 12-month period ending May 2007. In 2006, the Baltimore Area Convention and Visitors Association reported record-high visitor expenditures of nearly \$3 billion, with 12 million overnight visitors downtown, a 7-percent increase over 2005.

As the Baltimore metropolitan area economy has moderated and interest rates have risen, the sales housing market has slowed to more stable conditions from the peak levels that occurred in 2004 and 2005. According to Metropolitan Regional Information Systems, Inc.[®], approximately 2,900 existing homes were sold in the Baltimore area during the 12-month period ending May 2007, a decrease of nearly 18 percent compared with the 3,525 homes sold a year earlier. During the same period, average home sales prices increased by 3 percent to \$313,900, considerably less than the 16-percent price increase recorded during the previous 12-month period.

Since early 2006, the condominium market in the Baltimore area has slowed. According to Reis, Inc., on average, more than 700 apartment units a year were converted to condominiums between 2003 and 2006. Recently, plans for a 150-unit apartment conversion in southern Baltimore County and the second phase of a new 30-unit downtown condominium were cancelled, according to Delta Associates. Approximately 4,450 condominium units were being marketed for sale throughout the metropolitan area in March 2007, down 3 percent from the number marketed in the previous year. The number of condominium sales declined by 13 percent in the metropolitan area, from 480 sales recorded during the first quarter of 2006 to 420 sales recorded during the first quarter of 2007. The median sales price of existing condominiums rose by 6 percent to nearly \$232,400 in 2006, up from nearly \$219,500 in 2005. Condominium sales price increases have moderated from the record-high 27-percent increase that occurred during 2005. In March 2007, developers offered additional incentives in the southern suburbs of Anne Arundel and Howard Counties, including price reductions of 6 percent below the average sales price. The median sales price of existing condominiums in the city of Baltimore declined by 3 percent to \$205,000 in 2006. Prices for new luxury downtown condominiums start at \$800,000 for a one-bedroom unit.

As the housing market continues to stabilize after 2 years of rapid growth, developers have reduced the number of new homes and rental units under construction in the Baltimore metropolitan area. During the 12-month period ending May 2007, homebuilding, as measured by the number of single-family homes permitted, declined by 36 percent to 5,200 homes compared with the previous 12-month period. As of May 2007, an estimated 1,675 single-family homes were under construction in the metropolitan area. The number of multifamily units permitted declined by 24 percent to 1,875 units during the 12 months ending May 2007 compared with 2,475 units permitted a year earlier. As of March 2007, an estimated 1,625 condominium units for sale and 920 rental apartments were under construction in the metropolitan area, according to Reis, Inc.

The rental market in the Baltimore metropolitan area is balanced. According to Delta Associates, vacancies in Class A apartment complexes with all amenities declined to 6 percent in March 2007 compared with 8 percent in March 2006. The market is softer in the city of Baltimore, although vacancies decreased from 17 percent to 10 percent because of the growing popularity of the downtown area. The downtown vacancy rate decreased from 15 percent in March 2006 to 5 percent in March 2007 as existing units were absorbed and fewer new units entered the market. Developers reduced the number of units planned and under construction by half the level of 1 year ago. Despite an increase in concessions, vacancies increased slightly to 5 percent in the northern suburbs, where two recently completed developments are currently marketing approximately 480 units. During the 12 months ending March 2007, the average rent in the metropolitan area increased by 6 percent to \$1,330. Rents are significantly higher in the Fells Point/Inner Harbor submarket of Baltimore city, where the average rent increased by 6 percent to \$2,200.

Most of the redevelopment in the metropolitan area has occurred in the city of Baltimore. Since 2000, approximately 3,370 homes in affordable and mixed-income developments have been built throughout the city. Baltimore Housing, the local housing and community development authority, developed a total of 250 subsidized homeownership units, which sold for prices ranging from \$135,000 to \$210,000. In addition, Baltimore Housing coordinated the development of 600 market-rate homes, which sold for prices up to \$425,000 in the Little Italy neighborhood. The remaining 2,520 units include 120 market-rate rental apartments, 600 new public housing units, and 1,800 low-income housing tax credit units. More than 5,000 additional homes are planned for



development during the next 10 years. The largest mixed-use development, located on the west side of the city of Baltimore, encompasses an area of approximately 100 blocks and will include the development of 1,800 new and rehabilitated market-rate homes, of which approximately 500 are expected to be rental units.

Boise, Idaho

Located in southwestern Idaho, the Boise metropolitan area consists of Ada, Canyon, Boise, Gem, and Owyhee Counties. Boise is the capital of Idaho and the economic hub for the southwestern area of the state and northwestern Oregon. Half of all manufacturing jobs are at firms producing computer-related products, making the Boise metropolitan area one of the leading high-technology centers in the northwestern region of the United States. A strong labor market, low business operating costs, and desirable quality-of-life factors have made Boise one of the fastest growing major metropolitan areas in the Northwest this decade; as of April 1, 2006, the population of the area was 567,640. According to the Census Bureau, between July 1, 2005, and July 1, 2006, the population increased by 4.1 percent compared with 2 percent for the Portland-Vancouver-Beaverton, Oregon metropolitan area and 1.7 percent for the Seattle-Tacoma-Bellevue, Washington metropolitan area. During the period, the population grew in the Boise metropolitan area at the fourth fastest rate in the United States for metropolitan areas with a population of 500,000 or more.

Job opportunities in the Boise metropolitan area grew rapidly during the 12-month period ending May 2007 as nonfarm employment increased by 5.3 percent from 261,130 to 275,000 jobs. Hiring by firms in the semiconductor industry increased the number of jobs in the manufacturing sector by 6.3 percent to an average of 11,600. In June 2007, Micron Technology, Inc., announced that 900 workers would be permanently laid off in the latter half of 2007. This loss will more than offset the job gains achieved during the past 12 months in the manufacturing sector. The construction sector, trade sector, and professional and business services sector together accounted for 60 percent of the increase in employment during the 12-month period ending May 2007. Gains in construction employment stemmed from commercial and office space developed throughout the area. Employment in construction is expected to remain at high levels as several residential, commercial, and public building projects, such as

the civic centers in Nampa and Star, a conference center in Meridian, a high-density residential neighborhood in central Eagle, and the construction of a 23-story condominium tower in Old Boise, are to be developed over the next several years.

Hiring in the trade sectors has been concentrated in general merchandise stores, where employment increased by 1,350 jobs for a 5.3-percent gain during the 12-month period ending May 2007 as national chain stores Home Depot U.S.A., Target Corporation, Wal-Mart Stores, Inc., and Office Depot, Inc., opened new stores. Job growth in retail trade is expected to remain strong as Whole Foods Market® and Kohl's Department Stores have announced plans to locate to the Boise metropolitan area. Employment in the professional and business services sector increased by 1,800 positions during the 12-month period ending May 2007, mainly due to hiring by firms offering administrative and building support services in response to newly developed office and commercial space. As a result of strong job growth during the past 12 months, the unemployment rate averaged 2.3 percent compared with 2.5 percent during the previous 12-month period.

During the past year, the sales market in the Boise metropolitan area changed from very tight to balanced. According to the Intermountain Multiple Listing Service, during the 12-month period ending June 2007, the number of days a for-sale home remained on the market rose from 21 to 52 and the supply of available inventory increased from 3 to 7 months. Sales of single-family homes slowed significantly during the past 12 months as demand fell in response to rising prices during 2006 and less-attractive borrowing opportunities. Sales of new and existing homes totaled 13,000 for the 12-month period ending June 2007 compared with a record number of 19,715 homes sold during the previous 12 months, a 34-percent decline. Current-year sales were the third highest on record and demand for sales housing remains relatively brisk as a strong labor market continues to spur household growth. The average sales price of new and existing homes, including condominiums, was \$239,375 as of the 12-month period ending June 2007 compared with \$215,400 a year earlier, an increase of 11 percent compared with an increase of 21 percent a year ago.

Due partly to increased materials costs and the trend toward building larger houses, the average sales price of a newly constructed home increased 16 percent to \$276,625 during the past 12 months ending May 2007 compared with an 8-percent gain to \$200,775 for an existing home. Sales of newly constructed homes fell by 44 percent due to decreased

demand stemming from rising sales prices and a decline in purchases for uses other than primary residences, such as investor-owned and vacation homes. Home builders curtailed production as the construction of single-family homes, measured by the number of homes permitted, declined 52 percent to 4,975 for the 12-month period ending May 2007.

Condominium development in the Boise metropolitan area became a significant component of new construction activity beginning in 2006 with the start of several projects in the city of Boise. Redevelopment of the city's downtown core increased traffic congestion, and empty nesters choosing to simplify their living situation are among the factors that have increased demand for condominiums. Condominium developments currently under construction include R. Grey Lofts, Aspen Lofts, Royal Plaza, Cityside Lofts, and Grand Avenue. The five projects represent 185 condominiums, which will sell for between \$230,000 and \$450,000. Presale of condominium units has been strong among single women, young professionals, and older couples.

Strong demand for rental housing due to rising house prices and a strong local economy has created a tight rental market in the Boise metropolitan area. The rental apartment vacancy rate was 3.2 percent as of the first quarter of 2007 compared with 6.2 percent a year ago, according to a survey by Hendricks & Partners, Inc. The conversion of approximately 500 apartments to condominiums in the city of Boise has also contributed to tight rental market conditions in the metropolitan area. The average apartment rent increased by 4.5 percent from \$638 to \$681 between the first quarter of 2006 and the first quarter 2007.

Multifamily construction, as measured by the number of units permitted, totaled 1,096 units for the 12-month period ending June 2007, an increase of 39 percent compared with the previous 12 months. The development of triplex and fourplex apartment buildings dominated multifamily construction during the past year; these developments have accounted for two-thirds of the total number of multifamily units permitted since 2004. Typically, these buildings feature two-bedroom/two-bathroom units of about 1,200 square feet that rent for \$650 a month. Building permits issued for large multifamily structures totaled 249 units for the 12-month period ending June 2007 compared with 122 units for the previous 12 months. The upward trend in rents has not been sufficient to offset rising development costs, especially land costs, and, as a result, no new large apartment complexes of more than 100 units are currently under construction.

Gainesville, Florida

The Gainesville metropolitan area is composed of Alachua and Gilchrist Counties in North Central Florida. Gainesville is home to the University of Florida (UF), one of the nation's largest universities, with an annual enrollment of nearly 50,000 students.

As a university town, Gainesville has many cultural and recreational amenities, including college sports teams, numerous art galleries, and live music venues, that are typically found in larger cities. This variety of amenities, combined with a favorable climate and expanding employment opportunities, has attracted more people to the area in recent years. The metropolitan area population is estimated to be 262,900 as of July 1, 2007. Since 2000, the population has been increasing by 4,200, or about 1.7 percent, a year. Most of that increase has been the result of net immigration, which has averaged more than 3,100 people a year. According to the Census Bureau's 2005 American Community Survey, 20 percent of the metropolitan area population was between the ages of 18 and 24, compared with 8.5 percent for Florida and 9.1 percent for the United States.

UF is also the leading employer in the area, with more than 27,000 full- and part-time workers. Other large employers in the area include Shands Health-Care, with 7,500 workers, and the Veterans Affairs Medical Center, with 2,700 workers. The government sector accounts for more than 30 percent of nonfarm jobs in the metropolitan area. The education and health services sector represents another 17 percent of nonfarm employment.

Recent employment growth has been strong and broad based. Comparing the 12 months ending May 2007 with the same period a year earlier, metropolitan area nonfarm payrolls increased by about 2,800, or 2.1 percent, to 133,700. Employment in the professional and business services sector was up by 4.7 percent, or about 600 jobs, compared with a year earlier, and employment in the financial activities sector increased by 4.2 percent, or about 300 jobs, in the same period. The manufacturing sector added about 400 jobs during the 12-month period ending May 2007, which represents an increase of 8.4 percent. Employment in the transportation industry has also increased, due to the completion of several major distribution centers on Interstate 75 near Gainesville, including a 500,000-square-foot facility for foodservice provider SYSCO Corporation and a 1.25-million-square-foot Wal-Mart facility. The average unemployment rate remained relatively unchanged at 2.7 percent for the 12 months ending



May 2007 compared with 2.8 percent for the previous 12 months.

The steady economic and population growth has helped sustain home sales price appreciation in the area despite a slowdown in sales. According to data from the Florida Association of REALTORS® (FAR), sales of existing single-family homes in Gainesville totaled 3,625 for the 12 months ending May 2007, a decline of 19 percent compared with a year earlier. Despite the decrease in home sales, median sales prices for existing homes averaged \$216,100 during the past 12 months, an increase of nearly 9 percent from the same period a year ago. Sales of existing condominiums for the 12 months ending May 2007 were down 17 percent from a year earlier, to 1,105 units, but condominium sales prices increased 10 percent during the same period, to \$160,800. During the 12 months ending May 2007, Gainesville had the strongest sales price appreciation for single-family homes of all major Florida markets reported by FAR, and sales price increases for condominiums in Gainesville were the third strongest in the state.

The overall sales housing market is balanced to soft. Slowing home sales have led to an increase in unsold inventories. As of June 2007, more than 2,200 homes were for sale in the Gainesville area. At the current pace of sales, that figure represents more than a 7-month supply, which is up considerably from a year ago. As a result, area builders have scaled back housing construction. For the 12 months ending May 2007, single-family homes authorized by building permits were down nearly one-third from the same period a year earlier, falling from 1,258 to 887 units. Multifamily units authorized by permits fell by 12 percent during the same period, declining from 902 to 791 units.

About two-thirds of the multifamily units built in Gainesville over the past few years have been condominiums, particularly for developments located near the UF campus, so increases in the supply of apartments for rent have been limited. In addition, since 2004, an estimated 3,000 apartments have been converted to condominiums. As a result, the rental housing market in Gainesville has become somewhat tighter over the past few years although it remains relatively balanced. The current vacancy rate is estimated to be approximately 7.5 percent compared with 8.5 percent in 2004. In the past 2 years, rents in the area have been increasing by nearly 4 percent annually.

The largest group of renters in the metropolitan area is students. About 80 percent of UF students live off campus, and roughly half of those live in three- or four-bedroom units with separate leases for each

occupant. The average rent paid by students living off campus is approximately \$550 a month.

Grand Rapids, Michigan

The Grand Rapids metropolitan area comprises Kent, Barry, Ionia, and Newaygo Counties in western Michigan. The population in the metropolitan area as of June 1, 2007, is estimated at 777,900, a 0.7-percent average annual gain since 2000. Grand Rapids is located in Kent County, which has more than 73 percent of the area's population and 79 percent of the area's workforce. Grand Rapids, with a population of 192,400, is the second largest city in Michigan and a center for healthcare activity in western Michigan. According to the National Association of Home Builders/Wells Fargo Housing Market Index for the first quarter of 2007, Grand Rapids remains one of the most affordable housing markets in the nation.

Nonfarm employment averaged 393,000 jobs in the 12 months ending May 2007, which is stable compared with the level of employment in the previous 12-month period. The area economy, historically tied to the domestic automobile and office furniture industries, continues to move toward to a more service-centered base. The Grand Rapids economy lost 20,500 jobs between 2001 and 2004, with 83 percent of the loss occurring in the goods-producing sectors. In 2005, the economy had a moderate recovery with the addition of 4,600 jobs; since then, the level of employment has remained relatively stable. The primary growth sector continues to be education and health services, which added 1,300 jobs, or 2.3 percent, in the past 12 months and has added 12,400 jobs since 2000. The addition of 400 jobs in the financial activities sector and 100 jobs in the professional and business services sector during the past 12 months also has contributed to the economy. Job gains in the past year have been offset by the loss of 800 jobs in goods-producing sectors, 700 jobs in the retail trade sector, and 700 jobs in the local government subsector. The average unemployment rate increased slightly to 6.0 percent during the 12 months ending in May 2007 when compared with the 5.7-percent unemployment rate recorded for the previous 12 months.

A number of medical and health-related companies in the Grand Rapids area help serve the needs of western Michigan. The leading employer in the area is Spectrum Health, with 14,000 employees. Development of Health Hill on Michigan Avenue in

downtown Grand Rapids includes Spectrum Health's new \$250 million Helen DeVos Children's Hospital and the \$78 million Lemmen-Holton Cancer Pavilion, scheduled to open in the fall of 2008. An additional \$500 million investment is going into research, office, and medical school buildings on Health Hill. St. Mary's Health Care announced plans for the construction of the \$60 million Hauenstein Center south of downtown, and Metro Health is developing a \$150 million hospital set to open in the fall of 2007 in Wyoming, adjacent to southwest Grand Rapids. An estimated \$1 billion of private investment is expected to create an additional 3,000 healthcare and research jobs by 2010.

Historically low mortgage interest rates and steady population growth supported a growing sales market between 2000 and 2005. According to the Grand Rapids Association of REALTORS® (GRAR), total residential sales increased by 5 percent annually from 2000 to 2005, with an average annual sales price increase of 4 percent. In 2006, however, total residential sales of 10,596 were 11 percent below the 2005 record-setting sales level, and the average sales price declined by 0.5 percent. The market is returning to sales levels similar to those established at the beginning of the decade, primarily as a result of rising mortgage interest rates. GRAR reported that for the 12 months ending May 2007, single-family home sales totaled 8,865, which was 15 percent less than the 10,459 sales recorded in the previous 12-month period; in the same period, condominium sales declined from 1,001 to 875 units. Average sales prices for single-family homes and condominium units were \$159,100 and \$142,800, respectively, for the 12 months ending May 2007. These prices represent a 3-percent decline for single-family homes and a 2-percent decline for condominiums. Homes priced in the \$100,000-to-\$160,000 range and homes priced above \$600,000 currently constitute the strongest segments of the sales market.

In response to the slowing sales market and the rise in unsold inventory, builders in the Grand Rapids area have significantly reduced new home construction activity. As measured by the number of building permits issued, single-family home construction declined to 1,970 homes, or 34 percent, in the 12 months ending May 2007, down from 2,991 homes in the previous 12-month period. Annual production has not been this low in Grand Rapids since 1993. A typical starter home in the area contains three bedrooms, two baths, and a garage and currently is priced between \$175,000 and \$200,000.

Downtown Grand Rapids continues to be an active area for housing development. According to the Downtown Development Authority, the central business district has 2,500 residential housing units; 1,300 of those units have been built since 1995. Renaissance Zones, which provide temporary tax abatements, have spurred considerable condominium development, primarily for empty nester and young professional buyers. The developments appeal especially to people in health-related careers because of the proximity to healthcare facilities. Icon on Bond is a new nine-story residential tower scheduled to open August 2007 on the site of the former Grand Rapids Foundry. The \$35 million complex has 118 condominium units ranging from a 728-square-foot unit priced in the low \$200,000s to a 1,418-square-foot penthouse unit listed for \$580,000. Approximately one-third of the units at Icon on Bond had preconstruction reservations. The Tall House, a 93-unit building located next to Van Andel Arena, has units starting at \$159,000. Occupancy is anticipated for 2008.

Rental market conditions in Grand Rapids remain soft, but they have strengthened during the past year because multifamily rental development was limited and lending tightened in the single-family home sales market. According to the Property Management Association of West Michigan, the current apartment market vacancy rate is approximately 8 percent, a significant decline from the decade-high 11-percent annual vacancy rate in 2004. Average monthly rent for existing apartment units increased approximately 2 percent during the past year, but limited concessions continue. Average rents for new one-, two-, and three-bedroom market-rate units are \$700, \$875, and \$1,150, respectively. No market-rate rental projects currently are under development; however, construction is under way on 44 units of student housing near the Grand Valley State University's Pew Campus southwest of downtown and 92 units of HOPE VI replacement housing south of downtown.

Multifamily construction activity, as measured by the number of building permits issued, totaled 445 units for the 12 months ending May 2007, relatively unchanged from the 427 units permitted in the previous 12-month period. Since 2000, multifamily development has averaged 490 units annually; condominium units accounted for two-thirds of this development. With the large inventory of for-sale units, the strengthening rental market, and the decline in home sales, some projects permitted as condominiums are expected to be converted to rental housing.



Knoxville, Tennessee

The Knoxville metropolitan area consists of Anderson, Blount, Knox, Loudon, and Union Counties in eastern Tennessee. The city of Knoxville is divided by the Tennessee River and lies 45 miles west of America's most visited national park, Great Smoky Mountains. Knoxville is the third largest metropolitan area in Tennessee, with an estimated population of 681,400 as of July 1, 2007. The population has increased by an average annual rate of 9,000, or 1.4 percent, since the 2000 Census.

The Knoxville economy is stable and includes major employers such as the U.S. Department of Energy (DOE), Covenant Health, and the University of Tennessee (UT). With approximately 12,000 employees, including contractors, the leading employer in the metropolitan area is DOE, which includes the Oak Ridge National Laboratory (ORNL) and the Y-12 National Security Complex. The presence of DOE was established during World War II for the Manhattan Project and has made the area a regional center for science and technology employment. The second largest employer is Covenant Health, with 8,650 people employed in 10 area hospitals and other medical facilities. The third largest employer is UT, with approximately 8,300 employees, a student enrollment of 26,400, and an annual budget of more than \$1 billion. The university is a partner in UT-Battelle, a division of ORNL, in which students and staff participate in science and energy research.

Nonfarm employment in Knoxville increased by 1.9 percent during the 12 months ending May 2007 compared with the previous 12 months. Employment in the goods-producing sectors increased by 1,500 jobs, or 2.6 percent, during this period, despite the continued decline in manufacturing employment. Employment in the service-providing sectors increased from 272,700 to 277,300 jobs during the past 12 months, or by 1.7 percent. The transportation and utilities sector grew at the fastest rate of 3.8 percent followed by the retail trade and leisure and hospitality sectors, both of which grew by 2.9 percent. The unemployment rate decreased from 4.3 to 3.9 percent during the past 12 months.

Residential construction has slowed during the 12-month period ending May 2007 in response to decreased demand caused by rising interest rates and more strict lending requirements by mortgage lenders. The construction of single-family homes, as measured by residential building permits, decreased from 4,300 to 4,125 homes and the construction of multifamily units decreased from 850 to 670. The

slowdown in multifamily construction can be attributed to a decrease in condominium construction, which accounted for approximately 45 percent of multifamily units permitted. Despite the slowdown in multifamily construction, residential and commercial construction has continued to increase in downtown Knoxville as local officials work to revitalize the area. Plans were recently announced to build a 21-story highrise building downtown, with 63 condominiums and townhomes and 39,000 square feet of retail and office space to be completed in 2 to 3 years. Since 2000, the construction of seasonal housing, consisting primarily of mountain cabins and lake homes, has increased significantly in the metropolitan area because of its proximity to vacation destinations in Great Smoky Mountains National Park. It is estimated that the amount of seasonal housing increased by approximately 175 percent from 2,550 units in 2000 to 7,000 units as of July 1, 2007.

Home sales market conditions in Knoxville are becoming balanced again after approximately 3 years of slightly tight conditions. Sales of new and existing homes decreased during the 12 months ending May 2007 after registering record highs during the previous 12 months. According to the Knoxville Association of REALTORS®, the number of single-family homes sold decreased by 8 percent to 14,600 homes, and the number of condominiums sold decreased by 3 percent to 1,950 units. The number of available condominiums outpaced the number of units sold, and the unsold inventory was up by 32 percent to 3,275 units. The unsold inventory of single-family homes also increased during the past 12 months, up by 18 percent to 27,250 homes. Despite the lower number of sales, the average sales price of homes sold increased by 5 percent to \$192,100 while the average sales price for condominiums remained unchanged at \$164,000.

Apartment market conditions in the Knoxville area have tightened during the past year because of increased demand for rental units and lower levels of apartment construction. In 2004, apartment market conditions were soft, with a vacancy rate of 9.9 percent and an average rent of \$383 in the first quarter, according to the Apartment Association of Greater Knoxville (AAGK). As of the first quarter of 2007, the vacancy rate had dropped to 5 percent and the average rent had increased to \$626. According to Reis, Inc., net absorption increased during the 12 months ending March 2007 to 276 units compared with 107 units during the previous 12 months. Apartment absorption returned to positive levels in 2005 after 3 years of negative levels recorded from 2001 to 2004.

Apartments in Knoxville targeted to UT students had average rents of \$953 a month, according to the first quarter 2007 AAGK Apartment Market Survey, and were nearly 100-percent occupied. During the past 3 years, condominium developments targeted to parents as investment properties have become a housing option for UT students. One property, built in 2006, presold 130 out of 143 units 4 months before completion. Sales prices were \$140,000 for a two-bedroom unit, \$175,000 for a three-bedroom unit, and \$200,000 for a four-bedroom unit.

Miami-Miami Beach-Kendall, Florida

The Miami-Miami Beach-Kendall Metropolitan Division, located on the southeast coast of Florida, is defined as Miami-Dade County. Available land for commercial and residential development is limited to the eastern third of the county because much of the western portion of the county is part of the Everglades Conservation Area. Tourism, both domestic and foreign, has a significant effect on the economy of the area. Each year, 10 million visitors contribute \$11 billion to the local economy.

The estimated population of the metropolitan area is 2,484,000 as of July 1, 2007, an increase of 31,900, or 1.4 percent, a year since April 1, 2000. More than half the growth since 2000 has resulted from the immigration of people from the Caribbean and Latin America. Miami is the largest city in the metropolitan area with a Census Bureau-estimated population of 404,000 as of July 1, 2006.

The economy in Miami-Dade County, once predominately dependent on tourism and retirees, is now more broad based and diversified. Its proximity to Latin America and the Caribbean makes it a center of international trade. Miami International Airport, with an annual economic impact of \$18.6 billion, is the nation's top airport for international freight and the third largest for international passengers. The Port of Miami, which contributes \$8 billion to the local economy each year, ranks first among the state's ports and ninth in the United States. International banking is another growing segment of the economy. Banks from Brazil, the United Kingdom, Canada, France, Germany, Israel, Japan, Spain, and Venezuela have offices in Miami-Dade County, representing the largest concentration of international banks on the East Coast south of New York City.

The three largest employment sectors, which account for 42 percent of nonfarm employment, are

wholesale and retail trade, education and health services, and leisure and hospitality. Total nonfarm employment averaged 1,054,400 jobs for the 12 months ending June 2007, an increase of 14,300 jobs, or 1.4 percent, compared with the previous 12 months. Professional and business services had the largest percentage gain of any sector, increasing by 4.3 percent, or 2,800 jobs. The trade sector posted the largest numerical increase, with 4,200 jobs added during the past 12 months. Driven by the thriving international commerce, the wholesale trade subsector accounted for almost 60 percent of this increase. In the past 12 months, the unemployment rate in the area decreased from 4.0 to 3.5 percent, the lowest rate in 20 years. Jackson Health System, with more than 11,000 employees, and Baptist Health South Florida, with more than 10,000 employees, are the two largest private employers in the metropolitan area. Other major employers include the University of Miami, Miami-Dade College, and AmericanAirlines®.

Current conditions in the single-family housing market are soft. Data from Reinhold P. Wolff Economic Research, a local real estate analysis firm, indicate new single-family home sales totaled 10,300 during the past 12 months, as compared with 14,000 a year ago, a decrease of 26 percent. Although the number of sales slipped, prices continued to increase. The median price of a new home in Miami-Dade County is \$336,700 compared with \$280,900 a year ago, an increase of 20 percent. The three areas with the greatest new home sales activity were Perrine, Cutler Ridge, and Miami Springs. According to the Florida Association of REALTORS®, sales of existing single-family homes totaled approximately 7,025 in the metropolitan area for the year ending June 2007, a decrease of 27 percent compared with the 9,675 sales for the same period a year ago. The median price for an existing home increased 1.7 percent to \$379,700 from \$373,150 a year ago. New construction activity is concentrated in southwest Miami-Dade County because sufficient land remains for development. Home prices in that area often are relatively lower than in other parts of the metropolitan area because of the longer commute to employment centers.

Condominiums have become an important element in the sales housing market as a result of increased costs of land and construction and double-digit price increases of single-family homes beginning in 2002. From 2002 through 2006, the number of multifamily units authorized by building permits averaged 11,600 units a year; an average of 6,600 units a year were permitted from 1998 through 2001. More than 85 percent of multifamily units permitted during the 2002-through-2006 period were for owner occupancy.



Only 6,600 rental apartment units were completed during the 5-year span, according to data available from Reis, Inc. In addition to the multifamily units produced for sale, an average of 8,250 single-family homes were permitted each year from 2002 to 2006 compared with an average of 6,500 during the previous 3 years. Single-family home construction, as measured by the number of building permits issued, fell significantly to 4,350 homes for the 12 months ending June 2007, down from 8,325 during the same period a year before.

The condominium market is beginning to soften. According to the second quarter 2007 housing report by Reinhold P. Wolff Economic Research, sales of new condominium units, as measured by deed recordings, totaled 18,400 for the 12 months ending March 2007; 26,200 deeds were recorded in the previous 12-month period. The three areas with the greatest sales activity were Miami Lakes, the Coral Gables-Bayshore-South Miami area, and the Perrine-Cutler Ridge area. According to Wolff data, the median price for a new condominium was \$248,995 in the first quarter of 2007, 3 percent more than the median price of \$241,717 in the first quarter of 2006. According to data from the Florida Association of REALTORS® (FAR), for the 12 months ending June 2007, sales of existing condominium units totaled 7,400 units, which is 35 percent lower than sales for the same period a year ago, when 11,350 existing units were sold. The median price of an existing condo in the metropolitan area, according to FAR, decreased 7.6 percent to \$388,000 during the past 12 months. Apartment conversions are priced considerably less than newly constructed units but are treated as “new” in the recording process, which is why the median price for a new condominium is less than that for an existing one.

Condominium sales have affected the rental market as well as the sales market. Almost 28,000 apartment units have been converted to condominiums since the beginning of 2003. As a result, conditions in the rental market have become tight in the metropolitan area; the vacancy rate fell from 6.5 percent at the beginning of 2003 to 3.9 percent during the second quarter of 2007. One result of the decreasing supply of rental units is rising rents. The average effective rent increased from \$999 in the second quarter of 2006 to \$1,056 in the second quarter of 2007, an increase of 5.7 percent, according to Reis, Inc. This increase follows a 6.2-percent increase from 2005 to 2006. Rents are expected to continue on an upward trend, but the increase will not be as sharp because the supply of apartments is expected to increase. Lower vacancy rates combined with increasing rents are luring developers back to apartment

construction. Also, demand for condominiums is not keeping pace with new construction, and conversions are creating an oversupply of condominium units in the metropolitan area. As investors have an increasingly difficult time finding buyers, many units will revert to the rental market, which will further increase the apartment supply.

Rockford, Illinois

The Rockford metropolitan area, defined as Boone and Winnebago Counties, is located 85 miles northwest of Chicago. Between July 1, 2005, and July 1, 2007, population growth in the metropolitan area averaged 5,200 annually, or 3.0 percent, compared with 4,000 annually during the previous 2-year period. Approximately 60 percent of the population growth in the area was due to net in-migration; people are locating to this area because of the availability of relatively affordable housing and increasing employment opportunities. Winnebago County accounted for 85 percent of the growth in the metropolitan area. As of July 1, 2007, the estimated population of the Rockford metropolitan area was 356,900.

The economy of the area is growing at a moderate pace. Nonfarm employment increased by 2,800 jobs, or 1.8 percent, in the 12 months ending May 2007 compared with the previous 12-month period. The manufacturing sector, which accounted for 42 percent of all nonfarm job growth, had the largest gain during the period, growing by 1,200 jobs, or 3.8 percent. Although manufacturing employment is stable or declining in most areas of the Midwest, the growth of automobile manufacturing in the Rockford metropolitan area has been strong and is being led by DaimlerChrysler, the leading employer in the area, with 3,800 employees. During the 2-year period ending May 2007, the manufacturing sector added approximately 2,000 jobs, primarily attributable to the addition of second and third shifts at the DaimlerChrysler Belvidere Assembly Plant in Belvidere, Illinois.

The healthcare industry, which employs more than 9,000 workers, added nearly 200 jobs, an increase of 2.0 percent, as a result of expansions of specialized medical centers and growing numbers of teaching facilities. Rockford Health System is the second leading employer in the area, with 3,050 employees. The professional and business services sector added 700 jobs, or 7.8 percent, due to increased temporary employment by management companies. The retail trade sector also expanded, adding 500 jobs to serve

the growing population in the Rockford metropolitan area. The average unemployment rate was 5.2 percent for the 12 months ending May 2007 compared with 6.2 percent for the 12 months ending May 2006.

Sales of new and existing homes have been strong for the past 4 years, averaging 2,200 homes a year, but recent sales activity has slowed as a result of higher mortgage interest rates. In 2006, the Rockford Area Association of REALTORS® reported record sales of 7,200 new and existing single-family homes, townhomes, and condominiums compared with 7,150 homes sold in 2005. During the 12-month period ending June 2007, sales of new and existing homes totaled 6,700 units, down 11 percent from the previous 12 months. According to the NATIONAL ASSOCIATION OF REALTORS® (NAR), the median sales price of existing homes in the Rockford metropolitan area decreased by 1.5 percent to \$113,000 in the first quarter of 2007 compared with \$114,800 a year earlier.

The availability of land for residential construction, the inventory of relatively affordable sales and rental housing, and easy access to State Highway 173 and Interstate 90 have made Rockford a viable housing alternative for workers employed in the Chicago metropolitan area. In 2006, approximately 42,000 Rockford residents commuted to work outside the metropolitan area, an increase of 68 percent compared with the number of commuters in 2000. In Boone County, which is closest to Chicago, almost 30 percent of employed residents commuted to jobs outside the county in 2006. According to NAR, the median sales price of existing homes in the Rockford metropolitan area, at \$113,100 for the first quarter of 2007, was 58 percent lower than the median sales price of existing homes in Chicago, at \$267,300, for the same period.

Population growth and greater demand for new homes prompted builders in the Rockford metropolitan area to increase the production of single-family homes starting in 2003. Between 2003 and 2006, single-family home construction, as measured by the number of building permits issued, increased to approximately 2,400 units annually. This figure represents a 45-percent increase compared with an average of 1,650 units permitted annually between 1999 and 2002. During the 12 months ending May 2007, however, building permits for single-family homes decreased by 23 percent as builders responded to higher interest rates and slower sales evidenced by an increasing inventory of unsold new homes. A total of 1,700 single-family building permits were issued during the period compared with 2,200 units permitted during the 12 months ending May 2006.

During the 12-month period ending June 2007, the unsold inventory of new and existing homes totaled 2,870 units, up 17 percent compared with the previous 12-month period.

Multifamily construction in the metropolitan area, as measured by the number of units permitted, also slowed during the 12 months ending May 2007. Higher interest rates and an excess inventory of unsold condominiums resulted in a decline in multifamily construction. During the period, building permits were issued for 150 multifamily units, down 63 percent from the previous 12-month period and down 67 percent from the average annual number of 430 units that have been permitted since 2000. The Home Builders Association of the Greater Rockford Area estimates that approximately one-half of the multifamily units built since 2000 were for condominiums in attached and fourplex developments. During this 7-year period, Winnebago County accounted for 2,750 units, or 90 percent of total multifamily building activity in the metropolitan area.

Rental housing market conditions are tightening due to the strengthening of the local economy, increased demand for rental housing, and the low level of apartment construction during the 12-month period ending May 2007. The apartment vacancy rate in the metropolitan area was 8 percent in June 2007, down from 10 percent a year earlier, according to the Rockford Apartment Association. The average rent increased by nearly 2 percent in the second quarter of 2007 compared with the second quarter of 2006. Average rents for one-, two-, and three-bedroom units in newly constructed developments are approximately \$550, \$750, and \$900, respectively. The rental housing market is expected to continue to improve during the next 12 months as a result of continued household growth and limited new rental construction.

San Francisco, California

The San Francisco Housing Market Area (HMA) encompasses the two counties of Marin and San Mateo and the city-county of San Francisco. As of July 1, 2007, the HMA population is estimated to be 1,740,000, with an average annual gain of 1,400, or 0.1 percent, since 2000. The city of San Francisco and San Mateo County are nearly equal in population, with 766,000 and 731,000, respectively, or 44 and 42 percent of the population of the HMA. Separated by the San Francisco Bay from the two other HMA counties, Marin County has 14 percent of the population. Since 2000, net population growth in



the HMA has resulted from net natural increase (resident births minus resident deaths). The continued domestic out-migration of residents to lower cost housing markets in the Oakland and San Jose metropolitan areas has outpaced total domestic and international in-migration.

The San Francisco HMA economy is currently in its third year of recovery since the decline of the high-technology industry in the early 2000s. In the 12 months ending June 2007, total employment in the HMA increased by 24,250 jobs to 973,500, a 2.6-percent increase compared with the previous 12-month period. The average unemployment rate for the 12 months ending June 2007 was 3.8 percent, down from 4.2 percent in the previous 12-month period. Approximately two-thirds of the job growth originated in three service-providing sectors: professional and business services, up 8,100 jobs; leisure and hospitality, up 3,750; and education and health services, up 3,625. Dominated by mid-sized accounting, consulting, and law firms, the professional and business services sector is the largest in the HMA, accounting for 20 percent of all nonfarm jobs. Despite recent growth, employment in the professional and business services sector remains below the level in 2000 as a result of the 50,400 jobs lost in the early 2000s. The January 2006 opening of the Four Seasons Hotel in East Palo Alto (San Mateo County) and the openings of two additional hotels in downtown San Francisco during the past 2 years were primarily responsible for the increase in the leisure and hospitality sector. The education and health services sector continued to gain jobs as major private hospitals throughout the HMA added staff.

The San Francisco HMA economy is a diversified service-based economy. Government is the second-largest employment sector, with 14 percent of all nonfarm jobs. The leading employer in the HMA is the University of California, San Francisco (UCSF), with 18,200 faculty and staff and 2,875 students. With a new 43-acre campus, UCSF is a key participant in the redevelopment of the Mission Bay neighborhood in the city of San Francisco. The UCSF Mission Bay campus, to be completed by 2020, will have 9,000 employees and a new \$1.3 billion, 289-bed, cancer-care hospital. Construction is expected to begin in 2011. The \$240 million Helen Diller Family Cancer Research Building under construction on the UCSF Mission Bay campus will be complete by the fall of 2008. The third-largest employment sector, with a 13-percent share, is leisure and hospitality. In 2006, the city of San Francisco hosted nearly 16 million visitors, a record number, who generated almost \$8 billion in revenue. The San Francisco

International Airport in San Mateo County also provides key support for the tourism industry. United Air Lines, Inc., is the second leading employer in the HMA, with about 10,000 local employees. The new Virgin America airline, with flights beginning August 2007, is expected to create at least 3,000 local jobs in the next several years.

After very tight conditions in the past 10 years, the sales market in the HMA currently is balanced. Unsold inventory of new and existing homes has increased recently, but it remains balanced at a level of less than a 4-month supply. According to the Real Estate Research Council (RERC), the sales volume of existing homes was 17,800 in the 12 months ending March 2007, a decline of 16 percent compared with the previous 12-month period. Nearly 48 percent of the homes were sold in San Mateo County. In the city of San Francisco and Marin County, home sales constituted 32 and 20 percent, respectively, of the HMA total. As of the 12 months ending March 2007, the median sales price of existing homes was \$780,000, an increase of 1 percent from the previous 12-month period. Unlike sales of existing homes, new home sales consist primarily of condominiums. In the 12 months ending March 2007, sales of new homes totaled 1,750 units, a 7-percent increase compared with the previous 12-month period. The median sales price of new homes, however, declined 3 percent to \$645,800. Competition for buyers has increased as at least eight highrise condominium towers in the city of San Francisco, with a combined total of 1,400 units, are preselling units. Approximately 72 percent of the new housing sold during the past 12 months was in the city of San Francisco.

Mortgage interest rates were at historic lows in 2003, which provided strong financial incentive for buyers and investors, who pushed total home sales to a record level in 2004. RERC indicates that sales in 2004 totaled 27,500 new and existing homes, or an 18-percent increase over the previous 10-year average annual volume of 23,400. As mortgage interest rates and home prices continued to increase, many buyers faced increasing affordability constraints, and sales activity in the past 3 years decreased. According to the National Association of Home Builders/Wells Fargo Housing Market Index, only 6.7 percent of all homes sold in the HMA in the first quarter of 2007 were affordable to families earning the HMA median household income of \$86,500. In contrast, the same index reported that 16.5 percent of all homes sold in the fourth quarter of 2003 were affordable.

Single-family home construction, as measured by the number of building permits issued, has decreased recently in the HMA. In the 12 months ending June 2007, 829 single-family home building permits were issued, a decrease of 18 percent from the previous 12-month period. Nearly 55 percent of the construction occurred in San Mateo County, followed by Marin County and the city of San Francisco, which accounted for 37 and 8 percent, respectively. Because of limited land available for development, tract-style construction is atypical in the HMA. The recent decrease in single-family construction activity reflects the buildout of developable land. The newest area of single-family home development involved the conversion of the former Hamilton Field at Hamilton Air Force Base in Marin County, where homes began to sell in 1998. Hamilton Field now has 2,150 residential units, which include 770 income-restricted units. This year, a lottery was used to allocate sales in the final project: 351 income-restricted townhouses at Meadow Park at Hamilton.

New residential construction in the HMA consists primarily of multifamily condominium buildings. After multifamily development had been increasing from 2003 through 2006, it declined 51 percent to 2,084 units in the 12 months ending June 2007. Since the median sales price of condominiums began to decrease in 2005, builders have scaled back development. The city of San Francisco has the greatest amount of multifamily development, accounting for 69 percent of the activity during the 12 months ending June 2007. Most new housing construction in San Francisco is in the South of Market Area (SoMa), which includes Mission Bay. Designated for redevelopment in 1998, the 303-acre Mission Bay area has five condominium projects under construction with approximately 720 units. Two other SoMa projects under construction, One Rincon Hill and Soma Grand have a total of 622 condominium units, with completion expected in 2008 and late 2007, respectively. Market-rate homes in SoMa currently start in the \$500,000s.

Currently, the rental market in the HMA is tight. Rising employment has created rental demand, but the pace of new rental-unit construction has continued to decrease as builders have focused primarily on for-sale housing. According to RealFacts, the rental vacancy rate in the HMA was 4.1 percent in the first quarter of 2007, lower than the 4.4-percent vacancy rate recorded in the first quarter of 2006. The average asking rent increased by 8 percent to \$1,773 in the first quarter of 2007 when compared with the same quarter in 2006. The current average rents by unit type are as follows: one-bedroom unit, \$1,596; two-bedroom/two-bathroom unit, \$2,177;

and three-bedroom/two-bathroom unit, \$2,384. Although most apartment construction is for the luxury market, some affordable units continue to be built in the HMA. Of the 6,000 residential units to be developed at Mission Bay over the next 25 years, 28 percent will be set aside for affordable housing. The 140-unit Mission Creek Senior Community, completed in 2006, is the most recent addition. Two nonprofit organizations are currently building 250 affordable units in the Tenderloin district of San Francisco.

Stockton, California

The Stockton Housing Market Area (HMA), which is coterminous with San Joaquin County, is located in the Central Valley area of Northern California. The county is a bedroom community for the higher cost San Francisco Bay and Sacramento metropolitan areas. As of June 2007, the HMA population is estimated at 691,200, a 2.8-percent average annual gain since the 2000 Census. From 2000 to June 2007, the average annual net in-migration was 11,450 people.

During the 12 months ending June 2007, nonfarm employment averaged 209,800 jobs, an increase of 4,150, or 1.2 percent, from the previous 12 months, making the HMA one of the faster growing areas in the Central Valley. The transportation and utilities sector had the largest increase in jobs, adding 2,900, or 22 percent, primarily in the trucking, air transportation, and warehousing industries, in the past year. The Port of Stockton, with approximately 4,500 jobs, continues to have a stabilizing influence on the local economy, facilitating trade mainly in rice and fertilizer with more than 55 countries worldwide. A major regional airport, state and interstate highways, and several railways—Union Pacific, BNSF, Altamont Commuter Express (ACE), and Amtrak—also provide strong support for the economic base of the HMA. ACE, which serves the San Francisco Bay Area, plans to expand to Sacramento and other Central Valley cities. The wholesale trade and professional and business services sectors each added 700 jobs in the past year.

Employment in the other major sectors, which include government, education and health services, and financial activities, changed little in the HMA in the past year. Government is the leading employer in San Joaquin County, with local government accounting for approximately 80 percent of the government jobs. The county is the leading government employer, providing relative stability in its 6,500-employee workforce in the past year. The



other major employers in the area, Saint Joseph's Medical Center, with 4,000 employees, San Joaquin General Hospital, with 1,780 employees, and Kaiser Permanente, with 1,065 employees, all expanded during the past 2 years. San Joaquin Delta College and the University of the Pacific each employ 1,000 workers.

The previously booming construction sector added approximately 1,000 jobs, or 8 percent, annually from 2000 to 2005, but the sector lost 600 jobs in 2006 and 1,000 jobs in the past 12 months. These losses reflected a lower level of homebuilding. The construction sector is expected to improve during the next year with the beginning of several major projects, including a \$42-million Phase II Chabot Commerce Center project in Tracy, a \$14-million Agricultural Center Phase 2 project in Stockton, and a \$24-million Sheraton Hotel and Convention Center in Stockton. The unemployment rate in the HMA remained relatively unchanged at 7.4 percent in the 12 months ending June 2007.

The sales housing market moved from tight conditions in 2005 to more balanced conditions in the first quarter of 2007, with a current sales vacancy rate of 2.0 percent. Higher interest rates and high home prices have caused new and existing home sales to decrease to 11,500 in the 12 months ending March 2007, which is 35 percent below the level of the previous 12 months, according to Real Estate Research Council data. Sales were well below the average of 16,000 sales annually recorded from 2001 through 2005. In the 12 months ending March 2007, the average unsold inventory for new homes increased to 735 units, from 510 in the previous year, which was the highest level since 2000. During the 12 months ending May 2007, building permits issued for single-family homes declined by 35 percent to 1,350 units as builders delayed construction in reaction to the decline in home sales and increases in the unsold inventory. In the first quarter of 2007, the median sales prices for new and existing single-family homes were \$474,000 and \$375,400, respectively, or nearly 13 percent and 5 percent less than a year ago, after more than doubling between 2000 and 2006.

In the 12 months ending March 2007, most home sales took place in Stockton, where 886 new units were sold at an average price of \$432,900. The city of Mountain House ranked second, recording 753 new units sold at the highest average price in the HMA, \$647,541, primarily because of its closer location to the San Francisco Bay Area. Sales in the cities of Manteca and Lathrop, which are adjacent

to Stockton, numbered 540 and 517 units, respectively. Sales in Tracy, the fastest growing area in 2004, numbered only 196 units because of more competition from areas with shorter commutes to job centers in the San Francisco and Sacramento areas. Migration from Sacramento is now creating rapid growth in Lockeford, a historic town with a population of 3,200. A planned subdivision of 500 single-family units will add approximately 1,400 people to the population of Lockeford starting in 2007.

The rental market in the HMA is balanced, with a current vacancy rate of approximately 5 percent. Growth in the adjacent San Francisco Bay Area and Sacramento area has created additional demand for rental units in the HMA, particularly in the cities of Manteca, Tracy, and Lodi. The recent low level of rental production is another factor that has kept the rental market balanced. Since 2000, approximately 260 multifamily units have been permitted annually. For the 12 months ending May 2007, the number of multifamily units permitted declined by 61 percent to 96 units when compared with the previous 12 months. Production in 2005 and 2006 was limited to a few small apartment projects in Stockton, Lodi, and Manteca. In 2007, plans call for development of approximately 500 affordable tax-credit units in the HMA, which will bring the total number of tax-credit units provided since 2000 to 1,440 compared with 1,300 units built in the 1990s. Existing tax-credit properties are fully occupied, with about 25 percent of the units designated for the elderly.

The average rents in the HMA continue to increase, although not as much as they did during the early 2000s. Since 2004, rent increases have slowed to approximately 2 percent annually compared with approximately 5 percent a year from 2000 to 2003, mainly because lower sales prices enable more renters to become owners. In the first quarter of 2007, average rents reached \$842, which represents the highest average rent in the Central Valley, according to CB Richard Ellis data. Because Tracy and Manteca are along highways that provide high accessibility to the San Francisco Bay Area, their average rents of \$986 and \$926, respectively, were higher than all the other cities in the HMA. The average rent in Lodi also remained high at \$877 in the first quarter of 2007 because of Lodi's proximity to the Sacramento area. Average rents in the county by bedroom type are \$870 and \$1,080 for two- and three-bedroom units, respectively, and \$1,360 for three-bedroom townhouses, according to data from the *RealFacts Report* for the first quarter of 2007.

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

HUD Region and State	2007 Through June			2006 Through June			Ratio: 2007/2006 Through June		
	Total	Single Family	Multi-family*	Total	Single Family	Multi-family*	Total	Single Family	Multi-family*
Connecticut	3,857	2,545	1,312	4,876	3,599	1,277	0.791	0.707	1.027
Maine	2,926	2,573	353	3,881	3,523	358	0.754	0.730	0.986
Massachusetts	7,838	4,260	3,578	11,275	6,120	5,155	0.695	0.696	0.694
New Hampshire	2,248	1,991	257	3,120	2,677	443	0.721	0.744	0.580
Rhode Island	1,042	752	290	1,213	799	414	0.859	0.941	0.700
Vermont	1,000	874	126	1,457	1,252	205	0.686	0.698	0.615
New England	18,911	12,995	5,916	25,822	17,970	7,852	0.732	0.723	0.753
New Jersey	11,995	6,655	5,340	16,895	9,411	7,484	0.710	0.707	0.714
New York	27,661	8,878	18,783	27,524	10,632	16,892	1.005	0.835	1.112
New York/New Jersey	39,656	15,533	24,123	44,419	20,043	24,376	0.893	0.775	0.990
Delaware	3,016	2,507	509	3,443	2,754	689	0.876	0.910	0.739
District of Columbia	1,335	504	831	1,539	45	1,494	0.867	11.200	0.556
Maryland	11,804	7,841	3,963	14,869	11,304	3,565	0.794	0.694	1.112
Pennsylvania	18,417	15,179	3,238	22,033	18,402	3,631	0.836	0.825	0.892
Virginia	20,401	17,424	2,977	26,789	22,651	4,138	0.762	0.769	0.719
West Virginia	2,026	1,916	110	2,775	2,673	102	0.730	0.717	1.078
Mid-Atlantic	56,999	45,371	11,628	71,448	57,829	13,619	0.798	0.785	0.854
Alabama	12,715	10,759	1,956	16,205	12,986	3,219	0.785	0.829	0.608
Florida	62,985	43,880	19,105	126,921	94,393	32,528	0.496	0.465	0.587
Georgia	43,383	32,576	10,807	55,192	46,067	9,125	0.786	0.707	1.184
Kentucky	8,125	6,638	1,487	8,383	7,058	1,325	0.969	0.940	1.122
Mississippi	10,324	6,447	3,877	8,642	7,460	1,182	1.195	0.864	3.280
North Carolina	46,140	38,876	7,264	54,626	45,259	9,367	0.845	0.859	0.775
South Carolina	22,881	18,374	4,507	28,523	23,400	5,123	0.802	0.785	0.880
Tennessee	19,736	16,701	3,035	23,953	20,481	3,472	0.824	0.815	0.874
Southeast/Caribbean	226,289	174,251	52,038	322,445	257,104	65,341	0.702	0.678	0.796
Illinois	24,129	13,925	10,204	32,774	22,004	10,770	0.736	0.633	0.947
Indiana	13,119	10,647	2,472	15,867	13,401	2,466	0.827	0.794	1.002
Michigan	9,196	8,266	930	16,338	14,126	2,212	0.563	0.585	0.420
Minnesota	8,781	7,450	1,331	14,226	11,759	2,467	0.617	0.634	0.540
Ohio	17,147	14,005	3,142	22,368	19,011	3,357	0.767	0.737	0.936
Wisconsin	10,792	8,516	2,276	14,830	11,476	3,354	0.728	0.742	0.679
Midwest	83,164	62,809	20,355	116,403	91,777	24,626	0.714	0.684	0.827
Arkansas	5,731	4,256	1,475	7,743	6,008	1,735	0.740	0.708	0.850
Louisiana	11,882	8,742	3,140	11,979	10,899	1,080	0.992	0.802	2.907
New Mexico	5,510	5,008	502	7,308	6,787	521	0.754	0.738	0.964
Oklahoma	7,946	6,323	1,623	9,094	7,845	1,249	0.874	0.806	1.299
Texas	94,718	67,685	27,033	119,315	91,112	28,203	0.794	0.743	0.959
Southwest	125,787	92,014	33,773	155,439	122,651	32,788	0.809	0.750	1.030
Iowa	5,477	4,276	1,201	6,827	5,392	1,435	0.802	0.793	0.837
Kansas	5,395	4,091	1,304	7,033	5,425	1,608	0.767	0.754	0.811
Missouri	10,985	7,982	3,003	14,778	10,270	4,508	0.743	0.777	0.666
Nebraska	3,709	3,253	456	4,416	3,872	544	0.840	0.840	0.838
Great Plains	25,566	19,602	5,964	33,054	24,959	8,095	0.773	0.785	0.737
Colorado	16,982	11,962	5,020	23,250	18,186	5,064	0.730	0.658	0.991
Montana	2,577	1,842	735	2,528	1,952	576	1.019	0.944	1.276
North Dakota	1,464	1,034	430	1,478	973	505	0.991	1.063	0.851
South Dakota	2,769	1,928	841	3,580	2,387	1,193	0.773	0.808	0.705
Utah	11,447	10,085	1,362	13,399	11,870	1,529	0.854	0.850	0.891
Wyoming	1,561	1,411	150	1,555	1,272	283	1.004	1.109	0.530
Rocky Mountain	36,800	28,262	8,538	45,790	36,640	9,150	0.804	0.771	0.933
Arizona	30,823	24,783	6,040	41,490	35,099	6,391	0.743	0.706	0.945
California	61,542	41,265	20,277	91,301	62,855	28,446	0.674	0.657	0.713
Hawaii	4,161	2,587	1,574	3,978	2,983	995	1.046	0.867	1.582
Nevada	12,282	10,476	1,806	25,779	17,595	8,184	0.476	0.595	0.221
Pacific	108,808	79,111	29,697	162,548	118,532	44,016	0.669	0.667	0.675
Alaska	982	543	439	1,646	960	686	0.597	0.566	0.640
Idaho	7,350	6,062	1,288	10,005	9,072	933	0.735	0.668	1.380
Oregon	12,765	9,347	3,418	15,514	11,592	3,922	0.823	0.806	0.871
Washington	24,162	17,062	7,100	25,272	18,988	6,284	0.956	0.899	1.130
Northwest	45,259	33,014	12,245	52,437	40,612	11,825	0.863	0.813	1.036
United States	767,239	562,962	204,277	1,029,805	788,117	241,688	0.745	0.714	0.845

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



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

CBSA	CBSA Name	2007 Through June		
		Total	Single Family	Multi-family*
26420	Houston-Sugar Land-Baytown, TX	35,380	24,746	10,634
12060	Atlanta-Sandy Springs-Marietta, GA	27,683	19,473	8,210
35620	New York-Northern New Jersey-Long Island, NY-NJ-PA	27,503	6,030	21,473
38060	Phoenix-Mesa-Scottsdale, AZ	23,753	18,053	5,700
19100	Dallas-Fort Worth-Arlington, TX	23,404	15,923	7,481
16980	Chicago-Naperville-Joliet, IL-IN-WI	19,282	10,224	9,058
31100	Los Angeles-Long Beach-Santa Ana, CA	14,453	5,588	8,865
47900	Washington-Arlington-Alexandria, DC-VA-MD-WV	13,362	8,953	4,409
42660	Seattle-Tacoma-Bellevue, WA	13,295	7,452	5,843
40140	Riverside-San Bernardino-Ontario, CA	12,875	11,076	1,799
16740	Charlotte-Gastonia-Concord, NC-SC	11,947	9,272	2,675
36740	Orlando-Kissimmee, FL	10,678	7,329	3,349
29820	Las Vegas-Paradise, NV	10,502	8,816	1,686
33100	Miami-Fort Lauderdale-Miami Beach, FL	9,023	4,212	4,811
12420	Austin-Round Rock, TX	8,835	7,121	1,714
19740	Denver-Aurora, CO	8,764	4,800	3,964
39580	Raleigh-Cary, NC	8,252	6,828	1,424
38900	Portland-Vancouver-Beaverton, OR-WA	7,667	4,914	2,753
41700	San Antonio, TX	7,410	5,240	2,170
37980	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	7,406	5,177	2,229
34980	Nashville-Davidson--Murfreesboro, TN	7,323	6,556	767
45300	Tampa-St. Petersburg-Clearwater, FL	7,030	4,568	2,462
27260	Jacksonville, FL	6,441	4,427	2,014
41180	St. Louis, MO-IL	6,122	4,710	1,412
14460	Boston-Cambridge-Quincy, MA-NH	5,660	2,399	3,261
33460	Minneapolis-St. Paul-Bloomington, MN-WI	5,228	4,315	913
40900	Sacramento--Arden-Arcade--Roseville, CA	5,077	4,240	837
15980	Cape Coral-Fort Myers, FL	4,813	3,515	1,298
41860	San Francisco-Oakland-Fremont, CA	4,788	2,825	1,963
32820	Memphis, TN-MS-AR	4,671	3,364	1,307
41740	San Diego-Carlsbad-San Marcos, CA	4,411	2,215	2,196
26900	Indianapolis, IN	4,355	3,855	500
28140	Kansas City, MO-KS	4,325	3,478	847
17900	Columbia, SC	4,052	3,258	794
40060	Richmond, VA	4,032	3,410	622
16700	Charleston-North Charleston, SC	3,786	3,165	621
35380	New Orleans-Metairie-Kenner, LA	3,773	2,037	1,736
17140	Cincinnati-Middletown, OH-KY-IN	3,766	3,101	665
47260	Virginia Beach-Norfolk-Newport News, VA-NC	3,754	2,679	1,075
12580	Baltimore-Towson, MD	3,467	2,769	698
48900	Wilmington, NC	3,444	2,626	818
25060	Gulfport-Biloxi, MS	3,411	1,474	1,937
32580	McAllen-Edinburg-Mission, TX	3,397	2,882	515
31140	Louisville, KY-IN	3,337	2,664	673
46060	Tucson, AZ	3,247	3,088	159
36420	Oklahoma City, OK	3,133	2,929	204
41620	Salt Lake City, UT	3,127	2,496	631
24860	Greenville, SC	3,093	2,505	588
18140	Columbus, OH	3,091	2,333	758
14260	Boise City-Nampa, ID	3,072	2,464	608

*Multifamily is two or more units in structure.

** As per new OMB Metropolitan area definitions.

Source: Census Bureau, Department of Commerce