

Economic Highlights

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International Developments

Summary

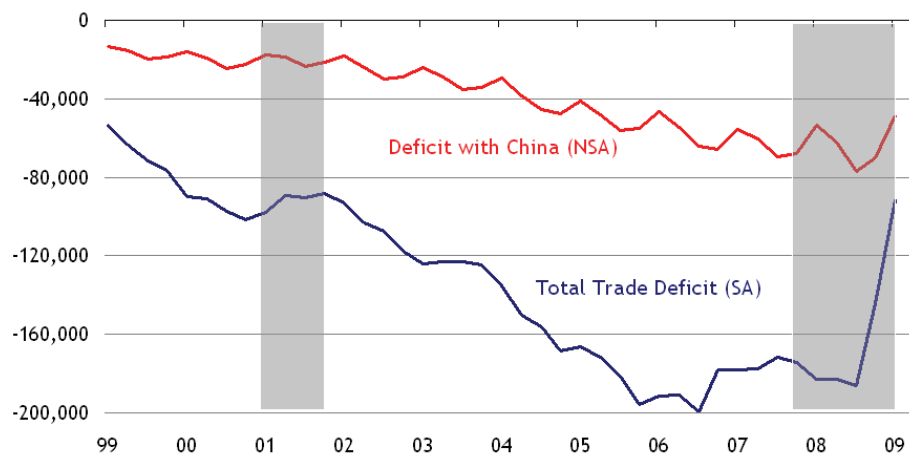
China's GDP rose a strong 7.9% year over year in the second quarter. Growth forecasts for China have been revised higher over the past few months.

- China's real GDP increased 7.9% year over year in the second quarter, led by strong domestic demand. While China does not release quarterly GDP data in levels, some analysts estimate that real GDP surged about 19% last quarter. Moreover, China's GDP growth forecast has been revised upward consistently over the past few months. The International Monetary Fund is now expecting 7.5% GDP growth for China in 2009, up from 6.5% in April.
- In the first half of 2009, according to Bloomberg, China's economy grew 7.1%, with an outsized 6.2 percentage point contribution to growth from investment and a 3.8 percentage point contribution from consumer spending. A decline in exports subtracted 2.9 percentage points from real GDP growth.
- In 2007 China overtook Japan as the United States' third-largest merchandise export market, after Canada and Mexico. Last year, the United States exported \$69.7 billion in merchandise to China. These exports are dominated by machinery and equipment (30% of total exports), agricultural products (10% of total exports), and aircraft (6% of total exports).
- China was tied with Canada in 2008 as the leading source of merchandise imports for the United States. Merchandise imports from China rose to nearly \$338 billion last year, led by machinery and equipment (40% of total imports) and consumer goods such as toys and furnishings (14% of total imports). Over the past few quarters, imports from China have declined faster than U.S. exports to China, resulting in a narrowing of the U.S. trade deficit with China. However, China still accounts for more than half of the U.S. trade deficit.

The U.S. trade deficit with China has declined markedly over the past few quarters although by less than the overall deficit.

U.S. Trade Balance

Mil.\$

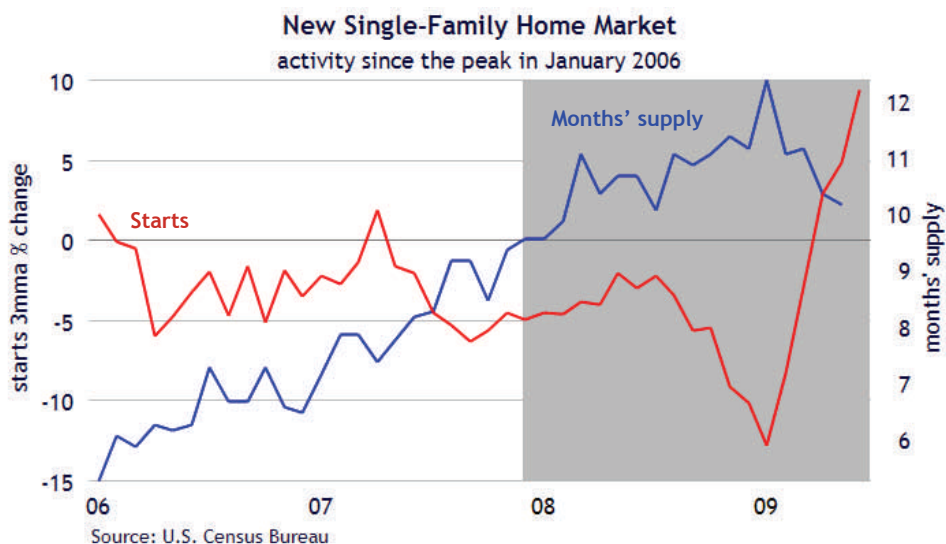


Source: U.S. Bureau of Economic Analysis

Housing

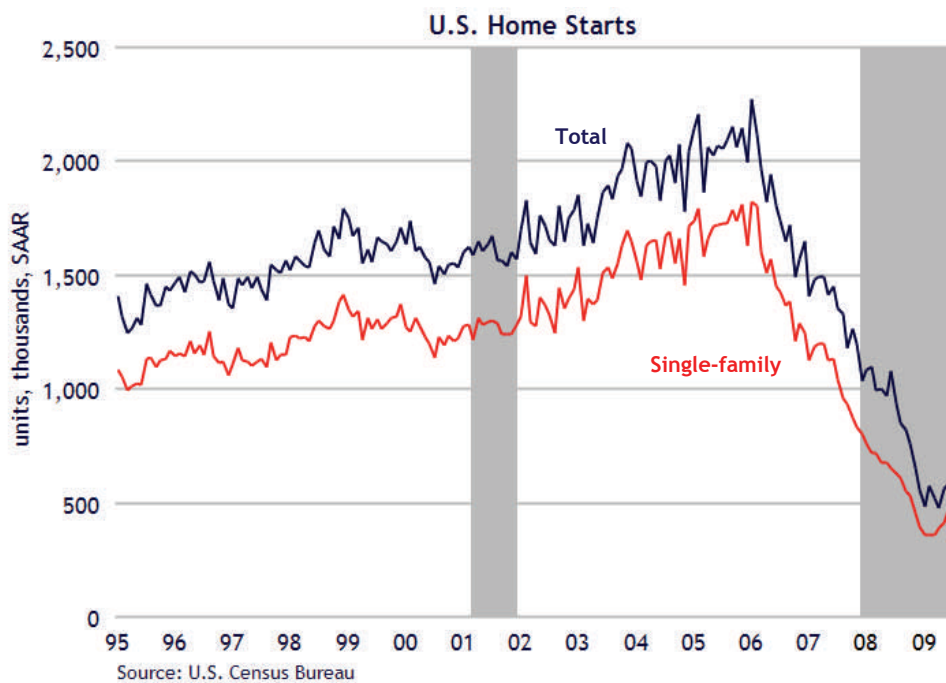
Summary

The U.S. Census Bureau's single-family housing starts series continued to recover in June in conjunction with improvements between supply and demand, as evident in the months' supply series.



Note: Months' supply is the ratio between the inventory of available homes for sale and sales.

Despite improvements, home starts remain near series lows.



June starts:

Total:	582K	-46.0% yr/yr	+3.6% m/m
Single-family:	470K	-28.2% yr/yr	+14.4% m/m

June permits:

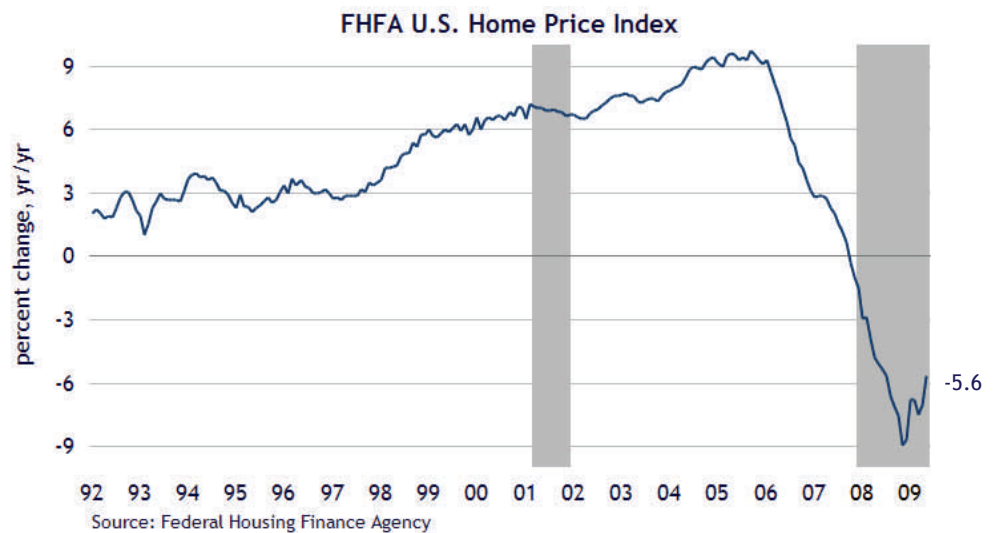
Total:	563K	-52.0% yr/yr	+8.7% m/m
Single-family:	430K	-28.9% yr/yr	+5.9% m/m

Housing

Summary

The May FHFA purchase-only price index continued to indicate that single-family home prices recovered from recent lows.

Month-to-month the seasonally adjusted series increased 0.9% but still declined 5.6% compared with a year earlier.



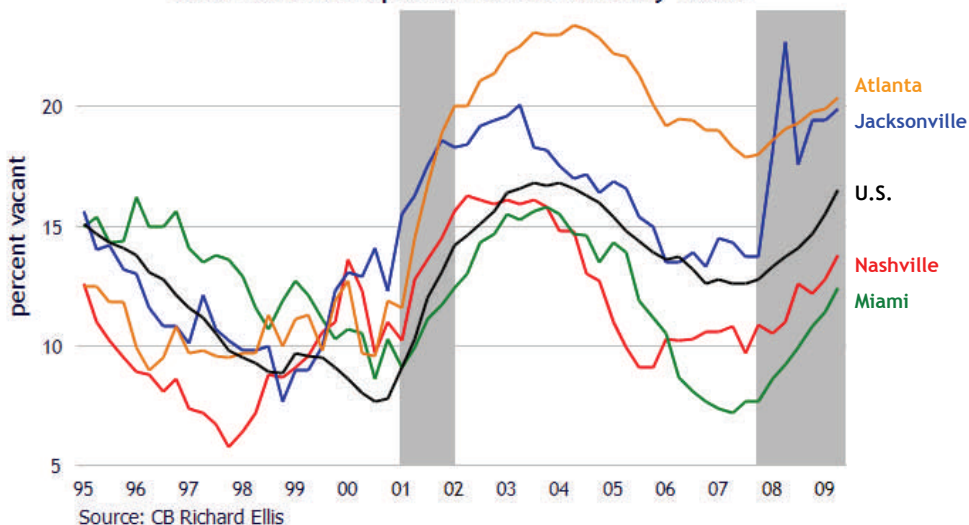
- The FHFA Home Price Index is a weighted repeat sales index measuring average changes in housing prices at the national level. The data are based on single-family mortgages purchased or secured by Fannie Mae or Freddie Mac. February 2008 legislation increased the conforming loan limit from \$417,000 to as much as \$729,750 in high-cost areas of the United States. Some have argued that the increase in the loan limit may account for some of the year-over-year improvement the index has experienced as homes that appreciated and moved out of the index during the housing boom are now back in the index.

Summary

CB Richard Ellis announced that national office and industrial vacancy rates continued to climb during the second quarter of 2009 while rental rates declined further.

Office vacancy rates in the Southeast have continued to climb as well during the second quarter of 2009.

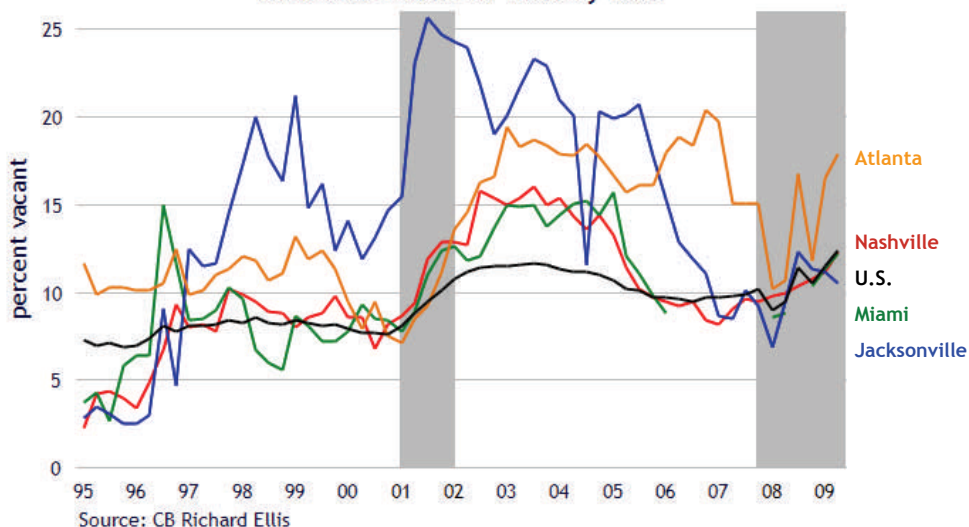
Southeast Metropolitan Office Vacancy Rates



- The national office vacancy rate increased to 16.5% in the second quarter of 2009 from 15.5% in the first quarter of 2009. Absorption remained negative, down 25 million square feet. The rise in vacancy was attributed to continued job losses and tenant efforts to contain costs.
- CB Richard Ellis anticipates vacancy rates will continue to rise through year-end.
- Rental rates continued to decline and concessions increased. The report noted that tenants are focused on renewals and “blend-and-extend” arrangements, in which the tenant asks for lower lease rates in return for agreeing to an extension of the lease.

Among markets tracked, CB Richard Ellis noted that the Atlanta industrial market experienced the highest availability increase in the second quarter of 2009, up 1.4 percentage points. The company noted that the increase occurred mainly in warehouse and distribution space.

Southeast Industrial Vacancy Rate



- The national industrial vacancy rate increased to 12.4% in the second quarter of 2009 from 11.5% in the first quarter of 2009.
- CB Richard Ellis noted that reduced retail spending has caused manufacturing and warehouse demand to remain weak.

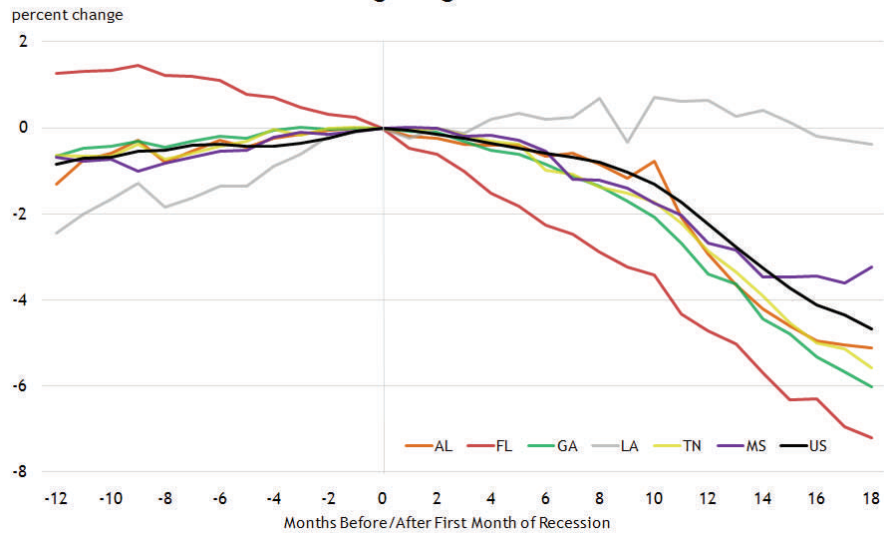
District Employment

Summary

The regional and state employment numbers for June showed that labor markets remain distressed in Southeastern states.

In June, all Southeastern states shed jobs except Mississippi.

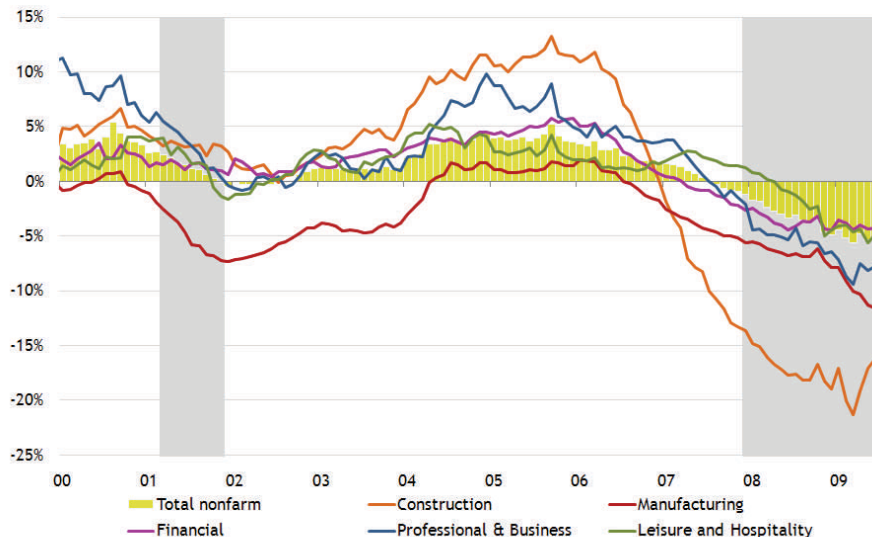
Percent Change in Total Nonfarm Employment from Beginning of Recession



- The rate of job decline since the onset of the recession continues to increase in most Southeastern states, which on net lost 45,200 jobs in June. **Mississippi**, which reported the second-largest monthly employment increase in the nation, added 4,500 jobs. These gains were broad based across several industries.
- After employment gains for much of 2008, employment in **Louisiana** has declined considerably in 2009. Payrolls are down about 0.4% from the onset of the recession.
- **Florida** continues to have the fastest rate of job decline in the Southeast, and one of the fastest in the nation.

Year-over-year employment growth remains considerably weak in key Florida industries.

Florida Payroll Employment Growth
Y/Y Percent Change, June 2009



- Employment in Florida's **manufacturing** sector continues to deteriorate rapidly, down roughly 12% compared to a year earlier.
- Employment decline in the **construction** sector is down 16% from a year earlier, a slight improvement from the 19% business cycle low but still weak. Part of this improvement is the result of a net 7,400 gain in construction jobs in May and June as well as considerably weak numbers in 2008.