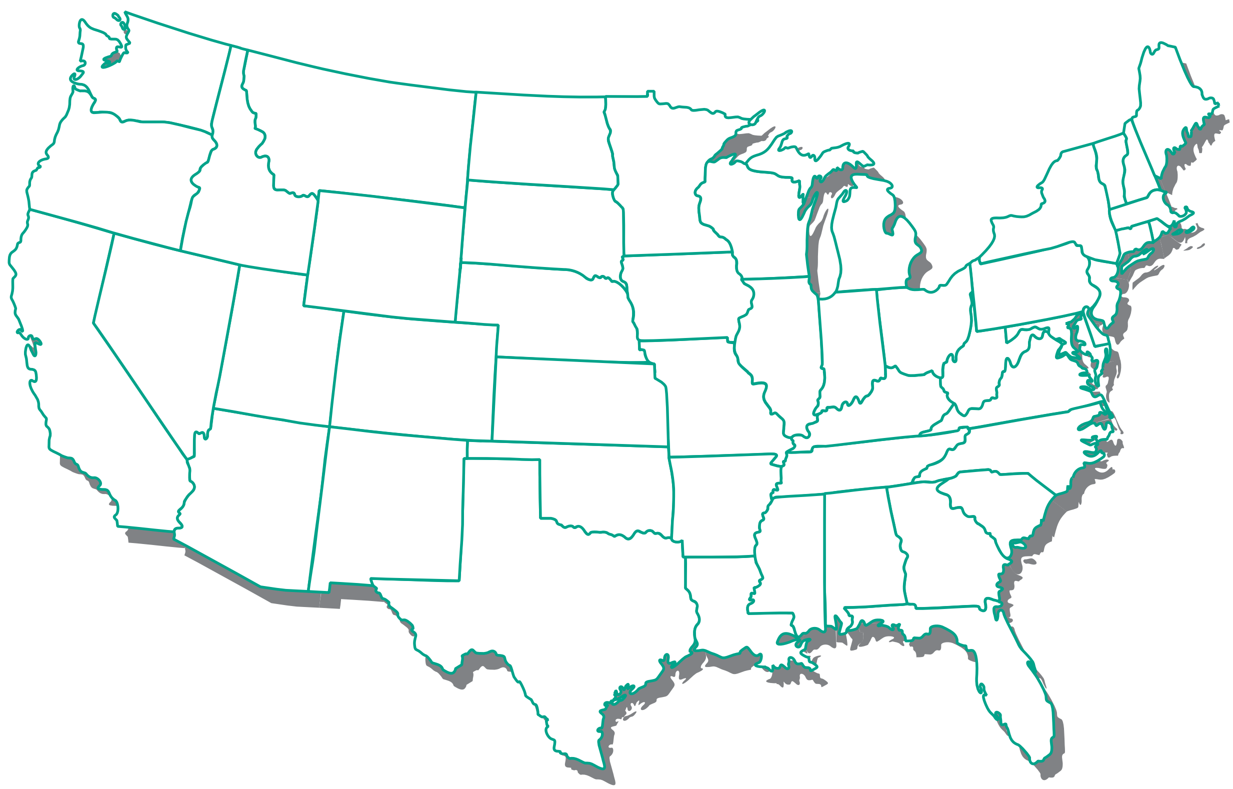
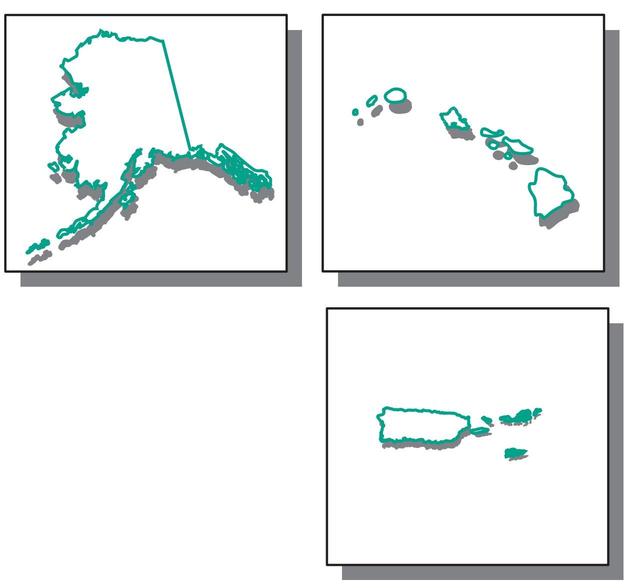
Regional Activity

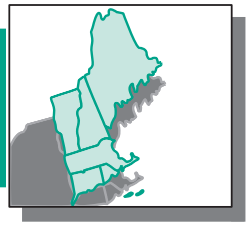




The following summaries of housing market conditions and activities have been prepared by economists in the U.S. Department of Housing and Urban Development's (HUD's) field offices. The reports provide overviews of economic and housing market trends within each region of HUD management. Also included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



Job losses in New England, which began in mid-2008, continued during the first quarter of 2009. During the 12 months ending March 2009, nonfarm employment in the region averaged fewer than 7 million jobs, indicating a loss of 70,300 jobs, or 1.0 percent, compared with a gain of 55,200 jobs during the previous 12 months. The decrease in employment was broad based, with all states in the region posting net losses. The goods-producing sectors accounted for 49,500, or 70 percent, of the job losses, which were evenly distributed between the construction and manufacturing sectors. This rate of job losses represents a significant increase from the average annual job losses of 11,600 in goods-producing sectors between 2004 and 2008. During the 12 months ending March 2009, the service-providing sectors lost 20,800 jobs, or 0.3 percent, compared with the average annual gain of 63,500 service-providing jobs since 2004.

In the region, during the 12 months ending March 2009, slightly more than 60 percent of the goods-producing jobs lost in the region were in Connecticut and Massachusetts. Together, the two states lost 15,900 jobs in the construction sector and 14,600 jobs in the manufacturing sector. Commercial and residential real estate development has slowed and rising business costs and budget cuts have contributed to the loss of many defense-related and high-technology jobs. Together, Connecticut and Massachusetts also accounted for about one-half of the service-providing jobs lost in the region during the past 12 months. Significant losses in the professional and business services, leisure and hospitality, and trade sectors, totaling 23,600 jobs, were partially offset by the gain of 21,600 jobs in the education and health services sector. Nonfarm job losses totaled 6,600 in Maine and 5,600 in Vermont, down 1.1 and 1.8 percent, respectively. In the two states, the only employment sector to post job gains, albeit small ones, was education and health services. Although New Hampshire lost 5,700 goods-producing jobs, a decrease of 5.4 percent, during the 12 months ending March 2009, the state was the only one in the region to record employment growth in the service-providing sectors, with an increase of 2,300 jobs, led by employment gains in the trade and the education and health services sectors. During the period, Rhode Island lost a region-high 7.3 percent of its goods-producing jobs, totaling 5,300 jobs, and lost the largest number of service-providing jobs in the region, totaling 8,500, or a 2.0-percent decrease, with job losses recorded in both goods-producing and service-providing sectors. During the 12 months ending March 2009, the unemployment rate in New England averaged 6.2 percent, up from 4.5 percent during the previous 12 months. New Hampshire had the lowest rate, at 4.4 percent, up from 3.5 percent a year earlier, and the rate in Rhode Island increased to 8.9 percent from 5.6 percent during the 12 months ending March 2008.

In response to a weakening economy along with reduced home sales volume and decreasing home prices, home construction activity, as measured by the number of building permits issued, continued to decline in all states in the region. During the 12-month period ending March 2009, 22,450 permits were issued, down 31 percent from the number issued during the previous 12-month period. This decrease consisted entirely of single-family permits, which fell by more than 43 percent to 13,700 homes from the 24,200 homes permitted during the previous 12 months. The largest decline in single-family permits occurred in Massachusetts, where 4,750 homes were permitted, 41 percent fewer than during the previous 12-month period. The greatest percentage of decline in the number of single-family permits issued occurred in Connecticut, where the 2,535 permits issued represented a 51-percent decrease compared with the number issued during the 12 months ending March 2008. During the most recent 12-month period, the number of permits issued in Maine and New Hampshire totaled 2,670 and 1,950, respectively, down 43 and 45 percent, respectively, from the number issued during the same period ending March 2008. The smallest regional declines in activity occurred in Rhode Island and Vermont, where only 800 and 990 permits, respectively, were issued, decreases of 37 and 35 percent, respectively, compared with the number of permits issued during the previous 12-month period.

Due partly to more favorable financial and mortgage market conditions in New England, multifamily construction activity, as measured by the number of units permitted, totaled 8,750 during the 12 months ending March 2009, up 4 percent from the 8,400 units permitted during the same period a year earlier. In Massachusetts the number of multifamily units permitted increased by 5 percent to 4,680; this figure represents 54 percent of the total number of multifamily units permitted in the region during the past 12 months. In New Hampshire and Rhode Island, the number of units permitted increased by 25 percent to 775 units and by 10 percent to 275 units, respectively. In Maine and Vermont, the number of units permitted decreased by 8 and 7 percent, respectively. In Connecticut, the number of multifamily units permitted remained stable, at 2,110 units. During the 12 months ending March 2009, two of the largest metropolitan multifamily markets in the region—the Boston-Cambridge-Quincy, Massachusetts-New Hampshire metropolitan area and the Bridgeport-Stamford-Norwalk, Connecticut metropolitan area—recorded increases of 9 percent to 4,575 units and 12 percent to 995 units, respectively.

Tighter lending standards and the increasing pace of job losses during the past year have resulted in softer home sales market conditions throughout the region. According to the Massachusetts Association of REALTORS® (MAR), during the 12 months ending March 2009, home sales in the state totaled 35,575 units, a 9-percent decline compared with the number of sales during the previous 12-month period, and the median sales price declined by 12 percent to $301,600. The Rhode Island Association of REALTORS® reported that, during the 12 months ending March 2009, home sales in the state were down 7 percent to 6,625 units, and the median price declined by more than 18 percent to $220,375 due to an increased level of distressed home sales. The Maine Real Estate Information System, Inc., reported that, during the 12 months ending March 2009, home sales in the state were down 19 percent to 9,200 units and the median price was down 9 percent to $175,325.

MAR reported that, during the 12 months ending March 2009, the number of homes sold in the greater Boston market area totaled 8,260, down 12 percent from the number sold during the previous 12 months, and the median price declined 8 percent to $441,750. The Greater Hartford Association of REALTORS®, Inc., reported that, during the most recent 12-month period, 7,570 homes were sold in the greater Hartford market area, down nearly 20 percent compared with the number sold during the previous 12-month period, and the median price declined by 7 percent to $240,625.

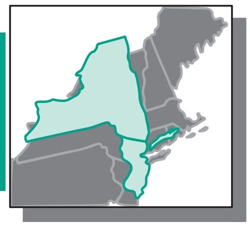
According to the Federal Housing Finance Agency, during the fourth quarter of 2008, home prices in the region decreased by 6.2 percent from prices recorded during the same quarter a year ago. This rate was below the 8.2-percent national home price rate of decline. In addition, the S&P/Case-Schiller® Home Price Index indicates that the Boston metropolitan area ranked third in the nation for the lowest 1-year depreciation rate, down only 7 percent as of February 2009 compared with the rate recorded as of February 2008. In February 2009, the composite index, which is derived from data from 20 metropolitan areas nationwide, was down by more than 18 percent compared with the level recorded in February 2008.

Most New England condominium markets are soft, exhibiting declining sales and falling median prices. MAR reported that, during the 12 months ending March 2009, condominium sales in Massachusetts totaled 15,050 units, down 18 percent from sales recorded a year ago, and the median price was down 6 percent to $264,650. The greater Boston area posted condominium sales of 7,975, a 14-percent decline from sales recorded a year ago and a 4-percent drop in the median price to $341,500. According to the Listing Information Network, Inc., during the first quarter of 2009, the median price of a luxury condominium in the city of Boston decreased by 19 percent to $560,000 as sales declined by 42 percent compared with sales during the first quarter of 2008.

In general, rental housing markets throughout the New England region are balanced; however, as has been the general trend for the past few years, the larger metropolitan area rental markets are softening and recording higher vacancy rates. Most of the smaller metropolitan areas, which had limited additions to the rental inventory, exhibited lower and declining vacancy rates. According to Reis, Inc., during the first quarter of 2009, the Boston metropolitan area rental market added nearly 1,000 new rental units after adding nearly 3,100 units in 2008. Subsequently, the rental vacancy rate increased to 6.4 percent, up from 5.9 percent a year ago, as lagging apartment absorption accompanied job losses. In Fairfield County, Connecticut, only 245 rental units were added to the market during the first quarter of 2009; however, job losses associated with financial difficulties in New York City resulted in negative absorption and a rental vacancy rate of 6.0 percent, up from 4.9 percent during the first quarter of 2008. The rental inventory has not increased significantly in either the Hartford or Providence areas, but weaker labor markets have resulted in increased vacancy rates of 5.3 and 7.6 percent, respectively, compared with rates of 4.7 and 7.3 percent a year ago. Nearly all the smaller metropolitan rental markets have experienced lower vacancy rates, despite weakened economies. In some cases tighter credit conditions shifted demand to rental housing, as growth in the rental inventories has remained moderate. Rental vacancy rates in these smaller markets range from 3.7 percent in Springfield to 4.6 percent in Portland.

Regardless of the prevailing trends in each rental market, during the first quarter of 2009, nearly all markets posted rent increases compared with rents recorded during the first quarter of 2008. Rent data from Reis, Inc., indicate that, despite rising vacancy rates, Fairfield County (Connecticut) and Boston, the highest cost rental markets in the region, recorded rent increases of more than 1 percent to $1,807 and more than 2 percent to $1,732, respectively. During the first quarter of 2009, the Springfield, Massachusetts metropolitan area had an average rent of $879, up more than 3 percent from the rent recorded a year ago. The Manchester-Nashua, New Hampshire metropolitan area had an average rent of $1,068, up more than 2 percent from the rent recorded during the first quarter of 2008.

New York/ New Jersey



Total nonfarm employment in the New York/New Jersey region declined through the end of the first quarter of 2009. During the 12-month period ending March 2009, employment declined in the region by 54,100 jobs, or 0.4 percent, compared with employment levels during the same period a year ago, to total 12.8 million jobs. In New Jersey, nonfarm employment declined by 55,000 jobs, or 1.3 percent, to 4.0 million jobs; in New York, employment remained relatively stable, at 8.8 million, as only 900 jobs were added during the past 12 months.

Despite net job losses in the region, employment in the education and health services and the leisure and hospitality sectors grew. During the 12 months ending March 2009, employment in the education and health services sector increased by 44,200 jobs, or 2 percent, to 2.2 million jobs, and the leisure and hospitality sector added 11,700 jobs, a 1.1-percent gain, to total nearly 1.1 million jobs. These gains were offset by declines in the manufacturing and financial activities sectors, which lost 39,500 and 24,800 jobs, respectively. Employment in the manufacturing sector declined by 4.6 percent in the region, with New York losing 23,000 jobs, down 4.2 percent, and New Jersey losing 16,500 jobs, down 5.3 percent. The continuing layoffs in the financial activities sector, including the loss of 15,300 jobs in New York and 9,500 jobs in New Jersey, resulted in a 2.5-percent decline in employment in that sector compared with employment levels a year ago.

The rate of growth in the New York City economy has shown a significant decline. During the 12-month period ending March 2009, nonfarm employment in New York City grew by only 10,300 jobs, a minimal 0.3-percent increase to 3.8 million jobs. In contrast, during the 12-month period ending March 2008, 73,400 jobs were added in the city, a 2-percent increase compared with the number of jobs added during the previous 12-month period. During the 12 months ending March 2009, employment increased by 2 percent in both the education and health services and the leisure and hospitality sectors, which added 14,800 and 6,300 jobs, respectively. Gains in these sectors were partially offset by a decline in the city's financial activities sector, which lost 9,500 jobs, a 2-percent decrease compared with the number of jobs in the sector during the same period a year ago. During the most recent 12-month period, employment in the manufacturing sector decreased by 7,900 jobs, an 8-percent decline, to 91,800 jobs. According to the Federal Reserve Board's "Beige Book," during the first quarter of 2009, tourism declined in the city, resulting in a 15-percent decrease in both occupancy levels and room rates at Manhattan hotels in January and February compared with levels and rates recorded in the same months of 2008. In February 2009, attendance at Broadway theaters decreased by 25 percent compared with February 2008 attendance figures. In 2009, the scheduled completion of approximately 7,000 new hotel rooms in the city will increase the supply by 10 percent and further increasing lodging competition within the hospitality industry.

The weakening economy has resulted in a substantial increase in unemployment. During the 12 months ending March 2009, the average annual unemployment rate in the New York/New Jersey region increased from 4.6 to 6.2 percent. The rate increased from 4.6 percent to 6.2 percent in New York State and increased from 4.4 to 6.3 percent in New Jersey. In New York City, the unemployment rate increased from 4.9 to 6.3 percent.

A weakening economy, more restrictive credit, and an increase in unsold inventory affected home sales markets in the New York/New Jersey region. During the 12-month period ending March 2009, the New York State Association of REALTORS® reported that single-family home sales in the state (excluding parts of New York City) totaled 74,050 units, a 17-percent decline compared with the number of sales recorded during the same period a year earlier. According to the Greater Capital Association of REALTORS®, during the 12-month period ending March 2009, home sales in the Albany-Schenectady-Troy metropolitan area totaled 7,925 units, a 14-percent decline compared with the number of homes sold during the 12-month period ending March 2008. The Buffalo Niagara Association of REALTORS® reported that existing single-family home sales in the Buffalo-Niagara Falls metropolitan area decreased approximately 10 percent to 9,870 sales during the past 12 months. During the first quarter of 2009, the Greater Rochester Association of REALTORS® (GRAR) reported a 22-percent decline in home sales in the Rochester metropolitan area to 1,450 homes compared with the number of homes sold during the same quarter a year earlier. In much of the region, median sales prices declined, but the rate of decline is moderating. During the 12 months ending March 2009, the median price of an existing home in New York decreased by approximately 8 percent to $213,000. During this same period, the median price of an existing home in the Albany-Schenectady-Troy area declined by 2 percent to $190,100. GRAR reported that, during the first quarter of 2009, the median price of an existing home in the Rochester metropolitan area was $105,000, a decline of 3 percent from the median price of $108,750 during the first quarter of 2008. During the 12-month period ending March 2009, the median price of an existing home in the Buffalo-Niagara Falls metropolitan area increased by 3 percent to $107,000.

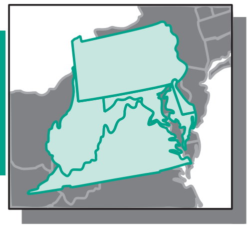
Slower growth in the New York City economy resulted in a weakening of sales housing market conditions, reflected in the significant decline in both the number of sales and the median price of condominium and co-op units in Manhattan. According to Prudential Douglas Elliman, during the first quarter of 2009, 1,195 existing condominium and co-op units were sold, a 48-percent decrease compared with the number of units sold during same quarter a year ago. In contrast, from the fourth quarter of 2007 to the fourth quarter of 2008, the number of existing condominium and co-op units sold declined by only 9 percent. During the first quarter of 2009, the inventory of units listed for sale increased by 34 percent to 10,450 units and the amount of time units remained on the market increased by 16 percent, from 146 to 170 days. During the same period, the median price of an existing condominium or co-op unit in Manhattan decreased by 21 percent to $675,000. In contrast, from the fourth quarter of 2007 to the fourth quarter of 2008, the median price declined by only 4 percent.

Sales housing market conditions also weakened in New Jersey. According to the New Jersey Association of REALTORS®, in 2008 (the latest information available), 24,800 fewer single-family homes were sold in the state and sales totaled 112,600 homes, an 18-percent decline compared with the number of homes sold in 2007. In Northern New Jersey, the highest priced and most active area for sales, home sales declined by 14 percent to 54,300 homes. Likewise, in Central New Jersey and Southern New Jersey, home sales declined by 20 percent to 28,910 units and by 23 percent to 29,370 homes, respectively. In 2008, the median price of an existing home in New Jersey was $350,900, a decline of nearly 5 percent compared with the median price recorded in 2007. Similarly, in 2008, the median price of an existing home in Northern New Jersey decreased by nearly 5 percent to $425,700. During this same year, the median price of an existing home declined in Central New Jersey by nearly 5 percent to $345,200 and in Southern New Jersey by 3 percent to $232,000.

Residential construction in the New York/New Jersey region peaked at 100,500 units in 2005 and has been declining ever since. In the region, during the 12-month period ending March 2009, housing construction activity, as measured by the number of units permitted, totaled 62,630 units, down 16 percent compared with the number of units permitted during the same period a year ago. The decrease in construction activity included a 7-percent decline in New York, to 50,790 units permitted, and a 35-percent reduction in New Jersey, to 15,420 units permitted. In the region, during the 12-month period ending March 2009, single-family construction activity, as measured by the number of building permits issued, decreased by 28 percent to 19,750 permits issued. This decline included a 25-percent reduction in the number of single-family permits issued in New York, to 11,780, and a 32-percent reduction in the number of permits issued in New Jersey, to 7,970. During the 12 months ending March 2009, the number of multifamily units permitted in the region declined by 9 percent to 42,885. The number of multifamily units permitted in New York increased by 1 percent to 35,435 but, in New Jersey, declined by 37 percent to 7,450.

First quarter 2009 Reis, Inc., data indicate that apartment vacancy rates increased in most New York and New Jersey metropolitan areas, including New York City. During the first quarter of 2009, as conditions remain tight, the average apartment vacancy rate in New York City increased to 3.4 percent, up from 2.3 percent in the first quarter of 2008. Apartment vacancy rates increased from 3.2 to 4.0 percent in Central New Jersey and from 3.6 to 4.5 percent in Northern New Jersey, where conditions are balanced. Average monthly apartment asking rents decreased in both New York City and Long Island, while rents increased in most of Upstate New York. During the first quarter of 2009, the average monthly apartment asking rent declined by nearly 2 percent to $2,830 in New York City and by 1 percent to $1,518 in Long Island. Average monthly apartment asking rents increased approximately by 1 percent in both Central New Jersey and Northern New Jersey, to $1,150 and $1,518, respectively. Rental housing market conditions in Upstate New York housing market areas remained somewhat stronger, posting moderate rent increases. During the first quarter of 2009, apartment vacancy rates increased slightly in Buffalo and Rochester, where conditions are balanced, to 4.9 and 4.5 percent, respectively. The apartment market in the Syracuse metropolitan area is balanced to tight, with a 3.9-percent vacancy during the first quarter of 2009 compared with a 4.1-percent rate during the same quarter a year ago. During the first quarter of 2009, average monthly apartment asking rents increased by 2 to 3 percent in the Buffalo, Syracuse, and Rochester metropolitan areas compared with the same quarter of 2008. In the first quarter of 2009, monthly apartment asking rents were $727 in Buffalo, $682 in Syracuse, and $750 in Rochester.

Mid-Atlantic



The first quarter of 2009 marked the end of the economic expansion that began in the Mid-Atlantic region in the first quarter of 2004. During the 12 months ending March 2009, the region lost 83,000 jobs, or 0.6 percent, compared with the gain of 94,100 jobs, or nearly 0.7 percent, during the 12-month period ending March 2008. More than 75 percent of the job loss occurred during the first quarter of 2009. The current 12-month average employment level totals 14.0 million jobs. Only four employment sectors reported growth during the 12-month period ending March 2009. The education and health services sector grew by 59,725 jobs, up slightly from the gain of 55,300 jobs reported during the 12 months ending March 2008. The government sector added 30,100 new jobs, compared with the addition of 15,700 jobs a year ago. The other services sector added 3,200 jobs, down from the nearly 4,000 jobs added during the 12 months ending March 2008. The leisure and hospitality sector grew by only 3,600 jobs, down substantially from the increase of 18,700 jobs during the previous year. The employment gains were overshadowed by job losses in the manufacturing, construction, and trade sectors of 50,600, 49,300, and 45,750 jobs, respectively.

All states in the region reported job losses during the 12 months ending March 2009. The largest decline of 30,750 jobs occurred in Pennsylvania, where an increase of 25,700 positions in the education and health services sector was offset by a decline of 25,800 jobs in the manufacturing sector. Virginia and Maryland lost 28,100 and 25,100 jobs, respectively. In Virginia, the loss was attributed primarily to a decline of 21,700 jobs in the construction sector; in Maryland, the decline was led by the construction sector and retail trade subsector, which lost 14,375 and 11,275 jobs, respectively. During the period, only the District of Columbia reported an increase in employment, up 11,500 jobs from a year ago, bolstered by the increase of 5,550 positions in the education and health services sector and 2,730 jobs in the federal government subsector. Similarly, of the major metropolitan areas in the region, only the Washington, D.C. metropolitan area reported an increase in the number of jobs, adding 10,050. During the 12 months ending March 2009, the unemployment rate in the Mid-Atlantic region rose to 5.5 percent from 3.9 percent a year ago. Rates among the states in the region ranged from 4.8 in both Virginia and West Virginia to 6.1 in Pennsylvania. The unemployment rate in the District of Columbia was the highest, at 7.9 percent. Among the major metropolitan areas, the unemployment rate was highest in the Philadelphia area, at 6.1 percent, and lowest in the Washington, D.C. area, at 4.4 percent.

Despite a steady reduction in mortgage rates and declining home sales prices, the economic recession and consumers' lack of confidence caused the pace of existing home sales to continue to decline throughout most of the region. According to the Maryland Association of REALTORS®, during the 12 months ending March 2009, nearly 43,100 existing homes were sold in Maryland a 22-percent decrease compared with the 54,975 homes sold during the 12 months ending March 2008. The average home price continued to decline to $331,100, down 7 percent from the $356,770 average price reported a year ago. Reflecting relative stability in the average monthly inventory of homes for sale, during the 12 months ending March 2009, the inventory increased to approximately 48,100 homes, only 3 percent higher than the average monthly inventory recorded during the same period in 2008. During the 12-month period ending March 2009, in the Baltimore metropolitan area, 20,400 homes were sold at an average price of $302,950, reflecting a 25-percent decrease in the number of sales and a 4-percent decrease in the price compared with the sales volume and average price recorded during the 12-month period ending March 2008.

In Virginia, the sales housing market strengthened in the northern portion of the state but prices have declined to 2003 levels. The Virginia Association of REALTORS® reported that, during the 12 months ending March 2009, the number of existing home sales increased by almost 11 percent in Northern Virginia to 22,900 homes but average home prices declined by more than 18 percent, to $428,225. The average number of days that homes remained on the market in the Northern Virginia area remained unchanged, at 95 days. During the same period, the number of homes sold in the Richmond metropolitan area declined by 15 percent to 8,950, but the average home price declined by 6 percent to $262,200.

The resale markets in Pennsylvania, West Virginia, Delaware, and Washington, D.C., continued to soften through the end of 2008 (the most recent data available). According to the NATIONAL ASSOCIATION OF REALTORS®, 178,800 homes were sold in Pennsylvania during 2008, a decline of 10 percent compared with the number sold during 2007. Declines of 17, 15, and nearly 15 percent, respectively, in sales volume were reported in West Virginia, Washington, D.C., and Delaware, where 22,800, 6,800, and 11,600 homes, respectively, were sold during 2008.

Declining home sales and increased competition resulting from falling existing home prices have caused builders to reduce the level of new home construction activity, as measured by the number of permits issued, in the Mid-Atlantic region. During the 12 months ending March 2009, new single-family home construction declined by one-third, to slightly less than 46,450 permits issued compared with the 74,600 permits issued during the previous 12-month period. The largest numerical decline occurred in Pennsylvania, where permits were issued for 16,230 homes, approximately 40 percent fewer than the number of permits issued during the 12 months ending March 2008. Production decreased by 39 percent in Maryland and by 35 percent in Virginia, where 7,880 and 17,680 homes, respectively, were permitted during the 12-month period ending March 2009. In Delaware, 2,470 permits were issued for new homes, down nearly 33 percent from the 3,670 permits issued in 2008. Production in West Virginia declined by more than 42 percent to 1,960 homes. All major metropolitan areas in the region reported a decline in new home construction. The number of building permits issued for single-family homes declined by 31 percent to 8,875 in the Washington, D.C. area; by 35 percent to 5,830 in the Philadelphia area; and by more than 37 percent to 2,940 in the Baltimore area.

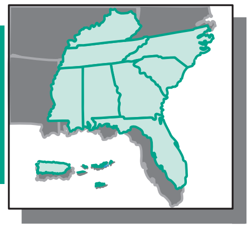
During the 12 months ending March 2009, multifamily building activity, as measured by the number of units permitted, declined in all states in the Mid-Atlantic region. Approximately 14,920 units were permitted in the region, a decline of 30 percent from the number permitted during the same period a year ago. In Virginia, 5,670 units were permitted, a decrease of 26 percent from the number permitted during the 12 months ending March 2008. In Pennsylvania, the number of units permitted declined by 17 percent to 4,030 and, in Maryland, the number of units permitted declined by 25 percent to 3,830. During the 12-month period ending March 2009, Delaware permitted only 443 multifamily units, less than one-half the number of units permitted in the state during the 12 months ending March 2008. In West Virginia, the number of multifamily units permitted declined from 820 to 520. Multifamily building activity declined in all the largest metropolitan areas in the region, with the exception of the Virginia Beach-Norfolk-Newport News, Virginia-North Carolina metropolitan area, where the stable presence of the U.S. Navy and the desirability of the area for recreation and retirement helped maintain production levels. During the 12 months ending March 2009, 2,130 units were permitted in that area, 58 percent more than the number permitted during the previous 12 months. During the most recent 12-month period, the Washington, D.C. metropolitan area reported 4,230 new units were permitted, approximately 4,040 fewer than the number permitted during the 12 months ending March 2008. In the Philadelphia and Richmond metropolitan areas, the number of multifamily units permitted decreased by 33 percent, to 2,445 units, and by 51 percent, to 650 units, respectively. In the Baltimore metropolitan area, the decline was less precipitous; approximately 1,220 units were permitted, representing a 4-percent decrease from the number of units permitted during the 12-month period ending March 2008.

Despite the economic downturn in the region, conditions in the three largest rental housing markets remained strong. In the Washington, D.C. metropolitan area, the garden apartment market is balanced but the highrise market is somewhat soft. Delta Associates reported a combined vacancy rate of 4.5 percent for Class A garden and highrise apartments in March 2009, unchanged from the combined vacancy rate reported for these units in March 2008. Approximately 6,940 new units are being marketed in the metropolitan area. In March 2009, the average rent for a Class A garden apartment was $1,378, up from $1,359 in March 2008, and the average rent for a Class A highrise apartment was $2,036, relatively unchanged from the rent of $2,034 reported during the same period a year ago.

The rental apartment market approached more balanced conditions in the Philadelphia metropolitan area during the 12 months ending March 2009. According to Delta Associates, the apartment vacancy rate decreased to 8.3 percent from 9.6 percent in March 2008. The number of new units expected to come on line during the next 3 years declined to 4,075 from 5,050 a year ago; approximately 25 percent of the new units will be located in Center City Philadelphia. Apartment rents average $1,515 for the metropolitan area as a whole and $2,050 in Center City.

Delta Associates also reported a decrease in the vacancy rate for Class A apartments in the Baltimore metropolitan area, from more than 11 percent during the 12 months ending March 2008 to slightly less than 8 percent during the same period ending March 2009. Nearly 2,800 units are currently being marketed in the metropolitan area and rent concessions are nearly 6 percent of rent, unchanged from a year ago. The pipeline of new units expected to be available during the next 3 years has declined by 56 percent to 3,035 units; approximately 40 percent of the new units will be located in the city of Baltimore. Apartment rents in the metropolitan area average $1,439, up from $1,375 a year ago, and range from $1,034 in Harford County to $1,696 in the city of Baltimore.

Southeast/ Caribbean



During the 12-month period ending March 2009, nonfarm employment in the Southeast/Caribbean region declined by 665,700 jobs, or 2.5 percent, compared with the level of employment during the previous 12 months, to an average of 26.4 million jobs. Employment fell in each state in the region and in Puerto Rico. The largest decline occurred in Florida, where employment declined by 315,000 jobs, or 3.9 percent, to 7.7 million jobs. Georgia and North Carolina recorded the most job losses after Florida; employment declined in the two states by 89,400 and 72,700 jobs, or by 2.2 and 1.7 percent, respectively. Job losses occurred in all employment sectors in the region except the education and health services and the government sectors, where employment increased by 63,600 and 52,200 jobs, or by 2 and 1.2 percent, respectively.

A decline in construction employment accounted for 29 percent of all job losses posted in the region during the 12 months ending March 2009. During the period, employment in the construction sector fell by 194,800 jobs, or 12 percent, to approximately 1.5 million, largely due to continued cutbacks in residential construction. Florida led the region in construction job losses, with a decline of 107,600 jobs, and accounted for 55 percent of job losses in the sector. North Carolina and Georgia followed with losses of 27,000 and 21,500 construction sector jobs, respectively. Mississippi was the only state in the region that did not have a decline in construction sector employment; elevated multifamily construction in 2008 compensated for a decline in single-family production during the same year. During the past 12 months, the professional and business services sector, which has been the fastest growing employment sector in the region since 2005, lost 132,700 jobs, a 3.9-percent decline.

During the 12 months ending March 2009, the unemployment rate increased in every state in the region. Average unemployment rates range from a low of 6.1 percent in Alabama to a high of 12.3 percent in Puerto Rico. The largest increase occurred in Florida, where the unemployment rate increased from an average of 4.4 percent for the 12 months ending March 2008 to 7.3 percent for the 12 months ending March 2009. The increased rate in Florida was followed closely by increased unemployment rates in North Carolina and South Carolina, from 4.9 to 7.7 percent and from 5.5 to 8.3 percent, respectively.

Single-family home production, as measured by the number of homes permitted, declined by 46 percent in the region to approximately 137,600 homes during the 12 months ending March 2009 compared with an annual average of 446,700 homes permitted during the period from 2002 to 2005. In the past 12 months, the number of homes permitted fell in each state. The greatest decline occurred in Florida, where the number of permits issued for single-family homes decreased by 29,100, or 41 percent, to 38,000 permits. The decrease in construction activity in the remainder of the region ranged from 3,500 permits in Kentucky to 27,200 permits in North Carolina.

During the past 12 months, in the Southeast/Caribbean region, multifamily construction activity, as measured by the number of units permitted, has continued to decline from the record highs recorded in 2005. During the 12-month period ending March 2009, the number of multifamily units permitted in the region declined by 28,950, or 34 percent, to 57,200. In contrast, an annual average of 132,800 units were permitted in 2004 and 2005, when rapid apartment and condominium construction occurred. During the past 12 months, the number of units permitted fell in each state except Kentucky, where an increase in multifamily construction activity in the Lexington metropolitan area contributed to an overall statewide increase of 847 units, or 32 percent.

During the past 12 months, both home sales and home sales prices continued to fall throughout the region except in Florida, where sales rebounded slightly. According to data from the Florida Association of REALTORS® (FAR), in the 12 months ending March 2009, annualized sales of existing homes in Florida increased for the first time since the end of 2005. During the most recent 12-month period, sales of existing single-family homes totaled 129,700 statewide, an increase of 9,500 homes, or 8 percent. Continuing lower sales prices contributed to the modest increase in sales. FAR data indicate that, during the first quarter of 2009, the median price of an existing single-family home in Florida was $141,000, a decrease of 30 percent, or $61,300, from the median price recorded during the first quarter of 2008. During the past 12 months, statewide sales of existing condominiums remained relatively constant, at 39,500 units. In addition to the effect of a large inventory of unsold condominium units, auctions of new condominium units have driven down condominium sales prices across the region. During the first quarter of 2009, the median price of an existing condominium in Florida was $110,100, 38 percent below the median price recorded during the first quarter of 2008.

In the 12 months ending March 2009, sales of existing homes in Alabama continued to decrease. According to data from the Alabama Center for

Real Estate, sales of existing single-family homes totaled approximately 40,850 statewide, a 25-percent decrease compared with the number sold during the 12 months ending March 2008. This slowdown in sales occurred in every metropolitan area in the state. During the 12 months ending March 2009, the average price of an existing single-family home in Alabama was $153,200, a decrease of nearly 3 percent from the average price recorded during the previous 12-month period. Tighter lending standards, an excess supply of both new and existing homes, and uncertainty in the job market are major contributors to the decline in sales volume and prices.

According to data from the North Carolina Association of REALTORS®, during the 12 months ending March 2009, existing home sales in the 20 reporting areas in the state declined by 34,200 homes, or 29 percent, to 84,700 homes. The total number of homes sold during the past 12 months fell in 19 of the 20 areas. Only Brunswick, which recorded a 9-percent decrease in sales for the 12 months ending March 2008 and a 57-percent decrease in sales for the 12 months ending March 2007, posted a 31-percent increase in sales of 420 homes, to nearly 1,800 units during the past 12 months. In 2007, the number of home sales in the coastal area of Brunswick declined to levels far below typical sales volume for the area, ahead of declines in sales in other areas of North Carolina. Although sales in Brunswick have increased during the past 12 months, they remain below the annual average of 2,175 homes sold from 2002 to 2007. During the past 12 months, the price of an existing home in North Carolina fell by 5 percent to an average of $211,900. Although most areas in the state recorded declines in average home prices, Fayetteville, Goldsboro, and Neuse River posted moderate increases in the average price, ranging from 3 to 12 percent.

Sales and prices of existing homes continued to fall in the largest metropolitan areas of Tennessee. During the 12 months ending March 2009, the Greater Nashville Association of REALTORS®, Inc., reported that sales of single-family homes in Nashville decreased by 28 percent, from approximately 25,350 to 18,750 homes. Condominium sales continued to decrease to approximately 2,900 units, a 36-percent decline. In March 2009, the median price of a single-family home decreased by 11 percent to $158,000 and the median price of a condominium unit decreased by 3 percent to $155,700, compared with March 2008. According to the Knoxville Area Association of REALTORS®, during the 12 months ending March 2009, single-family home sales in Knoxville totaled 9,850 homes, a 26-percent decrease compared with the number of homes sold during the previous 12 months. Condominium sales decreased by 41 percent to approximately 1,100 units. During the 12 months ending March 2009, the average sales price of single-family homes and condominiums decreased by 5 percent each, to $179,600 and $167,400, respectively. During the first quarter of 2009, the Memphis Area Association of REALTORS® reported that single-family home sales in Memphis decreased by 25 percent to 4,225 homes, compared with the first quarter of 2008, and condominium sales decreased by 38 percent to approximately 140 units. During the same period, the average price of a single-family home fell to $108,800, an 11-percent decline, and the average price of a condominium unit decreased by 25 percent to $100,100.

According to Reis, Inc., during the first quarter of 2009, apartment vacancy rates increased in 19 of 20 reporting areas in the Southeast. High levels of apartment construction, competition from condominium units made available for rent, and recent job losses accounted for the increase in vacancy rates in the region. Palm Beach, Florida, was the only area in the region to record a decline in the vacancy rate, which fell from 8 percent during the first quarter of 2008 to 7.7 percent during the first quarter of 2009. Vacancy rates continued to rise in other areas of Florida between the first quarter of 2008 and the first quarter of 2009, after increasing in each market between the first quarter of 2007 and the first quarter of 2008. During the first quarter of 2009 in other areas of Florida, vacancy rates were 5.7 percent in Miami, 7.1 percent in Fort Lauderdale, 9.3 percent in Tampa-St. Petersburg, 9.9 percent in Orlando, and 12.7 percent in Jacksonville.

Because of limited apartment construction in Kentucky during the past year, markets in the state were the only ones in the region in which the apartment vacancy rate remained stable, at 7.6 percent in Lexington and 7.1 percent in Louisville. In South Carolina during the past 12 months, high levels of apartment construction contributed to the rise in vacancy rates. With high vacancy rates and concessions common, apartment markets in the state are currently the softest in the region. In Charleston, Columbia, and Greenville, vacancy rates increased to 11.5, 13.5, and 10.1 percent, respectively, during the first quarter of 2009. In North Carolina, the rates reached 8.5, 11.3, and 7.8 percent in Charlotte, Greensboro, and Raleigh, respectively. Between the first quarter of 2008 and the first quarter of 2009, rents generally increased 1 to 3 percent across the region despite increases in vacancy rates. Three Florida markets—Fort Lauderdale, Miami, and Palm Peach—were the only markets in the region that recorded slight declines of less than 2 percent in rents.

Midwest

Employment levels declined sharply in the Midwest region during the first quarter of 2009. In the 12 months ending March 2009, nonfarm employment decreased by 483,300 jobs, or 2 percent, to an average of 23.8 million jobs compared with a gain of 5,600 jobs in the previous 12-month period. Despite the overall loss of jobs, some employment sectors reported increases in the number of jobs during the past 12 months. The education and health services and the government sectors increased by 89,400 and 6,100 jobs, respectively. These gains were not enough to overcome employment losses in the manufacturing sector, which declined by nearly 209,000 jobs, or more than 6 percent. Nearly 41 percent of the manufacturing sector losses were in the transportation equipment manufacturing industry. Other sectors with significant losses include professional and business services, construction, and trade, which fell by 99,900, 87,900, and 84,400 jobs, respectively. Employment declines occurred throughout the region, with each of the six states registering net nonfarm job losses, ranging from 35,000 in Minnesota to 155,700 in Michigan. Continued restructuring in the automobile industry and continued weakness in the construction industry are likely to extend job losses in the region. During the 12 months ending March 2009, the unemployment rate in the Midwest increased from 5.5 to 7.4 percent. Unemployment rates ranged from a low of 5.6 percent in Wisconsin to a high of 9.7 percent in Michigan.

During 2008, sales of existing homes in the Midwest region declined for the third consecutive year because of the slow economy and tighter lending practices. According to the NATIONAL ASSOCIATION OF REALTORS®, in 2008, sales activity decreased by nearly 15 percent to 867,700 existing homes compared with the number sold in 2007. Activity was down in all states in the region, ranging from a decline of 4 percent in Minnesota to a decline of 24 percent in Illinois. According to RealtyTrac®, Inc., in the first quarter of 2009, the number of homes in the foreclosure process increased in five of six Midwest region states compared with the number undergoing foreclosure in the first quarter of 2008., The number of foreclosed properties was up by 69 and 68 percent, respectively, in Minnesota and Illinois and was down by nearly 11 percent in Indiana.

Existing home sales declined in most areas of the region during the first quarter of 2009. In Michigan, the economic slowdown continued to affect existing home sales. According to the Michigan Association of REALTORS®, during the 12 months ending March 2009, sales totaled 102,400 homes, 7 percent fewer than the number sold during the same period a year ago, while the average sales price declined by 17 percent to $113,100. In Ohio, similar economic weakness slowed existing home sales and lowered the average price. The Ohio Association of REALTORS® reported that, during the 12 months ending March 2009, the number of home sales declined by 15 percent to 106,200 and the average price declined by 10 percent to $133,600.

The Illinois Association of REALTORS® reported that, during the 12-month period ending March 2009, approximately 101,900 existing homes were sold in the state, 23 percent below the number sold during the previous 12-month period. In March 2009, the median price of an existing home in Illinois was $150,000, 7 percent higher than the median price in February 2009 but 21 percent lower than the median price in March 2008. In the Chicago metropolitan area, home sales declined by 25 percent to 65,000 units during the 12 months ending March 2009. In March 2009, the median price of an existing home in the Chicago metropolitan area was $194,000, 6 percent higher than the median price recorded in February 2009 but 22 percent lower than the median price reported in March 2008. In Indianapolis, the Metropolitan Indianapolis Board of REALTORS® reported that, during the 12 months ending March 2009, existing home sales totaled 24,500, a 16-percent decline compared with the number of existing homes sold during the 12 months ending March 2008, while the average price declined by 8 percent to $139,600.

In Wisconsin, the Greater Milwaukee Association of REALTORS® indicated that, for the 12 months ending March 2009, existing home sales in Milwaukee totaled 13,150, a 16-percent decline compared with the number of homes sold for the 12 months ending March 2008. In the Madison area, the South Central Wisconsin Multiple Listing Service reported 8,525 existing homes were sold in the 12 months ending March 2009, a 26-percent decrease from the number sold in the previous 12-month period, and the average price remained steady at $203,500. In Minneapolis, the Minneapolis Area Association of REALTORS® recorded 39,200 existing home sales during the 12 months ending March 2009, a 1-percent increase from the number sold during the same period in 2008, while the average price decreased 16 percent to $227,600. The price drop is attributed to increasing numbers of short or foreclosed home sales.

Homebuilding in the region, as measured by the number of building permits issued, continued to decline during the first quarter of 2009 in response to the softening economy and weak demand for new homes, a trend that began in 2005. During the 12 months ending March 2009, the number of single-family permits issued fell 40 percent to 62,900 and was down more than 60 percent from the average of 158,800 single-family permits issued during the previous 3 years. In Illinois, single-family permits declined by 48 percent to 11,300, driven by a 54-percent decline in the number of permits issued in the Chicago metropolitan area. In Michigan, the number of single-family permits issued decreased by 44 percent to 8,300. In Minnesota, the number of single-family permits issued declined by nearly 39 percent to 7,800, led by a 41-percent decline in the Minneapolis/St. Paul area, where 3,975 permits were issued.

In Ohio, during the 12 months ending March 2009, homebuilding activity declined by 37 percent to 14,800 permits issued. Cincinnati, Cleveland, and Columbus, reported declines of 34, 35, and 35 percent, respectively, in the number of single-family permits issued. The declines in the three metropolitan areas accounted for 47 percent of the decline for the state. Single-family activity declined by 38 percent to 10,950 permits issued in Indiana and by 36 percent to 9,825 permits issued in Wisconsin.

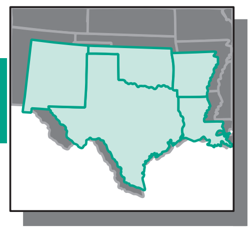
Multifamily construction in the Midwest region, as measured by the number of units permitted, declined by 28 percent to 25,050 units for the 12 months ending March 2009. Each state had declines in the level of multifamily construction activity, ranging from 1 percent in Indiana to 48 percent in Illinois. During the period, the number of multifamily units permitted increased by 63 percent to 2,125 units in the Indianapolis metropolitan area, while the remainder of Indiana had a decline of 32 percent to 1,850 units permitted. The increase in the number of multifamily units permitted in Indianapolis is primarily a result of builders responding to a tightening rental housing market in the area. The 48-percent decline in Illinois is mainly due to reduced activity in the Chicago metropolitan area, where, during the 12 months ending March 2009, the number of multifamily units permitted declined by 49 percent to 6,500, largely due to the weak condominium market. Despite the decline, the 6,500 units permitted in the Chicago metropolitan area still accounted for more than 85 percent of the 7,625 multifamily units permitted in Illinois during the past 12 months.

The declines in multifamily construction activity were less severe in Wisconsin, Minnesota, and Ohio, where 9, 14, and 18 percent fewer units, respectively, were permitted during the 12 months ending March 2009. In Michigan, the weaker economy contributed to a decline of 38 percent to 1,650 multifamily units permitted, the lowest number permitted in more than 16 years.

Conditions in major apartment markets in the region were generally balanced in the fourth quarter of 2008. According to Reis, Inc., in the first quarter of 2009, the apartment market in the Chicago metropolitan area softened somewhat as the vacancy rate rose to 6 percent from 4.7 percent in the first quarter of 2008 and the average contract rent increased to $1,066, from $1,054. The downtown Chicago rental market is slightly softer, with a vacancy rate of approximately 8.5 percent, up from 5 percent a year ago, and rent concessions of 1 to 1.5 months' free rent are offered at most properties, according to Appraisal Research Counselors. Approximately 950 rental units will enter the downtown Chicago market in 2009, compared with the nearly 2,000 units that entered the market in 2008. Two additional rental properties totaling approximately 450 units have broken ground; the units are expected to enter the market in 2010. Vacancies have risen in the downtown rental market due to the increased leasing of condominium units by developers, investors, and owners who are unable to sell. Appraisal Research Counselors estimates that, in the fourth quarter of 2008, 47 percent more condominiums were available for rent on the multiple listing service in downtown Chicago than in the fourth quarter of 2007.

In Indianapolis, the vacancy rate remained stable at 8.2 percent in the first quarter of 2009 compared with a vacancy rate of 8.1 percent in the first quarter of 2008, according to Reis, Inc. Contract rents increased slightly to an average of $673 during the same period. Until recently, the economy in Indianapolis has remained relatively strong, generating demand for more rental units. In Minneapolis, the apartment market softened slightly but remained balanced; GVA Marquette Advisors reported a rise in the vacancy rate from 4.2 percent in the fourth quarter of 2007 to 4.9 percent in the fourth quarter of 2008. The average rent increased slightly to $906. According to GVA Marquette Advisors, fewer than 500 new rental units are expected to enter the Minneapolis market in 2009 due to lack of financing and concerns about the market. In contrast, approximately 1,200 new rental units entered the market in 2008. Major Ohio rental markets are generally balanced as well. According to Reis, Inc., in Cincinnati, the rental vacancy rate was approximately 7.3 percent in the first quarter of 2009, up from 7.1 percent during the same quarter a year ago, and the contract rent averaged $709. In Cleveland, the vacancy rate was approximately 6.4 percent in the first quarter of 2009, up from 5.4 percent in the first quarter of 2008 but lower than the 7.6-percent rate reported during 2003. Rents in Cleveland averaged $735 in the first quarter of 2009, up slightly from the $727 average rent recorded during the same quarter a year ago. The Columbus rental market is slightly soft; according to Reis, Inc., in the first quarter of 2009, the vacancy rate was approximately 8.3 percent, up from 7.4 percent in the first quarter of 2008, and the average rent increased from $671 to $679. The Milwaukee area rental market is balanced, with an estimated vacancy rate of 4.3 percent for the first quarter of 2009, while the Detroit metropolitan area rental market is generally balanced, reporting a vacancy rate of 7.4 percent for the same period.

SOUTHWEST



Economic expansion in the Southwest region, which began in 2004, slowed significantly during the first quarter of 2009. During the 12 months ending March 2009, average nonfarm employment increased by 157,000 jobs, or 1 percent, to 16.2 million jobs, compared with a growth rate of 421,000 jobs, or 2.7 percent, during the 12 months ending March 2008. The education and health services sector recorded the largest job growth among employment sectors in the region, adding 65,000 jobs, or 3.3 percent, led by the gain in Texas of 45,000 jobs, or 3.6 percent. The government sector was up 55,000 jobs, or 1.9 percent, and all states recorded increased employment in the sector. Employment in the natural resources and mining sector rose by 29,000 jobs, or 8.3 percent, and the leisure and hospitality sector added 28,000 jobs, a gain of 1.8 percent. Gains in both sectors were recorded in nearly every state but were concentrated in Texas, which added more than 20,000 jobs in each sector. During the past 12 months, softening housing and commercial building markets have resulted in an increase of only 7,000 jobs in the construction sector, up less than 1 percent compared with a gain of more than 47,000 jobs, or 5 percent, during the previous 12 months. The manufacturing sector lost 40,000 jobs; every state in the region recorded declining employment in the sector. Employment in the information sector was down by nearly 7,000 jobs.

Texas employers added 130,000 jobs, an increase of 1.2 percent, during the 12 months ending March 2009, accounting for more than 80 percent of the total growth in nonfarm employment in the region. During the same period, employers in Louisiana added 20,000 jobs, a 1-percent gain compared with the number of jobs during the previous 12-month period. Job gains of more than 3 percent each in the construction and the education and health services sectors more than offset losses in the manufacturing and trade sectors.

Employment in Oklahoma increased by 17,000 jobs, or 1.1 percent, led by the addition of 4,200 jobs in the education and health services sector and 3,700 jobs in the leisure and hospitality sector. The natural resources and mining, construction, and government sectors also added more than 3,000 jobs each during the past 12 months. During the same period, employment in New Mexico decreased by 2,300 jobs, or less than 1 percent; the decline was the first loss recorded in the state during this decade, and most employment sectors recorded a small decrease. Employment in Arkansas fell by 7,400 jobs, mostly in the manufacturing, trade, and transportation and utilities sectors. Arkansas is the only state in the region where employment in the manufacturing sector has been steadily declining for more than 5 years. For the 12 months ending March 2009, the region recorded a significant increase in unemployment to 5.3 percent up from 4.2 percent for the previous 12 months. Within the region, average unemployment rates ranged from 4.4 percent in Oklahoma to 5.6 percent in Arkansas, with New Mexico, Louisiana, and Texas at 4.6, 5.0, and 5.5 percent, respectively.

Home sales continued to decline in Texas from the record highs recorded during 2006 and 2007 and are currently at their lowest levels since mid-2004. According to data from the Real Estate Center at Texas A&M University, during the 12 months ending March 2009, approximately 219,500 homes were sold in Texas, down 19 percent from the number sold during the previous 12 months and down 25 percent from the record-setting level recorded during the 12 months ending February 2007. During the 12 months ending March 2009, the average home sales price in the state declined 2 percent to $189,900, the first statewide decline recorded in the decade. Prices increased by 1 percent in San Antonio and Beaumont to $183,000 and $148,300, respectively. Bryan-College Station recorded a home price increase of 4 percent to $168,100, while Dallas recorded a decrease of 4 percent to $210,200. The average price declined by 1 percent in both Houston and Fort Worth to $202,600 and $142,600, respectively. The average price also decreased 1 percent in Austin but remains the highest in the region, at $243,800. The average price fell by more than 3 percent in both McAllen and Harlingen, to $124,700 and $107,400, respectively. During the past year, the average price dropped nearly 19 percent to $122,600 in Brownsville but remained virtually unchanged at $133,500 in El Paso.

Home sales declined by double-digit percentages in a number of markets elsewhere in the region. According to the New Orleans Metropolitan Association of REALTORS®, during the 12 months ending March 2009, the number of homes sold in the metropolitan area was down by 25 percent to 8,100 and the average price was down approximately 2 percent to $204,400. In Baton Rouge, based on data from the Greater Baton Rouge Association of REALTORS®, the number of homes sold also decreased by 25 percent, to 6,900, but the average price was unchanged at $199,300. The Greater Albuquerque Association of REALTORS® reports that the number of homes sold in Albuquerque was down 27 percent to 6,400 homes, nearly 50 percent below the peak sales level recorded in mid-2006. Although Albuquerque recorded a decline of nearly 7 percent from the average home price for the previous year, the city's $227,600 average home price for the 12 months ending March 2009 is the second highest average price in the Southwest region. According to the Arkansas REALTORS® Association, during the 12 months ending February 2009, the number of homes sold in the state declined by 17 percent to 23,500 and the average price declined by 3 percent to $150,000. Home price declines were even more significant in the major metropolitan areas in Arkansas, falling by approximately 5 percent in both Little Rock and Fayetteville to $161,600 and $180,500, respectively. According to the Oklahoma City Metropolitan Association of REALTORS®, during the 12 months ending March 2009, the number of homes sold in Oklahoma City was down 18 percent to 15,750, and the average price was relatively unchanged at $152,400. In Tulsa, according to the Greater Tulsa Association of REALTORS®, the number of homes sold declined by 13 percent to 10,950, but the average price increased 2 percent to $158,200.

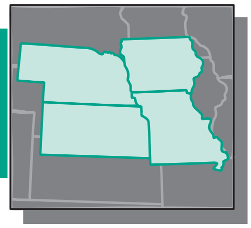
In the Southwest region, declining demand and an increased inventory of unsold homes resulted in decreased single-family construction activity, as measured by the number of building permits issued. During the 12 months ending March 2009, a total of 96,550 single-family permits were issued in the region, a decline of 48,700 permits, or 34 percent, compared with the number issued during the 12 months ending March 2008. Declines ranged from 32 percent in Arkansas and Louisiana to 42 percent in New Mexico. Oklahoma and Texas both recorded declines of approximately 34 percent.

Rental housing market conditions remained soft in the largest metropolitan areas in Texas. According to ALN Systems, Inc., during the 12 months ending March 2009, the apartment vacancy rate in Austin was 9.8 percent, up from 6.6 percent during the 12 months ending March 2008. During the most recent 12-month period, the average rent in Austin increased by 5 percent to $866. In Dallas, the apartment vacancy rate increased from 9.4 to 10 percent and the average rent increased by 3 percent to $818. In Fort Worth and Houston, rental housing markets remain very soft, with vacancy rates of 11.5 and 11.6 percent, respectively. During the 12 months ending March 2009, the average rent increased by 3 percent to $721 in Fort Worth and by 6 percent to $775 in Houston; the rent increase in Houston reflected a large number of recent apartment completions. In San Antonio, the vacancy rate was 10.6 percent and the average rent increased by 3 percent to $723 during the 12 months ending March 2009. Corpus Christi had one of the lowest vacancy rates in Texas, at 8 percent, and an average rent of $712 during the period.

Rental housing market conditions remained mixed in other large metropolitan areas throughout the Southwest region. The rental market in Albuquerque has begun to soften in recent months. According to Reis, Inc., the apartment vacancy rate in Albuquerque increased to 6.6 percent in the first quarter of 2009, up from 5.1 percent in the first quarter of 2008, and the average rent increased 3 percent to $709. Rental market conditions in New Orleans have changed substantially. During the first quarter of 2009, the apartment rental vacancy rate increased to 9.3 percent, nearly double the 4.9-percent rate recorded during the first quarter of 2008, because nearly 2,500 newly constructed and substantially rehabilitated apartment units entered the market. During the past year, the average rent in New Orleans was flat at $858. In Little Rock, for the first quarter of 2009, the apartment vacancy rate was 7.2 percent, up from 6.8 percent for the first quarter of 2008, and the average rent increased by 2 percent to $639. In Oklahoma City, for the first quarter of 2009, the apartment vacancy rate rose to 8.9 percent from 8.2 percent for the first quarter of 2008 and the average rent increased by 3 percent to $545. In Tulsa, during the first quarter of 2009, the vacancy rate declined to 8.3 percent from 8.5 percent during the same quarter a year ago, but the average rent increased by 4 percent to $580.

As a result of soft apartment markets in many large metropolitan areas, multifamily construction activity, as measured by the number of units permitted, decreased in the Southwest region during the 12 months ending March 2009. The 49,000 units permitted during the period reflect a 31-percent decrease compared with the number of units permitted during the previous 12-month period. During the past 12 months, Arkansas was the only state in the region to record an increase in the number of multifamily units permitted, up 5 percent, or 170 units, to 3,350. Texas recorded a 32-percent decrease in the number of multifamily units permitted, down 18,350 units to 40,000. In the other states in the region, declines in the number of units permitted ranged from 24 percent in New Mexico to 35 and 54 percent in Louisiana and Oklahoma, respectively.

Great Plains



The economy of the Great Plains region declined during the first quarter of 2009 for the first time since 2003. The 20,300 nonfarm jobs lost during the 12 months ending March 2009 represent a decrease of 0.3 percent compared with the number of jobs in the region during the previous 12 months. Growth occurred in only two major employment sectors: the government sector, up 1.3 percent, or 14,000 jobs, primarily as a result of hiring by local governments, and the other services sector, which grew by 0.4 percent, or 1,050 jobs. During the most recent 12-month period, the manufacturing sector lost 25,950 jobs, or 3.2 percent, which was the first drop in manufacturing employment since 2003. During the 12-month period ending March 2009, employment in the retail trade sector declined by 6,900 jobs, or 0.9 percent, after increasing each year since 2005. In the four-state region, government remains the leading employment sector, accounting for more than 1.1 million jobs, or approximately 17 percent of the region's 6.6 million jobs. In the Great Plains region during the 12 months ending March 2009, nonfarm employment increased in two of the four states. Kansas reported nonfarm job growth of 2,000 jobs, even though aircraft manufacturers laid off more than 2,000 workers during the past 12 months. Nebraska reported nonfarm job growth of 900. During the same period, Iowa and Missouri lost 5,300 jobs, or 0.3 percent, and 18,100 jobs, or 0.6 percent, respectively.

The slowing economy led to a weakening in the labor markets throughout the Great Plains region. The average unemployment rate rose from 4.3 percent for the 12 months ending March 2008 to 5.5 percent for the 12 months ending March 2009. Unemployment rates for the four states ranged from 3.7 percent in Nebraska to 6.9 percent in Missouri, with Iowa and Kansas reporting rates of 4.4 and 4.9 percent, respectively. Although the rates in each state rose significantly during the past 12 months, with the exception of the rate in Missouri, they remained below the national unemployment rate of 6.7 percent.

Existing home sales activity in the Great Plains region continued the decline that began in 2006. The NATIONAL ASSOCIATION OF REALTORS® reported that, during 2008 (the most recent data available for states), the number of homes sold was 109,000 in Missouri, a decline of nearly 12 percent; 60,400 in Kansas, down 14 percent; 55,800 in Iowa, down nearly 21 percent; and 30,900 in Nebraska, down 16 percent, compared with the number sold in 2007. All major metropolitan areas in the region recorded declines in existing home sales, according to data from local REALTORS® associations. Sales market conditions range from slightly soft in Omaha and Wichita to soft in Des Moines and Kansas City. During the 12-month period ending March 2009, sales of existing homes in the St. Louis area decreased by 14 percent to 15,200 homes and the average existing home price declined by 10 percent to $184,600. In the Kansas City area, existing home sales fell by 10 percent to 22,600 homes and the average price decreased by 6 percent to $146,300. The number of existing home sales in the Des Moines area decreased by 19 percent, from 9,500 to 7,730 homes; however, the average price declined by only 2 percent to $167,450. Although the existing home sales volume in the Wichita area was down 18 percent to 8,100 homes, the average price of an existing home increased by 5 percent to $123,600. The number of existing home sales in the Omaha area declined from 8,800 to 6,750 homes and the average price decreased by 2 percent to $151,850. Foreclosed properties represent a growing proportion of the homes available for sale in Kansas City. According to AOL Real Estate, more than 59 percent of the homes listed for sale in Kansas City during the 12 months ending March 2009 were foreclosures compared with less than 50 percent during the previous 12-month period. The average number of days an existing home remains on the market currently exceeds 90 days in Des Moines and Kansas City. The average number of days required to sell an existing home in the other major metropolitan areas in the Great Plains region ranges from 60 to 90. In 2005, the average number of days a home was on the market was less than 60 throughout the region.

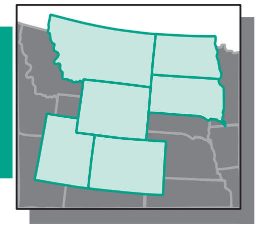
New homes sales also declined in the major metropolitan areas in the region. During the 12 months ending March 2009, new home sales declined by 40 percent to 3,100 homes in Kansas City and by 20 percent to 1,400 homes in Wichita. Although sales were down, the average price of a new home increased by 4 percent to $305,850 in Kansas City and by nearly 7 percent to $228,100 in Wichita.

As new and existing home sales continue to decline in the region, single-family home construction, as measured by the number of building permits issued, also decreased during the 12-month period ending March 2009. During the period, permits were issued for approximately 17,500 single-family homes, 38 percent fewer permits than the number issued during the 12-month period ending March 2008. Declines in single-family building activity were recorded in each of the four states, ranging from a decline of 23 percent to 3,800 homes in Nebraska to a decline of 50 percent to 5,400 homes in Missouri. The rising unemployment rate, the decline in new home sales, and a high proportion of foreclosure sales resulted in the steep decline in permitting activity in Missouri. The number of permits issued for single-family homes in Iowa and Kansas declined by 32 and 36 percent to 4,600 and 3,700 homes, respectively.

Multifamily construction in the region, as measured by the number of units permitted, decreased by 24 percent to 9,000 units during the 12 months ending March 2009. All four states recorded a slowdown in the number of units permitted. The largest percentage decline occurred in Kansas, where the number of units permitted totaled 1,700 units, a 41-percent decline compared with the number permitted during the previous 12-month period. In Nebraska, the number of multifamily units permitted declined by 28 percent to 1,300 units. The number of units permitted in Iowa and Missouri was down 12 percent to 1,700 units and down 18 percent to 4,300 units, respectively. According to the McGraw-Hill Construction Pipeline database, during the 12-month period ending March 2009, most of the multifamily units permitted were marketed as rental apartments, ranging from 55 percent in Kansas City to nearly 100 percent in Missouri. This trend reflects the softer home sales markets throughout the Great Plains region.

Although rental housing markets in the larger metropolitan areas of the region were balanced in the first quarter of 2009, vacancy rates increased in most areas of the region compared with rates recorded in the first quarter of 2008. In Des Moines, the apartment vacancy rate increased from 5.4 percent in the first quarter of 2008 to 5.7 percent in the first quarter of 2009 and the average monthly rent remained unchanged at $690. In Omaha, the apartment vacancy rate is currently 6 percent, essentially unchanged from the rate recorded a year earlier, and the average monthly rent increased by 1 percent to $700. Vacancy rates increased from 7 to 8 percent in both St. Louis and Kansas City; however, conditions in both markets remained relatively balanced. During the 12-month period ending March 2009, rents increased by just 1 percent to $730 in St. Louis and to $700 in Kansas City because of the increased vacancy rates. According to AXIOMETRICS INC., during the 12-month period ending March 2009, rental concessions increased in both St. Louis and Kansas City compared with the previous 12 months. As a percentage of asking rents, rental concessions increased in St. Louis from 3 to 5 percent and in Kansas City from approximately 5 to 7 percent. Conditions in Wichita continued to improve; according to Reis, Inc., the rental vacancy rate declined from 7.7 percent in the first quarter of 2008 to 6.8 percent in the first quarter of 2009 and the average monthly rent increased by more than 2 percent to $510.

Rocky Mountain



The economy of the Rocky Mountain region weakened during the first quarter of 2009. During the 12 months ending March 2009, nonfarm employment was relatively unchanged, at 5.1 million jobs, compared with nonfarm employment during the previous 12 months. In contrast, during the 12 months ending March 2008, nonfarm payrolls expanded by 127,000 jobs, a gain of 2.5 percent from the number of jobs recorded during the same period in 2007. During the most recent 12-month period, employment was down in Utah and Colorado by 9,800 and 8,100 jobs, respectively. In Montana, nonfarm employment was down by 1,400 jobs. Job gains in Wyoming, North Dakota, and South Dakota offset the losses in Utah, Colorado, and Montana. During the past 12 months, Wyoming and North Dakota were the two fastest growing states in the nation in terms of nonfarm employment growth, recording gains of 2.6 and 1.9 percent, or 7,600 and 6,800 new jobs, respectively. South Dakota added 2,200 nonfarm jobs, a 0.5-percent increase, making the state's job growth the eighth fastest in the nation. As a result of the slower economy, during the 12 months ending March 2009, the average unemployment rate in the region increased to 4.8 percent from 3.5 percent during the previous 12 months. Unemployment rates ranged from 3.4 percent in Wyoming to 5.6 percent in Colorado, but all were well below the national average rate of 6.7 percent.

Much of the weakness in the regional economy was due to a decline in employment in the construction and manufacturing sectors. Construction employment fell in every state, except in North Dakota and Wyoming, due to soft conditions in the home sales market. Because of the relatively larger employment base, Utah and Colorado accounted for 90 percent of the 27,400 construction jobs lost in the region during the 12 months ending March 2009. Regionwide, the manufacturing sector lost 11,700 jobs, with Utah and Colorado accounting for 80 percent of the losses. The closure of an Intel Corporation facility in Colorado Springs contributed to a loss of 900 jobs in computer and electronic product manufacturing in Colorado. In the region, the declines in employment in the construction and manufacturing sectors were offset by job gains in other employment sectors. Although job growth in the mining and logging sector, which includes coal and natural gas extraction, slowed in the first quarter of 2009, the sector was up by

8,400 jobs, or 11 percent, during the 12 months ending March 2009. Colorado accounted for 3,000 of the new jobs in the sector, followed by North Dakota and Wyoming, which each added 1,800 jobs. Employment in the education and health services sector grew by 21,200 jobs regionwide, a 3.7-percent increase, with gains recorded in every state. Employment in the government sector also grew in all states in the region, with a total of 20,700 jobs added.

Home sales were down in 2008 for all states in the region as the economy continued to slow and as lending standards tightened. According to the NATIONAL ASSOCIATION OF REALTORS®, the number of existing single-family home sales in 2008 (the most recent data available) was 196,200 units, a decrease of 38,200 units, or 15 percent, compared with the number of sales in 2007. Sales in Utah declined by approximately 25 percent for the second straight year, following record-high sales levels in 2005 and 2006 of an average of 15 percent. Despite relatively strong employment growth, in 2008, Wyoming recorded a 23-percent decline in the number of home sales compared with near-record sales levels in 2007. Home sales were down by 17 percent in Montana, 14 percent in North Dakota, and 12 percent in South Dakota. In Colorado, the decline in home sales, at 10 percent, was the lowest in the region but the state still accounted for 35 percent of the regional decline in sales volume.

Although home sale markets have softened, average home appreciation remained positive for most of the Rocky Mountain states in the fourth quarter of 2008 (the most recent data available). According to the Federal Housing Finance Agency Housing Price Index, during the fourth quarter of 2008, home appreciation was up by 3 percent in both North Dakota and South Dakota and up by 2 percent in Wyoming and 0.5 percent in Montana from the rates recorded during the same quarter a year ago. The index declined by 3 percent in Utah and was relatively unchanged in Colorado. All rates were above the average national rate of appreciation, which declined by 4 percent. The S&P/Case-Shiller® Home Price Index for the Denver-Aurora metropolitan area ranked second in the nation for lowest 1-year price depreciation, down by 6 percent as of February 2009. The composite index derived from data from 20 metropolitan areas was down by 19 percent compared with the level recorded as of February 2008. The somewhat more stable appreciation rates for the Rocky Mountain states are due to the moderately low rate of appreciation that occurred between 2001 though 2004 in most markets and a period of slower construction from 2006 through the first quarter of 2009 compared with national price appreciation rates and construction activity.

In Colorado, metropolitan area home sales markets continued to soften through the first quarter of 2009. During the 12 months ending March 2009, according to the Boulder Area REALTOR® Association, existing single-family home sales fell by 16 percent compared with home sales recorded during the same period a year ago. The average sales price decreased by 6 percent to $423,000. The Pikes Peak Association of REALTORS® reported that, for the Colorado Springs area, existing home sales activity was down 15 percent from the volume recorded during the previous 12 months and the average sales price for single-family homes declined by 8 percent to $200,400. During the 12 months ending March 2009, the Colorado Springs home sales market was affected by a 2-percent decline in nonfarm employment, the largest employment loss among the state metropolitan areas. During the 12 months ending March 2009, average active listings in the Boulder and Colorado Springs areas were relatively unchanged compared with the average number of active listings during the same period in 2008.

During the 12 months ending March 2009, home sales activity in Utah markets declined considerably from earlier levels and inventories of unsold homes increased. NewReach, Inc., reported that, during the 12-month period ending March 2009, existing single-family home sales in the Salt Lake City area were 32 percent below the level recorded for the same period a year ago. During the most recent 12 months, the average home sales price decreased by 8 percent to $266,300, and the inventory of homes for sale increased by 18 percent to 14,100 units. During the 12 months ending March 2009, home sales in the Ogden-Clearfield area declined by 34 percent and the average price decreased by 11 percent to $201,600. Active listings were up 16 percent to 9,500 homes. Similarly, new home sales in the Salt Lake and Ogden-Clearfield areas were down by more than 40 percent, while average sales prices decreased by 14 and 8 percent, respectively, to $344,900 and $292,000. During the past 12 months, in the Provo-Orem area, existing home sales declined by 13 percent and the average price of a single-family home decreased by 6 percent to $270,900.

In the Rocky Mountain region, in response to weak sales, new home construction activity, as measured by the number of single-family building permits issued, fell by 43 percent to 25,300 homes during the 12 months ending March 2009. In comparison, permits were issued for an annual average of 76,100 single-family homes during the peak years of 2004 and 2005. Although the number of single-family homes permitted decreased in all states during the past 12 months, declines in Colorado and Utah accounted for 85 percent, or 15,800 homes, of the 18,800-permit drop for the region. During the 12 months ending March 2008, these two states had a higher level of construction than did the other states in the region, accounting for 70 percent of the single-family permits issued in the region during the period. During the 12 months ending March 2009, single-family homebuilding activity was down by 1,200 permits, or 40 percent, in Montana, and by 600 permits, or 26 percent, in Wyoming. In both North Dakota and South Dakota, the number of single-family permits issued declined by approximately 20 percent, or by 450 and 680, respectively.

In the region, during the 12 months ending March 2009, multifamily housing construction, as measured by the number of units permitted, declined 16 percent to 13,300. Losses in Colorado, Montana, and North Dakota more than offset gains in Utah, South Dakota, and Wyoming. During the past 12 months, Colorado recorded the largest drop in the number of multifamily units permitted, which amounted to a 3,700-unit reduction. The decline was mostly attributed to soft sales markets, resulting in a reduction of 70 percent, or 2,800 units, in townhome and condominium construction in Colorado, especially in the Denver-Aurora metropolitan area. During the same period, multifamily construction in Utah was up by 1,400 units, or 48 percent. The increase was attributed to additional apartment construction prompted by builders' response to the relatively tight market conditions, primarily in the Salt Lake City area.

During the 12 months ending March 2009, lower demand for rental housing and higher levels of apartment construction activity have led to more balanced conditions in most major rental housing market areas compared with the tight conditions recorded a year ago. According to *Apartment Insights*, published by Apartment Appraisers & Consultants, the average vacancy rate in the Denver-Boulder-Aurora metropolitan area increased to 8.2 percent in the first quarter of 2009, up from 5.9 percent in the first quarter of 2008, and the average effective rent decreased by $24 to $788. During the first quarter of 2009, the apartment vacancy rate in the Fort Collins area increased to 5.7 percent from 4.9 percent during the same quarter a year ago and the average monthly rent was relatively unchanged at $795. According to the same survey, the vacancy rate in the Greeley area increased from 7.8 percent in the first quarter of 2008 to 8.5 percent in the first quarter of 2009, while monthly rents increased by $20 to an average of $655. In the Colorado Springs area, the market remains soft with a vacancy rate of 9.9 percent, up from 9 percent a year ago. In the Salt Lake City area, according to Apartment Realty Advisors, the average apartment vacancy rate increased from 4.5 percent in the first quarter of 2008 to 6.8 percent in the first quarter of 2009, and the average rent increased by 5 percent to $770. In the Provo-Orem area, the apartment vacancy rate increased from 3.6 to 5.7 percent. During the next 12 months, rental housing markets in most metropolitan areas of the region are expected to continue to soften because of expected weak employment growth.

Pacific

Economic conditions in the Pacific region continued to slow during 2008 and the first quarter of 2009. During the 12 months ending March 2009, nonfarm employment averaged 19.3 million jobs, a decline of 463,000 jobs, or 2.3 percent, compared with the number of jobs during the previous 12 months. In contrast, employment rose by 94,000 jobs, a 0.5-percent gain, during the 12 months ending March 2008. During the most recent 12-month period, the goods-producing sectors lost 248,000 jobs, or 8 percent; of those job losses, 186,000 were in the construction sector, which recorded the largest decline of any sector, as a result of the severe decline in homebuilding. Employment in the service-providing sectors fell by 214,700 jobs, or 1.3 percent, notably in the retail trade and professional and business services sectors, which lost 93,000 and 81,000 jobs, respectively. The only major sectors to record job growth were the education and health services sector and the government sector, adding nearly 65,000 and 31,000 jobs, respectively.

Employment declined significantly in every state in the region during the 12 months ending March 2009. In California, nonfarm employment fell by 313,400 jobs, or 2.1 percent, compared with the addition of 62,000 jobs during the previous 12-month period. The largest losses occurred in the construction and retail trade sectors, down by 122,000 and 70,000 jobs, respectively. Partly offsetting the declines were the addition of 49,000 and 14,500 jobs in the education and health services and the government sectors, respectively. Employment in the San Francisco Bay Area declined by 51,300 jobs, a 1.5-percent loss; San Francisco and the Silicon Valley areas have benefited from a high concentration of advanced technology industries that have been more resilient in the overall economic downturn. In Southern California, employment fell by 219,000 jobs, or 2.5 percent. In Arizona, employment fell by 3.7 percent, or nearly 99,000 jobs, during the 12 months ending March 2009. In comparison, employers in the state added 22,000 jobs during the same period a year earlier. Because of continuing declines in both residential and commercial building activity, the construction sector in Arizona lost 43,000 jobs, accounting for nearly one-half of the state's job losses. Industries serving the growing state population, primarily those in the education and health services sector and government sector, added 11,600 and 9,800 jobs, respectively. In Nevada, employment declined by 39,500 jobs, or 3.1 percent, in the past 12 months, down significantly from a 4,100-job increase recorded in the previous 12-month period. In Hawaii, declining tourism resulted in a loss of 11,300 jobs, or 1.8 percent, during the 12 months ending March 2009, after the state added 5,600 jobs during the previous 12 months. Because of the rapidly slowing economy, during the 12 months ending March 2009, the average unemployment rate in the Pacific region rose to 8 percent, up substantially from 5.3 percent a year earlier. Unemployment rates ranged from 4.9 percent in Hawaii to 8.4 percent in California.

Despite the slowing economy, the volume of existing home sales rose in most major markets in the Pacific region during the first quarter of 2009, reflecting dramatically more affordable home price levels and low interest rates. According to the California Association of REALTORS®, during the 12 months ending March 2009, the number of existing homes sold in the state increased by more than 60 percent to 506,550. During the first quarter of 2009, the median sales price was $251,300, down 40 percent compared with the median price recorded during the same quarter a year ago. The first quarter 2009 median price was the lowest price recorded in the state since 2001. During the first quarter of 2009, the median number of days required to sell an existing home fell to 50 from 66 during the same period a year earlier, and foreclosed homes accounted for 58 percent of homes sold, a significant increase from 33 percent of homes sold a year ago. According to Hanley Wood, LLC, new home sales in the 30 largest counties in California declined by 42 percent, from 61,000 homes in 2007 to 35,500 homes in 2008. During the 12 months ending March 2009, existing home sales declined in Honolulu, where nearly 6,000 homes were sold, down 31 percent from the number sold during the previous 12-month period and down more than 50 percent from the record-setting 12,600 homes sold in 2005. During the first quarter of 2009, the median prices of an existing single-family home and a condominium were $565,000 and $302,300, respectively, down 7 and 8 percent, respectively, compared with the median prices for these units during the same quarter of 2008.

In Las Vegas, according to the *Las Vegas Housing Market Letter*, during the 12 months ending March 2009, the volume of existing home sales rose 52 percent to nearly 34,000 homes compared with the number of sales recorded during the same period a year ago. Buyers were attracted by the much lower home prices; during the first quarter of 2009, the median price of an existing home was $147,000, a decline of 37 percent, or $88,000, from the median price recorded during the first quarter of 2008 and down more than $140,000 from the peak price recorded during the third quarter of 2006. The downward price pressure is attributed to the persistently high inventory of unsold homes, which has averaged 29,000 homes a month during the past 2 years, and the high proportion of bank-owned homes, which accounted for three-fourths of the existing homes sold in the first quarter of 2009. In Phoenix, according to the *Phoenix Housing Market Letter*, during the 12 months ending March 2009, the volume of existing home sales rose 27 percent to 65,800 homes, compared with the low volume of 51,750 sales recorded during the previous 12 months. The median price of an existing home declined by 40 percent to approximately $128,000 in the first quarter of 2009, from $214,600 in the first quarter of 2008. During the 12 months ending March 2009, in both Phoenix and Las Vegas, sales of new homes declined by 50 percent to just 17,300 and 8,700 homes, respectively. Sales volumes in Phoenix and Las Vegas have continued to decline since 2005, when record new home sales of approximately 57,400 and 29,750 homes, respectively, were recorded, according to the *Phoenix Housing Market Letter* and *Las Vegas Housing Market Letter.*

Reflecting weak sales of new homes and falling prices in the region, single-family homebuilding activity, as measured by the number of building permits issued, declined by nearly 50,000, or 50 percent, to 50,900 homes permitted during the 12 months ending March 2009. In both California and Hawaii, home construction activity decreased by nearly 50 percent, to 28,100 and 2,100 homes permitted, respectively. During the past 12 months, in Arizona and Nevada, the number of homes permitted was 14,400 and 6,300, respectively; the pace of home construction fell by 52 percent in both states compared with activity recorded during the previous 12-month period.

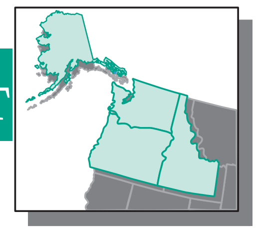
Rental housing markets in most major areas in the Pacific region recorded increased apartment vacancy rates in the first quarter of 2009. The San Francisco Bay Area has a balanced rental market due to demand for rental housing stemming from household growth, relatively high home prices, and limited rental construction activity. According to Reis, Inc., during the first quarter of 2009, the apartment rental vacancy rate in the San Francisco submarket was approximately 4 percent, virtually unchanged from a year ago. The vacancy rate in the Oakland submarket increased from 4.2 percent during the first quarter of 2008 to a current rate of 5.7 percent. The San Jose submarket softened more than the Oakland submarket did; in San Jose, the rental vacancy rate increased to 5.2 percent from 3.5 percent a year ago. Annual changes in average rents varied considerably in the Bay Area, including a nearly 2-percent increase in the Oakland submarket, no change in the San Francisco submarket, and a minor decrease of less than 1 percent in the San Jose submarket. The first quarter 2009 average asking rents in the Oakland, San Jose, and San Francisco submarkets were $1,379, $1,557, and $1,896, respectively. In Sacramento, the apartment market remains balanced, with a current vacancy rate of 6.3 percent, up from 5.3 percent in the first quarter of 2008. The average rent increased by less than 1 percent to $937 during the same period.

In Southern California, rental housing market conditions changed from tight to balanced in the first quarter of 2009. Rental vacancy rates in Los Angeles, Orange, San Diego, Santa Barbara, and Ventura Counties increased from less than 5 percent in the first quarter of 2008 to approximately 6 percent in the first quarter of 2009. The rates rose primarily due to the increased conversion of single-family detached homes and condominiums into rental housing units. During the 12 months ending March 2009, it is estimated that more than 12,000 single-family homes and condominiums units in Southern California were converted into rental units. The vacancy rates in San Bernardino and Riverside Counties remained at 6.5 and 8 percent, respectively. According to the Consumer Price Index for Southern California, during the 12 months ending March 2009, the average rent increased by 4 percent, significantly less than the 6-percent rent increase recorded during the previous 12-month period.

The rental markets in both Las Vegas and Phoenix continued to soften through the first quarter of 2009 due to the slowing economy and increased competition from single-family and condominium homes made available for rent. According to Reis, Inc., the apartment vacancy rate in Las Vegas rose to 8.4 percent in the first quarter of 2009, up nearly 2 percentage points from the rate recorded in the same quarter a year ago. Rental market conditions are relatively balanced overall but apartment vacancy rates vary widely by submarket, ranging from less than 6 percent in the Southwest Valley to more than 10 percent in North Las Vegas. The average asking rent in Las Vegas rose from $857 in the first quarter of 2008 to $865 in the first quarter of 2009, an increase of just 1 percent compared with a 2.5-percent gain recorded between the first quarter of 2007 and the first quarter of 2008. In Phoenix, the rental market remained soft; Reis, Inc., reported an apartment vacancy rate of 11 percent in the first quarter of 2009 compared with 9 percent in the first quarter of 2008. Asking rents currently average $779, essentially unchanged from the past year. The Honolulu rental market is balanced, with an overall vacancy of nearly 6 percent, compared with 5 percent during the previous year. According to the Consumer Price Index, rents rose more than 2 percent between the second half of 2007 and the second half of 2008 (the most recent data available).

Multifamily construction activity, as measured by the number of units permitted, fell by 21,300 units, or 36 percent, to 38,100 units permitted in the region during the 12 months ending March 2009. The recent construction volume is far below the annual average of nearly 75,000 units permitted from 2003 through 2006. During the past 12 months, multifamily building activity decreased by 35 percent to 24,100 units permitted in California and by 44 percent to 6,300 units permitted in Nevada. In Arizona, the number of units permitted declined by 3,600, or nearly 40 percent, to 5,600. Hawaii was the only state in the region to register an increase in the number of multifamily units permitted; 2,050 units, a 17-percent gain, were permitted in the state. Most of the decline in multifamily production in the region is attributed to the soft sales market for new condominiums and the resulting decrease in condominium construction.

NORTHWEST



Following a 3-year slowing trend and for the first time since 2001, nonfarm employment in the Northwest region registered a net decline during the 12 months ending March 2009 compared with nonfarm employment during the previous 12 months. During the most recent 12-month period, an estimated 51,200 nonfarm jobs, or 0.9 percent, were lost in the region, resulting in an average of 5.6 million jobs for the period. Job losses totaled 32,000 in Oregon, 14,500 in Idaho, and 9,300 in Washington, down 1.8, 2.2, and 0.3 percent, respectively, compared with the number of jobs in the three states during the 12 months ending March 2008. Due to stability in the oil industry and moderate levels of hiring in most employment sectors, Alaska was the only state in the region to record job growth, up by 4,600 jobs, or 1.5 percent. Nearly 60 percent of the employment declines in the region occurred in the construction and manufacturing sectors; job losses also occurred in the trade, professional and business services, financial activities, and transportation and utilities sectors. On a more positive note, regional employment in the education and health services sector was up by 23,500 jobs and in the government sector by 22,800 jobs. For the 12 months ending March 2009, nonfarm employment averaged 2.9 million jobs in Washington, 1.7 million jobs in Oregon, 641,300 jobs in Idaho, and 323,200 jobs in Alaska.

A slowdown in residential sales markets in the Northwest region precipitated a 9-percent decline in employment in the construction sector. During the 12 months ending March 2009, the 33,400 jobs lost in the sector accounted for two-thirds of the overall regional job loss. Declines in the construction employment sector were largest in Washington and Oregon, which lost 13,300 and 12,500 jobs, respectively, followed by Idaho with 7,300 jobs lost and Alaska with 300 jobs lost. In Oregon, the 13,400 jobs lost in the manufacturing sector accounted for one-half of the jobs lost regionwide in the sector, due mainly to layoffs at Daimler AG and Intel Corporation. In Washington, the loss of nearly 9,000 manufacturing jobs was led by downsizing at The Boeing Company and related suppliers because of worldwide contraction in the airline industry. In Idaho, losses in the manufacturing sector totaled 3,900 jobs because of layoffs in the semiconductor industry. The declines in the region were partially offset by job gains in the education and health services sector, mainly in Washington and Oregon, which added 11,600 and 8,300 jobs, respectively. Employment in the government sector grew in all states in the region, with the number of newly created jobs amounting to 10,300 in Washington, 8,500 in Oregon, 2,600 in Idaho, and 1,400 in Alaska. During the 12 months ending March 2009, the net job declines caused the regional unemployment rate to increase to 5.8 percent from an average of 4.9 percent recorded during the previous 12-month period. The average unemployment rate, which increased in every state in the region, was 6.6 percent in Idaho and Alaska, 6.3 percent in Oregon, and 5.3 percent in Washington.

Slowing economic conditions, combined with tighter lending standards, have resulted in more than 2 years of soft home sales market conditions characterized by widespread declines in new and existing sales prices and fewer homes sold throughout the Northwest region. In Washington, according to the Northwest Multiple Listing Service, the Puget Sound metropolitan areas of Seattle, Tacoma, Bremerton, and Olympia recorded an average price decline of 10 percent to $409,900 and a 32-percent drop in sales volume to 39,100 units during the 12 months ending March 2009 compared with the average price and number of sales recorded during the previous 12 months. During the most recent 12-month period, home prices declined the most in the Bremerton metropolitan area, where the average price was down 12 percent to $321,200 and sales were off by 23 percent. In the Seattle metropolitan area, the number of homes sold was down 36 percent to 24,200 units, and the average price declined by 9 percent to $478,900. The current average price is 11 percent below the peak price of nearly $540,000 recorded in the Seattle metropolitan area during the 12 months ending July 2007. In the Olympia and Tacoma metropolitan areas, average prices declined by 6 and 9 percent, respectively, to $286,400 and $294,200. Home sales declined by 25 percent in the Olympia area and by 27 percent in the Tacoma area.

Oregon sales market conditions were also soft during the 12 months ending March 2009. According to data from the local multiple listing services, the number of new and existing single-family homes sold in the 11 largest markets in Oregon totaled 39,700, a 27-percent decline compared with the number sold during the previous 12 months, and the average price decreased by 7 percent to $292,900. In the Portland-Vancouver-Beaverton, Oregon-Washington metropolitan area, sales of new and existing homes totaled 23,600 units, down 26 percent, and the average price decreased 5 percent to $320,500. Average prices were typically down by 10 percent or less in the rest of the major markets in Oregon. Several markets in Oregon, however, appeared to be stabilizing; the Mid-Columbia Valley, Medford-Ashland, and Willamette Valley markets recorded small gains or moderate declines of less than 5 percent in home prices and sales volume. In Idaho, sales of new and existing homes in the 19 counties covered by the Intermountain Multiple Listing Service declined to 8,600 units, down from the 9,100 homes sold during the 12-month period ending March 2008, while the average price decreased 9 percent to $199,300. In the Boise metropolitan area, during the 12 months ending March 2009, sales of new and existing homes totaled 6,700 units, a 5-percent decline compared with total sales recorded during the previous 12 months, and the average price decreased by 10 percent to $211,900. According to the Alaska Multiple Listing Service, Inc., in Anchorage, during the 12 months ending March 2009, the number of new and existing homes sold totaled 2,400 units, a 10-percent decline from the number sold during the same period a year ago, and the average home price of $323,600 was relatively unchanged from the average price recorded during the previous 12 months.

The slowdown in home sales throughout the Northwest region caused home construction activity, as measured by the number of single-family building permits issued, to decline by 44 percent during the 12 months ending March 2009 compared with construction activity during the previous 12 months. During the past 12 months in the region, the number of single-family building permits issued totaled 27,400, a decline of 21,900 homes from the number issued during the 12 months ending March 2008. In Washington, during the 12 months ending March 2009, the number of single-family permits issued totaled 14,500, a decline of 10,700 homes, or 43 percent, from the number issued during the 12 months ending March 2008. In Oregon and Idaho, the number of single-family permits issued decreased to 6,800 and 5,500, down by 6,800 and 3,900 units, respectively. In Alaska, single-family construction activity was down by 400 permits issued to a total of 600.

Multifamily construction activity, as measured by the number of units permitted, slowed in the Northwest region during the 12 months ending March 2009 due to weakening economic conditions and reduced financing options for multifamily developers. During the period, the number of units permitted in the region totaled 14,700 units, down 6,900 units, or 32 percent, compared with the number permitted during the previous 12 months. Washington, where the number of multifamily units permitted fell by 5,000 to a total of 9,500 units, accounted for nearly three-fourths of the regional decline. In Idaho, 950 units were permitted, 750 fewer units than were permitted during the 12 months ending March 2008. In Alaska, multifamily construction activity totaled just 170 units, a decline of 530 units from the number permitted during the previous 12 months. During the 12 months ending March 2009, multifamily construction activity in Oregon was relatively more stable, down by just 600 units permitted to 4,100.

Rental housing market conditions were mostly balanced to soft throughout the Northwest region as of March 2009. Tight conditions that were prevalent a year ago have eased quickly, mostly during the past 6 months, due to job losses and an increase in the conversion of sales units to rental units. According to *The Apartment Vacancy Report*, published by Dupre+Scott Apartment Advisors, Inc., as of March 2009, the apartment rental vacancy rate in the Seattle metropolitan area was 6.8 percent, up from the 4.2-percent rate recorded a year ago, and the Tacoma metropolitan area apartment rental vacancy rate increased 2.1 percentage points to 6 percent. During the 12 months ending March 2009, average apartment rents in the Seattle and Tacoma areas increased by 3 and 4 percent to $1,030 and $829, respectively, from the rents recorded during the same period in 2008. A year ago, tight market conditions caused average apartment rents in the Seattle and Tacoma metropolitan areas to increase by approximately 10 and 7 percent, respectively. In the Olympia metropolitan area, the rental vacancy rate was 5.3 percent as of March 2009, up from 3.2 percent as of March 2008, and the rate in the Bremerton metropolitan area was 8.6 percent, up from 4.2 percent.

In the Portland-Vancouver-Beaverton metropolitan area, rental housing market conditions were slightly soft in the first quarter of 2009. According to RealFacts, the apartment vacancy rate was 7 percent, up from 5.2 percent in the first quarter of 2008. The average rent increased less than 1 percent to $856 over the same period. Because of limited new apartment construction, the Oregon metropolitan areas of Salem and Eugene-Springfield remained relatively tight, with apartment vacancy rates in the 4-percent range. In the Boise metropolitan area, rental housing market conditions were soft during the first quarter of 2009, with an apartment rental vacancy rate of 8.3 percent, up from 7.1 percent a year earlier, according to RealFacts data. Job losses contributed to the rise in vacancies and a decline in the average rent of less than 1 percent to $737.

Housing Market Profiles

Atlanta-Sandy Springs-Marietta, Georgia

The Atlanta-Sandy Springs-Marietta metropolitan area encompasses 28 counties in northwest Georgia. As of March 1, 2009, the population of the metropolitan area is estimated at approximately 5.42 million, which represents an increase of 44,200, or 0.8 percent, from the July 1, 2008, Census Bureau population estimate. Between the 12-month periods ending July 2007 and July 2008, the area added approximately 115,000 residents compared with increases of 147,400 and 168,200 residents, respectively, during the 12-month periods ending July 2006 and July 2005. Population growth continued to slow during the past 7 months as declining employment opportunities discouraged new residents from moving to the metropolitan area. The five core counties that include and surround the city of Atlanta—Clayton, Cobb, DeKalb, Fulton, and Gwinnett—include approximately 3.55 million residents.

The economic expansion that began in the metropolitan area in 2004 ended during mid-2008. During the 12 months ending March 2009, nonfarm employment averaged 2.4 million jobs, a decrease of 55,800, or 2.3 percent, compared with the number of nonfarm jobs recorded during the 12-month period ending March 2008. In comparison, employment increased by an annual average of 58,100 jobs during the 12-month periods ending March 2005, 2006, and 2007. Only two major employment sectors recorded gains during the past 12 months. Employment in the government sector increased by 6,400 jobs, or 1.9 percent, to 337,700, due primarily to hiring at the state and local levels, and in the education and health services sector increased by 6,200 jobs, or 2.4 percent. Continued steep cuts in residential construction throughout the metropolitan area led to a decrease of 15,300 jobs in the construction sector, a decline of 11 percent, and contributed to job losses in sectors that support the local housing market. During the 12 months ending March 2009, employment in the professional and business services sector declined by 12,400 jobs, or 3 percent, and in the financial activities sector decreased by 7,900 jobs, or 4.9 percent. Employment in the trade sector decreased by 13,900 jobs, or 3.2 percent, surpassing the 13,400 job losses recorded in the sector during the recession year of 2002. During the 12 months ending February 2009, the average unemployment rate in the metropolitan area was 6.6 percent, an increase from the 4.4-percent rate recorded during the same period a year ago. The three leading employers in the metropolitan area—Delta Air Lines, Inc., Wal-Mart Stores, Inc., and AT&T—each employ more than 20,000 people.

Single-family homebuilding activity, as measured by the number of building permits issued, has slowed significantly in the metropolitan area during the past 2 years. During the 12 months ending February 2009, permits were issued for 10,100 single-family homes, a decrease of 64 percent from the number issued during the same period last year. The significant reduction in single-family activity during 2009 followed a 45-percent decrease in activity during the 12-month period ending February 2008. During the 12 months ending March 2009, in the five core counties, approximately 4,575 homes were permitted, a 64-percent decline when compared with the 12,750 homes permitted in those counties during the 12 months ending March 2008.

Despite the slowdown in homebuilding, the Atlanta metropolitan area home sales market remains soft. Decreased home sales due to both the declining economy and tighter lending standards have produced a surplus of unsold units and continue to put downward pressure on sales prices. According to data from the Georgia Multiple Listing Service, during the 12 months ending March 2009, new and existing single-family home sales in the metropolitan area totaled approximately 48,700 units, 14 percent below the 56,700 homes sold during the previous 12-month period and down 35 percent compared with the number sold during the 12 months ending 2005, when sales peaked at 74,500 units. During the past 12 months, the average number of listings in the metropolitan area was 133,200, a 19-percent decline compared with the number of listings recorded during the previous 12 months. During the 12 months ending March 2009, the median sales price declined 18 percent to $142,000 compared with $172,900 during the 12-month period ending March 2008.

Rising inventories of unsold condominium units and vacant apartment units led to a sharp decline in multifamily construction activity in the metropolitan area, as measured by the number of units permitted, during the past year. The number of units permitted decreased from 12,700 units during the 12 months ending February 2008 to 5,225 units during the 12 months ending February 2009, a decline of almost 60 percent. This decline in activity followed a more modest decrease of 1,550 units, or 11 percent, during the 12 months ending February 2008. Almost 90 percent of the multifamily units permitted in the metropolitan area during the past 12 months were in the five core counties. Fulton County, which includes the city of Atlanta, accounted for 1,775 of the units, a 77-percent decrease from the 7,650 units permitted in the county during the preceding 12-month period.

According to Haddow & Company, a local real estate consulting firm, the unsold condominium inventory in Intown Atlanta, defined as the downtown area extending out to Buckhead and east to Decatur, included 6,025 units at the end of 2008, below the 7,250 unsold units at the end of 2007 but well above the average annual 3,825 units recorded for the 2000-through-2006 period. In contrast, only 645 condominium units were sold during 2008, down from 1,700 units sold during 2007 and well below the average annual level of almost 2,700 units sold between 2000 and 2007. During the past year, in response to declining sales and rising inventories of unsold units, condominium developers significantly cut back on new projects. Approximately 1,400 units were under construction at the end of 2008, down from 4,500 units under construction at the end of 2007.

As of the end of the first quarter of 2009, the apartment market in the Atlanta metropolitan area was soft, a result of declining demand from a weakened local economy and significant competition from condominium and single-family homes made available for rent. According to M/PF YieldStar, the Atlanta apartment market vacancy rate increased from 8.1 percent in the first quarter of 2008 to 11.8 percent in the first quarter of 2009. Vacancy rates in the area's 14 submarkets ranged from a low of 9.7 percent in East Gwinnett County to a high of 14.7 percent in South Atlanta/South Fulton County. Overall occupancy in area apartment properties declined by approximately 8,100 units during the past year while the inventory increased by about 7,500 units. Almost all new apartment units added to the inventory are located in submarkets within the Interstate-285 perimeter that circles Atlanta. The Intown/Midtown submarket recorded the largest increase in supply, with approximately 2,300 new units, and was one of only two submarkets that posted positive net absorption during the past year. In response to rising apartment vacancies, effective rents decreased by almost 3 percent to an average of $818 a month during the first quarter of 2009 compared with rents recorded during the first quarter of 2008.

Denver-Aurora-Boulder, Colorado

Located in north-central Colorado, the Denver-Aurora-Boulder metropolitan area encompasses 11 counties. The city of Denver, the state capital, is the hub of government activity and financial services for Colorado. The area is also a regional center for energy development, exploration, and production, with more than 26,000 employees working in energy-related industries. As of March 1, 2009, the population of the metropolitan area was estimated at 2.83 million, an increase of 42,900, or 1.6 percent, a year since 2000. Because of the availability of developable land, Adams, Arapahoe, and Douglas Counties together have accounted for more than 70 percent of the total population growth in the area since 2000.

Economic growth in the metropolitan area declined significantly during the past 6 months as the effects of the national recession and falling oil prices affected the local job market. During the 12 months ending February 2009, employment in the construction sector was down by 4,300 jobs due to weak housing and commercial real estate markets. With rising vacancies and lower rents in office and industrial buildings, the number of commercial buildings under construction was off by more than 70 percent in the first quarter of 2009 from the 150 buildings under way in the first quarter of 2008. In addition, in the past 12 months, the manufacturing sector lost a total of 2,600 jobs, primarily in nondurable manufacturing. Despite the recent declines, offsetting job gains occurred in the education and health services, other services, and government sectors, leaving total nonfarm employment for the 12 months ending February 2009 relatively unchanged at 1.4 million jobs. This figure compares with the 1.8-percent rate of nonfarm employment growth recorded during the previous 12-month period. The average unemployment rate for the 12 months ending February 2009 increased to 5.1 percent from 3.8 percent a year ago. Leading employers in the area include Qwest Communications International, Inc., Lockheed Martin Corporation, and HealthONE.

Although falling oil and natural gas prices contributed to a loss of 2,300 energy-related jobs during the first 2 months of 2009, major renewable energy projects already under way will help offset some of these trends. In 2008, ConocoPhillips Company started construction on a $1 billion-plus renewable energy research and training center in Boulder County. When completed in 2030, the campus will employ more than 7,000 workers. The launch of this project has led to other renewable energy development projects in the area. Among them, Vestas Wind Systems A/S recently broke ground on a manufacturing plant that will employ 1,400 workers by 2010.

Local home builders have continued a 4-year reduction in single-family home construction activity, as measured by the number of building permits issued, because of declining new home sales due to the slower economic conditions and tighter credit standards. During the 12-month period ending February 2009, the number of single-family building permits issued declined to 3,800 units, down 50 percent compared with the number issued during the same period a year ago and down 80 percent from the number issued during the recent peak year ending December 2005. Hanley Wood, LLC, reported that, during the 12 months ending February 2009, sales of new detached homes decreased by 48 percent to 4,200 units, an 18-year low, and the average new home sales price was relatively unchanged at $348,400. The market is considerably weaker in areas farthest from employment centers. Homes priced in the $250,000-to-$350,000 range and above the $500,000 price range also took longer to sell.

Sales of new attached homes slowed but continued to represent a substantial portion of the new home market. Although sales of condominiums and townhomes were down 45 percent to 2,600 units during the 12 months ending February 2009, the number of new attached home sales accounted for nearly 40 percent of total new home sales, up from 35 percent recorded during the previous 12 months. The average sales price for all attached units decreased by more than 10 percent to $310,200 for the 12 months ending February 2009, primarily because of a slowdown in sales of higher priced downtown condominiums. One large luxury condominium development completed in downtown Denver, the 32-story One Lincoln Park, opened in late 2008 with 180 units. Prices start at $375,000 for a studio unit. At least seven more high-rise condominium developments are under construction and are expected to be completed by 2011. Collectively, the developments will add more than 1,200 condominium units to the downtown housing market.

The existing home sales market in the Denver-Aurora-Boulder metropolitan area is also currently soft. According to the Denver Board of REALTORS®, during the 12 months ending February 2009, sales of existing attached and single-family homes were down 5 percent to 46,000 units compared with the 49,400 units sold during the 12 months ending February 2008. During the past 12 months, the average price of an attached home decreased by 2 percent to $172,900 and the average price of a single-family home declined by 12 percent to $271,500. The significant price decline for single-family homes was due in part to a relatively large volume of foreclosed homes priced at less than $170,000, which represented nearly 15 percent of single-family sales. As a result, the inventory of unsold homes declined by 20 percent to 20,100 units; many potential sellers have kept their homes off the market until conditions improve.

During the 12 months ending February 2009, multifamily construction in the Denver-Aurora-Boulder metropolitan area, as measured by the number of units permitted, decreased by 42 percent to 3,700 units. The decline was due to the soft sales market for attached homes over the past 4 years and, more recently, a softer rental housing market. According to the Home Builders Association of Metro Denver, although apartment construction was down by 20 percent, apartments still accounted for 75 percent of the multifamily units permitted during the 12-month period ending February 2009. In contrast, apartments accounted for 50 percent of multifamily permits issued during the previous 12-month period.

The rental housing market in the metropolitan area has softened from the balanced conditions of the past 3 years. According to *Apartment Insights*, published by Apartment Appraisers & Consultants, the average vacancy rate increased to 8.2 percent in the first quarter of 2009, up from 5.9 percent in the first quarter of 2008, and the average effective rent decreased by $24 to $788. By unit type, average rent for stabilized properties was $730 for a one-bedroom unit, $820 for a two-bedroom/two-bath unit, and $1,240 for a three-bedroom unit. Along with slow economic conditions, the completion of more than 4,000 apartment units during the past 12 months contributed to a softer market. In addition, another 4,000 units currently under construction are expected to come on line during the next 12 months.

Midland-Odessa, Texas

The Midland-Odessa metropolitan area in west Texas consists of Ector and Midland Counties. Located on top of the Permian Basin, a large oil and gas deposit, the area serves as one of the leading energy industry employment centers in Texas. Nearly one in five jobs in the area has historically been energy related. Leading energy industry employers, such as ConocoPhillips Company, Chevron Corporation, Halliburton Company, and Schlumberger Limited, operate in the area. Hiring in the oil and gas industry has contributed to net in-migration, which has accounted for nearly 75 percent of the population growth since 2000. As of April 1, 2009, the area population is estimated at 264,800, an average increase of 5,425, or 2.2 percent, annually since 2005.

During the 12 months ending February 2009, strong gains in energy-related employment continued to lead job growth in the Midland-Odessa metropolitan area, a trend that began in 2005. Nonfarm employment increased by 7,500 jobs, or 5.9 percent, to 134,400 compared with the number of nonfarm jobs posted during the previous 12 months. Due mainly to hiring in the oil and gas industry, the mining, logging, and construction sector has accounted for nearly one-half of all new jobs created since 2005. During the same time, the average number of active drilling rigs in the area increased by more than 80 percent to a high of 275 in 2008. During the 12 months ending February 2009, employment in the mining, logging, and construction sector grew by 3,250 jobs to 29,700, a 12.3-percent increase compared with the number of jobs recorded during the previous 12-month period. The strongest performing sectors outside the energy industry were leisure and hospitality, trade, and professional and business services, which added 970, 850, and 660 jobs, respectively. Due to strong growth in the labor force, during the 12 months ending February 2009, the unemployment rate increased slightly to 3.5 percent from 3.1 percent during the previous 12-month period.

Sales housing market conditions are currently balanced in the Midland-Odessa metropolitan area, after easing in 2008 following extremely tight conditions during the previous 3 years. According to the Real Estate Center at Texas A&M University, from 2005 to 2007, an average of 3,225 homes were sold annually and the average sales price increased by 23 percent a year, the highest sales volume and largest average price gains since the early 1980s. In 2008, sales volume declined by 10 percent to 2,825 homes; this figure represents an 18-percent decrease from the recent peak of 3,475 sales recorded in 2006. In 2008, the inventory of homes for sale increased to a 3-month average supply; in 2007, the inventory contained a 2-month supply of unsold homes. The average sales price of an existing home in the metropolitan area increased by 6 percent to $174,000 in 2008. Although only 10 miles separate the cities, average home prices are about 35 percent higher in Midland than in Odessa. In 2008, the average sales price in Midland was $195,000, compared with an average sales price of $144,200 in Odessa.

During the 12-month period ending February 2009, single-family construction activity, as measured by the number of building permits issued, totaled 660 homes, a 12-percent decrease from the recent high of 750 permits issued during the previous 12 months. Builders reduced single-family construction activity in response to tighter lending standards and slower home sales in 2008. Conversely, when the market was tight, builders nearly doubled average annual single-family construction activity to an average of 670 homes from 2005 to 2007; in contrast, an annual average of 360 permits were issued during the 2000-through-2004 period.

Apartment construction activity, as measured by the number of multifamily units permitted, more than doubled to 460 units during the 12 months ending February 2009. Since 2005, 580 market-rate units in two developments have been completed. From 2000 through 2005, multifamily construction activity consisted of 725 units in six low-income housing tax credit (LIHTC) properties. Before the recent increase in activity, no major market-rate apartment developments had been built since the early 1980s. Palermo Apartments, a 136-unit, LIHTC property currently under construction in southeast Midland, is scheduled for completion in late 2009.

The Midland-Odessa metropolitan area rental housing market is currently tight due to strong population growth and a lack of apartment construction activity for nearly 20 years. According to Reis, Inc., the annual average apartment vacancy rate decreased from 4.2 percent in 2007 to 3.2 percent in 2008. The average asking rent increased to $640, or by 9 percent. Average rents by unit type were $550 for a one-bedroom unit, $730 for a two-bedroom unit, and $900 for a three-bedroom unit. Recently completed apartment complexes include the 280-unit The Palms at Briarwood and the 300-unit Vantage at Midland, both located in northwest Midland. Average asking rents at newer properties are approximately $900 for a one-bedroom unit, $1,275 for a two-bedroom unit, and $1,575 for a three-bedroom unit.

Nashville-Davidson-Murfreesboro-Franklin, Tennessee

The Nashville-Davidson-Murfreesboro-Franklin metropolitan area comprises 13 counties in Middle Tennessee. Located in Davidson County, the city of Nashville, also known as Music City, is the state capital. As of March 1, 2009, the population of the metropolitan area was estimated at nearly 1.6 million; this figure reflects an average increase of 29,300, or 2.1 percent, annually since 2000. More than 90 percent of the population growth during this period occurred in the central counties of Davidson, Robertson, Rutherford, Sumner, and Williamson.

The Nashville economy has followed the national downturn, declining in the past year. During the 12 months ending February 2009, nonfarm employment decreased by 9,800 jobs, or 1.3 percent, compared with the number of nonfarm jobs recorded during the previous 12-month period. This job loss is the first decline in employment in the metropolitan area since 2002. The manufacturing sector led the decline with a decrease of 5,800 jobs, or 7.4 percent. Cutbacks by local automakers and auto suppliers contributed to the large job losses. Employment in the professional and business services sector declined by 3,100 jobs, or 3 percent, from the number of jobs posted during the previous 12-month period. The mining, logging, and construction sector lost 3,000 jobs, a 7.1-percent decrease, mainly due to the large cutback in construction projects in the metropolitan area. During the 12 months ending February 2009, the unemployment rate increased to 5.7 percent compared with 3.9 percent for the 12 months ending February 2008.

Only three employment sectors increased during the past 12 months. The education and health services sector, which includes the three leading employers in the area, had the highest growth, increasing by 2,700 jobs, or 2.4 percent. Contributing to this growth was the expansion of BioMimetic Therapeutics, Inc., a developer of drug-device medical products, which added 180 jobs. Vanderbilt University, including Vanderbilt Medical Center, is the leading employer in the metropolitan area, employing approximately 18,950 people, followed by HCA Inc. (Hospital Corporation of America) and Saint Thomas Health Services, with approximately 8,700 and 8,200 employees, respectively. The government sector added 2,000 jobs, an increase of 2 percent, due to 1,700 new local government jobs. The information sector increased by 1,000 jobs, or 5 percent. Asurion, the leading provider of cell phone insurance, announced in December 2008 that it was expanding its headquarters by 300 jobs within the next 2 years.

Conditions in the metropolitan area home sales market are slightly soft as existing home sales continue to decline as a result of the weakening economy. According to the Greater Nashville Association of REALTORS® Inc., during the 12 months ending February 2009, 18,800 existing single-family homes were sold compared with 26,000 homes sold during the previous 12 months, a 28-percent decline. During the period, condominium sales declined by 34 percent, or 1,575 units. The inventory of existing unsold units has increased by 3 and 7 percent for single-family homes and condominiums, respectively. The median price of an existing single-family home declined by 5 percent, from $168,000 in February 2008 to $160,000 in February 2009. The median price of an existing condominium decreased by 2 percent, from $154,700 in February 2008 to $151,100 in February 2009.

The rising inventory of unsold homes has led to a slowdown in single-family homebuilding, as measured by the number of single-family building permits issued, during the past 2 years. During the 12 months ending February 2009, 5,075 single-family permits were issued, a 48-percent decline from the 9,850 permits issued during the previous 12 months. During the 12 months ending February 2008, the number of permits issued decreased by 28 percent compared with the number issued during the 12-month period ending February 2007. During the most recent 12-month period, permits were down by nearly two-thirds from the peak level of 14,100 issued in 2005.

Despite the slowdown in new home construction, a number of developments currently are under construction. Three condominium projects expected to open in downtown Nashville in the spring of 2009 include Rhythm at Music Row, with 99 units priced starting in the $200,000s; Terrazzo, with 117 units priced from the $300,000s; and Velocity, with 265 units priced starting in the $200,000s. Kelsey Glen, a community of 530 single-family homes on 29 acres, is also under development in Mount Juliet, in west Wilson County, with prices starting in the low $200,000s.

Multifamily construction, as measured by the number of units permitted, has also declined in the past year, but to a lesser degree than single-family homebuilding. During the 12 months ending February 2009, 2,150 multifamily units were permitted, a decline of 14 percent from the 2,500 units permitted during the previous 12-month period. Multifamily construction has fluctuated since the peak of 3,350 units permitted in 2004. After declining in 2005 and 2006, multifamily building activity rose by 76 percent in 2007 as a result of increased condominium construction. Condominiums accounted for approximately 57 percent of all multifamily completions in 2008, according to Reis, Inc.

Rental housing market conditions in the metropolitan area are currently soft. Approximately 2,125 apartment units were added in the past year, up from an average of 1,575 units added annually during the previous 2 years. An increasing number of single-family homes and condominiums offered for rent have also contributed to a rising apartment vacancy rate. According to the Greater Nashville Apartment Association, as of the fourth quarter of 2008 (the latest data available), the apartment vacancy rate was 9.4 percent, up from 5.8 percent as of the fourth quarter of 2007. The highest vacancies were in North Nashville, with a vacancy rate of approximately 12 percent. Rutherford County had the lowest vacancies, with a rate of approximately 6 percent. According to Reis, Inc., as of the fourth quarter of 2008, average rents were $649 for a one-bedroom unit, $790 for a two-bedroom unit, and $998 for a three-bedroom unit. Rents have remained relatively stable during the past 12 months. The apartment market is expected to soften further as the 2,100 rental units currently under construction come on the market within the next year.

Phoenix, Arizona

The Phoenix metropolitan area is the largest in Arizona and includes Maricopa and Pinal Counties. The city of Phoenix had an estimated population of 1.56 million as of July 1, 2008, according to Arizona state estimates, and is the fifth largest city in the country. Leading employment sectors in the metropolitan area include education and health services, financial activities, and leisure and hospitality. Leading private-sector employers include Banner Health, Wells Fargo, and Honeywell Aerospace, with 23,100, 14,000, and 12,600 employees, respectively. Arizona State University (ASU) employs 13,000 faculty and staff and enrolls 64,400 students. According to ASU estimates, the university has an annual economic impact of $3.2 billion on the metropolitan area.

During the 12 months ending February 2009, nonfarm employment in the Phoenix metropolitan area averaged 1.85 million jobs; this figure represents a decline of nearly 70,000 jobs, or 3.6 percent, compared with the number of jobs recorded during the previous 12-month period. The loss of jobs is in marked contrast with the 23,800-job gain posted during the 12 months ending February 2008 and is the most severe (in percentage terms) since the 3.7-percent employment decline in 1975. During the most recent 12-month period, nearly all major employment sectors lost jobs, led by the construction and financial activities sectors, with a loss of 37,500 jobs, as a result of a decline in residential building and lending. Employment in the manufacturing sector declined by 6,600 jobs, primarily due to staffing reductions by several semiconductor and aerospace firms. Intel Corporation plans to spend $3 billion to upgrade one of its local chip plants, adding no permanent jobs but supporting 1,500 construction jobs over the next 2 years. During the 12 months ending February 2009, employment in the service-providing sectors fell by 31,600 jobs, or 2 percent, after expanding by 2.5 percent during the previous 12 months. The professional and business services sector and the retail trade sector declined by 22,300 and nearly 12,000 jobs, respectively. The leisure and hospitality sector lost nearly 2,000 jobs in the past 12 months due to declining tourism and visitor spending, despite the December 2008 opening of the 1,000-room, 800-employee Sheraton Phoenix Downtown Hotel and the expansion of the Phoenix Convention Center in downtown Phoenix. The losses were partly offset by a gain of 9,500 jobs, or 4.6 percent, in the education and health services sector resulting in part from expansions totaling more than $1 billion at several hospitals. Hiring in local school districts accounted for most of the 3,600 new jobs added in the government sector. The Salt River Pima-Maricopa and Gila River Indian Communities are building casino-hotel facilities with a total of 739 rooms, adding several hundred jobs by late 2009. Due to the weakening economy, the unemployment rate in the metropolitan area rose to an average of 5.0 percent in the 12 months ending February 2009, up from 3.5 percent in the previous 12 months but well below the national average of 6.3 percent recorded in the past 12 months.

Population growth in the Phoenix metropolitan area remained among the strongest in the country despite a recent slowdown in response to the weak economy. The population was estimated at approximately 4.36 million as of April 1, 2009. Since 2000, the area has grown by more than 1.1 million people. This figure reflects an average annual population increase of 123,000, or 3.3 percent, and represents the third largest gain among metropolitan areas in the country since April 2000. Net in-migration of both employment seekers and retirees accounted for approximately 70 percent of the increase. Approximately 17 percent of the population increase in Maricopa County since 2000 was in the 60+ age bracket.

Conditions in the sales housing market are currently soft in the Phoenix metropolitan area as a result of the economic slowdown and tight lending standards. According to the *Phoenix Housing Market Letter,* during the 12 months ending February 2009, new home sales fell by 50 percent to 18,300 units. In the first quarter of 2009, the median sales price of a new home was approximately $210,000, down 8 percent from the price recorded in the first quarter of 2008 but up 4 percent from the recent low price of $202,000 recorded in the fourth quarter of 2008. During the 12 months ending February 2009, 62,250 existing homes were sold, a 15-percent increase compared with the number of existing homes sold during the previous 12 months. In the first quarter of 2009, the median price of an existing home was approximately $128,000, down 40 percent from the price recorded in the first quarter of 2008 and down more than 50 percent from the peak price of $260,000 recorded in the second quarter of 2006. The decline in the sales price of an existing home is due partly to the high inventory of unsold homes, which has averaged more than 50,000 homes a month for the past 2 years. In addition, the sales mix consists primarily of bank-owned homes, which accounted for two-thirds of the existing homes sold in the first quarter of 2009. The median number of days an existing home remained on the market declined from 107 in the first quarter of 2008 to 53 in the first quarter of 2009.

In response to the decline in new home sales, during the 12 months ending February 2009, single-family home building, as measured by the number of building permits issued, declined to just 10,100 homes. This figure is down 56 percent compared with the number of permits issued during the previous 12-month period and far below the annual average of 55,200 permits issued from 2003 through 2005. During the past 2 years, home building activity in Maricopa County accounted for approximately 75 percent of the single-family permits issued in the Phoenix metropolitan area. In contrast, during the early 2000s, more than 90 percent of single-family permits in the area were issued in Maricopa County; the county's share of building declined because builders and developers were attracted by lower land costs in Pinal County.

Rental housing market conditions in the Phoenix metropolitan area are currently soft due to slower demand, new apartment completions, and the increase in the shadow market of single-family homes and condominium units available for rent. The apartment vacancy rate increased from 9 percent in the first quarter of 2008 to 11 percent in the first quarter of 2009, according to Reis, Inc. The average asking rent of $779 in the first quarter of 2009 was unchanged from the rent recorded during the same quarter a year earlier, after increasing by 6 and 3 percent in 2006 and 2007, respectively. The average rent was estimated at $690 for a one-bedroom unit, $840 for a two-bedroom unit, and $1,130 for a three-bedroom unit.

Multifamily construction activity in the Phoenix metropolitan area, as measured by the number of multifamily units permitted, declined by 43 percent to 5,400 units in the 12 months ending February 2009, well below the annual average of 8,500 units permitted between 2002 and 2007. The decline in activity is attributed mainly to a reduction in condominium production in response to softening sales housing market conditions. Condominiums accounted for just 15 percent of the multifamily units permitted in 2008, compared with an average 56-percent share in the 3 previous years. According to RealData, Inc., in the fourth quarter of 2008, 6,300 apartment units were under construction, up 14 percent from the 5,500 units under construction in the fourth quarter of 2007.

Rochester, New York

The Rochester metropolitan area consists of Livingston, Monroe, Ontario, Orleans, and Wayne Counties, located in the Finger Lakes region of Upstate New York. As of April 1, 2009, the population of the metropolitan area is estimated at 1 million; the population is estimated to have declined by 0.2 percent since 2000, primarily as a result of net out-migration. Only Ontario County, a predominantly rural county, recorded population growth, with an average annual increase of less than 0.5 percent since 2000. This growth was concentrated in the northwestern part of the county due to its proximity to the New York State Thruway, which facilitates commutation to major employment centers in Monroe County.

The Rochester metropolitan area is known as a center of high-technology manufacturing. The local economy is dominated by three large manufacturing firms, including Eastman Kodak Company, Xerox Corporation, and Bausch & Lomb, Inc., which employ approximately 9,200, 7,600, and 1,700 people, respectively. Employment in the manufacturing sector has been declining for a long time and has decreased steadily since 1998. Compared with New York State, the Rochester metropolitan area remains highly dependent on manufacturing, which constitutes nearly 15 percent of total nonfarm employment versus a statewide ratio of only about 6 percent.

Despite the national recession, the metropolitan area has experienced net job growth during the past 2 years. During the 12-month period ending March 2009, total nonfarm employment increased by 1,900 jobs, or 0.4 percent, to 517,000 jobs. The most significant job growth occurred in the education and health services and the professional and business services sectors, where employment increased by 3,100 and 1,350 jobs, respectively. These gains were partially offset by 3- and 4-percent declines in the information and manufacturing sectors, where a total of 3,200 jobs were lost. Although employment in the manufacturing sector continued to decline, an increase in defense contracting resulted in employment growth in the computer and electronic production manufacturing industry, which added 300 jobs and increased by 3 percent to 9,100 jobs. During the 12-month period ending March 2009, the average unemployment rate increased to 6.3 percent from the 4.8-percent rate recorded during the previous 12-month period.

Weak economic conditions coupled with more stringent lending conditions have affected the sales housing market, which is currently soft. According to the Greater Rochester Association of REALTORS®, during the first quarter of 2009, existing home sales totaled 1,450 units, a 22-percent decline compared with the number of existing homes sold during the first quarter of 2008. In the city of Rochester, the number of existing homes sold in the first quarter of 2009 declined 18 percent to 280. During this period, the total number of homes sold in Monroe County, which accounts for more than 70 percent of the total sales in the metropolitan area, declined by 21 percent to 1,065. Despite fewer sales, the current unsold inventory of properties on the market remained stable, at 9,125 units, but the median price of an existing home decreased by 3 percent, from $108,750 to $105,000.

Declining home sales prompted builders to reduce the level of new home construction. During the 12 months ending March 2009, total housing (single-family and multifamily) construction activity, as measured by the number of units permitted, totaled 1,040 units, an 11-percent decline compared with the number of permits issued during the same period a year ago. During the most recent 12-month period, the number of single-family permits issued declined by 16 percent to 880. Single-family construction activity peaked in 2003, when permits were issued for 2,625 homes, and then declined for the next 4 years, averaging 2,060 homes a year through 2007. A negligible amount of multifamily development has occurred in the past few years. During the 12 months ending March 2009, only 160 multifamily units were permitted. Like single-family housing, multifamily housing construction peaked in 2003, at 800 units, and then has declined each year since then, averaging 435 units annually for the subsequent 4 years. According to the McGraw-Hill Construction Pipeline database, approximately 770 multifamily units are currently under construction in the metropolitan area. Of this total, approximately 500 units, or nearly 65 percent, consist of townhomes and condominiums, primarily in Monroe and Ontario Counties.

During the first quarter of 2009, rental housing market conditions in the Rochester metropolitan area became more balanced but remain moderately tight. According to Reis, Inc., the apartment vacancy rate increased to 4.5 percent in the first quarter of 2009, up from 3.9 percent in the first quarter of 2008. Despite an increase in vacancies, in the first quarter of 2009, the average apartment asking rent in the metropolitan area was $750 a month, a 2-percent increase compared with the average asking rent recorded during the same quarter last year. During the fourth quarter of 2008, (the most recent data available), average monthly apartment asking rents ranged from $671 for a one-bedroom unit to $1,064 for a three-bedroom unit.

Sacramento--Arden-Arcade--Roseville, California

The Sacramento--Arden-Arcade--Roseville metropolitan area, which stretches from the California Central Valley to the Nevada border at Lake Tahoe, includes El Dorado, Placer, Sacramento, and Yolo Counties. As of April 1, 2009, the population of the metropolitan area is estimated at 2.1 million. From 2000 through 2007, the population increased by an annual average of 2.3 percent. From 2008 to 2009, the rate of population growth slowed to an average annual rate of 1.3 percent as a result of economic weakness that began in 2008. Two-thirds of the metropolitan area's population resides in Sacramento County. With an estimated population of 476,000, the city of Sacramento is the largest city in the metropolitan area and home to the state capital.

Until 2008, employment in the metropolitan area had grown steadily for the previous 15 years. Economic conditions weakened as repercussions from a soft sales housing market filtered through many industry sectors. During the 12 months ending March 2009, nonfarm employment decreased by 29,000 jobs to 871,600; this figure represents a 3.2-percent loss compared with the number of nonfarm jobs recorded during the previous 12-month period. Employment growth occurred in the education and health services sector and government sector, which added 3,100 and 1,675 jobs, respectively. Nearly all other employment sectors posted losses; the construction sector contracted the most, with a decrease of 10,450 jobs, or a 16-percent loss, as a result of a significant decline in new home construction. For the 12 months ending March 2009, the average unemployment rate was 8.2 percent compared with 5.6 percent for the previous 12-month period.

With the presence of the state capital and two major public universities, the metropolitan area economy largely depends on the government sector. The state and local government subsectors together provide about 225,600 jobs, or 26 percent of total nonfarm employment in the area. The leading public-sector employer is the University of California, Davis (UC Davis), in Yolo County, which has approximately 30,000 faculty and staff. The university generates an annual economic impact of nearly $3 billion in California and enrolled almost 31,000 students in the 2007–08 academic year. UC Davis has recently completed the $59 million Robert Mondavi Institute for Wine and Food Science to house multiple disciplines devoted to researching grape cultivation, winemaking, and the use of foods. The university currently has a total of $210 million in capital projects under construction; the two largest are the $50 million Student Health & Wellness Center and the $65 million Physical Sciences Expansion project. California State University, Sacramento is slightly smaller than UC Davis and currently enrolls approximately 28,000 students.

The sales housing market in the Sacramento--Arden-Arcade--Roseville metropolitan area is currently soft due to an excess of new homes produced during the first half of this decade, tighter lending standards, and high foreclosure activity. According to DataQuick®, during the 12 months ending March 2009, the median sales price of new and existing homes was $226,700, a 33-percent decrease compared with the median price recorded during the same period in 2008. The median price for new and existing homes peaked at $421,600 in 2005. During the 12 months ending in March 2009, DataQuick recorded 38,750 new and existing home sales, a 59-percent increase from the number of sales recorded during the same period in 2008. This increase in sales volume is the first recorded since 2004. In 2008, as the inventory of bank-owned properties climbed, sales prices dropped and sales volume began to increase. From 2000 through 2006, an annual average of 5,850 notices of default (the first step in a foreclosure proceeding) were filed in the metropolitan area. In 2008, 31,200 notices of default were filed, a 38-percent increase compared with the 22,650 notices filed in 2007.

In response to increased sales competition from the bank-owned foreclosed homes, builders have reduced new home construction activity, as measured by the number of building permits issued. During the 12 months ending February 2009, single-family permits were issued for 3,700 homes, a 38-percent decline from the number issued during the same period the previous year. In 2004, the number of single-family permits issued peaked at 18,500. According to The Gregory Group, sales of new homes peaked during the 12 months ending June 2004, when 16,900 homes were sold. In the 12 months ending March 2009, The Gregory Group reported sales of 3,875 new homes, a 29-percent decrease from the number sold in the previous 12-month period. During the same period, the average price of a new detached home decreased by 14 percent to $409,100. During the first quarter of 2009, the inventory of unsold new homes totaled 1,100 units a 62-percent decline from the number of unsold new homes in inventory during the same quarter in 2008.

Multifamily construction activity, as measured by the number of units permitted, has recently increased after 3 consecutive years of declines. During the 12 months ending February 2009, 1,450 multifamily units were permitted, a 49-percent gain from the number permitted during the previous 12 months. The level of new construction remains well below the annual average of 4,100 units permitted during the 2002-through-2005 period. Builders reduced new construction activity in recent years, partly because of the slowdown in home sales. According to the McGraw-Hill Construction Pipeline database, nearly one-half of the multifamily units permitted during the mid-decade were built as condominiums and townhomes. During 2008, condominiums and townhomes accounted for approximately 75 percent of all multifamily units under construction. In the 12 months ending March 2009, 800 new attached homes were sold, reflecting a 33-percent decrease from the number sold during the previous 12-month period. In the 12 months ending March 2009, The Gregory Group reported the average sales price of a new attached home was $306,300, which is 3 percent lower than the price reported during the previous 12-month period.

The apartment rental market is balanced, despite the fact that the rapid increase in the number of foreclosed single-family homes has led to dramatic declines in home prices, which, in turn, have attracted many first-time homebuyers from the rental housing market. According to Reis, Inc., in the first quarter of 2009, the overall apartment rental vacancy rate for the metropolitan area was 6.3 percent, higher than the 5.5-percent rate recorded in the first quarter of 2008. The average rent of $937 recorded in the first quarter of 2009 was relatively unchanged when compared with the average rent recorded during the first quarter of 2008.

Tulsa, Oklahoma

The Tulsa metropolitan area consists of seven counties in northeastern Oklahoma and includes the principal city of Tulsa. As of April 1, 2009, the population of the metropolitan area is estimated to be 922,000. During the past year, the population increased by 1 percent, or 9,200, with net in-migration accounting for approximately one-third of the total growth. In comparison, the population grew by an average of 10,200, or 1.2 percent, annually between 2005 and 2008. Tulsa County, with more than 600,000 people, accounts for almost two-thirds of the population of the entire metropolitan area. With a population of more than 400,000, the city of Tulsa is the second largest city in Oklahoma behind Oklahoma City.

Once known as "the oil capital of the world," the metropolitan area now has a much more diversified economy, partly because of an increased presence of aerospace-related industries. American Airlines is the leading employer in the metropolitan area, with more than 7,000 workers, and is one of more than 300 firms providing 32,000 aerospace-related jobs in the metropolitan area. Aerospace-related activities generate an estimated annual economic impact on the metropolitan area of $3.3 billion, according to the Tulsa Metro Chamber. Other leading employers in the metropolitan area include Saint Francis Health System, with 6,900 employees, and St. John Health System, with approximately 6,500 employees.

The metropolitan area economy has expanded every year since 2005, although the pace of growth slowed during the past year. During the 12 months ending February 2009, nonfarm employment averaged 435,100 jobs, up 5,800, or 1.3 percent, compared with the number of nonfarm jobs recorded during the same period a year ago. During the 12-month periods ending February of each year between 2005 and 2008, nonfarm employment increased by an annual average of 2.7 percent. Although employment increased in almost every sector during the past 12 months, gains were greatest in the construction, manufacturing, and education and health services sectors. Several publicly funded projects throughout Tulsa County contributed to a 4.5-percent increase in construction employment, or 1,000 additional jobs. In September 2008, the BOK Center, a 19,200-seat arena, was completed at a cost of $196 million. During the past 12 months, employers in the manufacturing sector added 900 jobs, or 1.7 percent, due partly to 500 new jobs resulting from facility renovations at Spirit AeroSystems, Inc., an aerospace-related manufacturer. During the same period, expansions at several medical facilities caused the education and health services sector to grow by 800 jobs, or 1.4 percent. During the 12 months ending February 2009, the average unemployment rate was 4.2 percent, up from 4 percent during the same period a year ago.

Conditions in the metropolitan area home sales market are currently somewhat soft compared with the balanced conditions that existed a year ago. According to the Greater Tulsa Association of REALTORS®, during the 12 months ending February 2009, the number of new and existing home sales decreased by 1,950, or 15 percent, to 10,900 homes sold compared with the number sold during the previous 12-month period. Sales posted during the most recent 12-month period were 33 percent lower than the record 16,300 homes sold during the 12-month period ending August 2006. The primary reason for sales volume decline during the past year was tighter lending standards. During the 12 months ending February 2009, the inventory of unsold homes increased by an average of 350 homes, or 4 percent, to 8,425 compared with the inventory during the same period a year earlier and the average sales price increased by $4,600, or 3 percent, to $158,800. In response to the slower pace of sales, single-family home construction, as measured by the number of single-family building permits issued, decreased by 1,700, or 39 percent, to 2,650 homes. Between 2005 and 20007, an average of nearly 4,800 single-family homes were permitted annually. An estimated 400 single-family homes are currently under construction, down from an estimated 840 under construction a year ago.

Multifamily construction, as measured by the number of units permitted, totaled 1,025 units during the 12 months ending February 2009, up from 450 units permitted during the same period a year ago. Between 2005 and 2007, an average of 570 units a year were permitted. Nearly all multifamily units permitted during the most recent 12-month period were for rental apartments. An estimated 700 apartments are currently under construction and expected to be completed this year. In addition, approximately 1,000 units are in the pipeline in the metropolitan area and expected to come on line during the next 3 years. Several warehouse and hotel conversions are also under way or in the pipeline and will result in more than 300 additional rental units in the downtown Tulsa area during the next 3 years. The $30 million conversion of the Mayo Building into the Mayo 420 began in September 2008 and is expected to be completed in early 2010. The project includes 67 loft apartments with rents starting at $700. The 18-story Mayo Hotel, another downtown conversion project, is also under way. When it is completed in late 2009, the estimated $40 million rehabilitation will include 100 hotel rooms and 72 loft apartments with reasonably priced rents averaging about $1 per square foot; the smallest units are about 730 square feet.

The metropolitan area rental housing market remained somewhat soft as of March 2009, although conditions improved slightly compared with those recorded a year ago. The improvement is primarily attributed to stable demand for rental housing stemming from population and employment growth and to reduced competition from the sales housing market. According to Reis, Inc., the first quarter 2009 apartment vacancy rate was 8.3 percent, down slightly from 8.5 percent during the same quarter in 2008. During the first quarter of 2009, the average rent increased by 3.6 percent to $580 while the percentage of complexes offering concessions remained unchanged at about 25 percent compared with same period a year ago. Typical rental concessions include 1 month's free rent on new 12-month leases.

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

HUD Region and State	2009 Through March			2008 Through March			Ratio: 2009/2008 Through March		
	Total	Single Family	Multi-family*	Total	Single Family	Multi-family*	Total	Single Family	Multi-family*
Connecticut	519	267	252	1,253	842	411	0.414	0.317	0.613
Maine	392	342	50	663	586	77	0.591	0.584	0.649
Massachusetts	1,810	723	1,087	1,967	1,060	907	0.920	0.682	1.198
New Hampshire	319	257	62	748	567	181	0.426	0.453	0.343
Rhode Island	142	82	60	234	171	63	0.607	0.480	0.952
Vermont	118	105	13	258	231	27	0.457	0.455	0.481
New England	**3,300**	**1,776**	**1,524**	**5,123**	**3,457**	**1,666**	**0.644**	**0.514**	**0.915**
New Jersey	2,563	1,303	1,260	4,847	2,223	2,624	0.529	0.586	0.480
New York	3,008	1,598	1,410	7,399	2,500	4,899	0.407	0.639	0.288
New York/New Jersey	**5,571**	**2,901**	**2,670**	**12,246**	**4,723**	**7,523**	**0.455**	**0.614**	**0.355**
Delaware	476	458	18	956	702	254	0.498	0.652	0.071
District of Columbia	259	43	216	153	75	78	1.693	0.573	2.769
Maryland	2,320	1,472	848	4,174	2,267	1,907	0.556	0.649	0.445
Pennsylvania	3,303	2,616	687	5,737	4,556	1,181	0.576	0.574	0.582
Virginia	4,596	3,409	1,187	8,363	5,830	2,533	0.550	0.585	0.469
West Virginia	379	326	53	844	654	190	0.449	0.498	0.279
Mid-Atlantic	**11,333**	**8,324**	**3,009**	**20,227**	**14,084**	**6,143**	**0.560**	**0.591**	**0.490**
Alabama	2,343	1,757	586	4,545	3,465	1,080	0.516	0.507	0.543
Florida	9,658	5,632	4,026	18,215	11,722	6,493	0.530	0.480	0.620
Georgia	3,637	3,129	508	10,136	7,927	2,209	0.359	0.395	0.230
Kentucky	1,394	985	409	2,223	1,709	514	0.627	0.576	0.796
Mississippi	1,287	1,066	221	3,397	2,188	1,209	0.379	0.487	0.183
North Carolina	7,182	5,135	2,047	16,201	12,105	4,096	0.443	0.424	0.500
South Carolina	3,560	2,875	685	7,050	5,559	1,491	0.505	0.517	0.459
Tennessee	3,353	2,524	829	6,230	4,455	1,775	0.538	0.567	0.467
Southeast/Caribbean	**32,414**	**23,103**	**9,311**	**67,997**	**49,130**	**18,867**	**0.477**	**0.470**	**0.494**
Illinois	1,590	1,205	385	5,422	2,740	2,682	0.293	0.440	0.144
Indiana	2,100	1,542	558	3,219	2,493	726	0.652	0.619	0.769
Michigan	903	797	106	1,927	1,583	344	0.469	0.503	0.308
Minnesota	1,626	720	906	1,623	1,266	357	1.002	0.569	2.538
Ohio	2,219	1,891	328	4,561	3,282	1,279	0.487	0.576	0.256
Wisconsin	1,411	972	439	2,633	1,719	914	0.536	0.565	0.480
Midwest	**9,849**	**7,127**	**2,722**	**19,385**	**13,083**	**6,302**	**0.508**	**0.545**	**0.432**
Arkansas	1,596	806	790	2,309	1,294	1,015	0.691	0.623	0.778
Louisiana	3,070	2,633	437	4,657	3,304	1,353	0.659	0.797	0.323
New Mexico	1,100	774	326	1,751	1,388	363	0.628	0.558	0.898
Oklahoma	1,689	1,563	126	2,896	2,267	629	0.583	0.689	0.200
Texas	20,638	14,034	6,604	37,585	21,782	15,803	0.549	0.644	0.418
Southwest	**28,093**	**19,810**	**8,283**	**49,198**	**30,035**	**19,163**	**0.571**	**0.660**	**0.432**
Iowa	747	683	64	1,374	1,039	335	0.544	0.657	0.191
Kansas	1,613	647	966	2,204	1,061	1,143	0.732	0.610	0.845
Missouri	1,318	890	428	2,956	2,003	953	0.446	0.444	0.449
Nebraska	776	644	132	1,315	879	436	0.590	0.733	0.303
Great Plains	**4,454**	**2,864**	**1,590**	**7,849**	**4,982**	**2,867**	**0.567**	**0.575**	**0.555**
Colorado	1,841	1,340	501	4,973	2,875	2,098	0.370	0.466	0.239
Montana	259	232	27	589	466	123	0.440	0.498	0.220
North Dakota	76	16	60	346	149	197	0.220	0.107	0.305
South Dakota	568	253	315	543	436	107	1.046	0.580	2.944
Utah	2,360	929	1,431	2,407	1,743	664	0.980	0.533	2.155
Wyoming	242	186	56	437	399	38	0.554	0.466	1.474
Rocky Mountain	**5,346**	**2,956**	**2,390**	**9,295**	**6,068**	**3,227**	**0.575**	**0.487**	**0.741**
Arizona	2,475	1,864	611	7,214	5,118	2,096	0.343	0.364	0.292
California	7,175	4,205	2,970	16,092	8,071	8,021	0.446	0.521	0.370
Hawaii	843	453	390	1,036	736	300	0.814	0.615	1.300
Nevada	1,312	709	603	2,915	1,517	1,398	0.450	0.467	0.431
Pacific	**11,805**	**7,231**	**4,574**	**27,257**	**15,442**	**11,815**	**0.433**	**0.468**	**0.387**
Alaska	83	75	8	176	113	63	0.472	0.664	0.127
Idaho	1,010	623	387	1,647	1,524	123	0.613	0.409	3.146
Oregon	2,013	1,068	945	3,305	2,083	1,222	0.609	0.513	0.773
Washington	3,782	2,214	1,568	7,174	4,527	2,647	0.527	0.489	0.592
Northwest	**6,888**	**3,980**	**2,908**	**12,302**	**8,247**	**4,055**	**0.560**	**0.483**	**0.717**
United States	**119,053**	**80,072**	**38,981**	**230,879**	**149,251**	**81,628**	**0.516**	**0.536**	**0.478**

*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	2009 Through March		
		Total	Single Family	Multifamily*
26420	Houston-Sugar Land-Baytown, TX	6,775	4,401	2,374
19100	Dallas-Fort Worth-Arlington, TX	5,378	2,707	2,671
35620	New York-Northern New Jersey-Long Island, NY-NJ-PA	3,461	1,192	2,269
47900	Washington-Arlington-Alexandria, DC-VA-MD-WV	3,010	1,933	1,077
12420	Austin-Round Rock, TX	2,183	1,416	767
42660	Seattle-Tacoma-Bellevue, WA	1,932	928	1,004
27260	Jacksonville, FL	1,791	599	1,192
31100	Los Angeles-Long Beach-Santa Ana, CA	1,780	638	1,142
45300	Tampa-St. Petersburg-Clearwater, FL	1,738	789	949
38060	Phoenix-Mesa-Scottsdale, AZ	1,661	1,084	577
16740	Charlotte-Gastonia-Concord, NC-SC	1,524	742	782
14460	Boston-Cambridge-Quincy, MA-NH	1,507	480	1,027
36740	Orlando-Kissimmee, FL	1,470	802	668
40140	Riverside-San Bernardino-Ontario, CA	1,361	797	564
12060	Atlanta-Sandy Springs-Marietta, GA	1,358	1,203	155
41620	Salt Lake City, UT	1,338	232	1,106
47260	Virginia Beach-Norfolk-Newport News, VA-NC	1,155	552	603
41700	San Antonio, TX	1,131	1,096	35
33100	Miami-Fort Lauderdale-Miami Beach, FL	1,116	402	714
37980	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	1,095	913	182
34980	Nashville-Davidson--Murfreesboro, TN	1,094	794	300
29820	Las Vegas-Paradise, NV	1,065	508	557
26900	Indianapolis, IN	1,039	671	368
17900	Columbia, SC	924	498	426
16980	Chicago-Naperville-Joliet, IL-IN-WI	874	672	202
30780	Little Rock-North Little Rock, AR	864	337	527
19740	Denver-Aurora, CO	833	458	375
39580	Raleigh-Cary, NC	820	804	16
35380	New Orleans-Metairie-Kenner, LA	817	507	310
12580	Baltimore-Towson, MD	801	494	307
32580	McAllen-Edinburg-Mission, TX	791	744	47
38900	Portland-Vancouver-Beaverton, OR-WA	784	514	270
41860	San Francisco-Oakland-Fremont, CA	774	368	406
41180	St. Louis, MO-IL	763	659	104
41740	San Diego-Carlsbad-San Marcos, CA	693	293	400
36420	Oklahoma City, OK	682	624	58
33460	Minneapolis-St. Paul-Bloomington, MN-WI	678	458	220
20500	Durham, NC	635	300	335
46140	Tulsa, OK	623	579	44
17140	Cincinnati-Middletown, OH-KY-IN	612	522	90
26620	Huntsville, AL	607	452	155
18140	Columbus, OH	554	468	86
16700	Charleston-North Charleston, SC	551	519	32
21340	El Paso, TX	543	525	18
40060	Richmond, VA	527	505	22
40900	Sacramento--Arden-Arcade--Roseville, CA	513	483	30
36540	Omaha-Council Bluffs, NE-IA	498	414	84
12940	Baton Rouge, LA	486	484	2
24660	Greensboro-High Point, NC	483	279	204
22180	Fayetteville, NC	479	339	140

*Multifamily is two or more units in structure. **As per new Office of Management and Budget metropolitan area definitions.
Source: Census Bureau, Department of Commerce