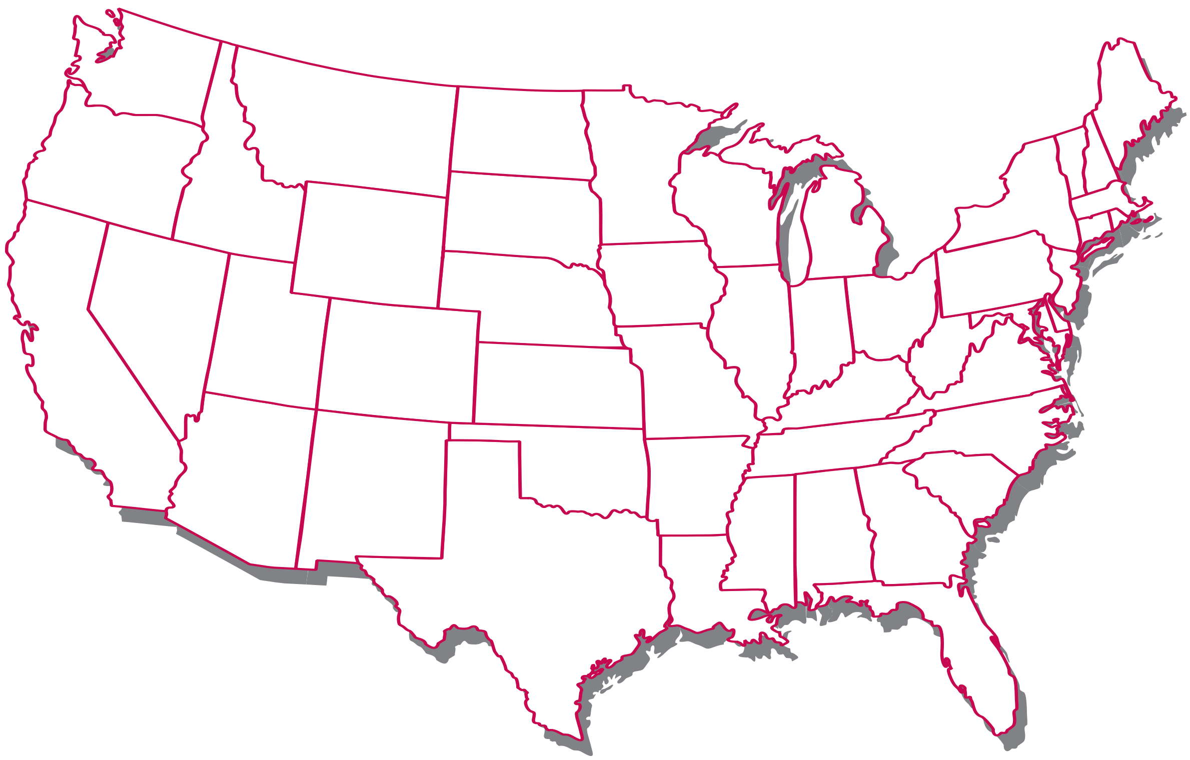
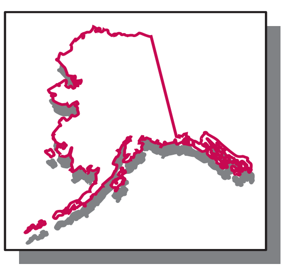
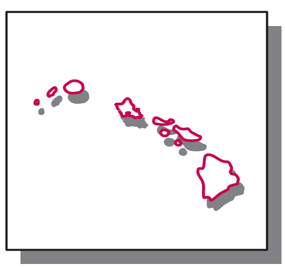
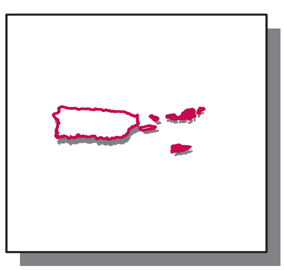
Regional Activity





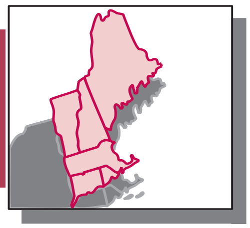




The following summaries of housing market conditions and activities have been prepared by economists in the U.S. Department of Housing and Urban Development's (HUD's) field offices. The reports provide overviews of economic and housing market trends within each region of HUD management. Also included 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 slightly more than 7 million jobs, a net increase of 69,700 jobs, or 1 percent, during the 12 months ending September 2007 compared with the previous 12 months, continuing a moderately increasing rate of growth since 2003. Nonfarm employment in the southern New England states of Massachusetts, Connecticut, and Rhode Island increased by 59,200 jobs, or 1.1 percent, a higher rate than the increase in the region, accounting for 85 percent of the total gain. Nonfarm employment in Maine and Vermont increased by 2,700 and 1,600 jobs, respectively, reflecting a growth rate of 0.5 percent in both states.

Since 2003, the service-providing sectors in the region have shown a significant rate of job growth. These sectors continued this trend in job growth, accounting for a gain of nearly 80,000 jobs, or 1.3 percent, during the 12 months ending September 2007, bringing the total to more than 6 million jobs in the region. New Hampshire, Massachusetts, and Rhode Island had job growth rates of 1.8, 1.5, and 1.4 percent, respectively, in the service-providing sectors, accounting for 56,400 jobs, or 70 percent of the total gain in the region. Job growth in the service-providing sectors in Maine and Vermont has been weak during the third quarter of 2007, totaling only 5,300 new jobs, or 0.6 and 0.7 percent, respectively. Growth in the professional and business services and the education and health services sectors in the region accounted for more than 50,000 new jobs, or a 64-percent increase, even though those sectors represent only 36 percent of the total service-providing employment in the region. Goods-producing sectors lost nearly 10,000 jobs, or 1 percent, with 90 percent of the loss occurring in New Hampshire and Massachusetts. Only Connecticut gained goods-producing jobs, with an increase of 1,500 construction jobs; this gain, however, was partially offset by a 900-job loss in manufacturing. During the 12 months ending September 2007, the average unemployment rate in the region was 4.6 percent, unchanged from the previous 12-month period. The most notable changes occurred in Vermont and Rhode Island. In the past year, the average unemployment rate increased from 3.6 to 3.9 percent in Vermont but decreased from 5.2 to 4.8 percent in Rhode Island.

The single-family sales market in the New England region remains moderately soft; however, year-over-year declines in sales are moderating, and some markets are experiencing stable pricing with some small increases. According to the Massachusetts Association of REALTORS® (MAR), single-family sales for the 12 months ending September 2007 totaled about 42,600 homes, down only 3 percent from the previous 12 months. The inventory of single-family homes for sale was 37,740, down 13 percent from September 2006 and representing about a 12-month supply. The average number of days on the market was 129 in September 2007, up only slightly from 124 days in September 2006. The median home sales price in Massachusetts for the 12-month period ending September 2007 was estimated at $348,250, relatively unchanged from the price for the previous 12-month period.

The Rhode Island Association of REALTORS® (RIAR) reported that the number of single-family sales in the state totaled about 7,900 for the 12 months ending September 2007, down 8 percent compared with the previous 12 months. The average number of days on the market increased from 74 to 84 during the same period. The median sales price was $277,000, down 3 percent compared with the median price from the previous year. According to the Maine Real Estate Information System, Inc., single-family sales in the state totaled about 12,500 homes for the 12 months ending September 2007, down 10 percent from the number sold for the previous 12 months. The median price of $193,400 was relatively unchanged from the previous 12-month period. The Connecticut Association of REALTORS® reported that the number of existing homes and condominiums sold during the 12 months ending June 2007 was 71,100, down 9 percent from the number sold during the previous 12 months. The median sales price for single-family homes was estimated at $322,750, up 2 percent from the previous year's median price. The median prices for the first two quarters of 2007 were up 3 percent and 11 percent, respectively, from the corresponding quarters in 2006.

Recently condominium markets generally have been experiencing more price stability and smaller declines in sales compared with single-family markets. MAR reported sales of 20,540 condominium units in Massachusetts during the 12-month period ending September 2007, down only 2 percent from the number sold the previous year; however, sales for the first 9 months of 2007 were 1 percent higher than sales for the same period in 2006. The median sales price for the 12-month period ending September 2007 was estimated at $280,400, up 2 percent from the previous 12-month period. Continued demand from empty-nesters and high-income buyers has kept the downtown Boston market strong. According to Listing Information Network, sales of condominium units increased by 5 percent to 1,023 units in the third quarter of 2007 compared with the third quarter of 2006, and the median sales price increased 5 percent to $439,000. According to RIAR, sales of condominium units in Rhode Island were down only 4 percent to about 1,830 units for the 12 months ending September 2007 compared with the previous 12 months, and the median sales price was down 4 percent to an estimated $219,850. The number of days on the market for condominium units increased nearly 30 percent to more than 100 days from a year earlier.

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 0.5-percent gain for the second quarter of 2007 compared with the second quarter of 2006, resulting in a last place ranking among the nine census regions. The highest ranking states in the region were Vermont and Maine, at nearly 4 percent, and the lowest ranking states were Rhode Island and Massachusetts, at 1 percent.

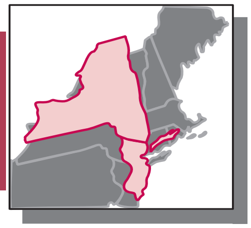
With sales in existing home markets continuing to slow and lending standards continuing to tighten, new construction activity, as measured by the number of building permits issued, has declined substantially. Single-family homebuilding activity in the region declined more than 22 percent to 27,750 units during the 12 months ending September 2007 compared with the 12 months ending September 2006. The only two states with less than a 20-percent decline in single-family construction were Maine and Rhode Island, whose major metropolitan markets, Portland and Providence, respectively, are adjacent to the Boston metropolitan area on the north and south, respectively. The number of single-family building permits issued in the Boston metropolitan area was down 25 percent to 5,160 during the 12-month period ending September 2007 compared with the 12-month period ending September 2006.

The recent decline in the number of multifamily units permitted is also continuing after the peak growth years of 2005 and 2006. During the 12 months ending September 2007, the number of multifamily units permitted declined by 27 percent to about 11,400 units. The number permitted in Massachusetts declined by 25 percent to 7,000 units, but that number still represents 60 percent of the multifamily building activity in the region. Rhode Island and New Hampshire had the steepest declines in permits issued, 61 percent and 41 percent, respectively, because recently completed units are being absorbed in Providence and southern New Hampshire. Only Maine had virtually no change in the number of multifamily units permitted during the past year, remaining stable at about 700 units.

Conditions in most rental markets in the New England region generally are balanced; vacancy rates are in the 4-to-7-percent range, limited additions have been made to the inventory, and relatively modest pressures have been placed on rent increases. Conditions in the Boston metropolitan area market, however, are far different than those in the Fairfield County, Connecticut market. According to Reis, Inc., the Boston apartment rental market continues to expand with more than 6,300 new rental units added to the inventory during the past 12 months and another 4,650 rental units scheduled for completion by the end of 2008. The apartment rental vacancy rate is 5.8 percent, up from 4.8 percent a year ago, and concessions, mostly in the form of 1 or 2 months of free rent, are becoming more common. For the 12 months ending September 2007, the effective rent is $1,590, up 3 percent from the rent for the 12 months ending September 2006. The significant new inventory additions are expected to result in higher vacancy rates and limited rent increases during at least the next 2 years.

In the Fairfield County, Connecticut area, adjacent to New York City, the apartment rental market is very tight and getting tighter. With virtually no rental unit completions added to the market during 2006 and only 369 completed in 2007, the rental vacancy rate has fallen to 3.0 percent from 3.2 percent a year ago. The tight market has put upward pressure on rents; the current effective rent is $1,736, up 6 percent from the previous year. With more than 800 units currently under construction, the market should become more balanced and some of the rent pressure should be alleviated in the next year.

New York/ New Jersey



Moderate employment growth occurred in the New York/New Jersey region during the 12 months ending September 2007. When compared with the number of jobs recorded in the 12 months ending September 2006, total nonfarm employment in the region increased by 113,500 jobs, up 0.9 percent, to 12.8 million, primarily due to hiring in service-providing industries. New York led the regional increase with 88,200 new jobs, up 1 percent to 8.7 million. In New Jersey, nonfarm employment averaged 4.1 million, up 25,300 jobs, or 0.6 percent.

Employment growth in New York City accounted for more than 60 percent of total statewide job gains during the 12 months ending September 2007. Nonfarm employment in the city increased by 55,300 jobs, or 1.5 percent, to 3.7 million jobs compared with the number of jobs for the same 12 months a year earlier. Job growth was concentrated in the financial activities, professional and business services, and leisure and hospitality sectors, with a combined increase of 35,000 jobs, up almost 3 percent for the year. According to the Federal Reserve Bank's Beige Book, the tourism industry in New York City has improved. Hotel occupancy rates in the city are near full capacity with room rates priced 10 to 15 percent higher than the rates were a year ago; attendance at Broadway theaters was also reported to be 10 percent above the attendance rates for the past year.

Nonfarm employment in most Downstate New York metropolitan areas increased between 1 and 2 percent during the past 12 months. In the Nassau-Suffolk metropolitan area, one of the larger labor markets, employment increased by 10,900 jobs, or 0.9 percent. Growth rates were below 0.5 percent in most Upstate New York areas, including the Albany-Schenectady-Troy metropolitan area, which was up 0.4 percent, or 1,700 jobs. In western New York, both the Buffalo-Niagara Falls and Rochester metropolitan areas registered employment gains, up 1,800 and 1,100 jobs, respectively; the Syracuse metropolitan area recorded 1,400 new jobs for a 0.4-percent increase.

In New Jersey, during the 12-month period ending September 2007, service-providing employment increased by 33,700 jobs, up almost 1 percent compared with the number of jobs a year earlier. The most significant increases occurred in the financial activities, professional and business services, and education and health services sectors, which added a total of 23,300 new jobs. Gains in these sectors were partially offset by the loss of 7,300 manufacturing jobs, resulting in a 2.2-percent decline.

In the New York/New Jersey region, a decline in the number of unemployed people and the contraction in the size of the civilian labor force resulted in a decrease in the average annual unemployment rate, from 4.7 to 4.3 percent in the 12 months ending September 2007 compared with the rate of a year ago. In New York, the unemployment rate decreased from 4.7 to 4.4 percent; in New Jersey, it declined from 4.7 to 4.3 percent.

Sales housing market conditions in much of the New York/New Jersey region continued to slow during the past 12 months due to increased foreclosures and tighter credit conditions. During the 12-month period ending September 2007, the New York State Association of REALTORS®, Inc., reported that the number of single-family sales in New York State (excluding parts of New York City) decreased by almost 10 percent to 94,700 units compared with the number recorded during the same period a year ago. During this same period, the median price of a single-family home decreased by 4 percent to $245,500. Similarly, the New Jersey Association of REALTORS® indicated that the number of single-family sales in the 12 months ending June 2007 declined 15 percent to 147,400 units. Although sales activity in Northern New Jersey, the largest market area in the state, increased 15 percent during this period, a 19-percent decline in sales in both Central and Southern New Jersey offset this increase. Despite fewer sales, the median price of an existing single-family home in New Jersey increased to $371,500 in the 12 months ending June 2007, a 2-percent gain from the price recorded a year ago. In Northern New Jersey, the most expensive housing market in the state, the median price of a home increased 2 percent to $454,300. In Central and Southern New Jersey, the median price of a single-family home remained stable at $365,100 and $236,300, respectively, compared with the price recorded a year earlier.

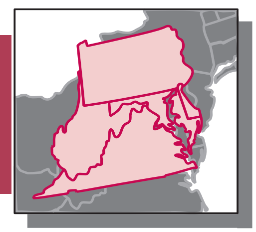
One notable exception to the slow sales market conditions in the region was New York City, where market conditions were tight due to steady employment growth generating demand for sales housing. According to Prudential Douglas Elliman Real Estate, the median price of a Manhattan co-op/condominium unit increased 2.3 percent to $864,400 in the third quarter of 2007 compared with the price in the third quarter of 2006. Total sales increased 65 percent to 3,500 units, with strong demand for three- and four-bedroom units. Due to sales increases, listing inventory declined 32 percent to 5,200 units; at the current sales rate, this inventory represents less than a 2-month supply. The number of days on the market also decreased 18 percent to 123 days. If the economy remains strong, the tight sales market conditions are expected to continue in Manhattan.

Sales volumes in most Upstate New York housing markets declined, and housing prices either decreased or increased only slightly from the prices recorded a year ago. According to the Greater Capital Area Association of REALTORS®, single-family housing sales in the Albany-Schenectady-Troy metropolitan area in the 12 months ending September 2007 declined to approximately 9,600 units, down 3 percent compared with the number of sales in the same period a year ago. Despite this decrease, the median price of an existing single-family home in the area increased 2 percent to $191,600. According to the Buffalo Niagara Association of REALTORS®, existing home sales increased 3 percent to 8,400 units compared with the number of units sold a year earlier; the median price increased 2 percent to $103,500. In the Rochester metropolitan area, sales activity remained stable at 5,936 units, and the median sales price increased 5 percent to $115,400.

Employment growth, combined with higher mortgage interest rates and tighter lending standards, has created demand for rental apartments in much of the region. Extremely tight rental market conditions exist in New York City due to steady employment growth. Reis, Inc., statistics in September 2007 indicated a decline in the apartment vacancy rate to 2.2 percent compared with 2.5 percent a year earlier. Average monthly apartment asking rents in the city are up 9.4 percent from the asking rents a year ago to approximately $2,759. In Central and Northern New Jersey, apartment vacancy rates in the third quarter of 2007 increased to 3.2 and 3.5 percent, respectively, and rent increases averaged between 4 and 5 percent annually. During this period, monthly apartment rents in Central New Jersey increased to $1,125, up 4 percent, while in Northern New Jersey average monthly rents increased 4.8 percent to $1,476. As of September 2007, Reis, Inc., data indicated balanced rental market conditions in the Buffalo, Syracuse, and Rochester areas, with apartment vacancy rates between 4 and 5 percent. Average monthly apartment asking rents in these metropolitan areas increased between 3 and 4 percent during the year, with monthly rents ranging from $654 in Syracuse to $728 in the Rochester area.

Fewer sales and an increased housing inventory have resulted in reduced residential construction activity, as measured by the number of units permitted, in the New York/New Jersey region. In the 12-month period ending September 2007, 9,700 fewer housing units were permitted in the region, an 11-percent reduction to 79,600 units compared with the number permitted in the same period a year ago. Reduced single-family building activity accounted for most of the decline in the region, down 8,600 units, or 21 percent, to 31,500 units; multifamily housing decreased by 1,100 units, or 2 percent, to 48,000 units. In New Jersey, almost 7,000 fewer units were permitted, a 22-percent decline from the number permitted a year ago. In New York, 54,100 units were permitted, a 5-percent overall decline from the number of units a year earlier. Single-family housing construction in New York, as measured by the number of building permits issued, decreased by 3,600 units, or 17 percent, but the number of multifamily units permitted increased 3 percent to 36,100 units.

MID-ATLANTIC



The economy of the Mid-Atlantic region experienced moderate, but slower, employment growth during the 12 months ending September 2007 compared with the previous 2 years. Average nonfarm employment increased to 14,060,350, a gain of 149,775 jobs, or 1 percent, compared with increases of 1.3 and 1.6 percent, respectively, during comparable 12-month periods ending in 2006 and 2005. The leading growth sectors, professional and business services and education and health services, both had strong but slowing gains in new jobs. The professional and business services sector added 49,800 jobs, or 2.5 percent, compared with an increase of 53,450 jobs in the 12 months ending September 2006; the education and health services sector increased by 2.3 percent, adding 46,350 jobs compared with the growth of 2.5 percent a year ago. Job gains in these sectors were more than sufficient to offset the loss of 18,700 jobs in the manufacturing sector during the year. Except in Pennsylvania, where conditions remained relatively stable compared with a year ago, the pace of employment growth in the remaining Mid-Atlantic states slowed during the past year. In Pennsylvania, 27,600 new jobs were added in the education and health services sector, accounting for 54 percent of the new jobs in the state and almost 60 percent of growth in the sector in the region. During the 12 months ending September 2007, the regional unemployment rate was 3.9 percent, down from 4.1 percent a year ago.

Slower economic growth, tighter lending practices, and buyers waiting for lower prices all contributed to weakness in existing home sales markets in the Mid-Atlantic region. The Maryland Association of REALTORS® reported that the average monthly inventory of homes for sale in the state increased 32 percent, to 42,100, during the 12 months ending September 2007. Approximately 66,700 existing homes were sold in Maryland during the 12-month period, a decrease of 20 percent compared with the 83,900 homes sold during the comparable period ending in 2006. The average home sales price rose by only 2 percent, to $361,900, down from the 9-percent increase in price recorded during the previous year as sellers reduced asking prices and accepted lower offers. In the Baltimore metropolitan area, which accounts for almost one-half the number of existing home sales in the state, 32,400 homes were sold at an average price of $315,850, reflecting a 14-percent decrease in the number of sales but a 2-percent increase in the sales price during the 12 months ending September 2007. The number of homes sold in the Maryland suburbs that surround the city of Washington, D.C., declined by almost 28 percent to 19,825 homes, and the average price increased 5 percent to $451,750 compared with the 12 months ending September 2006.

Sales volume declined throughout Virginia as the average number of days on the market increased. According to the Virginia Association of REALTORS®, 103,000 existing homes were sold in the state during the 12 months ending August 2007, a decline of 15 percent from the number sold during the 12 months ending August 2006. The average home price for the year was $280,150, relatively unchanged from a year ago, and the number of days on the market increased from 97 to 125. A total of 24,850 homes were sold in Northern Virginia through August 2007, a decline of 14 percent from the 28,900 sold during the comparable 12-month period in 2006. Average home prices remain the highest in the state, at $524,550, but are down 3 percent from the average of $540,900 reported for the 12 months ending August 2006. The average number of days on the market doubled during the year, currently ranging from approximately 85 days for close-in suburbs to 115 days in the outlying parts of the metropolitan area. The 12-month volume of sales in the Richmond, Virginia metropolitan area, at 15,050 homes, was more than 7 percent below the 16,250 homes reported sold during the 12-month period ending August 2006. The average price of an existing home in the Richmond area rose by 6 percent to $276,350.

Existing home sales activity declined in all other states in the region during the 12 months ending June 2007 (the most recent data available). During that period in Pennsylvania, according to the NATIONAL ASSOCIATION OF REALTORS®, 230,600 homes were sold, a decrease of almost 5 percent from the number sold during the 12-month period ending June 2006. In the same period, the number of homes sold in Delaware fell by more than 10 percent, to 16,800 homes. In West Virginia, 30,400 homes were sold, almost 14 percent fewer than during the 12 months ending June 2006.

Declining sales of existing homes affected the new construction market as well. Buyers hoping to trade up have been unable to sell existing property in a timely manner, resulting in delays or cancellations of purchase contracts. Builders have responded by reducing the volume of new home construction. In total, approximately 85,100 single-family homes were permitted in the region during the 12 months ending September 2007, a 22-percent decline from the number of new homes permitted in the previous year. Virginia accounted for most of the decrease in homebuilding; the number of permits issued in the state declined 25 percent, to 31,430 homes, during the past 12 months. Pennsylvania and Maryland issued permits for 30,100 and 15,440 new homes, respectively, or 15 and 29 percent fewer, respectively, than during the 12 months ending September 2006. New home construction also declined in Delaware, down almost 29 percent to 4,390 homes, and in West Virginia, where permits were issued for 3,720 homes, 27 percent fewer permits than a year ago. Only Washington, D.C., reported increased construction, with the 605 homes permitted exceeding the previous year's 77 permits. Much of the new development is occurring in affordable housing developments in the Northeast and Southeast quadrants of the city.

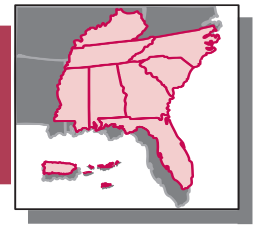
Multifamily construction in the region, as measured by the number of units permitted, declined by 5,750 units, or 22 percent, to 20,640 units during the 12 months ending September 2007. Only Maryland reported an increase in multifamily construction, with units permitted increasing 10 percent to 6,950 units. Nearly 60 percent of the increase occurred in Prince George's County, where much of the rental development is occurring around the Metrorail stations that connect the county to Washington, D.C. Multifamily building activity declined in all of the largest metropolitan areas in the region. The Washington, D.C. metropolitan area permitted the largest number of new multifamily units, approximately 7,100, but it was a decrease of 30 percent from a year ago. In the Philadelphia metropolitan area, the second leading area in the region for multifamily development, the number declined by 23 percent to 3,525 multifamily units permitted.

Conditions varied in the largest rental markets in the Mid-Atlantic region during the 12 months ending September 2007. The market softened but remained balanced in the Washington, D.C. metropolitan area. According to Delta Associates, 4,950 new units are being marketed in apartment projects. In addition, approximately 1,950 units in 10 developments originally planned as condominiums have changed to rental apartments. The vacancy rate for Class A garden apartments in the Washington, D.C. metropolitan area increased to 6 percent, compared with approximately 4 percent a year ago. In Northern Virginia, the apartment vacancy rate for highrise Class A units increased substantially from 6 percent in September 2006 to 14 percent in September 2007. Highrise Class A vacancy rates increased slightly from 1 to 3 percent in suburban Maryland and declined from nearly 7 to 4 percent in Washington, D.C., comparing September 2007 with a year ago.

In the Baltimore metropolitan area, the rental market has softened. According to Delta Associates, the vacancy rate for Class A apartments in the northern and western suburbs increased from 2 percent in September 2006 to approximately 7 percent in September 2007 due to the active marketing of 300 units in two projects. In the southern suburbs, the vacancy rate rose to nearly 9 percent, compared with nearly 3 percent a year ago. Most of the increase in vacancy in the southern suburbs occurred in Anne Arundel County, where approximately 1,000 units were in lease-up. Market conditions remain soft in the city of Baltimore, where the vacancy rate increased from 9 percent to more than 15 percent with 450 units in lease-up.

The rental market in the Philadelphia metropolitan area tightened slightly during the past 12 months. Delta Associates reported the apartment vacancy rate was almost 8 percent in September 2007, compared with 9 percent in September 2006. In the suburban Pennsylvania counties, the vacancy rate was less than 5 percent, down nearly 7 percent from a year ago, because of good absorption and the addition to the inventory of only 130 new units. Vacancy rates for highrise apartments in Center City Philadelphia more than doubled to almost 14 percent in September 2007 as two new projects marketed approximately 400 units.

SOUTHEAST/ CARIBBEAN



The economy of the Southeast/Caribbean region continued to expand during the third quarter of 2007 but at a slower pace compared with the expansion rate during the third quarter of 2006. Average nonfarm employment increased to 27,092,900 jobs during the 12 months ending September 2007, a gain of 389,300 jobs compared with an increase of 581,800 jobs during the 12 months ending September 2006. Employment in the service-providing sectors increased by 416,200 jobs during the past 12 months, offsetting a decrease of 27,000 jobs in the goods-producing sectors. The education and health services and leisure and hospitality sectors led the growth in the service-providing sectors, with gains of 99,800 and 78,700 jobs, respectively. During the 12 months ending September 2007, 61,100 manufacturing jobs were lost in the goods-producing sector, while employment in the construction sector increased by 35,200 jobs. The number of manufacturing jobs lost, primarily the result of job losses in nondurable goods production, was more than double the 26,700 manufacturing jobs lost during the previous 12 months. The 35,200 construction jobs added during the 12 months ending September 2007 amounted to less than one-third of the 108,300 construction jobs added during the previous 12 months.

Although every state in the Southeast/Caribbean region posted employment gains during the past year, only Mississippi recorded a faster pace of growth compared with the rate of growth during the previous year. In Mississippi, nonfarm employment increased by 22,400 jobs, or 2 percent, during the 12 months ending September 2007 compared with the number of jobs during the same 12 months a year earlier. Employment in the state's leisure and hospitality and construction sectors gained 5 percent each, which resulted in a total of 9,000 new jobs. In Florida, nonfarm employment increased by 136,700 to 8,104,000 jobs during the past 12 months compared with the increase of 239,700 jobs recorded during the previous 12 months. In North Carolina, strong growth in the Charlotte and Raleigh metropolitan areas contributed 39,000 of the state's 88,800 nonfarm jobs created during the past 12 months. The unemployment rate for the region improved to an average of 4.7 percent during the 12 months ending September 2007 compared with the 4.9-percent rate recorded during the previous 12 months.

Existing home sales decreased in most markets in the region during the past 12 months. The largest declines were reported in Florida, where 139,900 homes were sold during the 12 months ending September 2007, a decrease of 55,200 units, or 28 percent, compared with the number sold during the 12 months ending September 2006. According to the Florida Association of REALTORS®, the median sales price for homes sold in the state during the first 9 months of 2007 was $237,400, a decrease of 4.5 percent from the median price of $248,700 reported during the same period of 2006.

The South Carolina Association of REALTORS® reported that 64,200 homes were sold statewide during the 12 months ending September 2007, a 9-percent decline from the 70,800 homes sold during the 12 months ending September 2006. Ten of South Carolina's 15 local boards of REALTORS® reported sales declines; the largest decreases occurred in the Myrtle Beach and Charleston areas, where 3,200 and 2,775 fewer units, respectively, were sold. The median price of homes sold in the state during the first 9 months of 2007 was $160,000, unchanged from the price recorded during the same period of 2006. In North Carolina, existing home sales decreased and average prices increased in the state during the 12 months ending September 2007. According to data from the North Carolina Association of REALTORS®, Inc., in 20 reporting areas, the number of home sales decreased to 130,900, a 7-percent reduction compared with the number of sales recorded during the 12-month period ending September 2006. The average price increased by 2 percent to $221,300 during the period. Mirroring the statewide figures, existing home sales declined and average prices increased in each of the state's three largest metropolitan areas. In Charlotte, existing home sales declined by 6 percent to 40,750 while the average price increased by 5 percent to $231,000. In Raleigh, sales of new and existing homes declined by 4 percent to 35,350 while the average price increased by 5 percent to $237,400. In Greensboro, home sales declined by 5 percent to 16,925 while the average price increased by 1 percent to $178,800.

In Tennessee, single-family home prices in the Knoxville, Memphis, and Nashville metropolitan areas continued to increase during the past year despite slowing sales and rising inventories of unsold homes in all three areas. During the 12 months ending September 2007, the average price in Knoxville increased by 4 percent to $195,000 while sales declined by 9 percent to 14,050 homes and the average monthly inventory grew by 30 percent to 10,100 homes. During the same period, the average price in Memphis increased by 1 percent to $177,000 while sales dropped by 13 percent to 15,550 homes and the average monthly inventory increased by 25 percent to 11,550 homes. In Nashville, the median price increased by 2 percent, from $178,900 in September 2006 to $182,300 in September 2007. During the past 12 months, single-family home sales in Nashville declined by 11 percent to 28,800 and the average monthly inventory grew by 28 percent to 13,250 homes.

According to the Alabama Real Estate Research and Education Center, 58,200 homes were sold statewide during the 12 months ending September 2007, a 3-percent decrease compared with the 60,000 homes sold during the same period a year ago. During the past 12 months, with sales slowing, the supply of homes on the market was up significantly, averaging 39,400 units, a 27-percent increase compared with the 31,100 unsold units recorded during the previous 12 months. The average price of a home sold in Alabama during the 12 months ending September 2007 was $159,800, a 2.8-percent increase from the price recorded during the same period a year earlier. In contrast, during the 12 months ending September 2006, the average price increased by 7.3 percent

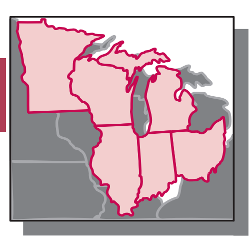
Single-family homebuilding in the Southeast/Caribbean region, as measured by the number of building permits issued, reached a record level of 521,600 units during the 12-month period ending March 2006. Since that time, new home production has declined rapidly throughout the region as developers cut production in response to declining demand and excessive inventories of new and existing unsold homes. During the 12-month period ending September 2007, building permits were issued for 325,000 single-family homes in the region, a decrease of 151,100 units, or 32 percent, compared with the number permitted during the 12-month period ending September 2006. New home production in Florida fell 50 percent to 84,800 units during the past 12 months. All Florida metropolitan areas recorded declines, led by Tampa, where the decrease was 13,000 units, or almost 60 percent. In the remainder of the region, decreases ranged from 14 percent in North Carolina to 30 percent in Georgia. In the Atlanta metropolitan area, single-family building permits fell by 21,900, or 37 percent.

Apartment market conditions in the region were mixed during the third quarter of 2007. According to surveys conducted by Reis, Inc., apartment vacancy rates increased in 10 of the 19 market areas surveyed compared with the vacancy rates during the third quarter of 2006. All five of the Florida markets surveyed recorded vacancy rate increases, because apartment properties faced increased competition from a growing supply of unsold single-family homes and condominium units made available for rent. Vacancy rate increases of more than

2 percentage points from last year were recorded in the Jacksonville and Orlando markets, both of which posted an apartment vacancy rate of 6.8 percent during the third quarter of 2007. The Miami apartment market remained tight with a vacancy rate of 3.7 percent during the third quarter of 2007 compared with 3.3 percent during the same period of 2006. Vacancy rates decreased to approximately 7 percent in both Lexington and Louisville, the two Kentucky markets surveyed. In North Carolina, the apartment vacancy rate in the Charlotte market decreased to 6.3 percent, because strong employment growth produced sufficient demand to absorb a significant increase in the apartment inventory.

Multifamily construction, as measured by the number of units permitted, decreased in the region during the past 12 months. Although activity in local markets varied considerably, the number of multifamily units permitted in the region declined by 20 percent to 97,250 units during the 12 months ending September 2007. In Florida, the number of multifamily units permitted decreased by 24,000 units, or 40 percent, because apartment and condominium builders reacted to softer rental markets and larger inventories of unsold condominiums. During the past year, of all states in the region, Mississippi recorded the largest increase in the number of multifamily units permitted, increasing 174 percent from 1,750 units in the 12 months ending September 2006 to 4,800 units in the 12 months ending September 2007. Most of the increase occurred in the Gulfport-Biloxi metropolitan area along the coast, where Hurricane Katrina rebuilding activity produced an almost fivefold increase in multifamily building permits to 2,400 units. In North Carolina, Charlotte continued to record significant condominium and apartment activity in response to a growing population attracted by a rapidly expanding local economy. During the past 12 months in the Charlotte area, 5,601 multifamily units were permitted, an increase of 1,753 units, or 46 percent, compared with the number permitted during the previous 12 months.

MIDWEST



Economic conditions in the Midwest region continued to improve slowly during the third quarter of 2007. In the 12 months ending September 2007, average nonfarm employment in the region increased by 61,000 jobs to 24.4 million jobs. Hiring in the education and health services, professional and business services, and leisure and hospitality sectors added 60,000, 55,000, and 26,000 jobs, respectively, offsetting losses in the manufacturing and construction sectors of 64,000 and 25,000 jobs, respectively. Economic performance varied in the individual states and major metropolitan areas during the past 12 months. Illinois registered a 1-percent increase, or a gain of 57,000 jobs, while Michigan suffered a 1-percent decrease, or a loss of 36,000 jobs. Indiana, Minnesota, and Wisconsin recorded employment gains ranging from 10,000 to 20,000 jobs, offsetting Ohio's loss of 4,000 jobs. The manufacturing sectors in Cincinnati and Cleveland continued to show signs of slowing in the third quarter of 2007, with new orders and production down in the 12 months ending September 2007 compared with the previous 12-month period. In contrast, Milwaukee's manufacturing sector continued to strengthen, with production and employment up during the past 12 months. The average unemployment rate in the region was 5.3 percent for the 12 months ending September 2007, unchanged from the previous 12-month period.

Sales of existing homes and home price appreciation in the Midwest region slowed during the second quarter of 2007. According to the NATIONAL ASSOCIATION OF REALTORS®, the annual rate of sales of existing homes in the region was reported at 1 million during the quarter, a decrease of 9 percent compared with the second quarter of 2006. Home price appreciation in the region also slowed during the second quarter of 2007, according to the Office of Federal Housing Enterprise Oversight (OFHEO). All states in the region recorded annual appreciation rates below the rates recorded in the second quarter of 2006, except Indiana where the rate was unchanged at 3 percent. Home price appreciation rates in Illinois and Wisconsin were 4 and 3.5 percent, respectively, exceeding the national rate of 3 percent. Indexes in Michigan, Minnesota, and Ohio were below the national rate. Contributing to the relatively softer home sales market in the region has been the higher rate of home foreclosures compared with other regions in the country. During the second quarter of 2007, the 2.6-percent foreclosure rate recorded in the region ranked first in the country, well above the national rate of 1.4 percent, according to the Mortgage Bankers Association®

Existing homes sales in the third quarter of 2007 continued to decline in most areas of the region. In Michigan, the slow economy continued to affect home sales markets throughout the state. Sales of existing homes were down 7 percent in the 12 months ending September 2007 compared with same period a year earlier. Slower economic growth also dampened existing home sales in Ohio. According to the Ohio Association of REALTORS®, sales were down 6 percent to 133,400 homes during the 12 months ending September 2007. In the Cleveland and Columbus metropolitan areas, sales activity was down 6 to 7 percent, and the average sales price decreased 1 to 2 percent to $164,800 and $171,700, respectively. In the Cincinnati area, existing home sales and the average price fell by 10 and 3 percent, respectively.

Despite strengthening economies in most states of the region, sales of existing homes slowed primarily because of higher interest rates and tighter lending practices. In Illinois, the 150,000 homes sold in the state during the 12 months ending September 2007 were 15 percent below the number of sales in the previous 12-month period and 12 percent below the average 172,000 homes sold annually in the past 5 years. The statewide decline in sales activity was led by a 19-percent decrease in the Chicago metropolitan area. According to the Chicago Association of REALTORS®, in the past year the average monthly inventory of homes for sale rose to approximately 95,000, 23 percent more than the average monthly inventory a year earlier. In Wisconsin, sales of existing homes in major market areas continued to ease in the third quarter of 2007 compared with the third quarter of 2006. According to multiple listing services in Madison and Milwaukee, home sales activity in the metropolitan areas decreased 7 and 10 percent, respectively, during the 12 months ending September 2007. In the Minneapolis-St. Paul metropolitan area, sales of existing homes were down 17 percent in the past 12 months, but the average price of existing homes increased 1 percent to $276,300.

In response to declining sales demand and the increased inventory of unsold new homes, single-family construction in the region, as measured by the number of building permits issued, declined by 31 percent in the 12 months ending September 2007 to 126,100 homes, the lowest level in 10 years. All states in the region showed declines in single-family construction activity, with Illinois and Michigan accounting for approximately one-half of the decrease. During the past 12 months, home builders in Chicago cut back construction of single-family homes to 17,000 units in the metropolitan area, the lowest number of new homes in 15 years. The Building Industry Association of Southeast Michigan reported that residential construction in the Detroit area continued to decline in the third quarter of 2007 due to the slow local economy. During the 12 months ending September 2007, building permits were issued for approximately 4,300 single-family homes in the metropolitan area, well below the annual average of 13,000 single-family permits issued during the past 5 years.

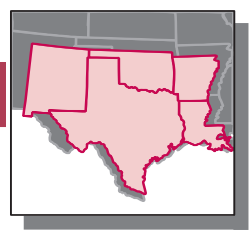
Multifamily building permit activity in the Midwest region also declined—by 24 percent to 41,600 units for the 12-month period ending September 2007. Multifamily construction activity was down in all states in the region, ranging from a 14-percent decline in Indiana to a 47-percent decline in Michigan. Illinois accounted for 18,300 of the units permitted in the region, down 16 percent from 21,800 units in the 12 months ending September 2006, led by a 20-percent decline in the Chicago metropolitan area. Although multifamily building permit activity slowed in Chicago in the 12 months ending September 2007, the 15,200 units authorized were 8 percent more than the annual average of 14,000 units during the past 5 years. Much of the strength in multifamily building activity in the metropolitan area came from the development of condominium units in the city of Chicago, where construction remains strong. In Ohio and Wisconsin, multifamily building permit activity was down 25 percent in both states, and activity in Minnesota declined by 38 percent.

During the third quarter of 2007, most apartment markets in the region continued to tighten because of the increased demand for rental units, modest employment growth, and small number of new apartments entering the market. Major rental markets in Wisconsin are tight. In Madison, the apartment vacancy rate declined to 4.6 percent by the third quarter of 2007 compared with 5.7 percent a year earlier. The rental market in the Milwaukee metropolitan area also is tight because of the strengthening local economy. The 4-percent vacancy rate as of the third quarter of 2007 was down from 5.2 percent in the third quarter of 2006. In Minneapolis, GVA Marquette Advisors reported similar tightening in the Twin Cities apartment market. The vacancy rate in the metropolitan area was 3.6 percent in the third quarter of 2007 compared with 4.0 percent in the third quarter of 2006. According to Terzo & Bologna, Inc.'s 2007 Detroit Apartment Market Study, only 300 new units are anticipated to enter the metropolitan area this year compared with 1,100 new apartment units that have entered the market annually since 2000. With a 10-percent vacancy rate as of the third quarter of 2007, the apartment market in the Detroit metropolitan area is expected to remain soft for the next 12 months because of the slow economy.

In Illinois, rental market conditions in the third quarter of 2007 continued to improve as employment increased in most areas of the state. The apartment vacancy rate in the Rockford metropolitan area was approximately 8 percent in the third quarter of 2007, down from 9 percent in the third quarter of 2006. Rental property managers in Peoria reported absorption of new apartments in the metropolitan area was strong for the past 12 months and the vacancy rate in new units was 5 percent or lower. Chicago's apartment rental market, with a vacancy rate below 5 percent, is expected to remain tight during the next 12 months due to increased demand for rental housing and the small number of new apartment units entering the market.

Despite the slowdown in Ohio's economy, apartment vacancy rates in major markets declined and rents increased modestly. In the Columbus metropolitan area, the vacancy rate was approximately 6.5 percent in the third quarter of 2007, down from 8 percent in the third quarter of 2006. Apartment vacancy rates in Cincinnati and Cleveland eased to 7.5 and 5.5 percent, respectively, by the third quarter of 2007. The increased demand for apartment units boosted rents in the three metropolitan areas by 3 percent or more during the past 12 months.

SOUTHWEST



A 4-year economic expansion continued in the Southwest region during the third quarter of 2007. During the 12 months ending September 2007, average nonfarm employment increased by 373,000 jobs, or 2.4 percent, to 15.8 million. The professional and business services sector, with a gain of 79,000 jobs, led all sectors in employment growth. Gains of more than 50,000 jobs each were also recorded in the leisure and hospitality and the education and health services sectors. The construction sector added 40,000 jobs because of the start of several large nonresidential projects. With high demand for area oil and gas resources, the natural resources sector added 30,000 jobs, up 10 percent from a year ago.

Texas employers added 250,000 jobs, or 2.4 percent, during the past 12 months. All job sectors increased, except the information sector, which declined slightly. Louisiana gained 74,000 jobs, or 3.9 percent, during the 12 months ending September 2007 and is nearing pre-Hurricane Katrina employment levels. Strong growth in the natural resources and mining sector led to an increase in the number of jobs in Oklahoma, which rose by 24,000, or 1.6 percent. New Mexico employment increased by 16,600 jobs, or 2 percent. In Arkansas, the number of jobs increased by 14,000, or 1.2 percent.

The average unemployment rate in the Southwest region has continued to decrease because of the expanding economy. For the 12 months ending September 2007, the rate declined to 4.3 percent from 5 percent during the previous 12 months. In Arkansas and Oklahoma, the unemployment rate remained relatively unchanged at 5.2 and 4.2 percent, respectively. In Texas, the unemployment rate of 4.4 percent was at its lowest level since 2001. Strong employment growth during the past 12 months in Louisiana contributed to a decrease in the unemployment rate from 5.4 to 4.1 percent. New Mexico recorded a 3.7 percent rate, the lowest in the region.

Existing home sales continued at high levels in Texas as the strong economy and moderate home price appreciation sustained balanced markets in most areas. According to data from the Real Estate Center at Texas A&M University, approximately 280,400 homes were sold during the 12 months ending September 2007, down 2 percent from the record-setting level during the previous 12 months. The average home sales price for the state increased 5 percent to $191,300. Home sales in the larger metropolitan areas were flat or down slightly, while average home prices increased modestly. During the past 12 months, the average home price increased 4 percent to $218,100 in Dallas, 7 percent to $179,300 in San Antonio, and 4 percent to $201,200 in Houston. The highest price recorded in Texas was $243,300 in Austin, up 7 percent compared with the previous 12 months. In El Paso, the average price increased by 6 percent to $156,000. In Fort Worth, the $138,700 average, an increase of only 3 percent during the past 12 months, was the lowest of the large metropolitan areas.

Existing home sales markets were balanced to soft throughout Oklahoma. According to the Oklahoma Association of REALTORS®, the number of existing homes sold in the state remained relatively unchanged at 53,300 during the 12 months ending September 2007 compared with the previous 12 months. For the state, the average home sales price was $120,700. In the Tulsa and Oklahoma City areas, home sales were relatively unchanged at 15,500 units and 19,500 units, respectively. The average price increased slightly in both cities to approximately $150,000.

Conditions in home sales markets in other states in the region are down from record highs in the past 24 months, but basically they are equivalent to sales levels from 2003 to 2005. According to the Arkansas REALTORS® Association, home sales for the state decreased by 10 percent to 30,000 during the 12 months ending August 2007. The level of sales was approximately the same as the average level of sales from 2003 to 2004.

The number of homes sold in Little Rock decreased by 7 percent to 10,300 homes, while the average price of $168,000 was relatively unchanged. In the Fayetteville area, sales declined by 17 percent to 6,500, and the average price increased 2 percent to $203,000. In Albuquerque, the largest market in New Mexico, sales were down by 15 percent to 10,400, but the average price increased by 9 percent to $239,000. In Louisiana, the average price in Baton Rouge was $196,100, up 9 percent, with a total of 9,900 homes sold during the past 12 months. The sales level in Baton Rouge represented a decrease of 16 percent compared with the 12 months following Hurricane Katrina, but it was still about 9 percent higher than the level for the 12 months before the hurricane. In New Orleans, 11,100 homes were sold, down 20 percent compared with the previous 12 months, and the average price was $207,000, down 5 percent. Data for Albuquerque, Baton Rouge, and New Orleans came from the respective local REALTORS® associations.

In the Southwest region, an overall slowdown in sales and tighter lending standards resulted in decreased single-family construction activity, as measured by building permits. The total number of single-family homes permitted in the region during the 12 months ending September 2007 was 173,500 units, a decline of 41,900, or 24 percent, compared with the 12 months ending September 2006. The present construction level reflects the current levels of household and economic growth when compared with the record levels during 2005 and 2006.

In the Southwest region, during the 12 months ending September 2007, Texas accounted for most of the decrease in single-family homebuilding activity. The number of units permitted declined to 126,400, or by 25 percent. Elsewhere in the region, the number of units permitted in Arkansas and New Mexico was 7,800 and 9,000, respectively, down 27 percent in both states. In Oklahoma, the number of permits declined by 20 percent to 11,900. The number of permits in Louisiana was lower by 10 percent to 18,400 units.

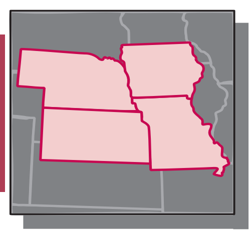
Multifamily construction activity in the Southwest region, as measured by the number of units permitted, was at a record 68,200 units during the 12 months ending September 2007. Approximately 12 percent of the units permitted were condominiums. The absorption of rental units during the third quarter of 2007 was higher than in any quarter since Hurricane Katrina. More than 6,000 rental units were absorbed in both Houston and Dallas-Fort Worth, 4,000 units in Austin, and 3,300 in San Antonio, according to MP/F YieldStar. The number of units permitted in Louisiana was 5,800, up 4,700 units. The large increase was due to the low number of permits issued during a period of uncertainty in the year following Hurricane Katrina. This situation was especially apparent in New Orleans, where building permits were issued for only 300 units in the 12 months after Hurricane Katrina. More than 2,900 multifamily units were permitted in New Orleans during the past 12 months. In the same period in Baton Rouge, the number of units permitted was 2,750, a gain of 2,200 when compared with the previous 12 months.

The number of multifamily units permitted in Texas during the 12 months ending September 2007 was up 8,500, or 18 percent, to 55,000 units. The 5,900-unit gain in Houston was the largest of all metropolitan areas in the region as builders anticipated continued strong growth. In El Paso, multifamily permits were up by 1,600 units due in part to continuing expansion at Fort Bliss Army Base. The permit level in Oklahoma was relatively unchanged at 2,100 units. Building activity in Oklahoma City slowed in response to soft rental market conditions, but it was offset by construction in other areas of the state. Slower employment growth and soft rental markets in Arkansas resulted in a decrease in multifamily units permitted. The state recorded 2,900 units, down 1,300 units, or 32 percent, compared with the previous 12 months.

Rental market conditions continue to be somewhat soft in large metropolitan areas in Texas, except in Austin. According to ALN Systems, Inc., the average apartment vacancy rate in Austin was 6.6 percent for the past 12 months, down from 6.9 percent for the previous 12 months. The average rent in Austin increased 6 percent to $795. A significant volume of apartment completions in Dallas caused a slight softening of the market. The apartment vacancy rate increased to 9.7 percent for the past 12 months, up from 9.3 percent during the previous 12 months. The average rent in Dallas increased 5 percent to $772 because of the completion of new higher-rent units. The vacancy rate in Houston increased to 10.4 percent, up from 8.6 percent recorded for the previous 12-month period. High construction levels and increased numbers of single-family homes made available for rent affected the apartment market, especially for projects constructed before 2000. The average rent in Houston was $720, relatively unchanged from a year ago. The rental market in Fort Worth is still very soft; the average apartment vacancy rate was unchanged at 11 percent. In San Antonio, the apartment vacancy rate increased from 8.8 to 9.4 percent, while the average rent was up 4 percent to $691.

Rental market conditions are mixed in other large metropolitan areas throughout the Southwest region. Conditions in Albuquerque are balanced. Reis, Inc., reported an apartment vacancy rate of 5.1 percent for the third quarter of 2007, down from 6.3 percent a year ago; the average rent increased 4 percent to $669. In New Orleans, the apartment rental market is still tight, but vacancy rates increased from 1.3 percent for the third quarter of 2006 to 3.4 percent for the third quarter of 2007. The average rent increased 5 percent to $854. Markets are expected to become more balanced in response to the increased levels of construction, and about 8,000 low-income housing tax credit units in the final planning stages are expected to be completed by 2010. In Little Rock, the vacancy rate was 7.6 percent, up from 6.4 percent a year ago, and the average third quarter rent was relatively unchanged at $610. In Oklahoma City and Tulsa, apartment vacancy rates were relatively unchanged at 8.5 and 9 percent, respectively. Average third quarter rents were up 3 percent to $513 in Oklahoma City and up 4 percent to $548 in Tulsa.

Great Plains



The economy of the Great Plains region continued to grow moderately for the third straight year. Nonfarm employment increased by 97,000 jobs, or 1.5 percent, to 6,650,000 in the 12 months ending September 2007. The professional and business services sector led employment growth in the region, increasing by 3 percent to 702,000 jobs. Employment in the transportation and utilities sector was up 2.6 percent to 278,000 jobs. The leisure and hospitality sector increased 2.5 percent to 618,700 jobs. Government remained the leading employment sector in the region, with a total of 1.1 million jobs, accounting for 17 percent of all nonfarm employment in the Great Plains region.

Kansas and Missouri led in nonfarm employment growth in the region with increases of 32,000 and 30,600 jobs, or 2.4 and 1.1 percent, respectively. Employment growth in Kansas was led by the professional and business services sector, which added 5,900 jobs, and the government sector, which added 5,600 jobs. Employment in the construction industry grew by 1,900 jobs because gains in nonresidential construction employment more than offset losses resulting from a reduction in residential building. In Missouri, the education and health services and the leisure and hospitality sectors grew by 8,400 and 8,000 jobs, respectively. Missouri's economy lost 6,800 jobs in the manufacturing sector during the 12-month period ending September 2007.

Iowa and Nebraska added 18,600 and 15,900 nonfarm jobs, respectively. In Iowa, job growth was primarily in the education and health services and professional and business services sectors, which added 4,100 and 3,000 jobs, respectively. Job growth in Nebraska was highest in the professional and business services and education and health services sectors, increasing 4,600 and 3,400 jobs, respectively. The regional unemployment rate remained relatively unchanged at 4.2 percent for the 12 months ending September 2007.

Home sales markets are soft in the larger metropolitan areas of the region, primarily because of tighter lending standards. According to data from local REALTORS® associations, new and existing home sales and average sales prices were down in four of the five major metropolitan areas in the region during the 12 months ending September 2007. In St. Louis, sales declined 8 percent to 18,800 homes, while the average price decreased 3 percent to $202,800 in the 12 months ending September 2006. Home sales were down to 32,100, almost 10 percent, in Kansas City, while the average price declined 6 percent to $170,500. The inventory of homes for sale increased 5 percent to 21,300.

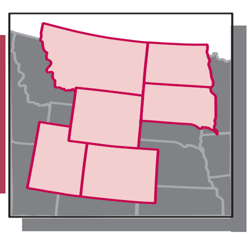
In Des Moines, total home sales decreased 4 percent to 10,350 in the 12-month period ending September 2007 compared with a year ago. The average price in Des Moines increased more than 3 percent to $171,200. The number of active listings in Des Moines increased 21 percent to 7,000 units. In Lincoln, the number of home sales was 4,080, approximately the same as a year ago, and the average price declined by 9 percent to $150,000. Active listings increased 4 percent to 2,370. In Wichita, sales totaled 12,100 homes, relatively unchanged from a year ago. The average price declined 4 percent to $126,000, and the number of unsold homes on the market increased 3 percent to approximately 4,500 units.

In response to the slower home sales market, single-family home construction, as measured by the number of building permits issued, decreased during the third quarter of 2007. During the 12-month period ending September 2007, building permits were issued for approximately 32,700 single-family homes, down 10,400 units, or 24 percent, compared with the previous 12-month period. Single-family construction activity was down across the region. Missouri, where building permits decreased by 5,200 units, or 28 percent, from a year ago, accounted for half of the regional decline. Kansas recorded the largest percentage decrease of the four states, at 29 percent, or approximately 2,700 units. In Iowa and Nebraska, the number of homes permitted declined 18 and 13 percent, respectively.

According to data provided by Reis, Inc., apartment markets were generally balanced in Kansas City, Omaha, and St. Louis and somewhat soft in Wichita. Increased demand and fewer new rental units have contributed to the improvement in the apartment markets. Apartment vacancy rates declined from 7.2 to 6.6 percent in Kansas City and from 6.3 to 5.6 percent in Omaha. In St. Louis, the apartment vacancy rate declined from 7.6 to 6.8 percent. Average rent increased by nearly 3 percent in Omaha and Kansas City and by nearly 2 percent in St. Louis to $660, $680, and $710, respectively. In Wichita, the apartment vacancy rate remained unchanged at 8.7 percent while the average rent increased more than 3 percent to $490.

Multifamily construction, as measured by the number of units permitted, declined in each state for the 12 months ending September 2007. For the region, the number of units permitted decreased by 4,300 to 11,400 units, or 28 percent, compared with the number permitted in the previous 12 months. Approximately 50 percent of the multifamily building permits issued were for condominiums. The decline primarily was due to a decrease in multifamily construction in Missouri, which was down 42 percent, or 3,800 units. In Kansas, multifamily building activity declined 16 percent, or 450 units. The level of multifamily construction in Iowa and Nebraska was relatively unchanged.

Rocky Mountain



The economy of the Rocky Mountain region continued a 3-year expansion during the third quarter of 2007. For the 12 months ending September 2007, average nonfarm employment increased by 139,400 jobs, or 2.8 percent, to 4,908,100 jobs. In Utah, the fastest growing state in the nation, employment gains totaled 53,800 jobs, or 4.5 percent. The 46,200 jobs gained in Colorado represent the second-highest level of growth in the region. The strong expansion of jobs in both Utah and Colorado occurred primarily in the trade, education and health services, and professional and business services sectors. Benefiting from rising energy prices and increased employment in the natural resources and mining sector, employment grew by 11,100 jobs in Montana and by 10,400 jobs in Wyoming. Steady gains occurred in North Dakota and South Dakota, where employment increased by 11,100 and 9,900 jobs, respectively. The annual average unemployment rate in the region declined from 3.9 to 3.3 percent for the 12 months ending September 2007 compared with the same period a year ago. The unemployment rates in all states in the region were lower than the rates last year. Utah registered the greatest decline, decreasing to 2.5 percent from 3.2 percent a year ago.

The robust economic performance in Utah is a result of strong population growth, lower business costs, and a weaker U.S. dollar that promoted exports and international tourism. As of July 1, 2007, the population of Utah is estimated at 2,680,000, which is an annual average increase of 2.6 percent since 2000. Approximately 60 percent of the population growth was due to net natural increase (resident births minus resident deaths), which, in turn, created demand for residential housing, retail, and services. The rapidly expanding population and the area's relatively lower business costs have attracted new manufacturers while allowing existing firms to increase exports. As a result, the manufacturing sector added 4,600 jobs in the 12-month period ending September 2007, which is a 4-percent increase from the same period a year ago. Employment in the manufacturing sector was 126,400, the highest level in 10 years. According to the Utah Technology Council, during 2006, the state also gained more than 400 technology firms that have added approximately 3,000 new jobs to the 60,000 jobs already in the information sector. Because of the strong economy and weaker dollar, tourism has improved significantly. The 2006–07 ski season was the second highest on record, and visits to national parks and hotel occupancy are up considerably from last year.

Tighter lending standards and higher home prices have slowed home construction in the region despite strong employment growth. During the 12-month period ending September 2007, the number of single-family homes permitted in the region declined by approximately 16,700 homes to 54,200, a 24-percent decrease compared with the previous 12-month period. Colorado and Utah continue to dominate single-family building activity for the region, accounting for 80 percent of the units permitted. In most states in the region, during the period the number of single-family homes permitted fell from the relatively high levels recorded a year ago. The number of units permitted in North Dakota and

Wyoming, however, was relatively unchanged from a year ago.

Sales of existing homes and home price appreciation in the Rocky Mountain region eased during the second quarter of 2007. According to the NATIONAL ASSOCIATION OF REALTORS®, the annual rate of existing home sales in the region was reported at 250,400 units, a decrease of 4 percent compared with the rate a year earlier. Except for North Dakota, South Dakota, and Wyoming, all states reported decreases in the volume of existing home sales. According to the Office of Federal Housing Enterprise Oversight (OFHEO) Housing Price Index, home price appreciation in the region was down 50 basis points to 10 percent for the 12 months ending June 2007. All states in the region recorded annual appreciation rates above or at the average national rate of 3 percent. Home price appreciation rates were the highest in Utah, Wyoming, and Montana, at 17, 13, and 11 percent, respectively. Indexes in North Dakota and South Dakota were 7 and 6 percent, respectively, while the 3-percent rate in Colorado was the lowest in the region.

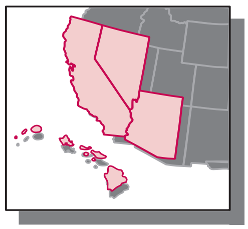
During the 12 months ending September 2007, sales activity in Utah markets has slowed from earlier record levels and inventories of unsold homes have significantly increased. The Utah County Association of REALTORS® for the Provo-Orem area reported sales of existing single-family homes that were 17 percent below the level recorded for the same period a year ago. The average home sales price increased by 14 percent during the period to $286,700, but the inventory of homes for sale increased by 55 percent from a year ago. The increase in inventory from the very low level of 12 months ago is expected to result in a moderation of home sales price increases. In the higher priced resort areas of Park City and St. George, home sales declined by 20 percent as buyers reacted to rapid price increases of the past few years. The average sales price of a single-family home in Park City and St. George increased by 5 percent each to $961,500 and $332,400, respectively, during the past 12 months. Park City is the most expensive housing market in Utah because of limited developable land and the area's proximity to Park City Mountain Resort.

In Colorado, sales market conditions were improving but remain somewhat soft for the 12 months ending September 2007. According to the Denver Board of REALTORS®, sales of single-family homes were relatively unchanged compared with the same period in 2006. The average price of an existing single-family home in the metropolitan area decreased slightly to $314,700, but the inventory of unsold single-family homes was down 3 percent to 23,000 units. The Boulder Area REALTOR® Association reported that sales of single-family homes declined by 3 percent, and the average price increased by 6 percent to $458,600. The inventory of single-family homes for sale decreased by 13 percent to 2,630 units. Homes in the eastern Boulder County cities of Erie, Longmont, and Lafayette take longer to sell because of competition with the large inventory of unsold new homes in the area.

In the third quarter of 2007, rental markets continued to tighten throughout much of the Rocky Mountain region. During the 12 months ending September 2007, the average rental vacancy rate in the Denver metropolitan area declined from 7.6 to 6.8 percent, according to *APARTMENT INSIGHTS* surveys, published by RealData, Inc. Average monthly apartment rents were relatively unchanged at $858, with an average of $730 for one-bedroom units, $820 for two-bedroom/one-bath units, $1,000 for two-bedroom/two-bath units, and $1,240 for three-bedroom units. The value of concessions fell 4 percentage points to 6 percent of contract rent in Denver, the lowest level in 4 years. In the areas of Provo-Orem, Utah, and Fargo-Morehead, North Dakota-Minnesota, strong job growth and limited new apartment construction contributed to tight market conditions. According to EquiMark Properties, Inc., the rental vacancy rate in Provo-Orem declined from 5.3 to 3.5 percent and the average rent increased by 4 percent to $670, the fastest rate of increase in 4 years. An Appraisal Services, Inc., third quarter 2007 survey for the Fargo-Morehead area indicates that the average vacancy rate of 6.5 percent was an improvement from the 7.1-percent rate recorded in the previous 12 months. Rental markets throughout the region are expected to continue to tighten because of strong employment growth, the relatively low number of rental units entering the market, and the higher cost of owning a home.

Multifamily building activity, as measured by the number of units permitted, fell 9 percent to 16,000 units during the 12 months ending September 2007. Approximately 70 percent of the multifamily building permits are intended for owner condominium units. Construction activity was the highest in Colorado, where permits were issued for 7,600 units, relatively unchanged from the previous 12-month period. Demand for both rentals and condominiums, especially transit-oriented development located near light-rail stations in Denver, maintained construction levels. In Utah, multifamily building permit activity decreased slightly to 3,220 units, or 5 percent, compared with the previous 12 months. Of the 9,820 units permitted in Colorado and Utah, approximately 3,000 units were permitted for apartments, offering little new supply to reverse the trend of tightening rental markets throughout the region. North Dakota, South Dakota, and Wyoming all showed declines in multifamily building activity of approximately 30 percent during the past year. The building permit level in Montana was relatively unchanged during the past 12 months.

Pacific



Economic activity in the Pacific region grew at a moderate pace through the third quarter of 2007. In the 12 months ending September 2007, employers added 371,300 nonfarm jobs, a 1.9-percent increase over the number of nonfarm jobs reported in the 12 months ending September 2006, for an average of 19.9 million jobs. Employment growth has slowed from the previous 12-month gain of 500,400 jobs. The professional and business services sector and the government sector led new job growth, adding 94,000 and 65,000 jobs, respectively. The construction industry added only 4,000 jobs in the past 12 months, down substantially from the 92,000 jobs gained in the previous 12 months.

Employment in California rose 1.5 percent, by 225,000 jobs, in the 12 months ending September 2007. The pace of growth is significantly below the 2-percent increase recorded in the previous 12-month period. The professional and business services, government, and education and health services sectors together added nearly 150,000 jobs, while the decline in homebuilding and mortgage lending resulted in a combined loss of 5,600 jobs in the construction and financial activities sectors. In the past 12 months, the San Francisco Bay Area gained more than 68,000 new jobs, a 2.1-percent increase, led by expansion in the information and leisure and hospitality sectors. Southern California accounted for 115,300 new jobs, a 1.3-percent increase.

In Arizona, nonfarm employment rose by 98,100 jobs, or 4 percent, in the 12 months ending September 2007, well below the 135,000 jobs added in the 12 months ending September 2006. Strong growth in most of the service-providing sectors offset a decline in construction employment. The professional and business services sector and trade sector contributed approximately 26,400 and 18,000 jobs, respectively. Contributing to the 4-percent rise in Phoenix employment in the past 12 months, Intel Corporation just opened a $3 billion semiconductor chip plant with 1,000 positions.

Nevada added 34,300 jobs in the past 12 months. The 3-percent gain was the lowest since 2002 and sharply below the 63,000 jobs added in the previous 12 months. The government sector, primarily at the local level, and the professional and business services sector added 7,000 and 5,600 jobs, respectively. The leisure and hospitality sector gained just 5,000 jobs due to slow growth of visitor volume and a relative lull in the openings of major new casinos and hotels in Las Vegas this year. Construction jobs in the state declined by 2,000 positions due to reduced residential and commercial building activity. In Hawaii, the job base rose by 13,600 in the 12 months ending September 2007, a 2-percent gain. Job growth was broadly based, led by gains in a still-strong construction sector and in defense-related government jobs and tourism. The unemployment rate in the Pacific region averaged 4.8 percent in the 12 months ending September 2007, unchanged from the 12 months ending September 2006. Hawaii and Arizona registered the lowest unemployment rates in the region at 2.4 and 3.8 percent, respectively. Nevada averaged an unemployment rate of 4.5 percent, the same as the national average, while California averaged 5.0 percent in the same period.

Home sales declined throughout the Pacific region in the third quarter of 2007 due to lower demand, much tighter lending standards, and higher interest rates. In California, sales of existing single-family homes fell by 23 percent to 393,400 homes in the 12 months ending September 2007 compared with the 12 months ending September 2006, according to the California Association of REALTORS®. The median sales price rose just 3 percent to $572,500, slowing from a 10-percent gain the previous 12 months. Move-up transactions have become much more difficult because the terms and availability of mortgage loans tightened significantly during the quarter. The unsold inventory for existing homes increased to a 13-month supply, double the level of supply for the same quarter a year ago and the highest level of supply since 1991. Total sales of both new and existing homes declined 30 percent in Southern California and 21 percent in the San Francisco Bay Area.

Sales market conditions weakened in Phoenix and Las Vegas during the third quarter of 2007. According to the *Phoenix Housing Market Letter*, sales of new and existing homes declined by 20 and 34 percent, respectively, in the 12 months ending September 2007. The inventory of unsold existing homes rose 11,000 between the third quarters of 2006 and 2007, to a new record of more than 53,000 homes. The median price of existing homes held relatively steady at approximately $249,000 in the past 12 months. In Las Vegas, new and existing home sales each declined 38 percent in the 12 months ending September 2007, according to the *Las Vegas Housing Market Letter*. The sales price of existing homes dropped 2 percent to $281,000 in the past 12 months. The unsold inventory of 30,400 existing homes on the local market in the third quarter of 2007 was nearly 5,000 higher than a year ago. The Honolulu Board of REALTORS® reported 9,460 existing single-family and condominium sales in the 12-month period ending September 2007, 15 percent below the level of the previous 12-month period. The median prices of single family homes and condominiums rose 1 and 5 percent, respectively, in the past 12 months.

Single-family homebuilding activity in the Pacific region, as measured by the number of building permits issued, dropped 37 percent to 136,400 in the 12 months ending September 2007, because builders reacted to slower demand and increased unsold new inventory. In California, builders pulled permits for 73,000 new homes in the past 12 months, a 37-percent reduction from the previous 12 months. Homebuilding permits in Arizona fell 32 percent to approximately 41,000 homes, the lowest level since 1996, while Nevada home construction declined 45 percent to 17,400 homes in the past 12 months. The smallest decline in single-family building permits, just 12 percent, to 5,000 units in the past 12 months, occurred in Hawaii where favorable exchange rates continued to make Hawaiian homes more affordable to overseas buyers.

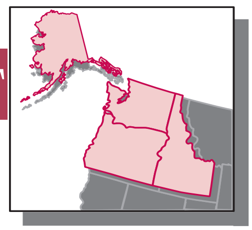
Rental market conditions throughout most of the Pacific region remained tight or relatively balanced in the third quarter of 2007. Vacancy rates have increased somewhat due to increased completions or the placement of investor-owned condominiums into the rental markets in many areas. The rental market was tight in the San Francisco and Oakland areas of the Bay Area, with the RealFacts apartment survey reporting a vacancy rate of 4 percent in the third quarter of 2007, up slightly from a year earlier. When compared with the rent in the third quarter of 2006, the average rent increased almost 8 percent, one of the largest rates of increase in the country. In San Jose, the return of strong job growth to Silicon Valley produced a 3.6-percent apartment vacancy rate in the third quarter, little changed from a year earlier. The Sacramento market stayed balanced at an approximately 6-percent vacancy rate, unchanged from a year ago, and rents rose less than 2 percent in the past year. The Fresno market remained tight, with an apartment vacancy rate of less than 4 percent; the average rent increased 4 percent in the past four quarters.

The rental market in the coastal Southern California counties of Los Angeles, Orange, and Ventura remained tight with overall vacancy rates of approximately 4.5 percent during the third quarter of 2007. The rental vacancy rate increased approximately 0.5 percent compared with the rate during the third quarter of 2006 due to additional apartment completions, condominium completions, and competition from the increasing number of single-family homes available for rent. The rental vacancy rate in San Diego County remained at 5 percent, approximately 1 percent higher than the rate in the same quarter of 2006. Southern Santa Barbara County continues to have the lowest rental vacancy rate in the region, less than 4 percent. Fewer than 90 new apartment units were completed in the area during the 12-month period ending September 2007. Rental conditions in the inland counties of Riverside and San Bernardino remain balanced. The vacancy rate declined to 7 percent in Riverside County while remaining at 6.5 percent in San Bernardino County. The two counties continue to absorb the 5,000 rental units completed during the 12-month period ending September 2007. According to the Consumer Price Index for Southern California, rents increased 6 percent during the 12 months ending September 2007, the same rate of increase as during the previous 12-month period.

According to Reis, Inc., the apartment rental vacancy rate in Las Vegas rose to approximately 5.5 percent in the third quarter of 2007, up 1.5 percent compared with the rate in the same quarter a year earlier, while the average rent rose 3 percent. In the Phoenix area, the rental market vacancy rate increased to nearly 8 percent in the third quarter from the unusually tight 5-percent level of a year earlier and just 4 percent in early 2006. In the past year, the average rent in Phoenix rose 4 percent. In both areas, the higher vacancy levels resulted mainly from the increased number of apartment completions, the return of many condominium conversion properties back to the rental market, and the increased number of investor-owned single-family homes for rent. In Honolulu, the rental vacancy rate is estimated at 4.5 percent, and, according to the Consumer Price Index, the average rent increased 9 percent in the past year.

Multifamily construction activity, as measured by the number of building permits issued, declined 14 percent to 63,850 units in the 12 months ending September 2007. Most of the regional drop was attributable to the reduction in multifamily construction activity in California to 43,650 units, or 14 percent, in the past 12 months. Multifamily construction in Arizona declined 10 percent to 10,100 units in the past 12 months, approximating the 2002-to-2006 average level. In Nevada, builders recorded permits for 7,550 units, a 23-percent decline from the previous year. Hawaii was the only state in the region to record increased multifamily construction activity; the 2,500 units permitted represented a 21-percent increase from the previous 12-month period due to the building of new condominiums in Honolulu, largely marketed to overseas buyers. According to Reis, Inc., data, many of the multifamily properties currently under construction in the largest markets in the region are condominiums for the sales market.

Northwest



The pace of employment growth in the Northwest region slowed slightly during the 12 months ending September 2007, measuring 2 percent compared with 3.1 percent in the same period a year earlier. An estimated 110,800 jobs were added to the region during the recent 12 months, bringing nonfarm employment to an average of 5.6 million jobs. Idaho had the fastest rate of employment growth in the region, with an increase of 3.2 percent to 652,900 jobs; Washington was second with an increase of 2.1 percent to 2,904,900 jobs. Nonfarm employment grew by 1.6 percent to 1,719,600 jobs in Oregon and by 1.4 percent to 318,100 jobs in Alaska. Employment growth slowed in the region due to reduced levels of hiring in industries related to single-family housing, but job gains occurred throughout many industries. The retail trade, education and health services, and leisure and hospitality sectors contributed much of the employment growth in Idaho. In Washington, industries related to aerospace production, commercial and multifamily construction, and software publishing led job growth. Industries in Oregon that added jobs included architectural and engineering services and software publishing. In Alaska, hiring in the oil and gas industry accounted for the largest share of employment growth, at approximately 30 percent. The regional unemployment rate declined to 4.8 percent for the 12-month period ending September 2007 compared with 5.2 percent during the previous 12-month period.

Home sales market conditions in much of the Northwest region were balanced during the 12 months ending September 2007. Sales volumes and price increases continued the moderating trend that began in late 2006 compared with the record levels that occurred in most areas during the previous 2 years. In Washington, according to Northwest Multiple Listing Service data, the Puget Sound metropolitan areas of Seattle, Tacoma, Bremerton, and Olympia recorded 67,360 new and existing home sales during the 12-month period ending September 2007, a 16-percent decline compared with the number sold during the previous 12-month period. The average price for new and existing homes sold was $453,870, an 11-percent increase compared with the price a year ago. The average sales price for newly constructed homes was $485,720, while existing homes sold for an average $447,800. Sales of existing homes declined in all four Puget Sound communities during the 12-month period, resulting in an average decrease of 17 percent compared with sales during the same period a year ago. Sales of newly constructed homes were down an average of 12 percent in the Puget Sound metropolitan areas, with the Olympia metropolitan area off only 4 percent due to the relatively affordable average price of $309,800.

According to the *Market Action Report* of RMLS™, sales of new and existing homes for major markets in Oregon totaled 60,125 for the 12-month period ending September 2007, an 18-percent decline compared with the 12-month period ending September 2006. The average price was $311,050, up 7 percent from a year ago. In central and southwest Oregon markets, where extremely strong demand from California retirees and second-home buyers in 2005 and early 2006 pushed sales to record levels, sales fell 42 percent during the 12 months ending September 2007 compared with sales during the previous 12 months. In the Portland-Vancouver-Beaverton housing market, sales of new and existing homes were down 14 percent to 36,620 units. The average price was $331,900, an increase of 7 percent, less than half the annual increase of 16 percent in the same period a year ago. Despite the decline in home sales, the current pace is relatively high and, if maintained, 2007 will be the third highest year for home sales on record in the Portland metropolitan area.

According to the Intermountain Multiple Listing Service, sales of new and existing homes in the Boise metropolitan area declined 37 percent to 11,100 homes for the 12 months ending September 2007 compared with sales for the previous 12 months. The average home price increased 6 percent to $240,800 during the period. In south-central Idaho market areas, home sales were down 34 percent, and the average price increased 6 percent to $226,400.

Alaska Multiple Listing Service data showed an 8-percent decline in new and existing home sales in Anchorage during the 12-month period ending September 2007. The average home price increased 6 percent from $307,440 to $324,700 during the period. The pace of sales activity slowed during the past year, with homes staying on the market an average of 84 days as of September 2007 compared with approximately 33 days a year earlier.

The slower pace of home sales in the region contributed to a decline in construction activity, as measured by the number of building permits issued. Single-family permits totaled 59,729 for the 12-month period ending September 2007, down 22 percent from the number of permits issued for the same period a year ago. The rate of decline in building activity was greatest in Alaska, where single-family permits issued fell 37 percent, followed by a 33-percent drop in Idaho and a 22-percent decline in Oregon. Single-family permits issued totaled 1,060 in Alaska, 11,375 in Idaho, and 17,085 in Oregon. Single-family construction activity in Washington totaled 30,210 homes during the 12-month period ending September 2007, down 17 percent from the number of homes built during the same period a year ago.

Rental market conditions are tight in the major metropolitan areas of the Northwest region. Steady population growth due to strong labor market conditions combined with rising home prices and higher mortgage interest rates have strengthened the demand for rental units during the past year. According to the Dupre+Scott Apartment Advisors, Inc., *Apartment Vacancy Report*, the Seattle metropolitan area apartment vacancy rate was 3.9 percent as of September 2007 compared with 4.1 percent a year earlier, and rents rose by an average of 10 percent to $974. Concessions were being offered in just 10 percent of the Seattle area apartment communities, down from nearly 75 percent 2 years ago. In the Tacoma metropolitan area, the apartment vacancy rate declined from 7.4 to 3.6 percent, and the average rent increased by 5 percent to $771. The Portland metropolitan area rental vacancy rate for the third quarter of 2007 was 3.5 percent compared with 4.5 percent a year earlier, based on surveys from Hendricks & Partners, Inc., and the Metro Multifamily Housing Association. The average rent in the Portland area was $838, up nearly 7 percent from the average rent for the third quarter of 2006, according to RealFacts. In Boise, the apartment vacancy rate was 6.5 percent in the third quarter of 2007, relatively unchanged compared with a year earlier. According to RealFacts, the third quarter of 2007 average rent in Boise increased nearly 4 percent to $730 compared with the average rent for the same quarter a year earlier.

Multifamily building activity in the Northwest region, as measured by the number of units permitted, totaled 24,980 units for the 12-month period ending September 2007, down 4 percent from a year ago. Construction of multifamily dwellings increased by 21 percent in Idaho to 2,230 units due to permits for a new nursing home, condominiums, and a senior housing complex in Post Falls and a 250-unit subdivision of four-plex rental units in Caldwell. Construction of multifamily dwellings increased by 1 percent in Washington to 15,860 units. In Alaska and Oregon, multifamily building activity declined 47 and 13 percent, respectively, during the past year, due to a slowdown in condominium development. Total units permitted equaled 765 in Alaska and 6,125 in Oregon.

Housing Market Profiles

Casper, Wyoming

The Casper metropolitan area, defined as Natrona County, is located in central Wyoming along the North Platte River. The current population of the county is estimated at 71,400, with more than 70 percent residing in Casper, the second largest city in the state and the primary location for trade and services in central Wyoming. Casper is the operational center for energy development throughout the state. The leading employers in the area are Wyoming Medical Center, Key Energy Services, Inc., and TIC–The Industrial Company Wyoming, Inc., each with more than 500 local employees.

The metropolitan area has been in a 4-year period of relatively strong employment growth after 20 years of economic decline following the downturn in the oil and gas industries in the early 1980s. Nonfarm employment averaged 39,700 jobs during the 12-month period ending July 2007, a 3.5-percent increase compared with the number of jobs recorded during the same period a year ago. The economy of the Casper metropolitan area remains highly dependent on energy-related industries. A resurgence of oil and gas exploration in the region that began in 2003 has resulted in significant employment growth. Employment in the natural resources and mining sector grew by 7.4 percent, with the addition of 300 jobs during the past 12 months. Employment in the sector has doubled since 2003, with the addition of 2,000 jobs, which accounts for 37 percent of the job growth that has occurred in the area during the past 4 years. The unemployment rate averaged 2.9 percent during the 12 months ending July 2007, down from 3.2 percent a year ago.

Residential construction in the area historically has consisted of single-family development. Building permits were issued for 347 single-family homes during the 12 months ending August 2007, relatively unchanged from the number of permits issued during the same period a year ago. The construction of multifamily units, as measured by the number of units permitted, has been virtually nonexistent in the area since 1980. Fewer than 100 multifamily units have been permitted since 2000; all are low-income housing tax credit units.

The area sales housing market in the Casper metropolitan area is extremely tight. Rapid employment growth and net in-migration have resulted in an increased demand for housing since 2003. Despite nearly doubling in 2003, the level of single-family construction has not kept pace with the growing demand because of tight labor market conditions and increasing construction costs. During the years between the economic downturn of the 1980s and the 2000 Census, the housing stock in the Casper area suffered from deterioration due to deferred maintenance. According to the city of Casper's housing conditions report, as many as 1,500 housing units are considered unsuitable for living. Another 3,000 homes require considerable rehabilitation. These 4,500 units account for approximately 10 percent of the area housing stock.

According to the Wyoming Multiple Listing Service, the average sales price for an existing home was $208,300 during the 12-month period ending August 2007, a 14-percent increase compared with the average price recorded during the same period last year. New housing developments are under construction south of the city of Casper along the Laramie Mountain foothills and the North Platte River. The homes on the south edge of the city feature models targeting move-up homebuyers and start at approximately $250,000. High-end homes with upgraded amenities are priced above $400,000. Approximately 100 new affordable homes are expected to be completed throughout the metropolitan area in the next year. These units will be priced between $160,000 and $237,000 so homebuyers can qualify for the Wyoming Community Development Authority's homeownership programs.

The rental housing market is also extremely tight, with a vacancy rate of less than 1 percent, according to the Wyoming Housing Database Partnership Rental Vacancy Survey. The survey covers single-family and multifamily rentals. The primary supply of available vacant rentals consists of older and typically functionally obsolete manufactured homes. According to the Wyoming Cost of Living Index, which is published by the state, the average rent for an apartment in Natrona County was $532 in 2006, a 13-percent increase compared with the average rent recorded in 2005. The average rent for a single-family home was $815 in 2006, up 9 percent from the average rent recorded in 2005. Local sources indicate that rents for all structure types have increased by approximately 10 percent in 2007. Renter households relocating to the area have to wait several months before rental units become available.

At the time of the 2000 Census, the Casper metropolitan area had approximately 3,000 single-family homes serving as rental units, but data from the

2006 American Community Survey indicates that the number of single-family rental units has fallen to approximately 2,400, reducing the level of available rental housing. Slightly more than 30 percent of the area rental stock consists of single-family homes, down from 37 percent in 2000.

Charleston, West Virginia

The Charleston metropolitan area, located in southwestern West Virginia, comprises the counties of Boone, Clay, Kanawha, Lincoln, and Putnam. The area is the transportation, retail, cultural, and telecommunications center of West Virginia. The city of Charleston, located in Kanawha County, is the state capital and home of the Charleston Area Medical Center (CAMC), the leading private sector employer in the metropolitan area, with approximately 5,000 employees.

The economy of the area has been growing at a moderate pace since 2004. During the 12 months ending August 2007, average nonfarm employment was 150,600 jobs, up 1 percent from the previous 12-month average. The natural resources, mining, and construction sector led with a gain of 700 jobs, followed by the professional and business services sector with the addition of 500 jobs. The government sector, which added 200 jobs during the period, is the leading employment sector in the metropolitan area, accounting for nearly 19 percent of all nonfarm jobs. The education and health services sector also added 200 jobs during the same period; in addition, CAMC plans to hire 180 new employees during the next 3 years. The unemployment rate fell from 4.5 to 4.3 percent during the recent 12 months.

Modest employment growth is expected to continue during the next 24 months. Kanawha County residents voted in June to allow the Tri-State Racetrack & Gaming Center, a 90,000-square-foot gaming and entertainment facility, to expand into table gambling. The Tri-State Racetrack will build a 250-room luxury hotel and spa and expand gaming space. Construction is expected to begin in early 2008 and be completed within 20 months. More than 1,000 new jobs are expected as a result of the $250 million expansions. In mid-2008, NGK Spark Plugs USA, Inc., plans to open a new $15 million plant in Sissonville, which is expected to create 80 jobs.

As of October 1, 2007, the estimated population of the metropolitan area is 306,700, with approximately 128,300 households. Since 2000, the total population has decreased slightly by 390 annually, or 0.1 percent, due to out-migration. Out-migration is expected to decrease during the next year, however, due to recent employment growth. During the past 2 years, the labor force and resident employment increased by an average 1,325 and 1,750 workers, respectively, each year.

Single-family construction, as measured by the number of building permits issued, remained relatively unchanged at 547 units during 2006 compared with 2005. During the 12 months ending August 2007, local sources report that single-family construction continued at a similar pace. Complete and current monthly listings are not available because most permitting jurisdictions report building permit data only annually. Currently, approximately 110 single-family homes are under construction in the metropolitan area.

The existing home sales market is balanced. According to the Kanawha Valley Multiple Listing Service database, sales for the 12-month period ending September 2007 totaled approximately 2,350 homes, down 5 percent from the same period last year, in part due to industrywide tightening of credit standards and rising interest rates. The median sales price of a single-family home increased 3 percent to $120,700 from $117,500 for the same period a year ago. Most of the sales activity is focused in downtown Charleston and Saint Albans in Kanawha County and in the town of Hurricane in Putnam County. According to the house-pricing index of the Office of Federal Housing Enterprise Oversight (OFHEO), for the 12 months ending June 2007, homes in the metropolitan area appreciated by 3.8 percent, not as high as the 5.4-percent rate for the state, but higher than the 3.2-percent national average.

Multifamily development since 2004 has occurred primarily in the counties of Kanawha and Putnam. Multifamily construction, as measured by the number of units permitted, was approximately 160 units in 2006, relatively unchanged from the previous year. According to local sources, multifamily construction has continued on a similar pace since 2006. Within the next 3 years, The Charleston-Kanawha Housing Authority plans to construct a 76-unit facility for the elderly in Charleston. The public housing and tax credit units are part of a redevelopment plan that will add 391 units of income-assisted housing in the city's West Side during the next 5 years.

Current conditions in the rental housing market are soft. The rental vacancy rate, as reported by the American Community Survey, increased from 7.4 to 8.0 percent between 2005 and 2006. During the same period, the median rent decreased from $543 to $514, or by more than 5 percent.

Chicago, Illinois

The Chicago Housing Market Area (HMA) consists of nine counties in northeast Illinois with a combined population estimated at 8.7 million as of August 2007. Since 2000, the population of the HMA has increased by 68,000, or less than 1 percent, annually. Approximately three-fourths of the population growth has occurred in suburban Kane, Lake, and Will Counties.

The HMA continued a 3-year economic expansion during 2007. Nonfarm employment increased by 47,000 jobs, or 1.1 percent, to approximately 4.3 million jobs during the 12-month period ending August 2007 compared with the number of jobs recorded during the previous 12-month period. Hiring in the professional and business services sector, education and health services sector, and leisure and hospitality sector added 17,000, 13,000, and 6,000 jobs, respectively, which offset the loss of 4,000 jobs in the manufacturing sector. Hospitals and medical centers have been expanding throughout the metropolitan area; in the past 4 years, approximately $2 billion was spent on the construction of nine new hospitals and medical centers. Advocate Health Care is one of the leading employers in the area, with 25,000 workers. The average unemployment rate for the past 12 months was 4.6 percent, down from 4.8 percent a year earlier.

Continued employment growth in the HMA is expected during the next 12 months. Contributing to this growth are the strengthening trade sector and transportation and utilities sector. In Will County, a southern suburb of Chicago, a $1 billion warehouse and freight-distribution center will add 4,000 jobs by 2008. In the suburbs west and north of Chicago, Wal-Mart Stores, Inc., will open five new stores that together will employ approximately 1,800 people in the next 12 months; the corporation expects to construct three additional superstores in the city of Chicago in 2008. In South Side Chicago, the $600 million University Technology Park is under construction on the campus of the Illinois Institute of Technology. The technology park is the largest commercial development in Chicago's South Side and is expected to add approximately 2,500 jobs to the HMA by 2010.

Despite a growing economy, single-family home construction in the HMA, as measured by the number of building permits issued, declined during the 12-month period ending August 2007. Single-family building permits fell by 39 percent to approximately 18,000 homes after averaging nearly 30,000 homes annually since 2000. Rising interest rates and a buildup of unsold new home inventory, which reached a record 48,000 single-family homes in suburban Chicago, were the primary reasons for the decline.

The median sales price of new single-family homes in suburban Chicago, which increased 8 percent annually during the past 3 years, decreased by 1 percent in the first 6 months of 2007 to $300,000 compared with the median price recorded in the first half of 2006. In contrast, condominium construction in the city of Chicago remains strong. Approximately 4,500 new condominiums are expected to enter the downtown market in 2007, slightly less than the 4,600 units that entered the market annually during the past 3 years.

Since 2005, when a record 33,200 new homes were sold in the HMA, sales of new homes have slowed throughout the Chicago area. Approximately 25,500 new homes were sold in 2006, down 23 percent from the number sold in 2005 and 15 percent below the average annual sales of 30,200 new homes recorded during the past 3 years. Sales of new homes continued to decline in the 6 months of 2007 compared with the number sold in the first 6 months of 2006. During the first half of 2007, new condominium and single-family home sales both were down 35 percent to 5,700 and 3,900 units, respectively. New home sales in suburban Chicago and the central city declined by 33 and 37 percent, respectively. The 2,500 new condominium units sold in downtown Chicago were well below the record 5,000 units sold in the first 6 months of 2005. Higher interest rates, tighter lending standards, and lower expectations for price appreciation contributed to the decline in new home sales.

Affordable housing development continues in the city of Chicago. Since 2004, Chicago has spent more than $1.3 billion on 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. Neighborhood revitalization in Chicago continues to benefit from the city's strong commitment to affordable housing. In the Near North Side neighborhood, the success of Parkside of Old Town's 400 units of mixed-income housing spurred the development of another mixed-income project in the Near South Side neighborhood. When completed in 2008, Park Boulevard will include 200 affordable and market-rate homes for sale and 100 replacement public housing units for former residents of Stateway Gardens, which was demolished with HOPE VI funds as part of the city's $1 billion plan to revitalize public housing in Chicago.

The American Seniors Housing Association's *Seniors Housing Construction Trends Report 2006* ranked

Chicago first among the 75 largest metropolitan areas in the country for the construction of seniors housing. As of March 2006, approximately 3,100 units for seniors were under construction in the Chicago area, which represented 40 percent of the 7,600 seniors housing units under construction in the Midwest region. These developments included 2,400 apartment units, 2,200 independent-living units, 1,600 nursing home beds, and 1,400 assisted-living units.

Multifamily construction, as measured by the number of units permitted, also slowed during the past 12 months, but activity has remained relatively strong. In the 12 months ending August 2007, the number of multifamily units permitted was down 19 percent to 15,100 compared with a record 18,800 units in the previous 12 months but was 14 percent above the annual average of 13,200 units permitted since 2000. Approximately 80 percent of the multifamily units constructed in the HMA since 2000 have been condominiums.

Apartment market conditions in the HMA continued to tighten in the first 6 months of 2007 due to the low number of new apartment units entering the market. According to M/PF YieldStar, the overall apartment vacancy rate in the HMA has steadily declined since peaking at 8.5 percent in December 2003. As of June 2007, the rate was 3.4 percent compared with 5 percent in June 2005. The strengthening local economy and fewer renters purchasing homes contributed to the tight rental market. Vacancy rates are particularly low for the submarkets located in northern Lake and western DuPage Counties, with vacancy rates of 2 and 3 percent, respectively. Responding to improving market conditions, apartment property owners increased rents by 2 to 3 percent in the first half of 2007 compared with rent increases of 1 to 2 percent in the first 6 months of 2006. The average monthly rents for one-, two-, and three-bedroom units are $957, $1,129, and $1,368, respectively. The apartment market in the HMA is expected to remain tight during the next 12 months due to increased demand for rental housing and the small number of new apartment units expected to enter the market.

In recent years, condominium conversions had a significant impact on the Chicago apartment market, and the demand for condominiums was high. In the past 3 years, more than 16,000 apartment units were converted into condominiums, including 11,200 units in suburban Chicago and 5,000 units in the downtown market. As sales of new and existing homes continued to decline in the first 6 months of 2007, the conversion of apartment units to condominiums slowed dramatically. Only 400 apartments were converted to condominium units in the first half of 2007 compared with 5,300 units converted in the first half of 2006.

Lake Charles, Louisiana

The Lake Charles metropolitan area, which is located in southwestern Louisiana, comprises Calcasieu and Cameron Parishes. The city of Lake Charles is in Calcasieu Parish, which is home to about 96 percent of the metropolitan area population. According to Census Bureau estimates, between 2000 and July 1, 2005, the population of the metropolitan area grew by 140 a year to 194,300. According to the Federal Emergency Management Agency, when Hurricane Rita affected the area in September 2005, about 20,000 people were displaced. Approximately 8,950 units, or 1 percent of the housing stock in the metropolitan area, received major or severe damage. This figure included 2,575 units, or 48 percent of the housing stock in Cameron Parish. By July 1, 2006, many units had been repaired and the population of the area was down by only about 2,000 compared with the population recorded in July 1, 2005. As of September 1, 2007, the population of the Lake Charles metropolitan area is estimated to be 192,850, an increase of 550 since July 1, 2006. About half of the housing units in Cameron Parish that received major damage have been repaired. In Calcasieu Parish, 90 percent of the 6,380 units that were severely damaged have been repaired.

Following a slump in 2003, economic conditions in the metropolitan area improved steadily in 2004 and 2005, with nonfarm employment increasing at an average annual rate of 1.4 percent. For the 12 months ending August 2005, nonfarm employment averaged 89,700 jobs. Following Hurricane Rita, 2,000 jobs were lost in the leisure and hospitality sector due to the destruction of two riverboat casinos, and 800 jobs were lost in the manufacturing sector, including 280 due to the permanent closing of Lyondell Chemical Company. Total nonfarm employment during the 12-month period ending August 2006 averaged 89,600 jobs.

During the 12-month period ending August 2007, nonfarm employment averaged 91,700 jobs, an increase of 2,100 jobs, or 2.3 percent, from the number recorded during the previous 12-month period. Insurance companies and the federal government provided more than $1.5 billion for rebuilding, resulting in 700 additional jobs in the construction sector, a 7.4-percent increase compared with the number of jobs recorded in the sector during the previous 12-month period. Some of the largest construction projects include two liquefied natural gas plants, totaling $1.3 billion, currently under construction; the newly completed $57-million Delta Downs Racetrack Casino and Hotel; and the widening of Interstate 10 and U.S. Highway 165. The unemployment rate was 3.7 percent during the 12-month period ending August 2007, down from 6 percent a year ago.

Employment is expected to increase steadily during the next 3 years. Northrop Grumman Corporation announced that, beginning October 2007, it will expand its Lake Charles facility, ultimately adding 350 new full-time jobs. The construction of a $1.3 billion Leucadia National Corporation gas plant will begin in late 2008 and is expected to be completed in 2011. The project will create approximately 3,000 construction jobs and 250 permanent onsite jobs. The new $350 million Sugarcane Bay Resort, scheduled for completion by 2009, is expected to add 1,500 permanent jobs. A $45 million expansion at L'Auberge de Lac Casino Resort will create an additional 500 permanent jobs.

Due to low interest rates and affordable home sales prices, conditions in the Lake Charles metropolitan area sales housing market were balanced to tight between 2000 and 2005. Immediately after Hurricane Rita, the housing market tightened significantly with an estimated 18,000 displaced persons looking for temporary housing in the area. As a result of the rehabilitation of residential units, the sales market is currently balanced.

According to local REALTORS®, 1,780 new and existing homes were sold during the 12 months ending July 2007, an increase of 8 percent compared with the number sold during the same period a year ago. New and existing home sales averaged 1,430 units annually between 2000 and 2005. The average sales price for a single-family home increased 4 percent to $152,000 during the 12 months ending July 2007 compared with $146,670 a year ago.

Single-family home construction, as measured by the number of building permits issued, has slowed in the metropolitan area during the past 2 years because resources primarily have been focused on redeveloping areas affected by Hurricane Rita. The number of homes permitted declined from 935 annually during the 2000-through-2004 period to about 365 units a year during the past 2 years. New home construction has increased recently now that much of the needed rehabilitation and reconstruction have been completed. For the 12-month period ending August 2007, the number of single-family building permits issued totaled 433, a 37-percent increase compared with the number permitted during the previous 12-month period.

Currently, about 200 homes are under construction in the metropolitan area. Most of the new homes are located in southwest Lake Charles or the southern part of the Calcasieu Parish unincorporated area. Graywood, the largest master-planned community in the area, is a 2,000-acre development with 150 luxury single-family homes completed and 60 additional homes and townhomes under construction. When completed in 2021, the community will have about 1,900 housing units. The average price for a single-family home in Graywood is $300,000 and for a townhome is $250,000. The Lakes of Clearfield subdivision has 700 lots located in the Holmwood area, southeast of Lake Charles. To date, 78 homes have been built and construction of the subdivision is expected to be completed in 2009. The average price of homes in this community is $175,000.

According to the Southwest Louisiana Apartment Association, the vacancy rate in the metropolitan area was stable at 5 percent in 2004 and through August 2005. After Hurricane Rita occurred, the rental market tightened to full occupancy and remained in that state for about 1 year. Since August 2006, the market has remained tight and the vacancy rate has increased to 2 percent. Average rents increased by about 3 to 4 percent annually from 2003 to August 2005. Currently, the average rent is about $625, which represents an 8-percent annual increase in the average rent level since Hurricane Rita occurred. Recent rent increases have been affected by significantly higher insurance premiums.

During the 12-month period ending August 2007, building permits were issued for 476 multifamily units; during the previous 12-month period, building permits were issued for 68 multifamily units. Two recently completed Class A apartment projects with a total of 432 units and another 256-unit project that is currently under construction are all located near the Graywood master-planned development. A total of 840 low-income housing tax credit (LIHTC) units are currently in the development stage in the Lake Charles metropolitan area and are scheduled to be completed by 2010. If all the approved LIHTC units proceed as expected, a softening of the rental market will likely occur.

Laredo, Texas

The Laredo metropolitan area consists of Webb County and is located in southwest Texas along the

United States-Mexico border. The metropolitan area is the economic and healthcare center of southwest Texas. Large increases in employment during the past decade have resulted in significant population growth. According to the Texas Workforce Commission, during the past 10 years, the Laredo metropolitan area was the third fastest growing area in the state in nonfarm job growth, with an average annual increase of 3.9 percent. The local economy benefits from the 600,000 residents of Nuevo Laredo in Tamaulipas, Mexico; the city is located south of Laredo across the Rio Grande.

Since 2000, Laredo has been one of the 25 fastest growing metropolitan areas in the United States in terms of population, with an average annual increase of 2.8 percent, or 6,100, according to the Census Bureau. As of August 1, 2007, the population of the metropolitan area is estimated to be 237,700. During the past 5 years, nearly 85 percent of the population growth has resulted from net natural increase (resident births minus resident deaths); during the previous 5-year period, the portion of population growth attributed to net natural increase was approximately 10 percent lower. Net in-migration has accounted for 15 percent of total population growth, or approximately 1,000 people, annually since 2002.

The economy of the metropolitan area is strong. During the 12-month period ending July 2007, nonfarm employment growth totaled 3,100 jobs, an increase of 3.7 percent compared with the number of jobs recorded during the previous 12-month period. Increases were reported in every employment sector except the manufacturing sector, which remained relatively unchanged. McDonald's restaurants and the Laredo Medical Center are the top two private-sector employers in the area, with 1,500 and 1,406 employees, respectively. During the past 12 months, the education and health services sector recorded the highest rate of job growth, at 6 percent, adding more than 700 jobs. Hiring at the Laredo Medical Center and the continued formation of small clinics and outpatient surgical centers accounted for most of the job growth recorded in the sector. Approximately 500 new positions were added in the wholesale trade and retail trade subsectors combined and 600 jobs were created in the government sector, primarily in the local government subsector. The government sector accounts for approximately 25 percent of the 86,100 nonfarm jobs in the metropolitan area as a result of a strong border patrol presence and employment in two school districts in the city of Laredo.

International trade is the main economic driver in the metropolitan area. The Port of Laredo, which is the busiest inland port along the United States-Mexico border, accounted for $94 billion in exports and imports in 2005. That year, nearly 3 million trucks crossed the border; today, hundreds of trucking and shipping companies are headquartered in Laredo. It is estimated that goods shipped through Laredo travel to more than 60 countries.

The market for existing single-family homes in the metropolitan area is tight as a result of strong growth in population and employment. According to the Laredo Board of REALTORS®, during the 12 months ending July 2007, sales of existing homes totaled 925 units, an increase of more than 7 percent compared with the number sold during the previous 12 months, and the average sales price increased to $175,100, up 14 percent compared with the average price during the previous period.

During the 12 months ending July 2007, new home construction, as measured by the number of building permits issued, decreased. The number of single-family building permits was down 28 percent to 1,430 compared with the record number of permits issued during the 12-month period ending July 2006. An average of 1,500 units were permitted annually from 2000 to 2004.

The rental housing market in the metropolitan area is currently balanced and has been for several years; the vacancy rate has remained virtually unchanged at 6 percent since 2000. Rental units account for approximately 18 percent of total housing units in the area. Nearly 10 percent of the rental supply consists of single-family and mobile homes. As of September 1, 2007, the apartment vacancy rate was an estimated 4 percent. Apartment rents in the area average $660 for a one-bedroom unit, $780 for a two-bedroom unit, and $975 for a three-bedroom unit. Rents for many of the single-family homes and mobile homes in the rental market are even lower than those for apartments.

Apartment construction, as measured by the number of multifamily units permitted, increased during the 12 months ending July 2007. During that period, the number increased by 100 to 470 units compared with the number permitted during the previous 12-month period. Since 2000, an average of 360 multifamily units have been permitted annually; during the 1990s, an average of 480 units were permitted annually.

Los Angeles County, California

Los Angeles County is located on the Pacific coast in southwest California. As of October 1, 2007, the county has an estimated population of more than 10 million people and is the most populous county in the nation. The population of Los Angeles County grew by 72,200, or 0.7 percent, during the 12-month period ending September 2007. The population increase consisted solely of net natural increase (resident births minus resident deaths). According to Census Bureau estimates, net migration has been negative for the past 2 years because domestic out-migration has averaged more than 80,000 people a year. The out-migration is primarily due to people moving out of the area for employment and lower housing costs.

After declining from 2000 to 2005, the number of nonfarm jobs in the county is currently growing at a moderate rate. During the 12 months ending August 2007, nonfarm employment increased by 46,700 jobs, or 1.1 percent, to 4,129,100 jobs. Employment increased in several of the service-providing sectors. The education and health services sector increased by 15,700 jobs, or 3.3 percent, and the professional and business services sector increased by 13,350 jobs, or 2.3 percent. Construction, a major employment growth sector for most of the 2000s, remained flat during the past 12 months because of a decline in specialty trade construction. During the same period, employment in the government sector increased by 6,600 jobs, or 1.1 percent, for a total of 593,200 jobs. Government is one of the leading employment sectors in the county, particularly at the local level, and accounts for more than 14 percent of all nonfarm jobs. Kaiser Permanente, the leading private-sector employer in the county, employs 32,200 workers. Other major private-sector employers include Northrop Grumman Corporation and The Boeing Company. Unemployment averaged 4.7 percent during the 12-month period ending August 2007, down from 4.9 percent during the previous 12-month period.

Overall, sales housing market conditions are currently balanced in Los Angeles County. Although home sales have dropped significantly since August 2005, the median sales prices for single-family homes and condominiums have continued to increase. Stricter mortgage qualification standards, which have resulted in fewer potential homebuyers qualifying for loans, have contributed to the weakening sales. Existing home sales averaged 111,700 annually between 2003 and 2005. According to DataQuick®, the 76,800 existing home sales recorded during the 12 months ending August 2007 was down 17 percent, or 16,200 homes, from the number of sales recorded during the same period ending August 2006. More than 20 percent of the existing homes sold in the recent 12-month period were condominiums, unchanged from the proportion sold in the previous 12-month period. During the 12-month period ending August 2007, the median price for an existing home was $534,600, up $27,400, or 5 percent, from the price during the previous 12-month period. The median price for an existing condominium increased to $426,400 from $409,300.

The average number of days required to sell an existing home has increased in all price ranges compared with the number of days on the market when tight market conditions existed in Los Angeles County in July 2005. From 2003 through the first half of 2005, existing homes in all price ranges usually sold in less than 30 days at a price 5 percent or higher than the listing price and with multiple offers. Currently, homes remain on the market an estimated average of 75 days but the number varies significantly throughout the county. Current selling prices are typically 5 to 10 percent below listing prices.

The same pattern of declining sales and increased median prices in the existing home market also exists in the new home sales market. The August 2007 median price of a new home, including single-family homes and condominiums, was $507,000, an increase of $32,000, or almost 7 percent, from the price recorded in the same period of 2006. Sales of new homes declined by 36 percent, or 1,600 units, to 4,500 units during the 12-month period ending August 2007 compared with the number sold during the previous 12-month period. New homes in Los Angeles County are no longer selling out before construction is completed. According to the Real Estate Research Council of Southern California, the number of unsold homes under construction in June 2007 increased to 2,550. This inventory is significantly higher than that recorded during the 2003-to-2005 period, when the average number of unsold homes under construction in June was 280. Of the total 4,100 available new homes, more than 26 percent are located in the San Fernando Valley submarket and approximately 24 percent are located in the North Los Angeles County submarket. Both submarkets are located north of downtown Los Angeles. Condominiums currently account for 67 percent of the inventory of available new homes and most are located outside the North Los Angeles County submarket, where approximately 90 percent of available new homes are single-family detached units.

Developers responded to slowing sales of both new and existing homes by reducing single-family construction activity, as measured by the number of building permits issued, to only 7,800 homes from September 2006 through August 2007. This level of construction was 33 percent below the level recorded during the previous 12-month period, when 11,550 single-family homes were permitted, and 34 percent below the level recorded from 2003 through 2005, when an average of 11,85 single-family homes were permitted annually.

Overall, rental housing market conditions are tight throughout the county. The average rental vacancy rate was 4 percent for the 12-month period ending August 2007, unchanged from the rate recorded during the previous 12-month period. Although the overall rental vacancy rate remained the same, the apartment vacancy rate increased by at least 0.5 percent in every submarket in the county as investors made more condominiums and single-family detached homes available for rent. About 4 percent, or 62,000 units, of the total apartment stock has been built since 2000. The post-2000 units have a higher vacancy rate, at 7 percent, primarily because the median rent of $2,100 for these units is more than $400 higher than the median rent for pre-2000 units.

Multifamily construction activity, as measured by the number of units permitted, totaled 14,100 units for the 12-month period ending August 2007, up 600 units, or nearly 5 percent, from the number of units permitted during the previous 12-month period. Between 2003 and 2005, multifamily development averaged 11,800 units annually. Of the multifamily units currently under construction, condominiums account for nearly 60 percent of the units compared with 50 percent during the previous 12-month period.

Rents increased more than 4 percent across the county during the 12 months ending August 2007 compared with the previous 12 months. The highest average rent increase, more than 10 percent, occurred in the Hollywood submarket. Since 2001, the redevelopment of the Hollywood area has increased the interest of middle- and upper-income households in moving into this area. During the past 12 months, downtown Los Angeles, which has been one of the most active rental areas in the county for the past 3 years, experienced no change in rents because the additional supply of rental units exceeded current demand. The median rent for a newly completed two-bedroom Class A apartment in Los Angeles County is currently $2,000.

Philadelphia, Pennsylvania

The Philadelphia Housing Market Area (HMA) comprises the city of Philadelphia and the suburban counties of Bucks, Chester, Delaware, and Montgomery. The HMA, with an estimated population of 3.9 million as of September 2007, accounts for 70 percent of the population in the 11-county Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Metropolitan Statistical Areas. During the past 12 months, the population of the HMA increased by approximately 0.2 percent, or nearly 10,000, while the population of the city of Philadelphia declined slightly to 1.5 million.

Economic growth continued in the HMA during the past year but at a slower pace than the levels recorded in 2005 and 2006, when gains averaged 0.9 percent a year. During the 12 months ending July 2007, nonfarm employment increased by 12,400 jobs, or 0.7 percent, to 1.9 million. Approximately 5,000 fewer jobs were added during the most recent 12-month period than during the 12-month period ending July 2006. The fastest growing employment sectors were education and health services and professional and business services. The unemployment rate declined to 4.4 percent during the 12 months ending July 2007 compared with 4.8 percent a year ago.

Education and health services, the largest employment sector in the HMA, with 396,600 jobs, increased by 6,500 jobs, or 1.7 percent, during the 12 months ending July 2007. Four out of five jobs added were in the healthcare and social assistance industry, including 2,700 new positions in hospitals. Several hospitals have construction projects under way, including a $2 billion expansion at The Children's Hospital of Philadelphia, one of the leading employers in the HMA, with 7,875 employees. Employment in the ambulatory health services industry also increased, adding 1,200 jobs. The educational services sector expanded as employment at colleges and universities increased by 1,900 jobs, or 2.8 percent, during the 12 months ending July 2007 compared with 500 jobs added during the 12 months ending July 2006.

Job growth remained strong in professional and business services, the second largest employment sector in the HMA, with 293,100 jobs. During the 12-month period ending July 2007, the sector grew by 6,600 jobs, or 2.3 percent, 1,100 fewer jobs than were added during the previous year. During this same period, the employment services industry expanded rapidly by 2,300 jobs, or 8.2 percent, following an increase of 1,700 jobs during the previous 12-month period.

The leisure and hospitality sector, which employs more than 150,000 people, increased by 2,000 jobs, or 1.3 percent, during the 12-month period ending July 2007. The $700 million expansion of the Pennsylvania Convention Center began in August 2007 and is expected to be completed in 2010. According to the Philadelphia Convention & Visitor's Bureau, the expansion will create 2,000 hospitality-related jobs with an economic impact on the HMA of more than $150 million. Conventions accounted for more than 41 percent of hotel reservations in downtown Philadelphia in 2006, unchanged from 2005, and generated an annual economic impact of $8 billion in the region, including $3 billion in the city of Philadelphia.

Increases in employment in the service-providing sectors offset job losses in the goods-producing sectors. During the 12-month period ending July 2007, employment in the manufacturing sector declined more slowly than it did in previous years, decreasing by 3,200 jobs, or 2 percent, and accounted for nearly all job losses in the goods-producing sector. The decrease in manufacturing employment includes a decline in housing-related industries.

Slower economic growth, rising interest rates, and stricter lending requirements have reduced the demand for sales housing. As a result, builders have cut back on production. The rate of homebuilding, as measured by the number of single-family building permits issued in the HMA, declined by 27 percent to 5,625 homes during the 12-month period ending July 2007 compared with a year earlier. The current production level is approximately 2,500 homes below the average annual level of construction activity that occurred from 2000 to 2006. The suburban counties of Bucks, Chester, and Montgomery, where approximately 80 percent of recent construction has occurred, reported substantial declines in the number of single-family building permits issued during the recent 12-month period. Decreases amounted to 37 percent in Bucks County, 35 percent in Chester County, and 21 percent in Montgomery County as developers slowed construction to allow existing inventories to be absorbed. As of July 2007, an estimated 2,150 single-family homes were under construction in the HMA; approximately half are located in Montgomery County.

The sales housing market in the HMA is currently slightly soft. According to TREND MLS, new and existing home sales totaled 143,000 during the 12 months ending June 2007, a 9-percent decline, or 11,900 fewer sales, compared with the number of sales recorded a year earlier. The most notable decreases occurred in Bucks County, where sales declined by 19 percent, and Montgomery County, where sales were down by 10 percent. Despite the decline in sales, home sales prices continued to rise moderately by 2 percent to an average of $281,200 during the 12-month period ending June 2007. In comparison, the average price increased by 7 percent during the previous 12-month period. During the most recent 12-month period, Delaware County and the city of Philadelphia registered price increases of 4 percent, slightly higher than the increases recorded in the HMA overall.

Multifamily construction, as measured by the number of units permitted, has declined from a peak of 4,300 units in 2004. Building permits were issued for 2,630 multifamily units during the 12 months ending July 2007, down 27 percent from a year ago. Despite the decline, the current level of multifamily construction remains nearly 20 percent above the average level of multifamily construction from 1996 to 2003. The entire decline in the number of multifamily units permitted during the most recent year occurred in the city of Philadelphia, where the number of units permitted decreased by 50 percent to 1,250 units to allow time for the absorption of recently constructed apartment and condominium units. According to Reis, Inc., as of June 2007, an estimated 2,625 condominium units and 1,250 rental apartments were under construction in the HMA.

Condominium developers have reduced the number of units under construction, allowing time for the absorption of nearly 5,000 new units being marketed for sale throughout the HMA as of June 2007. According to Reis, Inc., on average, 1,275 apartment units a year were converted to condominiums between 2004 and 2006. During the past few months, plans for nearly 1,300 new condominium units were cancelled, according to Delta Associates. Most of the units were located at three properties in Philadelphia that will now be developed as apartments. Plans for two condominium towers with a total of 450 units in Chester County were also withdrawn. Sales of existing condominiums increased steadily during the past 5 years, rising by 14 percent during the past year to a total of more than 3,350 units as of December 2006, the most recent annual data available. According to Delta Associates, as of May 2007, the median price of existing condominiums ranged from $137,500 in Delaware County to $275,000 in the city of Philadelphia. Prices rose throughout most of the HMA during the 12 months ending May 2007; the highest annual increase of nearly 6 percent occurred in the city of Philadelphia.

The rental market is balanced throughout the HMA. According to Delta Associates, the number of available apartments at actively marketing projects declined by more than 25 percent to 1,825 units as of June 2007 compared with the number marketed in the previous year. In recent years, the absorption of new units was strong in the suburban counties, particularly in Montgomery County, where absorption increased from an average of 13 units a month in 2004 to 19 units a month this year. The suburban vacancy rate decreased from 4 percent in June 2006 to 2 percent in June 2007. During that period, rent concessions declined from 5 to 3 percent, amounting to a $40 increase in effective rents. In Center City Philadelphia, the overall Class A apartment rental vacancy rate, which includes actively marketing projects, increased from 6 to 13 percent. Although the number of new apartments on the market increased by approximately 200 units above the number a year ago, the units are being absorbed quickly. The absorption of new apartments increased in Center City highrises to an average of 29 units a month at each project compared with 10 units a month during the previous year. The demand for apartments in Center City is expected to remain strong during the next year. Despite the demand, the conversion of former condominium units to rental units will likely cause the vacancy rate to remain above 6 percent. During the past year, Class A apartment gross rent levels increased by $160 to an average of $1,900 in Center City and remained unchanged at $1,350 in the suburban counties.

Raleigh, North Carolina

The Raleigh metropolitan area consists of Franklin, Johnston, and Wake Counties. Located in Wake County, Raleigh is the capital of North Carolina and the second largest city in the state. Although the area has a large number of high-technology employers and research facilities, Raleigh maintains a small-town atmosphere. The metropolitan area is known as a center for education and for research and development. Raleigh is home to North Carolina State University, which enrolls 31,000 students and employs nearly 8,000 faculty and staff. In fiscal year 2006, the university had an annual operating budget of nearly $960 million. Raleigh also benefits from its proximity to the cities of Durham and Chapel Hill, which are home to Duke University and The University of North Carolina at Chapel Hill, respectively.

The population of the metropolitan area, which is currently estimated to be just over 1 million, has increased by an average of 32,350, or 3.6 percent, annually since 2000. Nearly 80 percent of the population in the metropolitan area resides in Wake County. Strong employment growth, relatively affordable housing, and high wages compared with other areas of the state have resulted in strong in-migration that has accounted for 70 percent of the population growth since 2000. As employment continues to increase during the next 2 to 3 years, population growth is expected to remain strong.

During the past 3 years, nonfarm employment growth in the Raleigh metropolitan area has accelerated from an average of less than 2 percent annually during the early 2000s to 3.3 percent during the 12-month period ending August 2007. Nonfarm employment reached 494,400 jobs, an increase of 15,600 jobs from the previous 12-month period. During the past 12 months, job growth in the metropolitan area was concentrated in the education and health services sector and professional and business services sector, where employment increased by 2,400 and 4,300 jobs, respectively. New jobs in healthcare services accounted for nearly all the growth in the education and health services sector. Approximately 60 percent of new jobs in the professional and business services sector were in scientific and technical fields.

Because Raleigh is the capital of North Carolina and home to North Carolina State University (NC State), state government represents 8 percent of nonfarm employment and contributes to overall employment stability. Located in both the Raleigh and Durham metropolitan areas, Research Triangle Park is a leading employer in Raleigh and is a magnet for high-technology jobs. Currently, 39,000 people are employed at the park and receive more than $2.7 billion in annual salaries. During the next 2 to 3 years, new employers in the park are expected to add 5,000 jobs to the Raleigh and Durham employment base. During the 12 months ending August 2007, the unemployment rate averaged 3.6 percent, down from an average of 3.8 percent during the previous 12-month period.

Strong population and employment growth in Raleigh during the past year have helped maintain a high level of new home construction, although builders have begun to cut back production in response to declining sales. During the 12 months ending August 2007, building permits were issued for 12,950 single-family homes, a 6-percent decline from the previous 12-month period. Because of strong demand for new sales housing, building permits issued for single-family homes have remained above the average of 11,550 homes permitted each year from 2000 to 2006. Since reaching a record high in 2005, the number of permits issued for single-family homes has slowly declined in 2006 and 2007 and is expected to continue to decline in 2008 due to a slowdown in the number of homes sold.

The sales housing market in Raleigh is currently balanced but softening. According to data from Triangle Multiple Listing Service, Inc., sales of new and existing homes in the metropolitan area declined by 890 homes, or 3.6 percent, during the 12 months ending August 2007 following a record-setting

24,300 sales in 2006. Although home purchases have declined, sales activity remains near record levels. In Wake County, home sales declined by 750 homes, or 4 percent, to 20,500 homes. Sales in Johnston County also fell by 4 percent, or a total of 136 homes, to 3,325 homes. Despite declines in sales, home sales prices continued to increase, primarily due to an increase in sales of larger homes. The average price of homes increased by 6 percent to $261,300 in Wake County and by 8 percent to $176,500 in Johnston County.

Beginning in 2002, builders cut back production of multifamily units, as measured by the number of units permitted, in response to softer rental market conditions. Reduced levels of production continued through 2005, when only 650 multifamily units were permitted. A return to balanced conditions in the rental market and continued condominium development in downtown Raleigh resulted in an increase in multifamily building activity in 2006, when nearly 4,200 units were permitted. Of the multifamily units permitted that year, approximately 20 percent were condominium units. During the 12 months ending August 2007, multifamily construction activity remained virtually unchanged at 3,300 units compared with the construction activity during the previous 12-month period.

Residential development in downtown Raleigh remains strong. According to Downtown Raleigh Alliance, $2 billion in residential, commercial, and public-sector development are in the pipeline for downtown Raleigh, including a 400-room Marriott City Center hotel and 33-story RBC Plaza, the new headquarters for RBC Centura Bank, a subsidiary of Royal Bank of Canada. More than 2,600 residential units, including apartments, condominiums, town-houses, and single-family homes, are under construction or in the pipeline. If all units are completed, the housing inventory in downtown Raleigh will double.

The rental housing market in Raleigh is currently balanced. According to RealData, Inc., the apartment vacancy rate declined to 7.9 percent in July 2006, the first time in more than 6 years that the vacancy rate fell below 8 percent. The vacancy rate continued to decline to 7.1 percent in July 2007 because completions remained low at 640 units. Since 2004, the apartment vacancy rate in Raleigh has steadily declined because of sharp cutbacks in apartment construction in 2002 and 2003 and strong household growth. Development remained below average in 2004 and 2005 but increased dramatically in 2006. More than 4,000 apartments were under construction in July 2007 compared with 2,900 units that were under construction a year earlier. Approximately 950 units are under construction in the RealData submarket that includes NC State. The vacancy rate in the submarket was 6.8 percent in July 2007, but, because of the large number of units under construction, the vacancy rate in the submarket is expected to increase in 2008. RealData, Inc., reports that the average rent for apartments in Raleigh was $758 in July 2007, a 4-percent increase from a year earlier. When the estimated 3,000 apartments currently under construction in Raleigh are delivered to the market in 2008, the vacancy rate and lease-up specials in the metropolitan area are expected to increase.

Salt Lake City-Ogden-Clearfield, Utah

The Salt Lake City-Ogden-Clearfield Housing Market Area (HMA) encompasses Davis, Salt Lake, Tooele, and Weber Counties in north-central Utah. The HMA extends from Salt Lake City to the south along the west side of the Wasatch Mountain range and 40 miles north to Ogden. Salt Lake City is the state capital and the hub of government activities and financial services. The University of Utah, located in Salt Lake City, has an enrollment of more than 28,000 students and an annual economic impact on the HMA of approximately $2 billion. Located near Ogden and Clearfield, Hill Air Force Base, with 17,000 military and civilian personnel, provides logistics support to many U.S. operational missions worldwide.

The population of the HMA is estimated at 1.7 million as of October 1, 2007, an increase of 30,000, or 2 percent, annually since the 2000 Census. The population gain has been a result of a growing economy that continues to attract workers to the area. Economic conditions in the HMA have been strong during the past 3 years, following a downturn in the early part of the decade. During the 12 months ending August 2007, nonfarm employment averaged 823,800 jobs, up 4.3 percent compared with the number recorded during the previous 12-month period. The strong employment growth was a result of a resurgence in the area's high-technology industry, increased defense spending, and strong population growth that stimulated jobs in the construction, trade, and services industries. During this period, nearly half of the 33,800 new jobs were in the construction sector and professional and business services sector. Construction sector employment grew because of the start of several large nonresidential projects. All sectors registered job increases or were relatively unchanged. Among the leading private-sector employers in the area are Intermountain Healthcare, Delta Air Lines, and Discover Financial Services. The average unemployment rate declined from 3.4 to 2.8 percent during the past 12 months.

Local home builders have curtailed single-family home construction, as measured by the number of building permits issued, in response to an overall slowdown in home sales and an inventory buildup of unsold homes. Housing demand has declined as a result of the rising cost of purchasing a home and tighter credit standards. During the 12 months ending August 2007, the number of single-family homes permitted totaled 7,500, a 30-percent decline compared with the number permitted during the same period last year. Production was at its lowest level since 2000. Most of the 3,500 homes currently under construction are on the western fringes of the cities of Riverton, Draper, and South Jordan in southwest Salt Lake County.

According to NewReach, Inc., during the 12 months ending August 2007, new home sales totaled 8,370, down 6 percent from the number sold during the same period a year ago, and active listings more than doubled. Despite the slowdown, the average sales prices for new detached and attached homes increased by 13 and 30 percent, respectively, to $362,500 and $239,600. The large increase in the average price for attached homes can be attributed to an increase in the sale of new higher priced condominiums. The unsold inventory of both new single-family and new attached homes is 1,400 units, the highest level in 10 years. Despite the increase in inventory, strong demand remains for homes in certain market segments, particularly homes priced under $400,000 with easy access to employment centers and light rail stations. Strong demand also exists for detached homes in the $250,000-to-$350,000 price range in the more affordable subdivisions in Tooele and Weber Counties.

The market for existing homes was considered balanced to soft during the past 12 months, but current conditions favor buyers because of an increase in inventory. According to NewReach, Inc., during the 12-month period ending August 2007, sales of existing single-family homes were down by 8 percent from the number sold during the same period a year ago. At the same time, the average home price increased by 13 percent to $254,900. During the past year, sales of existing attached homes were down by more than 6 percent and the average price of these homes increased by 3 percent to $163,900.

The inventory of unsold existing single-family and attached homes increased by 25 percent in the past 12 months to 16,200 units as of August 2007. A decline in home price affordability contributed to the inventory increase because wage increases have not kept pace with home prices. During the 12-month period ending August 2007, the average price of a home sold in the HMA increased by approximately 50 percent compared with the average price recorded during a similar period 4 years ago, but wages increased by only an estimated 20 percent during the same period. With the decline in affordability and the uncertain direction of future home prices, buyers take a longer time than they once did to purchase a home and sellers act more quickly to list their homes.

The strong economy and infrastructure improvements in the HMA have been the impetus for large commercial and residential development projects in downtown Salt Lake City and Ogden. In downtown Salt Lake City, more than $1.5 billion in office, residential, and retail developments are slated to be completed over the next 3 years. Ground has been broken for the mixed-use City Creek Center, the largest of the 50 downtown developments in the planning stages. City Creek Center will include 430 condominium units in 5 residential towers. Another development, The Metro Condominiums, with 117 units, is slated for completion in early 2008. The Utah Transit Authority will complete $300 million in light rail and commuter rail extensions that will link downtown Salt Lake City with downtown Ogden. In downtown Ogden, ground has broken on The Junction, a $182 million mixed-use project that is scheduled for completion in 2010. Development plans for this project include 300 condominium and apartment units. Two Class A office projects are already under construction and two apartment projects, with a total of 150 units, are expected to break ground in 2008.

During the 12 months ending August 2007, multifamily construction in the HMA, as measured by the number of units permitted, increased by 16 percent to 2,030 units. The increase is due to builders shifting from single-family production to relatively lower priced condominiums. This level of multifamily construction is consistent with the annual average level of multifamily construction that has occurred since 2000. According to The University of Utah construction reports, apartments accounted for 30 percent of the multifamily units permitted in the HMA during the recent 12-month period. In contrast, apartments accounted for 75 percent of the total number of multifamily units permitted in 2000. The reduction in apartment construction was due to overbuilding in the early part of the decade and historically low mortgage interest rates that enabled many renters to become homeowners. As a result of reduced rental demand, apartment rent increases did not keep pace with escalating construction costs, and builders shifted production to condominiums. According to local housing officials, rents must increase by 15 to 20 percent before large-scale apartment construction can be feasible.

The rental housing market in the HMA is tight. According to a survey published by Hendricks & Partners, Inc., the July 2007 average apartment rental vacancy rate was 3.7 percent, down from the 5.3-percent rate recorded in July 2006, and was the lowest in 10 years. Over the past year, the average monthly rent has increased by 7 percent to $718 and concessions have disappeared. Strong job growth and a limited supply of new apartments have contributed to the tight market. A total of 700 apartment units currently are under construction and another 1,700 units are in the planning stages. This level of production is well below the 2,500 rental units that will be needed annually during the next 3 years to meet forecast demand. As a result, renters can expect tight conditions with continued rent increases over the next 3 years.

Tulsa, Oklahoma

The Tulsa Housing Market Area (HMA), which includes seven counties in the northeast portion of Oklahoma, is the second largest metropolitan area in the state. Tulsa was heavily dependent on the oil industry until the late 1980s. Since that time, the economic base has become more diversified, with employment growth throughout several major sectors. The aviation industry in the HMA has grown to include more than 300 aviation-related companies providing approximately 35,000 jobs. One of these companies, American Airlines, operates a maintenance base, one of the largest in the world.

The current population of the HMA is estimated at 911,400 as of September 2007, an average annual increase of 7,150, or about 1 percent, since 2000. During the past $7^1/_2$ years, net natural increase (resident births minus resident deaths) has averaged 5,500 annually and accounted for 78 percent of the population gain. During the past 24 months, job growth, together with an affordable housing stock, has resulted in a net in-migration of 4,000 people annually.

Nonfarm employment averaged 428,700 jobs during the 12 months ending August 2007, an increase of 8,300 jobs, or 2 percent, compared with the number recorded during the same period a year earlier. Job growth occurred in all sectors, except the information sector; a loss of 1,100 jobs was primarily due to a contraction in the telecommunication subsector. In the past 12 months, the largest job gain occurred in the manufacturing sector, which added 1,900 new jobs, a 3.9-percent increase, including 1,000 new jobs at aviation-related firms. A Boeing Company plant that assembles wing parts for the new 7E7 jetliner is one of five assembly plants in the nation and has added more than 800 jobs since 2004. The natural resources and mining sector had the largest rate of increase, at 10.5 percent, or 600 jobs, due to recent gas explorations. The HMA is home to the inland Tulsa Port of Catoosa on the Arkansas River; the port, a foreign trade zone, has an estimated annual impact of $1 billion on the local economy. In 2006, barge tonnage totaled more than 2.3 million tons, an increase of 28 percent from the tonnage recorded in the previous year.

Conditions in the existing home sales market remain balanced. Existing home sales decreased slightly during the 12 months ending August 2007 from record sales levels recorded during the previous 12-month period. According to the Oklahoma Association of REALTORS®, 15,700 existing homes were sold during the 12 months ending August 2007, down nearly 4 percent compared with the record 16,300 sales in the previous 12 months. The average sales price rose to $151,700, an increase of nearly 5 percent compared with the price recorded during the previous 12 months. The sales vacancy rate in August 2007 was estimated to be 2.2 percent compared with 1.8 percent in April 2000.

In response to the decline in home sales, single-family developers reduced home construction activity, as measured by the number of building permits issued, beginning in mid-2006. During the 12 months ending August 2007, single-family home construction totaled 4,481 homes, a 16-percent decrease from the 5,206 homes permitted a year earlier. The level of construction was still above the annual average of 4,100 homes built from 2000 to 2005.

Rental housing market conditions in the HMA are moderately soft with a vacancy rate of 9.6 percent. Apartments account for approximately 54 percent of all rental units; the remainder of the rental stock consists of single-family homes and mobile homes. According to CB Richard Ellis/Oklahoma, the apartment rental vacancy rate for the HMA was 8.5 percent as of June 2007 and was estimated at 6 percent in properties built since 2000. Concessions equal about 2 percent of asking rent and consist primarily of $99 move-in specials and a $100 discount on the first month's rent. Average effective rents in units built since 2000 are $647 for a one-bedroom unit, $775 for a two-bedroom unit, and $985 for a three-bedroom unit. These rents have remained relatively unchanged compared with average rents recorded a year ago. The newer units are located primarily in the eastern and the southern portions of the HMA.

Apartment construction activity, as measured by the number of multifamily units permitted, slowed to 465 units during the 12 months ending August 2007 compared with 670 units permitted during the previous 12 months. Since 2000, an average of 470 multifamily units have been permitted each year. Overall, rental housing market conditions are expected to become balanced in the HMA during 2008, mainly due to the reduced construction of new apartments.

West Palm Beach-Boca Raton-Boynton Beach, Florida

Located on the southeast coast of Florida, the West Palm Beach-Boca Raton-Boynton Beach Housing Market Area (HMA) is defined as Palm Beach County. The HMA is bounded by Broward County to the south, Hendry County to the west, and Martin County to the north. Tourism, both domestic and international, has a significant effect on the economy of the area. Between October 2005 and September 2006, an estimated 4.5 million people visited Palm Beach County, generating an annual economic impact of $3.3 billion.

As of October 1, 2007, the estimated population of the HMA is 1,325,800, an increase of more than 25,900, or 2.3 percent, annually since April 1, 2000. Population growth has slowed somewhat during the past 2 years as a result of a reduction in the rate of employment growth. The population of the HMA has increased at an average annual rate of about 23,800 since the beginning of 2006 compared with nearly 26,900 between 2000 and 2005. About 36 percent of the population growth that has occurred since 2000 is the result of international in-migration, primarily from Central and South America and the Caribbean. West Palm Beach is the largest city in the HMA, with a Census Bureau-estimated population of 98,800 as of July 1, 2006.

The three major multibillion-dollar industries in Palm Beach County are tourism, agriculture, and construction. Tourism accounts for more than 40,000 jobs in Palm Beach County; nearly 7 percent of the HMA workforce earns a living from tourism-related businesses such as hotels, restaurants, stores, and transportation services. Passenger traffic at Palm Beach International Airport totaled 6.9 million in 2005, a 400,000-passenger increase compared with the amount of passenger traffic recorded in 2004. Palm Beach County ranks first in the state in cash receipts from the sale of agricultural products at more than $2 billion annually. The western portion of the county produces about 10 percent of both the sugar supply and winter crops, such as peppers and lettuce, for the United States. During the 12 months ending September 2007, employment in the construction sector increased by 600 jobs, or 1.3 percent, to 47,000 positions compared with the number of jobs recorded during the previous 12 months.

Total nonfarm employment averaged 593,900 jobs during the 12 months ending September 2007, an increase of 1.8 percent, or 10,700 jobs, compared with the number of jobs recorded during the previous 12 months. The three leading employment sectors, which together account for 42 percent of nonfarm employment, are wholesale and retail trade, education and health services, and leisure and hospitality. The leisure and hospitality sector had the largest percentage gain of any sector, increasing by 2,500 jobs, or 4 percent, during the 12-month period ending September 2007. During the same period, employment in the trade sector increased by 2,400 jobs, or 3 percent, and employment in the education and health services sector increased by 1,300 jobs, or 1.7 percent. Tenet Healthcare Corporation, with 5,000 employees, and Columbia Palm Beach Healthcare System, Inc., with approximately 3,750 employees, are the two leading private-sector employers in the HMA. In the past 12 months, the average unemployment rate decreased from 3.9 to 3.7 percent, the lowest rate in 20 years.

Building permits were issued for more than 43,950 single-family homes in Palm Beach County from 2002 to 2006 compared with 33,300 single-family homes permitted from 1996 to 2001. Single-family construction, as measured by the number of building permits issued, totaled 2,500 units for the 12-month period ending August 2007, 61 percent lower than the number permitted during the same period a year ago, when single-family building permits were issued for more than 6,425 units. Builders have curtailed production as sales have declined and inventories of unsold homes have increased. Condominiums have become an important element of the sales housing market as a result of increased land costs, increased construction costs, and double-digit single-family home sales price appreciation; all three factors began impacting the sales housing market in 2002. From 2002 through 2006, the number of multifamily units authorized by building permits averaged 4,050 units a year compared with an average of 3,400 units permitted annually from 1997 through 2001. According to data from Reis, Inc., of the more than 20,200 multifamily units permitted in the past 5 years, about 12,200, or 60 percent, were owner units. During the 12 months ending August 2007, the number of multifamily units authorized by building permits in the HMA totaled about 1,650; this figure is 66 percent lower than the number permitted during the 12 months ending August 2006 and reflects builders' response to softer conditions in the condominium and apartment markets.

Conditions in the Palm Beach County home sales market are currently soft. Data available in the third quarter report from local real estate analysis firm Reinhold P. Wolff Economic Research, Inc., indicate that sales of new single-family homes totaled 4,925 for the 12 months ending June 2007 compared with 9,650 units sold for the same period a year ago, a decrease of 49 percent. Sales of new single-family homes have been declining since 2003, when they peaked at more than 12,200 units. Steep increases in the cost of homeowners insurance and difficulty in finding insurers willing to write new policies have added to buyers' uncertainties. Wolff data indicate that the median price in the second quarter was $528,000, 13 percent higher than the price recorded a year ago but down slightly from the first quarter of 2007, when it was $532,400. This price decline is the first in several years. The three areas with the most new home sales activity are Boynton Beach, Jupiter-Tequesta-Juno Beach, and Central Lake Worth-Lantana. During the past 12 months, Central Lake Worth-Lantana and Jupiter-Tequesta-Juno Beach posted the largest declines in sales, 75 and 49 percent, respectively.

Based on data from the Florida Association of REALTORS®, sales of existing single-family homes in the HMA totaled approximately 7,400 for the 12 months ending August 2007, a decrease of 25 percent compared with the 9,900 units sold during the same period a year ago. The median price of an existing home decreased by 6 percent to $374,000 from $398,600 a year ago.

After 3 years of significant activity, the condominium market has softened. Based on Wolff data, sales of new condominiums totaled 5,500 units in the 12 months ending June 2007, a 25-percent decrease compared with the number sold during the previous 12 months. The median price of a new condominium in the HMA increased by 7 percent from $255,500 to $272,800 during the 12-month period ending June 2007. The rate of increase is less than the 9-percent price gain recorded a year ago. The most active areas in terms of condominium sales were Boynton Beach and the Jupiter-Juno Beach-Singer Island area. The areas with the largest declines in sales were South Palm Beach, Boynton Beach, and Delray Beach. Based on data from the Florida Association of REALTORS®, 6,000 existing condominiums were sold in the HMA during the 12 months ending August 2007, a decline of more than 6 percent compared with the number sold during the same period a year ago. The median price of an existing condominium decreased by nearly 2 percent to $211,700 during the past 12 months.

According to data from Reis, Inc., 15,300 apartment units have been completed in the HMA since 2000; however, only about 1,100 of these units have been completed since January 2005. Between 2003 and 2006, nearly 15,000 apartments were converted to condominiums, resulting in a decline in the rental inventory from 64,800 units in 2003 to 51,300 units by July 2006. During that same period, the apartment vacancy rate fell from 10.2 to 4.2 percent. During the past 12 months, 850 new rental units were completed and another 1,250 units were "reverted" from condominiums. As a result, the apartment vacancy rate has increased to a current rate of 7 percent. Effective rent increased by a little more than 1 percent to $1,049 from $1,036 a year ago compared with an increase of more than 7 percent during the previous year. According to M/PF YieldStar, currently 425 apartment units are under construction, all of which are expected to be completed during the next 12 months. It is anticipated that condominium reversions will continue to occur, causing further weakening of the already softening rental market.

Wichita, Kansas

The Wichita Housing Market Area (HMA), located in south-central Kansas, consists of Butler, Harvey, Sedgwick, and Sumner Counties. As of September 1, 2007, the population of the Wichita HMA is estimated at 599,400, an average annual gain of 3,800, or 0.7 percent, since the 2000 Census. The economy of the HMA depends heavily on the manufacturing sector, which accounts for 22 percent of nonfarm jobs in the area; the sector accounts for just 10 percent of nonfarm jobs in the country. The top three employers in the HMA are Cessna Aircraft Company, Spirit AeroSystems Holdings, Inc., and Raytheon Aircraft Company. Area aircraft manufacturing firms produce complete aircraft and parts for private, commercial, and military customers.

The economy of the HMA strengthened during the past 3 years after declining in 2003 and 2004. In the 12-month period ending August 2007, the HMA added 11,700 jobs, or 4 percent, compared with 4,100 jobs added in the previous 12-month period. Employment increased in most sectors, led by the natural resources, mining, and construction sector, which grew by 8 percent, or 1,200 jobs. The manufacturing sector grew by 5 percent, or 2,800 jobs. Aerospace manufacturing accounted for much of the increase in the sector, adding 2,500 jobs, or 7 percent, between September 2006 and August 2007. Cessna Aircraft Company, the leading employer in the HMA, reported more jet orders in the first 8 months of 2007 than during all of 2006. Aircraft and parts manufacturers indicate they will expand employment during 2008 to meet increased orders. Employment in the service-providing sectors expanded by 7,700 jobs, including 1,600 jobs added in the professional and business services sector. The average unemployment rate in the HMA during the 12-month period ending August 2007 was 4.4 percent, down from 5.0 percent during the previous 12-month period.

The home sales market in the HMA has benefited from the strong local economy and continued affordability of homes. Conditions in the sales market are currently balanced to slightly soft. According to the 2007 Coldwell Banker® Home Price Comparison Index, Wichita is ranked as the 10th most affordable housing market in the United States, with an average price of $156,500 for a 2,200-square-foot home with four bedrooms, two and one-half baths, and a two-car garage. According to data provided by the Wichita Area Association of REALTORS®, the number of new and existing single-family home sales totaled 11,712 during the 12-month period ending August 2007, down nearly 3 percent compared with the number sold during the previous 12-month period. This decrease is a result of a 350-unit decline in new home sales; during the period, existing home sales increased by 1 percent and the average sales price increased by 4 percent, from approximately $127,000 to $132,000.

The number of single-family homes permitted in the HMA totaled 2,073 during the 12-month period ending August 2007, down from 2,699 permitted during the previous 12-month period and down from an annual average of 2,713 permitted between 2000 and 2005. The decrease reflects home builders' response to declining sales and increasing inventory. Single-family developments are under construction throughout the area, particularly in the communities immediately adjacent to the city of Wichita. In the western region of the HMA, the Auburn Hills development will include 800 homes with prices starting at $140,000. In the eastern region of the HMA, construction continues at Equestrian Estates, a new development with 111 proposed single-family homes with prices starting at in the upper $200,000s. Approximately 70 lots have already been sold in the development, and the third phase is scheduled to begin in the spring of 2008.

In recent years, steady demand for condominiums has existed in the HMA as empty nesters return to the city for cultural amenities and young professionals seek an urban lifestyle. Condominium sales have remained nearly constant during the past year. According to data provided by the Wichita Area Association of REALTORS®, 660 units were sold during the 12 months ending August 2007 and 662 units were sold during the 12 months ending August 2006. During this time, the 12-month average sales price declined by 5 percent, from $145,600 to $138,100. Condominiums, which are predominately located in the city of Wichita, account for only 5 percent of all housing sales in the HMA. New developments under construction include WaterWalk Place Residences, which includes 48 loft units, approximately 30 percent of which are presold, and rental units, office space, retail space, and restaurants. Another development under way is Parkstone at College Hill, located west of the city's Old Town neighborhood and the downtown business district, which will include approximately 134 condominium units.

The rental housing market in the HMA remains slightly soft. Data from Reis, Inc., indicate an apartment vacancy rate of 9.3 percent for the second quarter of 2007, relatively unchanged from the 9.4-percent rate recorded for the second quarter of 2006. Average rents in the HMA are $443 for a one-bedroom unit, $547 for a two-bedroom unit, and $696 for a three-bedroom unit. Rents have remained stable in the past year. Some properties are offering a concession of 1 month's free rent, but this practice is less common than it was a year ago. A new 192-unit apartment property targeting students enrolled at Wichita State University is expected to begin construction shortly and begin leasing by August 2008.

Reflecting the soft rental housing market, the construction of new apartments, as measured by the number of units permitted, has declined in recent years. An estimated 200 apartment units were permitted during the 12 months ending August 2007, down from an estimated 630 units permitted during the previous 12 months. The reduced level of construction should allow the rental housing market to return to more balanced conditions over the next 12 months.

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

HUD Region and State	2007 Through September			2006 Through September			Ratio: 2007/2006 Through September		
	Total	Single Family	Multi-family*	Total	Single Family	Multi-family*	Total	Single Family	Multi-family*
Connecticut	5,829	4,049	1,780	7,197	5,486	1,711	0.810	0.738	1.040
Maine	4,741	4,085	656	5,861	5,255	606	0.809	0.777	1.083
Massachusetts	11,283	6,491	4,792	15,590	8,786	6,804	0.724	0.739	0.704
New Hampshire	3,512	3,150	362	4,566	3,847	719	0.769	0.819	0.503
Rhode Island	1,436	1,094	342	1,635	1,158	477	0.878	0.945	0.717
Vermont	1,680	1,373	307	2,299	1,986	313	0.731	0.691	0.981
New England	**28,481**	**20,242**	**8,239**	**37,148**	**26,518**	**10,630**	**0.767**	**0.763**	**0.775**
New Jersey	18,891	10,326	8,565	25,296	13,761	11,535	0.747	0.750	0.743
New York	42,091	13,989	28,102	42,485	16,093	26,392	0.991	0.869	1.065
New York/New Jersey	**60,982**	**24,315**	**36,667**	**67,781**	**29,854**	**37,927**	**0.900**	**0.814**	**0.967**
Delaware	4,235	3,562	673	5,300	4,133	1,167	0.799	0.862	0.577
District of Columbia	1,862	544	1,318	1,771	65	1,706	1.051	8.369	0.773
Maryland	16,543	11,953	4,590	21,186	15,700	5,486	0.781	0.761	0.837
Pennsylvania	28,051	22,918	5,133	31,686	26,903	4,783	0.885	0.852	1.073
Virginia	28,939	24,566	4,373	37,268	31,446	5,822	0.777	0.781	0.751
West Virginia	3,036	2,890	146	3,891	3,728	163	0.780	0.775	0.896
Mid-Atlantic	**82,666**	**66,433**	**16,233**	**101,102**	**81,975**	**19,127**	**0.818**	**0.810**	**0.849**
Alabama	18,802	15,121	3,681	24,812	19,121	5,691	0.758	0.791	0.647
Florida	86,519	60,816	25,703	172,590	126,030	46,560	0.501	0.483	0.552
Georgia	59,890	44,946	14,944	78,538	65,833	12,705	0.763	0.683	1.176
Kentucky	11,467	9,030	2,437	12,113	10,272	1,841	0.947	0.879	1.324
Mississippi	13,445	8,939	4,506	12,476	10,877	1,599	1.078	0.822	2.818
North Carolina	66,357	55,393	10,964	79,302	65,180	14,122	0.837	0.850	0.776
South Carolina	31,769	26,415	5,354	40,874	33,498	7,376	0.777	0.789	0.726
Tennessee	29,145	23,532	5,613	36,009	30,000	6,009	0.809	0.784	0.934
Southeast/Caribbean	**317,394**	**244,192**	**73,202**	**456,714**	**360,811**	**95,903**	**0.695**	**0.677**	**0.763**
Illinois	34,366	20,356	14,010	48,037	32,199	15,838	0.715	0.632	0.885
Indiana	19,566	15,806	3,760	22,672	19,359	3,313	0.863	0.816	1.135
Michigan	15,104	12,978	2,126	25,039	21,000	4,039	0.603	0.618	0.526
Minnesota	14,261	11,428	2,833	21,700	17,274	4,426	0.657	0.662	0.640
Ohio	26,274	20,752	5,522	33,576	27,969	5,607	0.783	0.742	0.985
Wisconsin	16,764	13,135	3,629	21,674	16,652	5,022	0.773	0.789	0.723
Midwest	**126,335**	**94,455**	**31,880**	**172,698**	**134,453**	**38,245**	**0.732**	**0.703**	**0.834**
Arkansas	8,447	6,011	2,436	10,810	8,146	2,664	0.781	0.738	0.914
Louisiana	18,110	12,895	5,215	18,565	15,892	2,673	0.975	0.811	1.951
New Mexico	7,680	7,005	675	10,945	10,276	669	0.702	0.682	1.009
Oklahoma	11,674	9,486	2,188	12,745	11,327	1,418	0.916	0.837	1.543
Texas	139,016	96,362	42,654	171,529	131,855	39,674	0.810	0.731	1.075
Southwest	**184,927**	**131,759**	**53,168**	**224,594**	**177,496**	**47,098**	**0.823**	**0.742**	**1.129**
Iowa	8,518	6,620	1,898	9,970	7,978	1,992	0.854	0.830	0.953
Kansas	7,647	5,818	1,829	10,015	7,629	2,386	0.764	0.763	0.767
Missouri	15,502	11,197	4,305	22,659	14,981	7,678	0.684	0.747	0.561
Nebraska	5,812	5,208	604	6,691	5,706	985	0.869	0.913	0.613
Great Plains	**37,479**	**28,843**	**8,636**	**49,335**	**36,294**	**13,041**	**0.760**	**0.795**	**0.662**
Colorado	23,978	17,660	6,318	32,413	25,951	6,462	0.740	0.681	0.978
Montana	3,742	2,831	911	3,869	2,977	892	0.967	0.951	1.021
North Dakota	2,364	1,668	696	2,535	1,620	915	0.933	1.030	0.761
South Dakota	4,168	3,030	1,138	4,962	3,542	1,420	0.840	0.855	0.801
Utah	18,053	14,915	3,138	20,561	17,939	2,622	0.878	0.831	1.197
Wyoming	2,464	2,263	201	2,394	2,046	348	1.029	1.106	0.578
Rocky Mountain	**54,769**	**42,367**	**12,402**	**66,734**	**54,075**	**12,659**	**0.821**	**0.783**	**0.980**
Arizona	41,949	32,985	8,964	55,080	46,906	8,174	0.762	0.703	1.097
California	86,658	55,694	30,964	127,373	87,044	40,329	0.680	0.640	0.768
Hawaii	5,833	3,652	2,181	5,635	4,307	1,328	1.035	0.848	1.642
Nevada	19,300	13,565	5,735	33,930	23,270	10,660	0.569	0.583	0.538
Pacific	**153,740**	**105,896**	**47,844**	**222,018**	**161,527**	**60,491**	**0.692**	**0.656**	**0.791**
Alaska	1,400	810	590	2,493	1,425	1,068	0.562	0.568	0.552
Idaho	10,681	8,792	1,889	14,550	12,956	1,594	0.734	0.679	1.185
Oregon	18,386	13,621	4,765	21,718	16,705	5,013	0.847	0.815	0.951
Washington	36,244	24,581	11,663	40,012	28,260	11,752	0.906	0.870	0.992
Northwest	**66,711**	**47,804**	**18,907**	**78,773**	**59,346**	**19,427**	**0.847**	**0.806**	**0.973**
United States	**1,113,484**	**806,306**	**307,178**	**1,476,897**	**1,122,349**	**354,548**	**0.754**	**0.718**	**0.866**

*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 September		
		Total	Single Family	Multi-family*
26420	Houston-Sugar Land-Baytown, TX	50,273	34,887	15,386
35620	New York-Northern New Jersey-Long Island, NY-NJ-PA	41,828	9,500	32,328
12060	Atlanta-Sandy Springs-Marietta, GA	38,171	26,743	11,428
19100	Dallas-Fort Worth-Arlington, TX	32,961	22,751	10,210
38060	Phoenix-Mesa-Scottsdale, AZ	31,959	23,498	8,461
16980	Chicago-Naperville-Joliet, IL-IN-WI	27,384	14,843	12,541
31100	Los Angeles-Long Beach-Santa Ana, CA	20,938	7,711	13,227
42660	Seattle-Tacoma-Bellevue, WA	20,005	10,294	9,711
47900	Washington-Arlington-Alexandria, DC-VA-MD-WV	18,079	12,603	5,476
40140	Riverside-San Bernardino-Ontario, CA	17,576	14,376	3,200
29820	Las Vegas-Paradise, NV	16,714	11,155	5,559
16740	Charlotte-Gastonia-Concord, NC-SC	16,698	12,742	3,956
12420	Austin-Round Rock, TX	15,821	9,945	5,876
36740	Orlando-Kissimmee, FL	15,360	10,174	5,186
39580	Raleigh-Cary, NC	12,970	10,267	2,703
33100	Miami-Fort Lauderdale-Miami Beach, FL	12,311	6,028	6,283
19740	Denver-Aurora, CO	11,103	6,786	4,317
34980	Nashville-Davidson--Murfreesboro, TN	10,977	9,044	1,933
37980	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	10,897	7,676	3,221
38900	Portland-Vancouver-Beaverton, OR-WA	10,829	7,116	3,713
41700	San Antonio, TX	10,334	7,718	2,616
45300	Tampa-St. Petersburg-Clearwater, FL	9,704	6,651	3,053
27260	Jacksonville, FL	9,296	6,314	2,982
41180	St. Louis, MO-IL	8,496	6,710	1,786
14460	Boston-Cambridge-Quincy, MA-NH	8,154	3,750	4,404
41860	San Francisco-Oakland-Fremont, CA	7,844	3,914	3,930
33460	Minneapolis-St. Paul-Bloomington, MN-WI	7,791	6,174	1,617
40900	Sacramento--Arden-Arcade--Roseville, CA	6,677	5,848	829
26900	Indianapolis, IN	6,628	5,730	898
32820	Memphis, TN-MS-AR	6,574	4,854	1,720
28140	Kansas City, MO-KS	6,257	4,828	1,429
41740	San Diego-Carlsbad-San Marcos, CA	5,928	2,880	3,048
17900	Columbia, SC	5,680	4,717	963
40060	Richmond, VA	5,671	4,861	810
35380	New Orleans-Metairie-Kenner, LA	5,597	3,000	2,597
16700	Charleston-North Charleston, SC	5,550	4,704	846
15980	Cape Coral-Fort Myers, FL	5,489	4,058	1,431
17140	Cincinnati-Middletown, OH-KY-IN	5,454	4,415	1,039
41620	Salt Lake City, UT	5,436	3,706	1,730
12580	Baltimore-Towson, MD	5,195	4,244	951
47260	Virginia Beach-Norfolk-Newport News, VA-NC	5,153	3,772	1,381
32580	McAllen-Edinburg-Mission, TX	5,044	4,103	941
18140	Columbus, OH	4,993	3,485	1,508
31140	Louisville, KY-IN	4,988	3,627	1,361
36420	Oklahoma City, OK	4,919	4,467	452
48900	Wilmington, NC	4,769	3,657	1,112
12940	Baton Rouge, LA	4,767	3,252	1,515
46060	Tucson, AZ	4,506	4,269	237
25060	Gulfport-Biloxi, MS	4,333	1,992	2,341
46140	Tulsa, OK	4,265	3,543	722

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