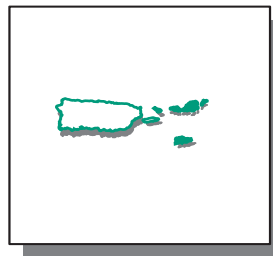
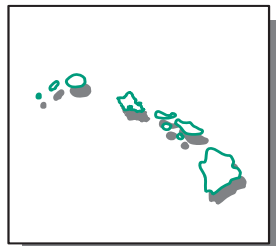
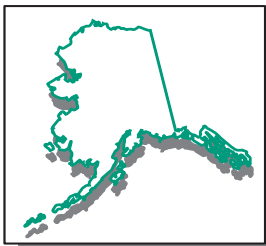
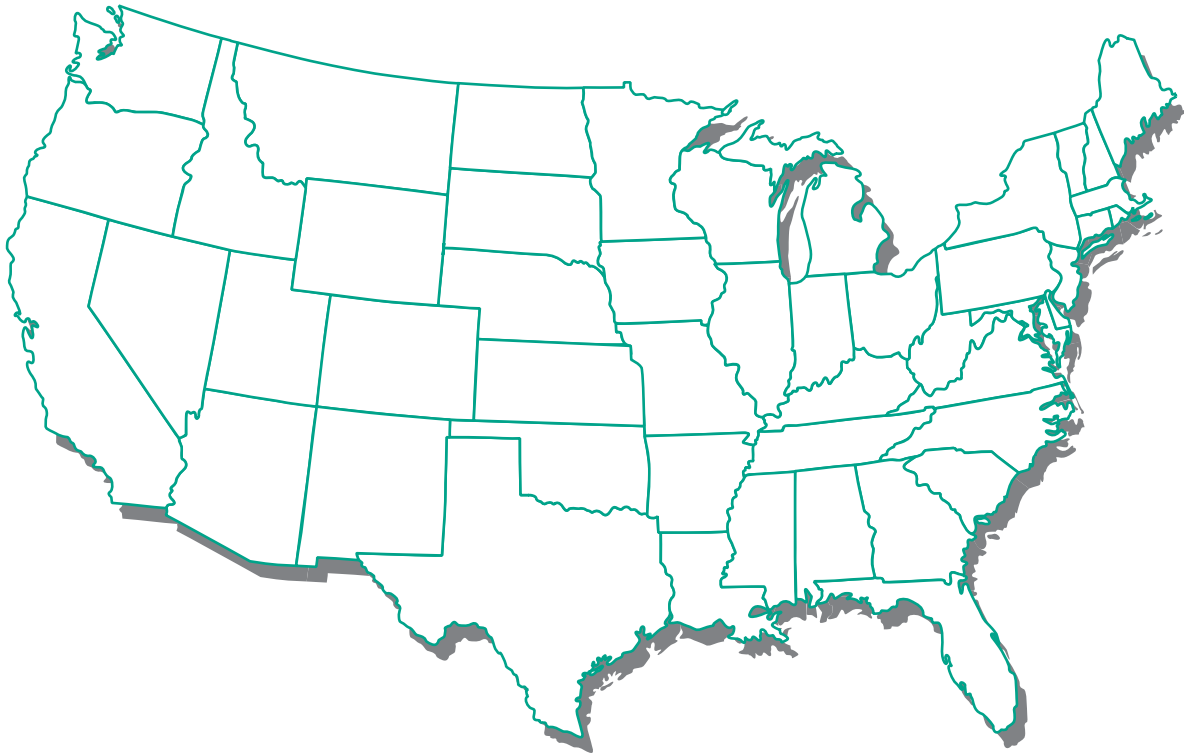




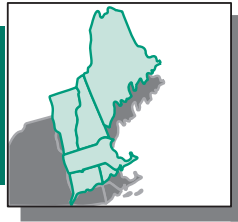
# Regional Activity



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



The New England economy continues to experience moderate job growth despite the recent job losses at the national level. For the 12-month period ending March 2008, nonfarm employment averaged more than 7 million jobs, a net increase of 51,300, or 0.7 percent. This level of growth is a minor slowdown from the 67,400-job, or 1.0-percent, increase which occurred in the previous 12-month period. Massachusetts and Connecticut gained 29,100 and 15,700 jobs, respectively, both increases of 0.9 percent and representing more than 87 percent of the regional job gain. New Hampshire increased nonfarm employment at a 1.2-percent rate, adding 7,600 jobs. Rhode Island lost 3,200 jobs and Vermont employment was flat.

An increase in service-providing jobs has been the primary influence on economic growth in New England, with nearly 67,000 net new jobs, or 1.1 percent, created during the 12-month period ending March 2008 compared with the number of new jobs in the previous 12-month period. In addition to supporting 47 percent of the service-providing jobs in the region, Massachusetts was responsible for 36,600 new jobs, an increase of 1.3 percent, and 55 percent of the employment increase in the region. Most of this job growth was in education and health services, professional and business services, and government (primarily state and local), with 17,300, 9,600, and 3,800 jobs, respectively. Connecticut gained 16,900 jobs in the service-providing sectors, led by education and health services and government. New Hampshire gained 8,500 service-providing jobs, an increase of 1.6 percent, also primarily in the education and health services and professional and business service sectors. Gains in service-providing jobs in the region were partially offset by a loss of 15,400 goods-producing jobs, or 1.5 percent, about half of which were in Massachusetts. This loss represents the largest decline in the goods-producing sector in the past 4 years, with most of the lost jobs in manufacturing industries.

The unemployment rate in New England for the 12 months ending March 2008 was 4.5 percent, unchanged from a year ago. New Hampshire had the lowest rate in the

region, at 3.6 percent, unchanged from a year ago, and the Massachusetts unemployment rate was 4.4 percent, down from 4.8 percent a year ago. All other states experienced 0.2- to 0.4-percent increases in unemployment.

As mortgage lending standards became more restrictive and pricing weakness continued, residential building activity, as measured by the number of units authorized by building permits, continued to decline. For the 12-month period ending March 2008, the total number of units permitted in the region was down 27 percent to 32,600 from the previous 12-month period and down 43 percent from the 12-month period ending March 2006. Attributable to higher construction costs and interest rates, slowing sales, and decreasing affordability, this decline was most pronounced in the multifamily market, where units permitted decreased to 8,400, or 38 percent, from 13,500 in the previous year. Of the 5,100-unit decline in multifamily units permitted during the past 12 months, 90 percent were in Massachusetts and most were in the Boston metropolitan area. The only significant increase in multifamily activity was in the Bridgeport-Stamford-Norwalk metropolitan area, where multifamily units permitted increased to 900 units from 400 units in the 12 months ending March 2007. This increase is due primarily to the strong economy and residential markets in lower Fairfield County, Connecticut, adjacent to the New York City metropolitan area. The decline in single-family construction was less dramatic, at 23 percent, or 7,200 fewer units permitted, totaling 24,200, in the 12-month period ending March 2008. This decline in single-family construction was distributed more proportionally throughout the region, with the largest reduction, 2,150 units, occurring in Massachusetts but mostly outside the Boston metropolitan area.

Existing home sales in New England continued to decline; however, median sales prices were mixed. According to the Massachusetts Association of REALTORS® (MAR), statewide sales of homes in Massachusetts decreased 10 percent to 39,100 units during the 12-month period ending March 2008 compared with the number of units sold during the previous 12-month period. For the same period, the median price fell only 1 percent to an estimated \$343,350. The inventory of unsold homes increased by 5 percent to about 14 months of supply. The Rhode Island Association of REALTORS® reported that home sales in Rhode Island were down 13 percent to 7,150 units during the 12 months ending March 2008 compared with sales for the previous 12-month period. The median price was also down, but only 4 percent, to \$269,350. The length of time homes stayed on the market increased 10 percent to about 100 days compared with the number of days in the previous year. The inventory of homes for sale was up from 11 months of



supply to 15 months of supply during the past year. The Maine Real Estate Information System, Inc., reported that, during the 12 months ending March 2008, home sales were down 13 percent to 11,400 units compared with home sales for the previous 12 months; the median price was virtually unchanged, at \$193,000. According to the Connecticut Association of REALTORS®, for the year ending December 2007, home sales were down 9 percent to 65,800 units compared with sales for the same period in 2006; however, the median price was up 5 percent to \$331,800. The Greater Hartford Association of REALTORS®, Inc., reported that, for the 12 months ending March 2008, home sales were down 21 percent compared with sales for the previous 12-month period, but the median price was up 6 percent to \$271,200.

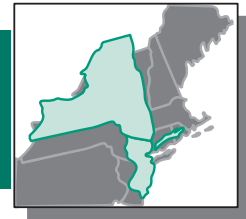
According to the Office of Federal Housing Enterprise Oversight (OFHEO), home prices in the region were down less than 1 percent in the fourth quarter of 2007 compared with prices for the fourth quarter of 2006, ranking New England eighth of the nine census regions, joining the South Atlantic and Pacific regions with negative appreciation. Only two states, Vermont and Maine, had appreciation rates above the 1-percent national average, at 2 percent.

Condominium sales in New England continued slowing in the first quarter of 2008. For the 12 months ending March 2008, MAR reported 18,250 condominium sales, down more than 12 percent from the previous 12 months, and a median price of \$281,250, up 3 percent. According to Listing Information Network, Inc., sales of condominiums in the city of Boston declined 22 percent to about 500 units in the first quarter of 2008. This level of sales activity is considerably below the 700-unit quarterly average posted between 2004 and 2006. The median price declined only 1 percent to an estimated \$475,000. In Rhode Island, condominium sales declined 13 percent to 1,650 units during the 12 months ending March 2008 compared with sales for the previous year; however, the median sales price increased nearly 1 percent to \$222,500.

In New England, most metropolitan area rental housing markets are reasonably balanced. With the exception of the Boston metropolitan area, most markets have had limited additions to the rental inventory, resulting in moderate reductions in vacancy rates and rent increases. The Boston metropolitan area rental market continues to remain balanced despite significant additions to the inventory and moderate job growth during the past several years. According to Reis, Inc., with more than 4,700 new units added to the inventory in 2007 and more than 400 units added during the first quarter of 2008, the apartment vacancy rate was 6.0 percent for

the first quarter of 2008, up from 5.9 percent a year ago. It is anticipated that an average of 2,700 units annually will enter the market during the next 3 years, which is less than the 4,200 units delivered annually from 2005 to 2007 but is still considerably in excess of the nearly 1,000-unit average prevalent during the 1990-to-2004 period. Recent additions to the inventory have moderated pressure on rents, resulting in an effective rent of \$1,621 for the first quarter of 2008, 3 percent higher than the rent for the first quarter of 2007. Reis estimates that, with the addition of more than 600 units during 2007 and the first quarter of 2008 in Fairfield County, the rental vacancy rate has increased to 5.0 percent from 3.0 percent a year ago. Nearly 1,600 units are expected to enter the market in the next 2 years, keeping vacancy rates at their current levels. The effective rent in Fairfield County was \$1,740 as of the first quarter of 2008, up nearly 5 percent from the first quarter of 2007.

## NEW YORK/ NEW JERSEY



Despite a slowing national economy, moderate employment growth occurred in the New York/New Jersey region. For the 12-month period ending March 2008, total nonfarm employment in the region increased by 114,200 jobs, or 0.9 percent, to 12.8 million compared with the number of jobs a year ago. During this period, 108,100 jobs were created in New York, up 1.3 percent to 8.8 million, while employment remained relatively unchanged in New Jersey at 4.0 million. In both states, employment gains were concentrated in service-providing sectors, especially in the education and health services and the professional and business services sectors, both up approximately 2 percent, with 41,700 and 28,000 jobs created, respectively. These gains were partially offset by the loss of 24,800 manufacturing jobs in the region, a 3-percent decline from a year earlier.

During the 12 months ending March 2008, 69,300 jobs were created in New York City, a 2-percent increase to 3.8 million jobs compared with the number of new jobs during the previous year. This growth accounted for more than 60 percent of the total nonfarm employment increase in the state. During the 12-month period ending March 2008, employment increased by 15,800 jobs in the professional and business services sector, a 3-percent

increase to 592,600 jobs; by 11,900 jobs in the trade, transportation, and utilities sector, a 2-percent increase to 573,500 jobs; and by 11,100 jobs in the leisure and hospitality sector, a 4-percent increase to 299,100 jobs.

Excluding New York City, modest employment growth occurred in most of Downstate New York, while slower job growth occurred in Upstate New York and New Jersey. During the 12-month period ending March 2008, nonfarm employment increased by 1,200 jobs, or 0.3 percent, in the Albany-Schenectady-Troy metropolitan area and by approximately 1 percent in the Syracuse area, where 3,100 jobs were created. Employment levels in the Rochester area are beginning to rebound from job losses during the past few years, the result of an increase of 1,900 jobs, a 0.4-percent gain from the number of jobs a year ago. Slow employment growth also occurred in most of New Jersey. Excluding the Atlantic City-Hammonton area, which lost 3,500 nonfarm jobs, a decrease of 2.3 percent, most metropolitan areas in New Jersey posted gains of less than 1 percent through March 2008 compared with the job growth recorded during the same period a year ago. During the 12-month period ending March 2008, the average annual unemployment rate in the region increased slightly from 4.5 to 4.6 percent. Compared with the unemployment rate for the same period a year earlier, the average annual unemployment rate in New York increased from 4.5 to 4.7 percent but declined in New Jersey from 4.5 to 4.4 percent.

Tighter mortgage credit standards and reduced demand have resulted in fewer real estate sales in New York and New Jersey. During the 12-month period ending March 2008, New York State Association of REALTORS® data indicated that existing single-family home sales (excluding New York City) decreased to 87,800 units, or by approximately 13 percent from sales recorded a year ago. The median price of a single-family home in the state decreased to \$231,900, or by approximately 7 percent, compared with the median price for the same period a year earlier. Home sales also declined in New Jersey. According to the New Jersey Association of REALTORS®, annual home sales in the state decreased by 16,700 units in 2007, or 11 percent, to 137,400 units compared with the number of sales in 2006. The number of housing sales declined in all three major areas of the state, ranging from a low of a 3,675-unit reduction in Central New Jersey to a 7,450-unit decline in Northern New Jersey. In 2007, the median price of a home in New Jersey remained relatively unchanged, at \$363,500, compared with the median price during the same period in 2006.

Compared with the high level of home sales in 2007, Manhattan co-op and condominium sales have declined;

however, prices have continued to increase. Prudential Douglas Elliman, a real estate firm, indicated that the median price of a co-op/condominium in Manhattan increased 13 percent to \$945,300 in the first quarter of 2008, compared with the median price for the same quarter a year earlier. Demand has been particularly strong for large, luxury apartments. Despite these increases, the number of sales transactions declined to 2,280 units, more than 30 percent fewer than the number of sales from a year earlier, while the time on the market increased by 15 days to 146 days. The available-sales inventory also increased by approximately 5 percent to 6,200 units.

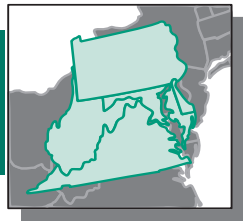
Most existing sales markets in Upstate New York have also softened. For the 12 months ending March 2008, the number of sales in the five-county Albany-Schenectady-Troy metropolitan area declined 10 percent to 9,040 units compared with the number of sales a year earlier. Despite fewer sales, however, the median price of an existing home in the area increased 3 percent to \$194,000. For the 12 months ending March 2008, Buffalo Niagara Association of REALTORS® data indicated that existing home sales in the area remained stable at 10,900 units compared with the number of sales a year ago, while the median price of an existing single-family/condominium unit increased 3 percent to \$103,800. Similar data for the Rochester area indicated that existing home sales for the 12 months ending March 2008 decreased approximately 6 percent to 10,900 units, but the median price increased 4 percent to \$118,000 compared with the median price for the same period a year ago.

Housing construction in the New York/New Jersey region has declined significantly. During the 12-month period ending March 2008, residential construction, as measured by the number of units permitted, decreased 11 percent from 83,700 to 74,400 units. During this period, the total number of housing units permitted decreased 7 percent to 50,800 units in New York and 19 percent to 23,600 units in New Jersey. This decline resulted primarily from reduced single-family housing construction. During the 12-month period ending March 2008, the number of single-family homes permitted in the region declined 22 percent to 27,500 units. In New York, the number of single-family homes permitted declined 20 percent to 15,750 units; in New Jersey, construction activity declined by 3,900 units, or 25 percent, to 11,800 units. Overall, the number of multifamily housing units permitted in the region decreased by 1,400 units, or approximately 3 percent. The number of multifamily units permitted increased 1 percent in New York State to 35,050 units but decreased by 13 percent to 11,800 units in New Jersey.



Rental vacancy rates have declined and apartment rent inflation has occurred throughout much of the region due to softening sales markets. Preliminary first quarter 2008 data reported by Reis, Inc., indicated decreasing apartment vacancy rates in New York City and parts of New Jersey. According to Reis, the apartment vacancy rate in New York City declined from 2.5 to 2.2 percent in the first quarter of 2008 compared with the rate for the same quarter a year ago. In New Jersey, the apartment vacancy rate declined from 3.6 to 3.2 percent in Central New Jersey but increased from 3.4 to 3.6 percent in Northern New Jersey compared with the rate a year earlier. Vacancy rates in Upstate New York also declined, but markets generally remain balanced. Tight supply conditions resulted in average monthly asking rents in New York City increasing to \$2,852, up nearly 9 percent on an annual basis during the first quarter of 2008. Average monthly apartment asking rents increased to \$1,141 in Central New Jersey and \$1,495 in Northern New Jersey, or by 4 and 5 percent, respectively. Apartment vacancy rates, which declined in all three upstate metropolitan areas, currently range from a low of 3.9 percent in Rochester to 4.6 percent in Buffalo. The more affordable upstate metropolitan areas of Buffalo, Syracuse, and Rochester were characterized by first quarter 2008 average monthly apartment asking rents ranging from a low of \$662 in Syracuse to \$738 in Rochester, with rent increases ranging between 3 and 4 percent.

## MID-ATLANTIC



The economy of the Mid-Atlantic region continued to grow during the 12 months ending March 2008 but at a much slower pace than during the previous year. Nearly 94,300 nonfarm jobs were added, bringing the 12-month average employment to nearly 14.1 million; however, the increase was less than half the number added during the 12 months ending March 2007. The education and health services sector has become the leading growth sector in the region. During the 12 months ending March 2008, education and health services grew by more than 2 percent, adding 48,650 jobs. The pace of growth in the professional and business services sector, nearly 2 percent, or 35,500 jobs, was less than in the previous year, when the sector increased by almost 3 percent, or 52,000 jobs. Slower growth in the sector,

particularly in real estate-related jobs, reflects the downturn in the housing industry, as does the loss of 7,000 jobs in financial services. The decline in new homebuilding also affected the construction sector, which lost 6,700 jobs compared with the addition of almost 8,000 jobs during the previous year. Manufacturing lost 27,250 jobs during the 12-month period, slightly more than the 23,050 lost during the 12 months ending March 2007. The largest increase in the number of jobs among the states in the region was in Pennsylvania, where a gain of 34,650 jobs reflected a significantly slower annual growth when compared with the 49,750 jobs added in the previous year. Virginia reported total job gains of almost 28,000, approximately half the 52,100 added in 2007. The unemployment rate in the Mid-Atlantic region rose slightly from 3.9 to 4.0 percent during the 12 months ending March 2008.

Slower economic growth and tighter lending practices combined to reduce the number of existing home sales throughout the region during the past 12 months. Inventories of unsold homes and the number of days homes remained on the market both increased.

According to the Maryland Association of REALTORS®, the average monthly inventory of homes for sale during the 12 months ending March 2008 rose to approximately 46,900 homes, 25 percent more than the average monthly inventory during the same period in 2007. Nearly 54,800 existing homes were sold in Maryland during the 12 months ending March 2008, a decrease of 29 percent compared with the 77,400 homes sold during the 12 months ending March 2007. The average home sales price was relatively unchanged, at \$359,150, and was only 4 percent above the average price of \$346,100 reported 2 years ago. In the Baltimore metropolitan area, nearly 27,300 homes were sold at an average price of \$316,200, reflecting a 24-percent decrease in sales and an increase of less than 1 percent in price since March 2007.

In Virginia, sales activity weakened throughout the state. The Virginia Association of REALTORS® reported approximately 89,250 existing home sales during the 12 months ending March 2008, nearly 20 percent fewer than the number of homes sold during the 12 months ending March 2007. The average home price was \$286,700, slightly more than 2 percent higher than it was a year ago. The number of sales in the Richmond metropolitan area declined 21 percent to 12,600 homes for the 12-month period; the average home price increased slightly more than 3 percent to \$278,475. In the Northern Virginia market, average home prices have been among the highest in the Mid-Atlantic region during the past 5 years, rising 65 percent between 2002 and 2007.

During the 12 months ending March 2008, the average sales price declined by almost 3 percent, to \$515,600, and the number of sales declined by 20 percent to 20,700 homes. The average number of days that homes remained on the market in the Northern Virginia area increased to 95 days from 82 days a year ago.

The resale market in Pennsylvania, West Virginia, Delaware, and Washington, D.C., softened as lenders applied tighter loan standards. According to the NATIONAL ASSOCIATION OF REALTORS®, 198,000 homes were sold in Pennsylvania during 2007 (the most recent data available), indicating a decline of 14 percent compared with 2006. Declines of 20, 5, and 7 percent, respectively, were reported in Delaware, Washington, D.C., and West Virginia, where 13,200, 8,000, and 27,200 homes, respectively, were sold.

As economic expansion in the region slowed and lending standards became more stringent, overall homebuilding activity, as measured by the number of units permitted, declined significantly during the 12 months ending March 2008. Single-family homebuilding declined by more than 20 percent to 74,600 homes permitted during the 12-month period compared with 93,660 during the previous year. The largest percentage decline was in Delaware, where permits were issued for 3,700 homes, approximately 27 percent fewer than were issued during the 12 months ending March 2007. Production decreased by 25 percent in Maryland and 23 percent in Virginia, where 13,000 and 27,200 homes, respectively, were permitted during the period. In Pennsylvania, 27,100 permits were issued for new homes, down more than 13 percent from the 31,200 homes permitted in 2007. Production in West Virginia declined 16 percent to 3,400 homes. All major metropolitan areas in the region reported declining new home construction. The number of building permits issued for single-family homes in the Washington, D.C. metropolitan area declined 25 percent to 12,850 homes. In the Philadelphia metropolitan area, the number declined 17 percent to 8,950 homes, and in the Richmond metropolitan area, approximately 5,350 homes were permitted, nearly 24 percent fewer than the number permitted during the previous year.

During the 12 months ending March 2008, multifamily building activity declined in all states in the Mid-Atlantic region except Virginia and West Virginia. Approximately 20,700 units were permitted in the region, a decline of 16 percent from a year ago. Virginia issued permits for 7,700 units, an increase of 12 percent above the number permitted through March 2007. The number of units permitted in West Virginia increased by 650 to a total

of 825 units. With the exception of the Washington, D.C. and Richmond metropolitan areas, multifamily building activity declined in all of the largest metropolitan areas in the region. In the Washington metropolitan area, nearly 8,300 units were permitted, only 270 more than in the 12 months ending March 2007. The Richmond area reported 1,330 new units permitted, 750 more than during the previous year. In the Baltimore and Philadelphia metropolitan areas, the number of multifamily units permitted decreased 33 percent to 1,270 units and nearly 28 percent to 3,660 units, respectively.

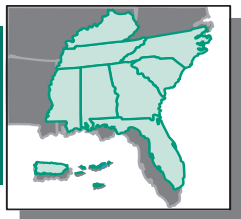
Rental housing market conditions softened in the three largest markets in the Mid-Atlantic region during the 12 months ending March 2008. In the Baltimore metropolitan area, Delta Associates reported that the vacancy rate for Class A apartments increased from 4.4 to slightly more than 6 percent. Nearly 600 units are currently being marketed in the metropolitan area and rent concessions have increased to more than 5 percent of the market rent, up 1 percent from a year ago. The pipeline of new units expected to be available during the next 3 years has declined slightly from the 7,150 units projected in March 2007 to 6,800, with one-third of those in the city of Baltimore. Rents in the metropolitan area average \$1,375, ranging from \$1,025 in Harford County to \$1,600 in the city of Baltimore.

According to Delta Associates, the apartment vacancy rate in the Philadelphia metropolitan area increased to 5.5 percent in March 2008, up from slightly below 4 percent in March 2007. The number of new units expected during the next 3 years increased to 5,000, from the 4,400 projected in March 2007, with 25 percent to be located in Center City Philadelphia. Rents average \$1,500 for the metropolitan area as a whole and \$1,900 in Center City.

Rental vacancy rates rose slightly in the Washington, D.C. metropolitan area during the 12 months ending March 2008. Delta Associates reported a vacancy rate for Class A garden apartments of 4.5 percent, up from 3.3 percent a year ago, with approximately 6,900 new units being marketed in the metropolitan area. Vacancy rates in Class B projects rose from 3.5 to 4.4 percent. According to M/PF YieldStar, the average rent for all apartments in the metropolitan area was \$1,280 during the fourth quarter of 2007, up 5 percent from \$1,220 a year earlier. Monthly rents averaged \$1,180 for a one-bedroom unit, \$1,330 for a two-bedroom unit, and \$1,483 for a three-bedroom unit.



## SOUTHEAST/ CARIBBEAN



For the 12-month period ending March 2008, nonfarm employment in the Southeast/Caribbean region averaged nearly 27.2 million jobs, compared with 26.9 million during the previous 12 months. In 2006, the pace of nonfarm employment growth in the region slowed to 2.1 percent from 2.5 percent in 2005. During the past 12 months, employment growth continued to slow to less than 1 percent, or 225,600 jobs, compared with 507,100 jobs added during the previous 12-month period. Kentucky was the only state in the region to grow more quickly, increasing slightly from 1.0 to 1.3 percent. Only Puerto Rico recorded a loss of employment, with 12,800 fewer jobs, a 1.2-percent decline during the past 12 months. During the 12 months ending March 2008, the unemployment rate for the region averaged 5.0 percent, up slightly from 4.8 percent during the previous 12-month period.

The education and health services and the leisure and hospitality sectors accounted for 167,000 jobs, or 74 percent of employment growth in the region during the 12 months ending March 2008. The 68,300-job expansion of the leisure and hospitality sector outpaced the usual employment leader, the professional and business services sector, which increased by 49,600 jobs, compared with 123,000 jobs added during the previous 12 months. Nonfarm employment expansion was hindered by losses in the manufacturing and construction sectors. Manufacturing job losses accelerated to 92,100 jobs, or 3 percent of manufacturing employment, following 49,700 job losses in the previous year. During the past 12 months, the region lost 51,400 jobs in the durable goods industries, including losses in transportation equipment and in household and commercial furniture manufacturing. In the past 12 months, the loss of 55,500 construction sector jobs in the region, or 4 percent of construction employment, was primarily the result of cutbacks in homebuilding in response to declining home sales. Modest job gains in the construction sector in Alabama, Kentucky, North Carolina, and South Carolina were offset by significant construction job losses in Florida of 67,900 jobs, or 10 percent, compared with an increase of 22,500, or nearly 4 percent, during the previous 12-month period.

Slowing job growth, tightening credit standards, and increasing homebuyer concern about sales housing markets have resulted in a decline in home sales throughout the region. For the 12 months ending March 2008, the most significant decline occurred in Florida, where sales of existing homes fell 29 percent to 119,500, according to data from the Florida Association of REALTORS®. The slowdown occurred in every metropolitan area in the state. Home sales fell 37 percent in the Orlando metropolitan area to 15,700 homes and 29 percent in the Jacksonville metropolitan area to 11,200 homes. The median sales price for an existing single-family home in Florida was \$222,400, a decrease of 9 percent from \$244,800 in the previous 12-month period. Statewide condominium sales declined 26 percent from a total of 51,100 in the 12 months ending March 2007 to 38,000 in the 12 months ending March 2008. The median price of an existing condominium was \$193,100, or 8 percent less than the March 2007 median of \$209,900.

According to data from the North Carolina Association of REALTORS®, existing home sales in 21 reporting areas in the state declined 14 percent to approximately 119,100 homes during the 12-month period ending March 2008. All reporting areas had declines in the number of home sales except the Outer Banks along the coast, where home sales increased 3 percent to approximately 1,225 after falling 35 percent during the previous 12-month period. The average price of a home in the state was virtually unchanged at approximately \$221,100; 16 out of 21 areas reported stable or increasing home prices. According to South Carolina REALTORS®, sales of existing homes in the state declined nearly 14 percent to approximately 58,650 homes. The number of sales declined in all 15 reporting areas. The median price of a home in South Carolina decreased 2 percent to \$149,000 during the first quarter of 2008 compared with the first quarter of 2007. Sales prices increased in 9 of 15 reporting areas, but, for the remaining areas with declines, some of the largest declines were recorded in coastal areas such as Beaufort, Myrtle Beach, and Hilton Head because of the continued decline in second-home and condominium sales.

In Tennessee, for the 12 months ending March 2008, the Greater Nashville Association of REALTORS® Inc., reported a 17-percent decline in single-family home sales in Nashville to 26,000 homes and a 9-percent decline in condominium sales to 4,600 units. In March 2008, the median price of a single-family home in Nashville increased by 3 percent to \$178,400 and the median price of a condominium unit increased 5 percent to \$160,600 compared with March 2007. According to the Knoxville Area Association of REALTORS®, sales of single-family

homes in Knoxville decreased 13 percent to approximately 12,900 homes and condominium sales decreased 6 percent to 1,850 units. Although the average price for condominiums in Knoxville decreased 1 percent from approximately \$179,000 to \$176,700, the average price for single-family homes increased 3 percent from approximately \$189,700 to \$194,500. During the same period, the Memphis Area Association of REALTORS® reported single-family home sales decreased 18 percent to 14,150 homes and condominium sales decreased 21 percent to 650 units. The average price for single-family homes decreased 5 percent to \$167,800 and the average price for condominiums decreased 1 percent to \$150,500.

During the past 12 months, sales have been declining rapidly in gulf coast areas, following unusually strong home sales in those areas in 2005 and 2006 during the initial rebuilding period in the aftermath of Hurricane Katrina. According to the Gulf Coast Association of REALTORS®, 3,250 homes were sold in Gulfport-Biloxi and Pascagoula during the 12 months ending March 2008, down 23 percent from the same period a year ago. According to the Alabama Center for Real Estate at The University of Alabama, in the 12 months ending March 2008, approximately 54,500 homes were sold statewide compared with 59,400 for the same period a year ago, an 8-percent decline. Statewide, the average price of a home sold in Alabama during the 12 months ending March 2008 fell 1 percent to \$157,600.

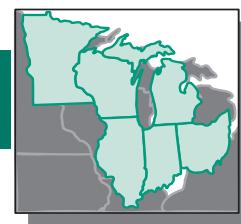
Slowing employment and weakening sales housing markets in the region have resulted in sharp declines in single-family home construction, as measured by the number of building permits issued. During the 12-month period ending March 2008, permits were issued for approximately 252,900 single-family homes, a decline of 145,600 homes, or 37 percent, compared with the previous 12-month period. All states in the region had large percentage declines in the number of single-family permits issued, ranging from a low of 24 percent in North Carolina to a high of 48 percent in Florida. Permits for single-family homes in Florida fell by 57,450 homes and accounted for nearly 40 percent of the decrease in the region.

The demand for apartments in the region has increased. Apartment vacancy rates in 12 of the 20 Southeast apartment markets covered by Reis, Inc., have fallen during the past year. Out of the remaining eight markets, six are located in Florida, where vacancy rates increased. In Florida, the number of available rental units has increased more rapidly than renter households primarily because of an increase in the number of condominiums being offered as rental units.

Despite the completion of several hundred apartment units in each of the North Carolina markets, vacancy rates in major metropolitan areas declined during the past year due to strong employment and population growth. In the Charlotte, Raleigh-Durham, and Greensboro–Winston-Salem areas, vacancy rates during the first quarter of 2008 fell to 6.3, 7.3, and 7.7 percent, respectively, from 6.9, 8.7, and 8.8 percent during the first quarter of 2007. Asking rents increased by approximately 4 percent in each of the three metropolitan areas. In Tennessee, vacancy rates in Chattanooga, Knoxville, and Nashville fell by approximately half a percentage point each to 7.0, 5.6, and 5.4 percent, respectively. Asking rents increased approximately 2 percent in Chattanooga and 3 percent in Knoxville and Nashville. Vacancy rates in Memphis decreased slightly but remained above 10 percent. In Kentucky, the apartment vacancy rates in Louisville and Lexington decreased to 7.0 and 7.4 percent, respectively, from 8 percent in both markets a year earlier. Asking rents increased approximately 4 percent for each area.

In the 12 months ending March 2008, construction of multifamily units in the region, as measured by the number of units permitted, fell 21 percent to approximately 86,500 units from 109,300 units during the previous 12 months. Multifamily construction has declined primarily because of the cutback in condominium construction. The decrease of 19,600 multifamily units in Florida accounted for 86 percent of the decline in the region. During the past 12 months, the number of multifamily units permitted in Alabama decreased 21 percent to 5,500 units. In states with limited condominium construction, including Mississippi, South Carolina, and Tennessee, permits for multifamily units increased from 4 percent in South Carolina to 87 percent in Mississippi, where apartment market recovery continues from 2005 in Hurricane Katrina-devastated areas.

## MIDWEST



Employment levels remained stable in the Midwest region during the first quarter of 2008. Nonfarm employment increased by only 17,000 jobs, or 0.1 percent, to an average of 24.3 million jobs in the 12 months ending March 2008 compared with a gain of 50,000 jobs, or





0.3 percent, in the previous 12-month period. Hiring in the education and health services and the professional and business services sectors added 64,000 and 35,000 jobs, respectively, offsetting losses in the manufacturing and construction sectors of 58,000 and 27,000 jobs, respectively. Economic performance continued to vary in the individual states during the past 12 months. Illinois registered a 0.7-percent increase, or a gain of 45,000 jobs, but Michigan recorded a 1.4-percent decrease, or a loss of 62,000 jobs. According to a March 2008 forecast by the University of Michigan, losses of approximately 30,000 jobs in the manufacturing sector are expected in the state during 2008 because of continued restructuring of the automobile industry. Indiana, Minnesota, and Wisconsin recorded employment gains ranging from 9,000 to 18,000 jobs, offsetting Ohio's loss of 8,000 jobs. The unemployment rate in the region increased from 5.1 to 5.4 percent during the past year. Unemployment rates ranged from a low of 4.6 percent in Indiana and Minnesota to a high of 7.3 percent in Michigan.

During 2007, sales of existing homes in the Midwest region declined for the second consecutive year because of the slow economy in the region and tighter lending practices. According to the NATIONAL ASSOCIATION OF REALTORS®, sales activity decreased 10 percent to 1.0 million existing homes in 2007 compared with sales activity in 2006 and was down 16 percent from record home sales of 1.2 million in 2005. Activity was down in all states of the region except Indiana, where the number of homes sold increased by less than 1 percent. Contributing to the softer home sales market in the region has been the higher rate of home foreclosures compared with the rate of foreclosures in other regions of the country. During the fourth quarter of 2007, the 3.17-percent foreclosure rate recorded in the region ranked first in the country, well above the national rate of 2 percent, according to the Mortgage Bankers Association.

Existing home sales in the first quarter of 2008 continued to decline in most areas of the region. In Michigan, the slow economy continued to affect home sales in the state. Sales of existing homes were down 6 percent to 110,000 in the 12 months ending March 2008, and the average sales price in the state also declined 6 percent to \$136,000 during the period. In Ohio, slower economic growth reduced existing home sales throughout the state. During the 12 months ending March 2008, sales of existing homes were down 9 percent to 125,607. Of the state's 20 local boards of REALTORS®, 18 reported declines in existing home sales and average prices. The largest decreases occurred in the Cincinnati metropolitan area, where 3,200 fewer homes were sold and the average price declined by 2 percent to \$171,000.

Tighter lending standards and poor weather in the first quarter of 2008 in Illinois contributed to a slowdown in existing home sales. The Illinois Association of REALTORS® reported home sales for the 12 months ending March 2008 decreased 18 percent, but the median price remained unchanged at approximately \$199,000. In the Chicago metropolitan area, sales of existing homes were down 15 percent to 75,000 and declined 38 percent from the annual average of 122,000 homes sold during the past 5 years. According to the Chicago Association of REALTORS®, the average monthly inventory of homes for sale rose to 107,000 during the past year, 18 percent more than the average monthly inventory a year earlier.

In Wisconsin, sales of existing homes in major market areas continued to slow in the first quarter of 2008 compared with sales for the first quarter of 2007. Sales activity in the Madison and Milwaukee areas decreased 9 and 10 percent, respectively, during the past 12 months, according to multiple listing services in the two areas. The Minneapolis Area Association of REALTORS® reported that approximately 38,800 homes were sold in the metropolitan area in the 12 months ending March 2008, a decline of 7,600, or 16 percent, from the number sold in the previous 12 months. During the past 12 months, the average sales price in the Twin Cities area was \$266,700, down 4 percent from the average price of \$277,800 in the 12 months ending March 2007. In the Indianapolis area, existing home sales fell by 9 percent, but the average price remained unchanged at \$145,000.

Homebuilding in the region, as measured by the number of building permits issued, has continued its 2<sup>1/2</sup>-year decline during the first quarter of 2008 in response to slower economic growth and weak demand for new homes in most major metropolitan areas. During the 12 months ending March 2008, the number of single-family building permits issued fell 30 percent to 105,500 units and decreased 35 percent from the annual average of 161,300 units for the past 3 years. Illinois recorded a 37-percent decline in single-family permits to 23,300 units because of a 38-percent decline in the Chicago metropolitan area. According to the Home Builders Association of Greater Chicago, sales of new homes in the metropolitan area were down nearly two-thirds in 2007 from peak sales in 2005 and remained weak during the first quarter of 2008. In Michigan and Minnesota, the number of single-family permits issued also decreased by 36 percent during the past 12 months to 14,800 and 12,700 units, respectively.

In Ohio, homebuilding activity declined 27 percent to 23,300 homes during the 12 months ending March 2008. Cincinnati reported the steepest percentage decline

among major metropolitan areas in the state, with permits issued for approximately 4,600 new homes, 33 percent fewer than during the 12 months ending March 2007. In the Cleveland and Columbus metropolitan areas, the number of single-family permits issued declined by 26 and 24 percent to 3,300 and 3,900 units, respectively. The smallest declines in the region were reported in Indiana and Wisconsin, where the number of single-family permits decreased approximately 20 percent to 17,500 and 15,200 units, respectively.

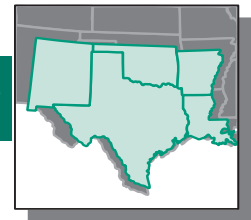
Multifamily construction in the Midwest region, as measured by the number of multifamily units permitted, also declined—by 25 percent to 34,900 units for the 12 months ending March 2008. Construction activity was down in all states in the region, except in Indiana, where activity was unchanged at 4,000 units. In Indianapolis, the strengthening local economy and continued growth in renter households are expected to result in increased apartment production in 2008. According to CB Richard Ellis, approximately 2,000 new apartments are anticipated to enter the metropolitan area this year compared with fewer than 1,000 units in 2007. Illinois accounted for 14,500 of the units permitted in the region, down 28 percent from 20,370 in the previous year. The overbuilt condominium market in downtown Chicago contributed to a 29-percent decline in multifamily activity in the Chicago metropolitan area. As a result of Michigan's slow economy, which dampened demand for new condominium and apartment units throughout the state, the number of multifamily units permitted in the Detroit area decreased by 52 percent to 550 units during the past 12 months. In Ohio, Wisconsin, and Minnesota, the number of multifamily units permitted was down 15 to 35 percent.

Conditions in most major apartment markets in the region were balanced to tight as of the end of the first quarter of 2008. The apartment market in the Chicago metropolitan area continued to tighten during the first quarter of 2008, a trend which began in December 2003, because of increased demand for rental housing. The apartment vacancy rate in the metropolitan area was 4.7 percent, down from 5.3 percent in the first quarter of 2007. Approximately 2,500 new apartments are expected to enter the Chicago market in 2008, the highest number of new apartments since 2003, when 3,300 new units came on line. In Indianapolis, the apartment market also continued to improve. The metropolitan area apartment market vacancy rate decreased from 9.7 percent in the first quarter of 2007 to 8.1 percent in the first quarter of 2008 as the local economy strengthened and demand for rental housing increased throughout the Indianapolis area. In Minneapolis, GVA Marquette Advisors reported similar tightening in the Twin Cities apartment market. The vacancy rate in the metropolitan area was 3.9 percent

in the first quarter of 2008 compared with 4.2 percent a year earlier.

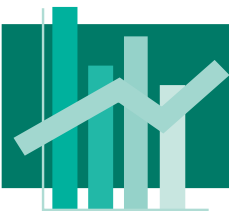
Despite the slowdown in Ohio's economy, apartment vacancy rates in major markets declined and rents increased. In the Cincinnati metropolitan area, the vacancy rate was 7 percent in the first quarter of 2008, down from 8.8 percent in the first quarter of 2007. Apartment vacancy rates in Cleveland and Columbus decreased to 5.4 and 6.8 percent, respectively, by the first quarter of 2008. The increased demand for apartment units resulted in rent gains of 3 percent or more in the three metropolitan areas.

## SOUTHWEST



Economic expansion continued in the Southwest region as nearly 1.1 million jobs were added during the past 3 years. For the 12 months ending March 2008, average nonfarm employment increased by 370,000 jobs, or 2.4 percent, to 16 million jobs. The professional and business services sector led all sectors, with a gain of 68,000 jobs spread throughout the region. Increases of nearly 50,000 or more jobs each were recorded in the leisure and hospitality, education and health services, and trade sectors. The construction sector added 38,000 jobs, up 3 percent or more each in Oklahoma, Louisiana, and Texas. With high demand for area oil and gas, the natural resources sector added 27,000 jobs, up 9 percent from a year ago.

Texas employers added 275,000 jobs, or 2.7 percent, during the past 12 months. All nonfarm job sectors increased, except for information, which was flat. Louisiana gained 57,000 jobs, or 3 percent, during the 12 months ending March 2008 and is nearing pre-Hurricane Katrina employment levels. Led by strong growth in the natural resources and mining sector, Oklahoma employment increased by 25,000 jobs, or 1.6 percent. New Mexico employment increased by 8,600 jobs, or 1 percent, which is less than one-half the growth rate for each of the 12-month periods ending March 2006 and March 2007. In New Mexico, gains of 3,500 jobs in education and health services and 2,900 in professional and business services were offset by losses in manufacturing employment of 3 percent. Intel Corporation cut employment at its plant north



of Albuquerque by about 1,500 manufacturing jobs. Arkansas employment increased by 4,300 jobs, or less than 1 percent, as the economy lost 9,200 manufacturing jobs.

The average unemployment rate in the Southwest region for the 12 months ending March 2008 was 4.3 percent, down from 4.6 percent for the previous 12-month period. In Texas, the unemployment rate of 4.3 percent was at its lowest level since 2001. New Mexico recorded the lowest rate in the region, at 3.4 percent, for the past 12 months, but the rate increased during the first quarter of 2008 as a result of the Intel job cuts. The unemployment rate remained relatively unchanged, at 5.4, 4.1, and 3.9 percent, respectively, in Arkansas, Louisiana, and Oklahoma.

Existing home sales continued to decline in Texas from the record highs recorded during 2006 and 2007 but remained well above annual levels recorded before 2006. According to data from the Real Estate Center at Texas A&M University, approximately 264,000 homes were sold in Texas during the 12 months ending March 2008, down 9 percent from the record-setting level during the previous 12 months. The average home sales price in the state increased 4 percent to \$193,600. Home sales in the larger metropolitan areas were generally down about 10 percent, while average home prices increased modestly. During the past 12 months, the average home price increased by 4 percent in both Dallas and Houston to \$219,400 and \$204,700, respectively. The highest average home price recorded in the region was \$246,300 in Austin, up 6 percent compared with the price for the previous 12 months. In El Paso, the average price increased by 3 percent to \$156,300. The \$181,000 average in San Antonio and the \$138,700 in Fort Worth were each up 5 percent compared with the average prices recorded for the previous 12 months.

Existing home sales declined by double-digit percentages in a number of markets elsewhere in the region. According to LATTER & BLUM, Inc./Realtors®, homes sales were down 26 percent to 29,700 from record levels the previous year in New Orleans, and the average price was flat at \$194,900 for the 12 months ending March 2008. In Baton Rouge, the number of sales decreased 13 percent compared with the number during the previous year, based on data from the Greater Baton Rouge Association of REALTORS®, but the average price increased 4 percent to \$197,900. The Greater Albuquerque Association of REALTORS® reports that the number of sales was down 23 percent in Albuquerque to 9,100. Albuquerque continues to have the second highest average price in the Southwest region at \$243,400, up 4 percent compared with the average price recorded during the 12 months ending March 2007. According to the Arkansas

REALTORS® Association, home sales for the state decreased by 10 percent to 28,300 during the 12 months ending February 2008 and the average price was flat at \$150,800.

According to data from the Oklahoma Association of REALTORS®, the number of existing homes sold in the state decreased 5 percent to 50,800 during the 12 months ending March 2008 compared with the number sold during the previous 12 months. In Oklahoma, sales rate increases in previous years were not as high as in other states in the region, which are now recording more significant decreases. The average price of an existing home in the state was \$150,900. In the Tulsa and Oklahoma City areas, existing home sales were down 6 percent to 14,800 and 18,600 units, respectively. The average price increased 4 percent in Tulsa to \$151,800 and 5 percent in Oklahoma City to \$156,300.

In the Southwest region, an overall slowdown in sales and tighter lending standards resulted in decreased single-family construction activity, as measured by the number of building permits issued. The total number of single-family homes permitted in the region during the 12 months ending March 2008 was 145,200 units, a decline of 57,000, or 28 percent, compared with the number permitted during the 12 months ending March 2007. Declines ranged from 17 percent in Oklahoma to 31 percent in Arkansas.

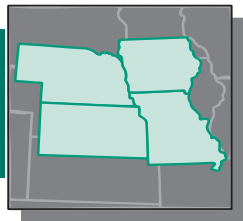
Multifamily construction activity in the Southwest region, as measured by the number of units permitted, was at a record 70,700 units during the 12 months ending March 2008 because permit levels were up in all states. The number of units permitted in Texas was 58,300, up 8,100 units. Gains of 3,000 and 2,000 units in the soft rental markets of Houston and Dallas, respectively, were mostly in suburban counties where rental market conditions are more balanced. The number of units permitted in New Orleans was up 2,000, offsetting lower levels elsewhere in the state. The number of units permitted in each of the other states in the region was up less than 500.

Rental market conditions continue to be somewhat soft in the largest metropolitan areas in Texas except for Austin. According to ALN Systems, Inc., the average apartment vacancy rate in Austin was 6.6 percent for the 12 months ending March 2008. The average rent in Austin increased 7 percent to \$821. In the Dallas and Houston areas, the central counties were especially soft. For example, in the Dallas area, apartment vacancy rates were 9.5, 8.5, and 6.5 percent in Dallas, Collin, and Denton Counties, respectively. The apartment vacancy rate in Houston increased to 10.8 percent,

compared with 9.9 percent for the previous 12-month period. The average rent in Houston was \$730, up 3 percent from a year ago. The rental market in Fort Worth was still very soft; the average apartment vacancy rate was unchanged, at 11 percent. In San Antonio, the apartment vacancy rate remained unchanged, at 9.4 percent, but the average rent was up 4 percent to \$701.

Rental housing market conditions generally improved in other large metropolitan areas throughout the Southwest region. In Albuquerque, the rental market was balanced, according to Reis, Inc., which reported an apartment vacancy rate of 5.1 percent for the first quarter of 2008, down from 5.5 percent a year ago. The average rent in Albuquerque increased 5 percent to \$690. In New Orleans, the apartment rental market is still tight, but vacancy rates increased from 3.3 percent for the first quarter of 2007 to 4 percent for the first quarter of 2008. The average rent increased 3 percent to \$858 compared with the rate a year ago, but was flat compared with the rate 6 months ago. The New Orleans market is expected to move toward a more balanced condition during the next 12 months in response to increased levels of apartment construction. In Little Rock, the vacancy rate became more balanced, at 6.8 percent, during the past 12 months, down from 8.5 percent a year ago, and the average rent increased 4 percent to \$626. In Oklahoma City, the apartment vacancy rate improved moderately to 8.2 percent, and Tulsa recorded a significant improvement to 8.5 percent from 10.2 percent a year ago. Average rents were up 4 percent to \$524 in Oklahoma City and up 4 percent to \$560 in Tulsa.

## GREAT PLAINS



The economy of the Great Plains region continued its 4-year expansion through the first quarter of 2008, although at a slower pace than in the previous 12 months. Nonfarm employment increased by 1.1 percent to nearly 6.7 million jobs for the 12 months ending March 2008 compared with the previous 12-month period. Kansas and Missouri led the region in nonfarm employment growth, with increases of 23,600 and 17,600, respectively. Nebraska and Iowa added 17,200 and 11,800 jobs.

Job gains in the region were strongest in the professional and business services and education and health services

sectors, which increased by 17,700 and 15,300 jobs, respectively. All sectors grew during the 12-month period except for manufacturing, which declined by 7,100 jobs. Missouri lost 9,000 manufacturing jobs, with transportation equipment manufacturing accounting for 52 percent of the loss. Kansas added 2,700 manufacturing jobs, including 2,300 jobs in aerospace product and parts manufacturing. Government remained the largest employment sector in the region, accounting for 16.7 percent of all nonfarm jobs, with more than 1.1 million jobs, up 13,300 jobs from the previous 12-month period. The leisure and hospitality sector increased by 6,700 jobs and the financial activities sector added 6,500 jobs compared with the number of jobs in the previous 12-month period. The average regional unemployment rate for the 12 months ending March 2008 was relatively unchanged, at 4.3 percent. Unemployment rates ranged from a low of 3.0 percent in Nebraska to a high of 5.3 percent in Missouri.

Home sales in the Great Plains region continue to slow, according to data from the NATIONAL ASSOCIATION OF REALTORS®, a trend that started in 2006. The average annual rate of sales of existing homes was 301,500 for the fourth quarter of 2007, down 7 percent from the fourth quarter of 2006. All states in the region experienced declining sales, ranging from a decline of nearly 5 percent in Nebraska to nearly 9 percent in Missouri.

Metropolitan area home sales markets in the region softened in the first quarter of 2008. For the 12 months ending March 2008, according to data from local REALTORS®, existing home sales declined and unsold inventory increased. Contributing to the softness was the gradual slowing of the economy and increased underwriting standards for home loans. The particularly harsh winter in the Great Plains compared with the previous year's winter also contributed to reduced home sales. In St. Louis, sales of 17,650 homes during the 12-month period ending March 2008 declined 11 percent from the previous 12-month period. The average sales price was relatively unchanged, at \$205,900. In Kansas City, sales declined by nearly 8 percent to 25,100, but the average sales price was relatively unchanged at \$158,200. The supply of homes for sale in Kansas City increased from 6.1 months to 7.4 months, or 15,472 homes.

Existing home sales in Wichita were relatively unchanged at 9,775, but the average price increased 6 percent to \$118,800. The supply of homes for sale in Wichita remained fairly low at 4 months, or 3,375 homes on the market. In Lincoln, the number of homes sold remained stable at 3,900 as did the average price of



\$156,200. The inventory of homes for sale was relatively unchanged at 2,250, representing approximately 7 months of supply. In Des Moines, for the 12 months ending February 2008, sales declined nearly 10 percent from the previous 12-month period to 9,725; the average price was relatively unchanged, at \$171,200. Active listings remained unchanged at 6,675, but the inventory represents an increase to 8 months of supply.

According to RealtyTrac<sup>®</sup>, Inc., foreclosure activity in the Great Plains region increased in three of four states, but remained well below the national average. For the first quarter of 2008 in Iowa, 1,570 properties were in foreclosure, an increase of 28 percent from the first quarter of 2007. In Kansas, the 1,400 properties in foreclosure represent an increase of 52 percent over the first quarter of 2007. In Missouri, 8,840 properties are in foreclosure, an increase of 46 percent. In Nebraska, the number of properties in foreclosure during the first quarter of 2008 declined more than 24 percent since the first quarter of 2007 to 740 properties. Nebraska's improvement in its foreclosure rate is a result of its strong economy and the fact that lenders and borrowers in Nebraska, in general, have avoided adjustable-rate mortgages and other nontraditional loan products.

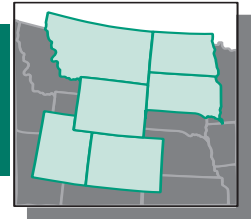
Responding to declining home sales and slower employment growth, builders reduced construction of single-family units for the 12 months ending March 2008. Approximately 28,200 single-family building permits were issued during the period, representing a decline of nearly 22 percent compared with the 12-month period ending March 2007. The number of single-family permits issued declined in each of the four states compared with the 12 months ending March 2007. In Missouri, permits were issued for 10,750 units, representing a decline of 29 percent. In Kansas, the number of permits issued declined 26 percent to 5,800. In Iowa, the number of permits declined 15 percent to 6,775 and, in Nebraska, the decline was 6 percent to 4,875 permits issued.

The production of multifamily units, as measured by the number of units permitted, declined 18 percent in the region to 11,950 units. During the 12-month period ending March 2008, the number of permits issued for multifamily units increased in both Kansas and Nebraska compared with the 12-month period ending March 2007. In Kansas, the increase was more than 8 percent, to 2,975 units, and, in Nebraska, the increase was nearly 15 percent, to 1,725 units. In Missouri and Iowa, the number of multifamily units permitted declined by 31 and 27 percent, respectively, to 5,275 and 1,950 units, respectively. According to the McGraw-Hill Construction Pipeline database, approximately 15,950 multifamily units are under construction in the region;

8,400 of these units are apartments and 7,550 are condominiums. In the first quarter of 2007, an estimated 15,900 multifamily units were under construction; 7,700 were apartments and 8,200 were condominiums.

Rental housing markets in the region's larger metropolitan areas continue to tighten, a trend begun in 2007. Gains in apartment occupancy are due to increases in renter households and comparatively lower levels of rental housing development in the region. According to Reis, Inc., apartment vacancy rates declined in St. Louis, Kansas City, Omaha, and Wichita in the first quarter of 2008 compared with the first quarter of 2007. The average vacancy rate for the first quarter of 2008 declined to 6.9 percent in St. Louis, 7.2 percent in Kansas City, 5.8 percent in Omaha, and 7.8 percent in Wichita. Average monthly rents increased 9 percent in St. Louis to \$721, 4 percent in Kansas City to \$695, 5 percent in Omaha to \$682, and 6 percent in Wichita to \$500.

## ROCKY MOUNTAIN



The economy of the Rocky Mountain region continued its 4-year expansion during the first quarter of 2008. For the 12 months ending March 2008, average nonfarm employment increased by 124,100 jobs, or 2.5 percent, compared with the same period a year ago. The gain was lower than the 3-percent rate recorded in the previous 12 months because of slower growth in most employment sectors. The most significant gains were in Colorado and Utah, which added 51,000 and 41,100 jobs, respectively. Employment advances in the trade, professional and business services, and education and health services sectors offset slower growth in most other sectors in both states. In Montana and Wyoming, increases of 9,000 and 9,800 jobs, respectively, were supported by the expanding construction and trade sectors. The steady growth in North Dakota and South Dakota, with 5,700 and 7,700 jobs added, respectively, contributed to the overall gains in the region. Because of employment growth, the average annual unemployment rate in the region remained low, at 3.5 percent for the 12 months ending March 2008. Unemployment rates varied from 2.8 percent in South Dakota and Utah to 4.0 percent in Colorado, well below the national rate of 5.0 percent.

Renewable energy production and employment in the region continue to advance because of favorable climate and geographic conditions and rising fossil fuel costs. The region leads the nation in potential wind energy generation and transmission capability, which has helped to attract renewable energy companies to the area. Vestas, a manufacturer of wind turbines, opened a \$60 million manufacturing facility north of Denver that will employ more than 600 people at full production, expected in 2 years. Renewable Energy Systems Americas Inc., will move its 70-employee development headquarters to Denver by early 2009. In North Dakota, a major wind component manufacturer, DMI Industries, has announced plans to expand operations, adding 100 employees during the next year to the approximately 500 workers currently employed at the plant. The region more than doubled its wind energy production capacity in 2007, but Colorado had the largest increase in production capacity, with 5 new facilities and nearly 600 wind turbines.

Even with a growing economy in the Rocky Mountain region, a tightening of lending credit standards has contributed to a decline in single-family home construction. For the 12-month period ending March 2008, single-family construction, as measured by the number of building permits issued, decreased by 29 percent to 44,100 homes compared with the previous 12 months. Although the number of single-family building permits issued decreased in all states except for North Dakota, the decline in Colorado and Utah accounted for 90 percent, or 16,100 units, of the 17,500-unit drop for the region. Construction activity in North Dakota was relatively unchanged from a year ago. The large declines in Colorado and Utah were in response to large inventories of unsold homes and a relatively higher level of construction than the other states in the region during the previous 12 months.

The sales market for existing homes in the Rocky Mountain region softened in 2007. According to the NATIONAL ASSOCIATION OF REALTORS®, the average annual rate of existing single-family home sales for 2007 was 230,000 units, a decrease of 7 percent compared with 2006. Except for North Dakota and South Dakota, which were relatively unchanged, all states in the region recorded a decrease in existing home sales. Sales in Utah declined by nearly 20 percent and accounted for more than 50 percent of the regional decline of 18,200 units in 2007. The large decline in Utah followed record-high homebuilding levels and price increases in 2006. In Colorado, the 4-percent decline in sales was 30 percent of the regional total.

Contributing to the relatively softer home sales market in the region has been an increase in single-family

foreclosure rates. According to the fourth quarter 2007 National Delinquency Survey, the 1.4-percent average foreclosure rate recorded in the region was up from 1.0 percent recorded a year earlier. The rate in Colorado, at 1.9 percent, was the highest in the region and 21st highest in the nation. The relatively higher rate in Colorado has been driven by rising mortgage interest rates on adjustable-rate mortgages and the high use of home equity loans. In Utah, for the first time in 5 years, the foreclosure rate increased from the previous year, rising in the fourth quarter to 0.8 percent from 0.6 percent.

Metropolitan area home sales markets in Colorado softened in the first quarter of 2008. For the 12 months ending March 2008, according to the Denver Board of REALTORS®, existing single-family home sales fell by 3 percent from a year ago. The average sales price decreased by 3 percent to \$306,700. The Pikes Peak Association of REALTORS® reported that existing sales activity was down 16 percent from last year and that the average single-family price was relatively unchanged, at close to \$242,200. Average active listings for the 12 months ending March 2008 were up by 14 percent from 1 year ago.

Sales market conditions for single-family homes in major metropolitan areas in Utah have softened from the extremely tight conditions of a year ago. The Salt Lake Board of REALTORS® reported that the volume of existing home sales for the 12 months ending March 2008 was 30 percent less than the same period a year earlier. Active listings were up by 20 percent from a year ago to 9,000 homes. Despite slower sales and increased inventories, the average price increased by 7 percent to \$297,100. The market is strongest for homes priced below \$350,000; homes priced above the Federal Housing Administration loan limit of \$729,750 take the longest amount of time to sell. Home sales in the Provo-Orem area decreased by 35 percent, but the average price was up by 7 percent to \$288,800.

Increased demand and reduced levels of apartment construction activity have led to improved rental housing market conditions in the region. According to *Apartment Insights*, published by Apartment Appraisers & Consultants for the Denver area, during the 12 months ending March 2008, the average vacancy rate decreased by 1 percentage point from a year ago to 6.3 percent and the average contract rent was relatively unchanged, at \$860. As the market has continued to improve, the average value of rent concessions in Denver fell from approximately 9 to 6 percent. In the Colorado Springs area, the market remains soft, although it is improving, because of ongoing troop deployments from Fort Carson Army Base. The average apartment vacancy rate in Colorado



Springs during the same period was down nearly 1 percentage point to 9 percent, but average rent was relatively unchanged, at \$700. In the Salt Lake City area, the average apartment vacancy rate reported by ARA Apartment Realty Advisors declined to 4.5 percent from 5.1 percent recorded a year ago, but average rent increased by 9 percent to \$730. Rental markets in most metropolitan areas of the region are expected to continue to tighten during the next 12 months because of an increasing, but limited, level of apartment construction and strong growth in the number of renter households.

Multifamily housing construction activity in the region, as measured by the number of units permitted, was up 6 percent to 15,800 units for the 12 months ending March 2008. Gains in Colorado and South Dakota more than offset losses in Montana, North Dakota, Utah, and Wyoming. Colorado recorded the largest gain in multifamily units permitted, increasing by 1,000 to 9,350 units during the past 12 months. Although condominiums account for about 60 percent of multifamily construction, tightening rental markets and softening sales market conditions have prompted developers to build more apartment units. In the Denver area, developers are on pace to add 3,500 apartment units by the end of the year and another 4,000 to 5,000 units by the end of the next year. The number of units is well above the 1,700 units that were delivered last year and approximately equal to the 4,000 units absorbed annually since 2000.

## PACIFIC



Economic growth in the Pacific region slowed significantly throughout most of 2007 and into the first quarter of 2008. Nonfarm employment in the region rose 90,300 jobs, or just 0.5 percent, to 19.7 million in the 12 months ending March 2008. In comparison, employment grew by 2 percent, or nearly 390,000 jobs, in the previous 12 months. Employment in the service-providing sectors increased by 1.2 percent, notably in the government and the education and health services sectors, which each added nearly 70,000 jobs. Reflecting the decline in residential construction and lending in all states of the region, the construction and financial activities sectors lost 80,000 and 37,000 jobs, respectively.

In California, employers added 62,600 jobs, a 0.4-percent gain, in the past 12 months, far below the 226,400-job increase in the previous 12 months. The government and the education and health services sectors led the job gains, adding approximately 50,000 jobs each, followed by the leisure and hospitality sector, with an increase of 29,000 jobs. Strong high-technology exports and information processing industries supported 36,000 new jobs in the San Francisco Bay Area in the past 12 months, a 1.1-percent increase. Conversely, Southern California employment declined by 8,600 jobs during the same period. The Arizona economy gained 16,600 jobs, or 0.6 percent, in the 12 months ending March 2008, well below the 103,000 jobs added a year earlier. Employment rose 4 percent in both the government and the education and health services sectors, which more than offset the 8-percent, 20,000-job loss in construction employment.

In Nevada, employment increased by only 6,400 jobs, or 0.5 percent, mainly due to weak residential construction and slow growth of gaming revenues in Las Vegas and Reno; the increase was far below the average of 48,000 new jobs a year in the Silver State during the 2002-to-2007 period. The Hawaii economy gained 4,600 jobs, up 0.7 percent, due to growth in the leisure and hospitality and the education and health services sectors. Reflecting slower employment growth, the unemployment rate in the Pacific region rose to an average of 5.3 percent in the 12 months ending March 2008, increasing from 4.7 percent a year earlier. The unemployment rate ranged from 2.8 percent in Hawaii to 5.6 percent in California; the rate rose in all states except Arizona, where the rate was unchanged.

Home sales declined in the first quarter of 2008 throughout the Pacific region, reflecting tight mortgage credit and underwriting standards, cautious buyers, and generally slower economic growth. In California, sales of existing single-family homes declined by 30 percent to 322,000 in the 12 months ending March 2008 compared with the previous year, according to the California Association of REALTORS®. The volume of sales was the lowest since the early 1980s. The median sales price fell 8 percent to \$518,000, compared with a 4-percent gain in the previous 12 months. The lower prices were due in part to the decline in the proportion of sales with jumbo loans and a substantial increase in lower-priced foreclosure sales to 33 percent of statewide sales in the first quarter of 2008, from 3 percent a year earlier, according to DataQuick®. The inventory of unsold existing homes rose to a 14-month supply from approximately an 8-month supply a year earlier. Total sales, both new and existing, dropped 30 percent in the San Francisco Bay Area and 39 percent in Southern California.

In Phoenix, sales of new and existing homes fell 31 and 37 percent, respectively, in the 12 months ending March 2008, according to the *Phoenix Housing Market Letter*. The 51,800 existing homes sold in the past 12 months were far below the record of nearly 135,000 homes sold in 2005. The median price of existing homes fell 7 percent to \$236,000 from a median price of \$253,600 in the previous 12 months. The unsold inventory in Phoenix has remained at more than 50,000 homes for the past 12 months. Home sales in Las Vegas have also declined. New and existing home sales each decreased by more than 40 percent in the past 12 months to 17,400 and 22,300 homes, respectively, according to the *Las Vegas Housing Market Letter*. The median price of existing homes declined 9 percent to \$260,000 in the 12 months ending March 2008. The price declines were largely a result of the 10-percent increase in the inventory of unsold homes to 28,000 units in the first quarter of 2008. The high levels of foreclosure sales, accounting for approximately 40 percent of recent sales, also contributed to the lower average price. In Honolulu, sales declined 14 percent to 8,600 in the 12 months ending March 2008. The median price of single-family homes rose 1 percent to \$637,000, and the average condominium price rose 4 percent to \$327,000.

In response to declining demand and generally high levels of unsold inventory, single-family homebuilding activity in the region, as measured by the number of building permits issued, fell 42 percent to 100,700 in the 12 months ending March 2008. In California, home construction activity declined by 43 percent, to 53,700 homes permitted. In Arizona and Nevada, the number of homes permitted also declined by more than 40 percent to 30,000 and 13,000, respectively. Home builders in Hawaii received permits for 3,900 single-family homes, off 26 percent in the past 12 months.

Rental housing market conditions were mixed in the Pacific region in the first quarter of 2008. In the San Francisco Bay Area, employment and household growth and the high costs of homeownership contributed to a tight rental market. According to Reis, Inc., the San Jose-Silicon Valley area recorded a vacancy rate of 3.5 percent and the vacancy rates in the San Francisco and Oakland submarkets were approximately 4 percent. Vacancy rates in these areas decreased by 1 percentage point since the first quarter of 2007. The average rent increase in the past year ranged from 6 percent in the Oakland area to 11 percent in the San Francisco area, one of the highest increases in the country. In Sacramento, the apartment market was balanced, with a vacancy rate of 5.3 percent. The rate decreased by 0.5 percentage point in the past year, but the average rent increased by 3 percent.

Rental vacancy rates increased in much of Southern California because of the slower economy and the addition of investor-owned, single-family homes to the rental stock. The rental market conditions in Los Angeles, Orange, and Ventura Counties remained tight, although rental vacancy rates increased to 4.5 percent from 4 percent in the first quarter of 2008 compared with a year earlier. The rental vacancy rate in southern Santa Barbara County remains under 4 percent. San Diego County was the only county in Southern California where the rental vacancy rate declined, going to 4 percent from 4.5 percent during the last 12 months. The vacancy rate in Riverside County increased to 8 percent from 7.5 percent a year ago due to an increased volume of apartment completions and an increase in the conversion of single-family homes to the rental market. Conditions in San Bernardino County remained stable at a 6.5-percent vacancy rate. According to the Consumer Price Index for Southern California, rents increased more than 4 percent during the 12 months ending March 2008, down from the 7-percent increase during the previous 12-month period.

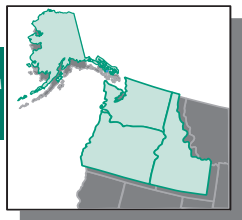
In Phoenix, the apartment rental vacancy rate rose to nearly 9 percent in the first quarter of 2008, up 1.5 percent in the past year, according to Reis, Inc. The average rent in the area increased by 3 percent. The Las Vegas rental market remained balanced at a vacancy rate of 6.5 percent but was up from 5 percent a year earlier; the average rent increased by nearly 3 percent, well below the nearly 5-percent gain in the previous 12 months. Increased rental vacancies in Phoenix and Las Vegas are attributable to slow job growth and increased rental supply from apartment completions and single-family homes for rent. The Honolulu rental market remained tight, although the overall rental vacancy rose from 3.5 to 4.5 percent in the past year; rents increased nearly 7 percent between the second half of 2006 to the second half of 2007.

Multifamily building activity in the region, measured by the number of units permitted, declined 12 percent to 59,400 units in the 12 months ending March 2008. California accounted for most of the drop, down 21 percent to 37,150 units. Multifamily construction in Arizona and Hawaii fell 12 and 20 percent, respectively, primarily due to reduced condominium development. The number of multifamily units permitted totaled 9,200 units in Arizona and 1,750 in Hawaii. In Nevada, multifamily production rose 50 percent to 11,300 units, mainly reflecting the construction of new condominiums in Las Vegas.





## NORTHWEST



Economic conditions in the Northwest region were strong during the 12 months ending March 2008, although the slowdown in single-family residential construction moderated employment growth. Nonfarm employment increased by 106,000 jobs, or 1.9 percent, to an average of 5.7 million jobs. The employment growth rate was 1 percentage point below the rate recorded in the previous 12 months. In Washington, nonfarm employment increased by 2.4 percent during the 12 months ending March 2008, or by nearly 70,000 jobs, to an average of 2.9 million. Idaho had the second fastest rate of growth in the region, adding 13,100 jobs for a gain of 2 percent. Nonfarm employment grew by 1.3 percent or 22,100 in Oregon to 1.7 million jobs and by 0.6 percent in Alaska, up 1,900 to 318,000 jobs. Regional job gains were led by the leisure and hospitality sector, up 21,200 jobs; the education and health services sector, up 20,800 jobs; and the professional and business services sector, up 16,200 jobs. Construction sector employment increased by 7,900 jobs in the region, down 75 percent from the number of jobs added a year ago, with Alaska and Idaho registering a net decline of 900 and 800 jobs, respectively. Manufacturing employment decreased in every state in the region, except for Washington, where manufacturing jobs were up 7,100, led by hiring at The Boeing Company. The financial activities sector recorded a net decline of 1,400 jobs in the region due to layoffs in the home mortgage lending industry. The regional unemployment rate remained relatively stable at 4.7 percent, compared with 4.8 percent during the 12 months ending March 2007. The average unemployment rate was 2.8 percent in Idaho, 4.6 percent in Washington, 5.3 percent in Oregon, and 6.3 percent in Alaska.

Sales housing market conditions have softened in the Northwest region since late 2006 due to rapid price gains, higher interest rates, and, most recently, tighter lending standards. In Washington, according to Northwest Multiple Listing Service data, the Puget Sound metropolitan areas of Seattle, Tacoma, Bremerton, and Olympia recorded 57,600 new and existing homes sold during the 12 months ending March 2008, a 23-percent decline compared with the number sold during the previous 12 months. The largest rate of decline in the number of homes sold occurred in the Tacoma area, where sales were down by 31 percent, with Bremerton, Seattle, and

Olympia each down by approximately 20 percent. The slowdown in home sales caused the total unsold active inventory of new single-family homes in the Puget Sound metropolitan areas to reach 13,400 homes as of December 2007, a nearly 30-percent increase from December 2006, according to data from Hanley Wood, LLC.

The average sales price for new and existing single-family homes sold in the metropolitan areas of Puget Sound was \$455,500 during the 12 months ending March 2008, a 6-percent increase compared with a 13-percent increase in the previous 12 months. The average price in the Seattle and Olympia areas increased 6 percent to \$524,000 and \$304,300, respectively. In the Bremerton and Tacoma areas, the average price was \$365,800 and \$324,600, respectively, each a 2-percent gain. The average price for condominiums sold in the Seattle area increased 9 percent to \$327,500 compared with a 17-percent increase a year ago. The number of condominium units sold in the Seattle area was down 11 percent during the 12 months ending March 2008, totaling approximately 12,400 units, but was only 1 percent less than the average volume sold during the 4-year period ending March 2006.

The number of new and existing homes sold in major markets in Oregon declined 20 percent to 56,100 during the 12 months ending March 2008 compared with the number sold during the previous 12 months, according to data from the *Market Action Report* of RMLS™. The average price increased 4 percent to \$311,900 during the same period in these market areas. In the Portland-Vancouver-Beaverton, Oregon-Washington metropolitan area, sales of new and existing homes were also down 20 percent, totaling 31,800 units. The average price in the metropolitan area was \$337,400, an increase of 6 percent. Sales of new and existing homes totaled 9,100 homes in the Boise metropolitan area, a 36-percent decrease compared with sales recorded in the previous 12 months, and the average home price increased by 1 percent to \$238,100, according to Intermountain Multiple Listing Service data. Alaska Multiple Listing Service, Inc., data showed a 12-percent decline in new and existing home sales, at 2,700 sales, in Anchorage during the 12 months ending March 2008. The average home price in Anchorage increased 4 percent to \$326,000.

Home construction activity, as measured by the number of building permits issued, declined nearly 30 percent in the Northwest region during the 12 months ending March 2008 in response to reduced home sales. Single-family building permits totaled 49,300, or 18,500 units fewer than the number permitted in the previous 12 months. In Washington, the number of single-family permits issued declined by 7,400 to 25,300 units compared

with the volume permitted in the previous 12 months. In Oregon, the number of single-family building permits issued decreased by approximately 5,800 units to 13,700 units. The number of single-family permits issued in Idaho declined by 4,800 units, totaling 9,400 units. In Alaska, single-family construction activity totaled 1,000 homes, down nearly 500 units from the volume permitted in the 12 months ending March 2007.

Multifamily building activity in the Northwest region, as measured by the number of units permitted, slowed in the 12 months ending March 2008 following an increase in activity during the previous 12 months in response to tight rental market conditions. The number of units permitted during the current 12-month period totaled 21,600 units, down 6,700 units or 23 percent, compared with the number permitted during the previous 12 months. In Washington, the number of multifamily units permitted declined by 3,000 units during the 12 months ending March 2008 to 14,500 units. In Oregon, the number of units permitted totaled 4,700, a decline of 2,700 units. Multifamily construction in Idaho declined by 550 units to a total of 1,700 units and, in Alaska, activity totaled 700 units, down by 450 units compared with the previous 12 months.

Strong demand for rental housing resulting from job growth and stricter lending standards for sales housing have created tight rental market conditions in the Northwest region. According to Dupre+Scott's *The Apartment Vacancy Report*, the average rental vacancy rate in the Puget Sound metropolitan areas of Seattle, Tacoma, Bremerton, and Olympia was 4.1 percent as of

March 2008, down from 4.3 percent a year ago. The average rent in the Puget Sound metropolitan areas was \$952, up 8 percent from \$883 a year ago. In the Seattle metropolitan area, the estimated rental vacancy rate was 4.3 percent and the average rent increased nearly 9 percent from March 2007 to approximately \$1,000 a month. In the Tacoma metropolitan area, the average rent increased 7 percent to \$800 and the estimated rental vacancy rate was 3.9 percent, down from 5.8 percent a year ago. Rental market conditions were similarly tight in the Bremerton and Olympia metropolitan areas, where rental vacancy rates were 4.2 and 3.2 percent, respectively, as of March 2008.

In the Portland-Vancouver-Beaverton area, according to Reis, Inc., data, the rental vacancy rate for the first quarter of 2008 was tight, at 4.5 percent compared with 5 percent for the same quarter a year earlier. Rents in the Portland-Vancouver-Beaverton area increased 6 percent to average \$851, based on data from RealFacts. The estimated rental vacancy rate was below 4 percent in the Oregon metropolitan areas of Salem, Eugene-Springfield, Medford, and Bend, due to limited new apartment construction. The average rent increased between 6 and 8 percent in these Oregon market areas during the past 12 months. The overall rental vacancy rate in the Boise metropolitan area was balanced, at 6.5 percent for the first quarter of 2008, up from 5.5 percent for the same period a year ago. According to RealFacts, for the first quarter of 2008, the average apartment rent in the Boise area was \$740, a 4-percent increase compared with the rent recorded in the first quarter of 2007.



## Housing Market Profiles

### Atlanta-Sandy Springs-Marietta, Georgia

The Atlanta-Sandy Springs-Marietta metropolitan area in northwest Georgia encompasses 28 counties and covers 8,480 square miles. As of July 1, 2007, the population of the metropolitan area was nearly 5.3 million, as estimated by the Census Bureau, an increase of 151,100, or 2.9 percent, from July 1, 2006. Population growth slowed from the 170,400 increase in the previous year as net in-migration declined from 121,200 to 99,800, reflecting moderating employment growth in the metropolitan area. Approximately two-thirds of the metropolitan area population resides in the five core counties of Clayton, Cobb, DeKalb, Fulton, and Gwinnett.

In 2008, the Atlanta metropolitan area continued its economic expansion that began in 2004, although last year's pace slowed compared with the preceding 2 years. During the 12 months ending February 2008, nonfarm employment averaged almost 2.5 million, an increase of 48,600 jobs, or 2.8 percent, compared with the 12-month period ending February 2007. In comparison, employment increased by 71,900 jobs for the 12-month period ending February 2006 and by 66,000 jobs for the corresponding period ending February 2007. Sectors leading the growth during the past year include government, education and health services, and professional and business services. Employment in the government and education and health services sectors increased at a faster rate of 4 percent during the past year, largely as a result of the growing population in the metropolitan area. Reflecting decreasing residential construction throughout the area, construction employment increased by a modest 500 jobs compared with more than 6,000 jobs added annually during the previous 2 years. Manufacturing employment decreased by approximately 2,000 jobs to 175,700 during the past 12 months, the largest decline in 4 years. Transportation equipment manufacturing employment fell by 2,600 jobs, or 14 percent, during the past 12 months, reflecting the closure of the Ford Motor Company automobile assembly plant in Hapeville near the end of 2006. Employment in this sector will continue to decline as General Motors Company ceases operations at its 3,100-worker assembly plant in Doraville during the next year. The average unemployment rate for the

12 months ending February 2008 was 4.4 percent, down from 4.5 percent recorded a year ago.

The Atlanta metropolitan area has consistently been a leader in single-family homebuilding activity in the nation, averaging 51,100 homes permitted annually since 2000. Homebuilding activity has slowed significantly in the area during the past 2 years, however, in response to declining home sales. During the 12 months ending February 2008, building permits were issued for 28,100 single-family homes, a decrease of 45 percent from the same period last year. This decline followed an 18-percent decrease for the 12-month period ending February 2007. As has been typical for the past 7 years, the five core counties accounted for approximately one-half of the single-family home permits issued in the metropolitan area during the past 12 months, or approximately 12,900. According to Metrostudy, the decline in building activity has led to a 5-year supply of developed home sites in the metropolitan area, compared with a 2-year supply considered as normal for the market.

Despite the slowdown in homebuilding, the Atlanta metropolitan area home sales market is soft. Increased foreclosures and decreased sales have produced a surplus of unsold units and have put downward pressure on sales prices. RealtyTrac® Inc., estimated that 50,250 properties in the metropolitan area had foreclosure filings during 2007, representing nearly 3 percent of all households. Home prices in the metropolitan area have shown more stability compared with markets in other areas of the country, however, with less dramatic upswings and downswings in the market. According to the Office of Federal Housing Enterprise Oversight (OFHEO) Housing Price Index, between December 2001 and December 2006, home prices in the metropolitan area increased by an average 5 percent a year, compared with much higher annual increases of 11 percent for the nation and 14 percent for the South Atlantic region. From December 2006 to December 2007, home prices in the metropolitan area increased by 1.6 percent, compared with an increase of less than 1 percent for the nation and virtually no change for the South Atlantic region.

Rising inventories of unsold condominium units and vacant apartment units led to a decrease in multi-family construction activity in the metropolitan area during the past year. The number of multifamily units permitted decreased from 14,250 units during the 12 months ending February 2007 to 12,350 units in the 12 months ending February 2008, a decline of 13 percent. This decrease followed an increase of 2,400 units, or 20 percent, in the previous year.

Approximately 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 7,650 of the units, a decrease of 20 percent compared with the 9,600 units permitted in the county in the preceding 12-month period. Most of these units are in for-sale condominium and town-home developments.

Although condominium development activity remains strong, a large supply of available condominiums has caused developers and lenders to delay development plans for new properties. 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, reached a record high of 7,250 units at the end of 2007, exceeding the previous high of approximately 6,000 units at the end of 2006. Condominium sales decreased to 1,700 units during 2007 from 2,725 units sold in 2006, a level more typical of sales during the past 7 years, and declined from the record high of 4,750 units sold in 2005, a particularly strong year for entry-level properties. Approximately 4,500 units were under construction at year-end 2007, down slightly from 4,725 in 2006.

In the first quarter of 2008, the apartment market in the metropolitan area faced significant competition from condominiums and single-family homes that were made available for rent. According to M/PF YieldStar, occupancy in the Atlanta apartment market decreased by 6,700 units during the first quarter of 2008, the largest quarterly decline in two decades, and more than offset increases posted during the last half of 2007. For the year ending March 2008, the number of occupied metropolitan area apartments decreased by 2,440 units despite moderate employment and population growth and a modest 6,300-unit increase in the apartment inventory. The metropolitan area apartment market vacancy rate increased from 6.4 percent in the first quarter of 2007 to 8.7 percent in the first quarter of 2008 as unsold condominium units and single-family units placed on the rental market captured a larger share of renter demand. According to Reis, Inc., 150 condominium units were converted to rental use during 2007, a reversal from 2006 when 2,400 rental apartments were converted to owner-occupancy units. Despite the rising apartment vacancy rate, property owners increased effective rents by approximately 2 percent during the past year to an average of \$827 a month in the first quarter of 2008.

## Bloomington-Normal, Illinois

The population of the Bloomington-Normal metropolitan area, which consists of McLean County, was estimated at 162,400 as of January 2008, which indicates an average annual increase of 1,550, or 1 percent, since 2000. Net natural change (resident births minus resident deaths) accounted for three-fourths of the total population growth, and net in-migration accounted for the remainder. Approximately 80 percent of the population growth has occurred in the cities of Bloomington and Normal since 2000.

Between 2000 and 2007, nonfarm employment increased by only 140 jobs annually, compared with an annual increase of 2,400 in the 1990s. The small job growth is attributable to a slowdown in hiring by major area businesses and increased layoffs. Between 2004 and 2005, Mitsubishi Motors eliminated 1,000 jobs due to slower automobile sales. More recently, however, the level of employment growth has been higher, led by gains in the healthcare industry and the financial activities sector. During the 12-month period ending February 2008, nonfarm employment increased by 1,100 jobs, or 1.2 percent, to 91,200 compared with a 1.3-percent increase during the previous 12-month period. The healthcare industry, with more than 12,000 jobs in the metropolitan area, added 300 jobs, an increase of 3.4 percent. The financial activities sector, the second fastest growing employment sector, increased by 3.3 percent.

Economic development in the metropolitan area is concentrated in the cities of Bloomington and Normal. Since 2006, more than \$100 million in private and public funds were invested in the two cities, resulting in 1,000 new jobs, with an additional 2,100 jobs anticipated by 2011. Constitution Trail Centre is a \$45 million, 76-acre retail center located on the northwest side of Normal. When initial retailers and businesses opened in the center in September 2007, approximately 140 jobs were created, accounting for 70 percent of all retail jobs gained during the 12 months ending February 2008. Wildwood Industries, Inc., a manufacturer of vacuum cleaners, is expanding in Normal and is expected to increase employment by 350 jobs by the fall of 2008, when the building of a new \$21 million warehouse will be completed.

Conditions in the home sales market in the metropolitan area are balanced. Sales of new and existing homes were strong between 2004 and 2007, averaging 2,800 homes a year. In 2005 and 2006, the Bloomington Normal Association of REALTORS® reported record



sales of 2,950 new and existing single-family homes each year compared with 2,825 homes sold annually in 2003 and 2004. During the past 12 months, however, sales activity has slowed, the result of tighter lending standards. Sales of new and existing homes totaled 2,640 in the 12 months ending February 2008, down 10 percent from the previous 12-month period. According to the NATIONAL ASSOCIATION OF REALTORS®, the median sales price of existing homes in the Bloomington-Normal metropolitan area decreased from \$154,000 in the fourth quarter of 2006 to \$145,300 in the fourth quarter of 2007, a decline of nearly 6 percent.

Population growth and the increased demand for new homes prompted builders in the Bloomington-Normal metropolitan area to increase the production of single-family homes to record levels from 2000 to 2003. During this 4-year period, building permits were issued for 3,320 single-family homes, or 830 units annually. Between 2004 and 2007, single-family construction fell to an average of 600 permits issued annually in response to declining demand for new homes and the growing inventory of unsold homes. In 2007, the unsold inventory totaled 1,235 new homes, up 40 percent from the previous year. During the 12 months ending February 2008, homebuilding continued to slow. Building permits were issued for 350 single-family homes, down 30 percent from the 500 homes permitted a year earlier.

The rental housing market in the Bloomington-Normal metropolitan area is currently slightly soft. During the past year, the rental market tightened because of moderate employment growth and an increase in renter households. The rental vacancy rate decreased to 8 percent in January 2008, down from 10 percent in January 2007, according to Snyder Corporations, one of the largest rental property managers and developers in the metropolitan area. The rental vacancy rate in Class A properties is currently 5.5 percent, down from 7 percent in 2007. Despite the decline in rental vacancies, rents have remained stable. Market-rate rents for newly completed Class A general occupancy units average \$590, \$760, and \$900 for a one-bedroom, two-bedroom, and three-bedroom unit, respectively, unchanged from 1 year ago.

Despite the decline in the rental vacancy rate, multifamily construction in the metropolitan area, as measured by the number of units permitted, remained unchanged in the 12 months ending February 2008. Building permits were issued for 175 multifamily units, equal to the number in the previous 12-month period.

## Buffalo-Niagara Falls, New York

The Buffalo-Niagara Falls metropolitan area is located in western New York State and includes Erie and Niagara Counties. The metropolitan area, which is adjacent to Lake Erie and Lake Ontario, is a regional center for employment and health care. Because the metropolitan area is in close proximity to the province of Ontario, Canada, cross-border trade and tourism affect the economy.

During the 12-month period through March 2008, total nonfarm employment in the area increased by 1,300 jobs, or 0.2 percent, to 547,500 compared with the previous 12-month period. Total service-providing employment increased by 3,500 jobs, or 0.8 percent, compared with last year. During the same period, 4,100 jobs were added in the professional and business services, leisure and hospitality, and government sectors, which grew by 1,500, 1,400, and 1,200 jobs, respectively. This growth was partially offset by the loss of 1,600 manufacturing jobs, a 3-percent decline to 60,400 jobs. Slow employment growth has contributed to continued net out-migration, causing the population in the metropolitan area to decline by 5,200 during the 12 months ending October 1, 2007, to slightly more than 1.1 million. The average annual unemployment rate decreased from 5.0 to 4.9 percent during the 12-month period through March 2008 compared with the previous 12 months.

The weaker U.S. dollar relative to Canadian currency has resulted in increased tourism and cross-border Canadian shopping in the area. In the 12-month period through March 2008, employment in the leisure and hospitality sector increased by 1,400 jobs, or nearly 3 percent, from the same period a year ago. This gain represented the highest level of job growth in this sector in the past 5 years. Employment in Erie County increased significantly in 2005 when Government Employees Insurance Company established a regional service center, which is expected to employ 2,500 people by 2010. The Seneca Nation of Indians gaming casino, which opened in 2002, expanded in December 2005 with a new \$200 million, 26-story spa hotel. Employment at the casino/hotel complex is now approximately 4,000, making it the leading employer in Niagara County. The leading private-sector employers in the metropolitan area include Kaleida Health (10,000 jobs), HSBC Bank USA (5,950 jobs), and Catholic Health System (4,950 jobs).

Conditions in the Buffalo-Niagara Falls home sales market are balanced. Data from the Buffalo Niagara Association of REALTORS® indicated the median price of an existing home in the area increased

nearly 3 percent to \$103,800 in the 12-month period through March 2008 compared with a year ago. A recent study by Bizjournals.com identified Buffalo as the seventh most affordable housing market in the country. From 2000 to 2007, the estimated median family income in the metropolitan area increased 2.6 percent annually to \$59,300. During the 12 months ending March 2008, existing single-family home sales in the area remained stable at 11,000 homes compared with the previous 12 months.

Housing construction, as measured by the number of building permits issued, has declined since 2003, with most of the decrease occurring in single-family activity. Since 2000, an average of 2,575 units were permitted a year; approximately 80 percent of the units permitted were single-family homes. Between 2003 and 2007, single-family construction decreased from 2,400 to 1,475 units a year, or approximately 40 percent, in response to declining sales. Prices for new townhomes and condominiums begin at \$150,000. Prices of new single-family homes with approximately 2,500 square feet of living space start at \$300,000. Since 2000, the number of multifamily units permitted averaged 580 units a year; approximately 90 percent have been in Erie County.

Rental market conditions in the metropolitan area are balanced. Between 2006 and 2007, Reis, Inc., indicated that the average monthly apartment rent in the area increased almost 5 percent from \$681 to \$712 a month, while the apartment vacancy rate declined from 5.4 to 4.3 percent. Since 2002, more than 500 units of small, adaptive reuse rental projects have been developed in the city of Buffalo. Many of these properties consist of loft apartments with high ceilings, upscale amenities, and onsite parking. Market-rate rents at these properties for a one-bedroom unit exceed \$1,000 a month plus utility costs, while a two-bedroom unit rents for approximately \$2,000 a month.

## **Fort Lauderdale-Pompano Beach-Deerfield Beach, Florida**

Located on the southeast coast of Florida, the Fort Lauderdale-Pompano Beach-Deerfield Beach housing market area (HMA), defined as Broward County, is bounded by Palm Beach County to the north, Miami-Dade County to the south, and Collier and Hendry Counties to the west. Tourism, both domestic and international, significantly affects the economy of the area. During the past year, the county had more than 10.5 million visitors, a record high, with an

economic impact estimated at \$9 billion, according to the Greater Fort Lauderdale Convention & Visitors Bureau.

As of April 1, 2008, the estimated population of the HMA was approximately 1.9 million, an increase of nearly 35,600, or 2 percent, annually since April 1, 2000. Population growth slowed somewhat during the past 2 years as a result of a reduction in the rate of growth in employment. The population has increased at an average annual rate of about 31,000 since the beginning of 2006 compared with nearly 34,700 annually between 2000 and 2005. Approximately 40 percent of population growth since 2000 is the result of international in-migration, primarily from Central America, South America, and the Caribbean. Fort Lauderdale is the largest city in the HMA, with an estimated population of 185,800 as of July 1, 2006, according to the Census Bureau.

The primary industries of Broward County are aviation, port, and tourism, all of which are growing. At Fort Lauderdale-Hollywood International Airport, passenger traffic is projected to increase by more than 5 percent in fiscal year (FY) 2007—with a record 22 million passengers using the facility. In 2007, Port Everglades experienced its third year of record growth in containerized cargo. The port continues to be one of the top three cruise ports in the world; in 2008, it will add 6 cruise ships to its 34-ship fleet. In total, Port Everglades expects to host 3.4 million passengers sailing aboard 40 cruise ships from 15 cruise lines during the 2008 cruising season. Tourism continues to play a major role in the South Florida economy, particularly in Broward County. Total FY 2007 tourist tax revenues were up 4 percent to \$41 million, a new record.

Growth in the leisure and hospitality sector and other services sectors was offset by the loss of 3,300 and 3,400 jobs in the financial activities and construction sectors, respectively. As a result, average nonfarm employment decreased by 1,000 jobs during the 12 months ending March 2008 to 788,000, compared with a 14,000-job increase during the previous 12 months. Employment in the construction and financial activities sectors is expected to remain stable during the second half of 2008. In the past 12 months, the average unemployment rate increased from 3.1 to 3.6 percent.

As a result of the stagnant economy and tighter lending conditions, the sales housing market is currently soft, with an estimated vacancy rate of 2.9 percent. At the end of 2007, foreclosures doubled to 6,700 and notice of defaults, which precede foreclosure, tripled, indicating foreclosures may be



accelerating in 2008. Data from Reinhold P. Wolff Economic Research, Inc., a local real estate analysis firm, indicate that sales of new single-family homes in the fourth quarter of 2007 totaled 450, which is 40 percent fewer than the number of sales in the third quarter of 2007. According to the Wolff data, the median price of a new home in the fourth quarter was \$421,300, 37 percent lower than a year ago, when the median price was \$673,100. This decline in new home prices is the first in several years. Currently, the three areas with the most new home sales activity are Hollywood, Hallandale, and Pembroke Pines, located in the southeast corner of the county.

Sales of existing single-family homes have also declined. Data from the Florida Association of REALTORS® indicate sales of existing single-family homes in the HMA totaled approximately 5,700 for the 12 months ending March 2008 compared with 8,000 for the same period a year ago, a decrease of 29 percent. The median price for an existing home decreased 6 percent to \$347,200.

As a result of a slowdown in home sales, single-family home construction has decreased. The number of building permits for single-family homes declined from an annual average of more than 7,925 between 1999 and 2002 to an annual average of 3,950 between 2003 and 2006. With increasing inventories of unsold homes and tighter lending restrictions, the decline has continued through the present, with single-family permits totaling fewer than 1,500 units for the 12-month period ending March 2008, 54 percent fewer than the 3,200 units permitted during the same period a year ago.

Condominium sales in the HMA increased significantly between 2003 and 2006 because they became a more affordable alternative for homeownership as a result of the double-digit price appreciation of single-family homes. From 2002 through 2006, an average of more than 4,200 multifamily units a year were permitted for construction, compared with an average of 3,600 units a year from 1997 through 2001. Of the 21,100 multifamily units permitted in the 5-year span between 2002 and 2006, about 10,000, or 53 percent, were owner-occupied units, according to the McGraw-Hill Construction Pipeline database. As condominium sales have slowed, the number of multifamily units authorized by building permits declined to about 2,100 for the 12 months ending March 2008.

After 4 years of significant activity, the condominium market has weakened. Sales of new condominiums totaled 7,900 units in 2007, a 45-percent decrease from 2006, according to data from Reinhold P. Wolff.

The median price for a new condominium in the HMA increased nearly 15 percent from \$232,800 to \$265,900 during the same period. Based on data from the Florida Association of REALTORS®, 6,200 existing condominiums were sold in the 12 months ending March 2008, 25 percent fewer than were sold during the same period a year ago. The median sales price of an existing condominium in the HMA decreased nearly 16 percent to \$171,900 during the past 12 months.

According to data from Reis, Inc., nearly 10,000 apartment units have been completed in the HMA since 2000; however, only 9 percent of these units were completed after January 2005 because resources were used to build condominiums rather than apartments. In addition, between 2003 and 2006, more than 29,000 apartments were converted to condominiums, contributing to a decline in the rental inventory from 95,000 to slightly more than 70,000 as the apartment vacancy rate fell from 5.6 to 2.6 percent. During the past 12 months, 600 new rental units were completed and another 4,000 to 5,000 units were “reverted” to apartments from condominiums. The market has been slow to absorb these units and the vacancy rate has increased to a current level of 5.3 percent. Asking rent increased 1 percent to \$1,112 from \$1,097 a year ago. Currently, about 350 apartment units are under construction, according to the McGraw-Hill database. All of these units are expected to be completed during the next 12 months. It is anticipated that some apartments converted to condominiums will continue to revert back to rental units during the next 12 to 18 months. More than one-half of the complexes surveyed by Reis were offering a month’s free rent to new tenants, about the same as the concessions offered a year ago.

## Grand Junction, Colorado

Located in western Colorado in the Piceance Basin, the Grand Junction metropolitan area consists of Mesa County. The Piceance Basin contains one of the nation’s largest natural reserves of oil shale rock that, if converted to crude oil, would produce an estimated 1 trillion barrels of oil. With the area population estimated to be 143,000 as of March 1, 2008, Grand Junction is the largest city on the western slope of Colorado. It is also the regional center for trade and services for western Colorado and eastern Utah. In the past two decades, the Grand Junction area, with a mild climate and access to healthcare and retail services, has become a popular retirement community. St. Mary’s Hospital and Regional Medical

Center, Wal-Mart Stores, Inc., and Halliburton Energy Services are among the top employers in the area, employing 2,225, 850, and 800 workers, respectively.

The economy of the Grand Junction area has been growing strong since 2000. Numerous pilot oil shale mining operations are being undertaken across the region. Although large-scale commercial production is not expected to begin until 2010, the revival of oil and gas exploration and extraction activity in the Piceance Basin has resulted in an average employment growth of 3 percent a year since 2000. In the 12 months ending February 2008, nonfarm employment averaged 63,200 jobs, an increase of 3,400 jobs, or 5.6 percent, from a year ago. Growth during the past 12 months was led by the natural resources, mining, and construction sector, which added 1,400 jobs, or 18.5 percent. The wholesale and retail trade sector increased by 500 jobs, or 4.8 percent. The education and health services sector and the leisure and hospitality sector both increased by 400 jobs, or 4.9 and 4.8 percent, respectively. During the same 12-month period, the area unemployment rate fell to 3.2 percent, down from 3.9 percent in the previous year.

Because of the current economic expansion bringing new industry and residents to the area, several private and public development projects designed to expand critical services and area infrastructure are under way. The largest is the Century Project at St. Mary's Hospital, which is currently undergoing a \$261 million renovation and expansion. The project, started in 2007, is expected to be completed in 2010. The \$110 million Riverside Parkway, which the city of Grand Junction began constructing in 2005, is scheduled for completion in 2013. More than 500 new jobs have been created by public works projects since 2005.

In the Grand Junction area, the market for single-family housing is balanced, although demand for single-family homes is slowing as home sale prices have increased and mortgage underwriting standards have tightened. According to the Colorado Association of REALTORS®, in 2007, the total number of existing home sales fell by 10 percent and the median home sales price increased by almost 16 percent to \$221,800. The construction of new single-family homes, as measured by the number of building permits issued, fell by nearly 11 percent to 1,225 units in the 12 months ending February 2008. Even though the number of permits is down from last year, the level is well above the average of 790 a year in the previous decade. The inventory of unsold new and existing homes has been steady during the past year, indicating that construction cutbacks have helped maintain balanced market conditions. A significant volume

of new home construction is in the fast-growing city of Fruita, where land prices are relatively lower than in other parts of the metropolitan area. Located in the western section of the county, the city accounted for approximately 25 percent of residential construction activity in the county during the past year. New single-family home prices in Fruita start at \$210,000.

Rising home prices have contributed to the slowing Grand Junction home sales market. It is estimated that area home values have almost doubled since 2000 and, with continued economic growth, homeownership is becoming increasingly costly for area residents. The Office of Federal Housing Enterprise Oversight (OFHEO) estimates that homes in the Grand Junction area have appreciated by nearly 9 percent annually since 2000. During the same period, median family income growth averaged 2 percent annually.

The Grand Junction area rental housing market is extremely tight and has tightened rapidly in recent years. The growing economy has resulted in increased in-migration and demand for new rental housing; at the same time, the construction of rental housing has not kept pace. Multifamily construction, as measured by the number of units permitted, has averaged fewer than 150 units a year since 2000, and approximately 50 percent of those units were constructed for the income- and age-restricted rental market or as for-sale units. The supply of new rental units has not kept pace with demand. Construction of new market-rate apartments has been hindered by increasing land and labor costs. According to the Colorado Multifamily Housing Vacancy and Rental Survey, released in the fourth quarter of 2007, the rental vacancy rate was 1.7 percent. In 2003, the vacancy rate was above 10 percent. The prices for rental units in the area have increased as the market has tightened. The median rent for an apartment in Grand Junction was \$633 in the fourth quarter of 2007, a 14-percent increase from \$566 in the same quarter of 2006.

## Las Vegas-Paradise, Nevada

The Las Vegas-Paradise metropolitan area consists of Clark County, which is located at the southern end of Nevada, bordering California and Arizona. The metropolitan area is one of the leading tourist attractions for family and gambling entertainment in the world. In 2007, 39 million visitors generated \$42 billion in tourist revenue, according to the Las Vegas Convention and Visitors Authority. Tax revenues from entertainment activities fund 32 percent of the state's budget, making personal and corporate income





taxes unnecessary and providing an incentive for businesses, families, and retirees to move to the metropolitan area.

Job growth, tax advantages, and an attractive climate have been the major factors contributing to strong population growth in the metropolitan area. Since the 2000 Census, the population has increased at an annual rate of growth of 5 percent, ranking Las Vegas-Paradise among the top 10 fastest growing metropolitan areas in the United States. As of April 2008, the population in the metropolitan area was slightly more than 2 million, an increase of 84,000 from a year ago, and 6 percent above the average annual increase of 79,000 from 2000 to 2006.

Nonfarm employment in the metropolitan area grew by 5,000 jobs, or 1 percent, to 927,000 during the 12-month period ending March 2008 compared with a gain of 35,000 jobs, or 4 percent, during the same 12-month period a year earlier. The unemployment rate averaged 5.1 percent during the past year compared with 4.2 percent a year ago. Job growth decelerated, in part, because residential construction activity slowed due to a decline in the demand for sales housing, resulting in the loss of 5,400 construction jobs, off by 5 percent. Employment growth totaled 3,000 jobs, or 5 percent, in the education and health services sector due to hiring at hospitals, clinics, and private schools in response to several years of population growth. Also mainly due to recent population growth, trade sector employment increased by 2,500 jobs, a 2-percent gain, during the 12-month period ending March 2008.

The leisure and hospitality sector accounts for 30 percent of the metropolitan area's employment; 7 of the 10 largest employers in the metropolitan area are hotel-casinos, including the Bellagio, MGM Grand Hotel, Mirage, and Caesar's Palace. Although only 200 jobs were added to this sector for the 12-month period ending March 2008, the development of entertainment and convention facilities during 2007 suggests employment growth in the leisure and hospitality sector will be strong in 2008. The Palazzo, which opened in January 2008, is the newest phase of the Venetian/Sands Expo and Convention center complex. Connecting to the Venetian, the hotel/casino/convention complex will be the largest in the world, with more than 7,000 rooms and 2 million square feet of convention space. In 2008, 19 additional hotel/casino projects will be completed, adding 237,960 square feet of convention space and 9,100 hotel rooms that will result in approximately 17,000 new jobs.

Due to a slowing economy and large unsold inventory, the sales housing market in the Las Vegas-Paradise

metropolitan area is soft. Based on data from the Center for Business and Economic Research at the University of Las Vegas, as of March 2008, the vacancy rate for single-family homes was 2.8 percent and 5,300 more houses were vacant than is typical for a balanced market. According to Homebuilders Research, Inc.'s *Las Vegas Housing Market Letter*, during the 12-month period ending March 2008, sales of existing homes fell to 22,260, a 42-percent decline from a year ago after falling 33 percent during the 12 months ending March 2007.

The median sales price of an existing home was \$260,000, down 9 percent for the 12-month period ending March 2008 compared with a 4-percent gain for the previous 12-month period. The major factor causing the decline in existing home prices during the past 12 months has been the volume of foreclosed properties on the market. According to the Greater Las Vegas Multiple Listing Service, of the existing homes sold in March 2008, 40 percent were in foreclosure status. The inventory of homes for sale as of March 2008 was 27,125, compared with 25,175 a year ago, an increase of 8 percent. After peaking at nearly 30,500 homes in mid-2007, the inventory of unsold homes has steadily declined due to a reduction in new listings and an increase in the number of homes offered for rent.

New home sales for the 12-month period ending March 2008 equaled 17,120, off 46 percent compared with a 21-percent increase a year ago. Annual data show 19,780 new homes sold in 2007, off by an average of 15,500 units from the record setting 2004-05 years but consistent with sales activity from 1996 through 2003. Slowing sales caused single-family new construction, as measured by the number of building permits issued, to fall to 11,250 homes during the 12-month period ending February 2008, a decrease of 41 percent from a year ago. The median price of new homes sold during the 12 months ending March 2008 fell by 6 percent to \$305,000. According to Hanley Wood's *Market Intelligence Report*, approximately 30 percent of sales were condominiums or townhomes, with a median sales price of \$233,000. *The Las Vegas Housing Market Letter* reported that most new homes currently for sale are at prices below \$250,000 and, as a result, the pace of sales activity has increased sufficiently so that by mid-2008 the excess supply of 1,400 new homes in the metropolitan area is expected to be nearly gone.

The rental housing market was balanced as of March 2008. Mainly due to a high level of apartment construction activity and an increased number of single-family housing and condominiums shifting

to the rental market, vacancies increased in 2007. According to CB Richard Ellis' March 2008 survey of 96,000 rental units, the apartment vacancy rate averaged 7.6 percent in 2007 compared with an average 5.2 percent in 2006, despite an estimated loss reported by M/PF YieldStar of 1,443 apartments due to condominium conversions and demolitions. M/PF YieldStar's *Las Vegas Apartment Report* for March 2008 reported that an estimated 2,250 apartment units were constructed during 2007.

The average rent for all apartment types in the first quarter of 2008 increased 3 percent from \$912 a year ago to \$936 compared with a 4-percent increase from \$877 in 2006 according to data from CB Richard Ellis. The average rents by unit type for the first quarter of 2008 were \$795 for a one-bedroom unit, \$932 for a two-bedroom unit, and \$1,128 for a three-bedroom unit. Concession offers averaging 1 month's free rent with a 12-month lease were available at 81 percent of the properties surveyed compared with 36 percent in the first quarter of 2007, when the typical concession was \$200 to one-half off rent for the first month.

According to the McGraw-Hill Construction Pipeline database, 1,325 apartments are currently under construction in the metropolitan area. Two projects account for approximately one-half of the apartments under construction: a 390-unit garden-style complex in southeast Las Vegas scheduled for completion in the second quarter of 2008 and a 223-unit complex in central Las Vegas featuring three-, four-, and five-bedroom units due for completion in February 2009. New construction of multifamily units, as measured by the number of units permitted, totaled 11,250 units for the 12-month period ending February 2008 compared with 10,150 units a year earlier. Approximately one-half of new multifamily construction was for condominium development, the same proportion as in 2006, but a decline from 2004 and 2005 when condominiums accounted for almost 80 percent of multifamily development. The 10-percent increase in construction activity is partially due to developers taking out permits before utility hookup fees increase in 2008.

## Memphis, Tennessee-Mississippi

The Memphis Housing Market Area (HMA) comprises Shelby County, Tennessee, and DeSoto County, Mississippi. The HMA is adjacent to the Mississippi River in southwest Tennessee and northwest Mississippi. The city of Memphis is the economic and service center of the HMA and the greater eight-county metropolitan area. The city of Hernando,

located approximately 30 miles south of Memphis, is the government seat of DeSoto County and one of the principal growth areas of the county.

The economy of the HMA is based in the transportation, healthcare, and hospitality industries. FedEx Corporation is the leading employer, with approximately 30,000 employees. Because of the presence of the FedEx Corporation, Memphis International Airport is the world's largest cargo airport. In 2007, the airport handled more than 3.8 million tons of cargo. The five largest healthcare facilities in the HMA employ more than 23,000 workers. The University of Tennessee-Baptist Research Park, a medical research facility, is under construction in downtown Memphis. Once completed, in about 10 years, the medical research park is projected to create 5,000 jobs and inject approximately \$2 billion annually into the economy. The gambling industry is also an important facet of the area economy. Two of the largest casinos located near the HMA, Bally's and Harrah's, employ more than 12,000 workers, many of whom reside in the HMA.

Recent job gains in the healthcare and hospitality industries led to an increase in resident employment. For the 12 months ending January 2008, resident employment for the HMA averaged 497,000 workers, up 2.4 percent from the previous 12-month period. Of these workers, nearly 427,500 were employed in Shelby County and approximately 69,500 were employed in DeSoto County. During the same period, the average unemployment rate in the HMA declined to 4.9 percent from 5.5 percent.

Rising employment contributed to an increase in population of the HMA. As of February 1, 2008, the estimated population of the HMA was nearly 1.1 million. Since July 1, 2006, the population of the HMA has grown by an estimated 15,600, or 0.9 percent, annually. According to the Census Bureau, DeSoto County is one of the nation's 30 fastest growing counties. The current estimated population of DeSoto County is 150,500, up 2.8 percent annually since July 1, 2006. During the same period, Shelby County's population increased by 0.6 percent annually to an estimated 919,500.

The home sales market in Shelby County is currently soft as evidenced by fewer sales and an increased inventory of unsold homes. For the 12-month period ending February 2008, the Memphis Area Association of REALTORS® (MAAR) reported sales of 15,300 new and existing homes, down from 18,410 during the previous 12-month period. The unsold inventory of single-family homes rose by 3 percent to 11,250. In response to the slowdown in sales, home prices have



declined sharply. For the 12-month period ending February 2008, the median sales price for single-family homes and condominiums decreased by approximately 16 percent to \$112,000 compared with a year ago.

In DeSoto County, fewer sales have led to an increased inventory of unsold homes and sales concessions. According to Northwest Mississippi Area Multiple Listing Service data, for the 12-month period ending February 2008, approximately 3,100 new and existing homes were sold, down nearly 25 percent compared with the previous 12-month period. During the same period, the median home sales price declined 2 percent to about \$160,000. The inventory of unsold homes increased 6 percent to almost 2,300 units. Sales concessions, mostly consisting of the seller paying closing costs, are prevalent in the \$300,000-and-above price range.

In response to decreased demand, rising inventories, and declining sales prices, home builders have slowed single-family production, as measured by the number of building permits issued. For the 12-month period ending February 2008, nearly 3,560 single-family homes were permitted, down 44 percent from a year earlier. Building activity decreased in both Shelby and DeSoto Counties. In Shelby County, the number of homes permitted fell by 47 percent to approximately 2,100. In DeSoto County, permits decreased by 41 percent to about 1,460 homes. In the HMA, the average sales price of a new home was down almost 22 percent to \$251,150 in February 2008 compared with February 2007.

During the past 12 months, condominium sales have waned and sales prices have dropped; as a result, many developers are converting unsold units into rental units. For the 12-month period ending February 2008, according to MAAR, condominium sales throughout the HMA were down 20 percent to almost 660 units compared with 830 units a year ago. During the same period, the median sales price of a condominium decreased by 9 percent to \$133,000.

Condominium development in the HMA has been centered mostly in downtown Memphis. Since 2000, nearly 1,500 condominium units have been completed in the downtown area. The Memphis Center City Commission reported an estimated 790 condominium units currently under construction and another 500 units in the planning stages. During 2008 and early 2009, as these units come on line, the market is expected to soften further.

Overall, the rental housing market in the HMA is soft, with a large portion of the rental vacancies in the older Class B and C developments. According to

Reis, Inc., in 2007, the average rental vacancy rate in the HMA was 10.4 percent and was relatively unchanged from 2006. During 2007, the average rent increased by nearly 3 percent to \$662. During the same period, the Class B and C rental vacancy rate increased to 12.8 percent from 12.4 percent in 2006. The Class A apartment vacancy rate was 6.4 percent in 2007, down from 7.3 percent in 2006. During 2007, Class A rents increased more than 2 percent to \$826. If condominium conversions continue, that shift is likely to have the most significant impact on the Class A market compared with the Class B and C markets.

Despite the soft condominium and rental markets, multifamily development has increased. During the past year, an estimated 80 percent of the new units permitted were in Class A rental developments. During the 12-month period ending February 2008, approximately 1,500 multifamily units were permitted in Shelby County, up from 1,360 a year ago. According to the McGraw-Hill Construction Pipeline database, approximately 1,400 apartment units are under construction in Shelby County. In DeSoto County, nearly 500 multifamily units were permitted in May 2006 and completed by mid-2007. These units leased up quickly at a rate of approximately 30 a month. In DeSoto County, according to the McGraw-Hill database, no apartment units are in the pipeline.

## Riverside-San Bernardino-Ontario, California

The Riverside-San Bernardino-Ontario metropolitan area consists of Riverside and San Bernardino Counties. These two counties, which are situated east of the Los Angeles metropolitan area, are known as the Inland Empire. As of April 1, 2008, Riverside and San Bernardino Counties had estimated populations of 2.1 million and 2 million, respectively. During the 12 months ending March 2008, the population of Riverside County increased by 72,000, or 3.5 percent, and San Bernardino County grew by 30,100, or 1.5 percent. During the past year, net in-migration accounted for 68 percent of the population growth in Riverside County but had little effect on the population growth in San Bernardino County.

The metropolitan area remains a major distribution center, with access to rail lines, major highways, and the Ports of Los Angeles and Long Beach. Due in part to relatively lower business costs than in adjoining Los Angeles and Orange Counties, the combined two counties gained nonfarm jobs each year between 2000 and 2007. In 2007, record outbound

container traffic through these major ports contributed to the increase of 2,400 jobs in the transportation and utilities sector during the past year.

Total nonfarm employment decreased by 7,000 jobs, or 1 percent, during the 12 months ending February 2008, to 1,683,000 compared with the number of nonfarm jobs during the previous 12 months. The significant decline in the real estate industry caused most of the declines in nonfarm employment. The construction sector lost 13,000 jobs and the manufacturing sector lost 5,000 jobs. Many of the manufacturing jobs were related to construction goods and manufactured homes. The financial services sector lost 2,300 jobs, primarily in mortgage-related companies. The job losses resulted in an increase in the unemployment rate to 6.2 percent during the 12 months ending February 2008 from 5.1 percent during the previous 12 months.

Conditions in the home sales market are currently soft in the Inland Empire. According to DataQuick®, Riverside and San Bernardino Counties had approximately 30,100 and 17,100 existing home sales, respectively, during the 12 months ending February 2008. Home sales were down 5,650 homes, or 16 percent, in Riverside County and down 5,800 homes, or 25 percent, in San Bernardino County compared with sales in the previous 12 months. It is estimated that households from adjacent Los Angeles and Orange Counties account for more than 30 percent of sales made to first-time and moderate-income buyers. Prices in the Inland Empire are more than 29 percent lower than those in the two adjacent counties. Stricter mortgage qualification standards, which resulted in fewer homebuyers qualifying for loans, were the major contributing factors to the weakening sales. During the 12 months ending February 2008, the average number of days a house remained on the sales market exceeded 90 compared with fewer than 30 days 2 years ago. Because of slower sales and a buildup of unsold inventory, home sales prices have declined. During the 12 months ending February 2008, the median sales price for an existing single-family, detached home was \$381,100 in Riverside County and \$342,900 in San Bernardino County, down 7 and 6 percent, respectively, compared with the previous 12 months.

New home sales in Riverside County during the 12 months ending February 2008 declined to 12,600 from 23,300 homes during the previous 12 months. Likewise, new home sales in San Bernardino County declined to 5,800 from 9,800 homes. The median sales price for a new, single-family, detached home in Riverside and San Bernardino Counties declined 11 and 7 percent, respectively, to \$439,400 and \$434,500.

Condominiums accounted for less than 15 percent of total new and existing home sales in both Riverside and San Bernardino Counties during the 12 months ending February 2008. This proportion of sales is about the same that condominiums have accounted for since 2000. In the cities closest to Los Angeles County, condominiums are used for infill housing. In the desert cities in Riverside County, condominiums are used as second homes or retirement homes. The median price for an existing condominium declined by \$24,100 to \$307,000 in Riverside County and declined by \$6,700 to \$305,100 in San Bernardino County during the 12 months ending February 2008 compared with the previous 12 months.

Foreclosures have increased significantly in the Inland Empire since the middle of 2005. Large portions of the mortgages in these two counties originating between 2003 and the middle of 2005 were variable-rate loans made to borrowers with little or no down-payments. According to RealtyTrac® Inc., the numbers of units in foreclosure in April 2008 in Riverside and San Bernardino Counties were approximately 23,000 and 17,000, respectively. In 2004, fewer than 5,700 homes were in foreclosure in each county. In Riverside County, sales of foreclosed homes as a percentage of total existing home sales have increased from less than 10 percent 2 years ago to more than 50 percent currently. Foreclosures are typically priced at least 15 percent less than the other homes in the area.

Builders responded to decreased home sales by reducing single-family home construction activity throughout the metropolitan area. New home construction activity, as measured by the number of single-family building permits issued, dropped 55 percent in both counties during the 12 months ending March 2008 compared with a year ago. New home construction dropped to 8,200 homes in Riverside County and 5,300 homes in San Bernardino County.

Rental housing market conditions are somewhat balanced throughout both counties. The rental vacancy rate is currently 8 percent in Riverside County and 6.5 percent in San Bernardino County. The vacancy rate in Riverside County is up from 7.5 percent and remains unchanged in San Bernardino County from the past year. The vacancy rate increased in Riverside County because more than 2,000 apartment units were in their initial rent-up phase. In addition, an increase in the number of single-family homes being marketed for rental occupancy contributed to the increase in the vacancy rate. It is estimated that more than 4,000 single-family homes were added to the rental stock in 2007. The average apartment rent increased approximately 2 percent in both



counties during the 12 months ending March 2008 compared with an increase of approximately 5 percent during the previous 12 months. The current average apartment rents in Riverside and San Bernardino Counties are approximately \$1,150 and \$1,200, respectively.

Apartment construction activity, as measured by the number of units permitted, declined in Riverside County but increased in San Bernardino County during the 12 months ending March 2008. The number of apartments permitted in Riverside County dropped 57 percent, or 1,600 units, to 1,200 units compared with the previous 12 months. Builders in Riverside County slowed construction as the vacancy rate started to increase. The number of apartments permitted in San Bernardino County increased 119 percent, or 800 units, to 1,400 units during the past 12 months as builders decided to build apartments instead of condominiums. Although apartment construction activity improved significantly in San Bernardino County, it is still below the average 2,300 units permitted annually between 2003 and 2005.

## Sebastian-Vero Beach, Florida

The Sebastian-Vero Beach metropolitan area consists of Indian River County on the Atlantic coast. The county is located approximately 140 miles north of major population centers such as Miami-Fort Lauderdale and 70 miles south of Cape Canaveral and the Kennedy Space Center. Major industries in the area include agriculture, particularly citrus crops, health care, and tourism.

The population of the metropolitan area as of April 2008 is estimated to be 133,700, which is an average increase of 2,400 a year, or 1.8 percent, since 2005. Historically, the area has been attractive to retirees. According to the 2006 American Community Survey, 38 percent of households had at least one person age 65 or older, compared with 29 percent for the state of Florida and 23 percent for the United States.

The retiree population, along with tourism, supports much of the local employment. The largest nonfarm employment sector is retail trade, which accounts for nearly 8,300 jobs, or 17 percent of the total nonfarm employment. Health care represents another 15 percent of nonfarm employment, followed by leisure and hospitality, with 12 percent. Leading employers in the area include the Indian River Medical Center, with about 1,670 employees; Publix Super Markets, with 1,100 employees; and airplane manufacturer Piper Aircraft, Inc., with 1,060 employees.

In September 2004, two major hurricanes, Frances and Jeanne, made landfall south of Vero Beach. In addition to damaging homes and businesses in the metropolitan area, the hurricanes disrupted economic activity. Leisure and hospitality employment for the 12 months following the hurricanes was down 5.2 percent, a loss of about 300 jobs, compared with the 12 months preceding the storms. Manufacturing employment fell by 4.3 percent, losing about 100 jobs, during the same period. As a result of rebuilding efforts after the hurricanes, employment in the construction industry increased by more than 1,000 jobs, or 23 percent. Construction employment in the metropolitan area peaked in mid-2006 at about 6,100 jobs. With rebuilding efforts nearly complete and weak demand for new housing, however, construction employment has been declining recently. In 2007, construction employment was down 6.4 percent from a year earlier, which was a loss of nearly 400 jobs.

Total nonfarm employment averaged about 49,100 jobs in 2007, an increase of 0.9 percent from a year earlier, or a gain of about 400 jobs. Certain job sectors experienced stronger growth, offsetting the loss of construction jobs. Leisure and hospitality employment was up 3.9 percent from a year earlier, an increase of roughly 250 jobs. Retail trade increased by 2.8 percent during the same period and education and health services employment was up 2.5 percent. The economy of the metropolitan area appears to have fully recovered from the impact of the hurricanes. The average unemployment rate for the 12 months ending February 2008 was 5.8 percent, compared with 4.3 percent for the same period a year ago. Unemployment in the metropolitan area is typically highest during the summer and lowest during the winter, which is the peak tourist season and a busy period for citrus harvesting.

The home sales market is currently soft. As housing markets throughout the country have weakened, retirees have found it more difficult to sell their homes. As a result, retiree migration to Sebastian-Vero Beach has slowed by more than two-thirds since 2005, and housing demand has fallen. According to multiple listing service data for Indian River County, single-family home sales in the metropolitan area for the 12 months ending March 2008 were down 17 percent compared with a year earlier, from about 1,575 to 1,300. Average prices for homes sold also declined nearly 5 percent during that period, from about \$383,500 to \$366,200.

With sales declining, the supply of unsold homes has increased. During the 12 months ending March 2006, the monthly inventory of single-family homes for sale averaged about 1,300. During the 12 months

ending March 2008, the number of homes for sale had nearly doubled, to 2,550. Homes are also taking longer to sell. The length of time on the market for single-family homes sold during the 12 months ending March 2006 averaged about 65 days, compared with 135 for the most recent 12 months.

Residential building activity in the metropolitan area significantly increased in early 2004. From 2004 to 2006, roughly 3,400 single-family homes a year were authorized by building permits, compared with less than 1,500 a year during the preceding 3 years. Housing construction levels remained high following the 2004 hurricanes. It is estimated that at least 1,700 homes in the metropolitan area were destroyed by the storms. With the recent slowdown in home sales, local builders have been scaling back housing construction. For the 12 months ending February 2008, single-family construction, as measured by the number of homes permitted, was down 54 percent compared with the same period a year earlier, from about 2,300 to 1,100. Multifamily units authorized by permits declined by 43 percent during the same period, from about 260 to 150.

The rental housing market in the metropolitan area has softened considerably in the past year. In 2000 the rental vacancy rate for the area was less than 9 percent. Currently, the rental vacancy rate is estimated to be 11 percent. Part of the increase is attributable to weakness in the sales market. As homeowners find it difficult to sell, more homes are becoming available as rental units. Despite the soft market conditions, rents in the area have increased by about 4 percent annually during the past 3 years. This increase is due mainly to rising property taxes and insurance costs for property owners.

## Tangipahoa Parish, Louisiana

Tangipahoa Parish is located in southeast Louisiana along the northwestern shore of Lake Ponchartrain. Hammond, the largest city in the parish, with a population of 20,000, is about a one-half-hour drive from the New Orleans and Baton Rouge metropolitan areas and is the home of Southeastern Louisiana University (SLU). Between July 2003 and July 2005, the population increased annually by 1,300, or 1.3 percent, because of the relatively lower cost of housing in the parish compared with the New Orleans and Baton Rouge areas. At the time of Hurricane Katrina (Katrina) in September 2005, an estimated 13,300 people evacuated to Tangipahoa Parish. Many of the evacuees have since returned to the New Orleans

area, but an estimated 5,500 have remained as residents of the parish. Since July 2006, the population has increased by 2,200 a year, or 2 percent, to 116,900 as of March 2008.

Between 2001 and the time of Katrina, the number of resident workers in the HMA increased by an average of about 740, or 1.7 percent, annually, to 45,500 in mid-2005. After Katrina until September 2007, resident employment grew by about 1,600, or 3.5 percent, annually. In recent months, resident employment growth has returned to pre-Katrina levels. The unemployment rate averaged 4.1 percent during the 12 months ending February 2008, down from 4.5 percent during the previous 12 months and down considerably from the 6.5-percent rate averaged during the first 5 years of the decade.

The number of jobs added to the Tangipahoa economy averaged 750, or 2.2 percent, annually between 2001 and July 2005. After Katrina until September 2007 (the latest date that job data is available), job growth averaged 2,300, or 6 percent, annually, as employers in hurricane-impacted areas sought locations to restart or continue operations. As a result of strong job growth in the parish, it is estimated that out-commutation has declined by more than 20 percent.

During the 12 months ending September 2007, total covered employment averaged 42,200 jobs. The transportation and utilities sector accounted for 750 of the 2,350 jobs added to the Tangipahoa economy during this period. The professional and business services sector added 600 jobs, and the education and health services sector added 370 jobs. The North Oaks Medical Center, the leading private-sector employer in Tangipahoa Parish, with 2,150 employees, will complete an expansion by 2010, adding 1,000 more jobs. The government sector accounts for about 10,700 jobs, or 26 percent of nonfarm employment in the area. This sector includes SLU, the third largest employer, with 1,900 full- and part-time jobs and 14,750 students. The university reports an annual economic impact on the Tangipahoa economy of more than \$343 million.

Following the large increase in residents and jobs after Katrina, single-family home construction, as measured by the number of building permits issued, increased significantly. A record 1,530 single-family building permits were issued in 2006 compared with an average of 480 from 2000 to 2004. During 2007, developers responded to a slowdown in home sales by reducing construction of single-family homes by 70 percent, to 900, for the year. Prices for new starter homes with three bedrooms, two bathrooms, and a carport in Tangipahoa Parish start at \$110,000.



Construction of Haven subdivisions I & II, the first mixed-use development in the parish, is slated to start in April 2008 with 120 modular homes and is expected to be completed in late 2010. The homes will be priced at an average of \$200,000; 43 acres are slated for retail and light commercial development.

According to LATTER & BLUM, Inc/Realtors®, nearly 725 new and existing homes sold in 2004; the average price was \$114,000. As a result of Katrina, in 2005 the number of sales increased to 1,025, up 43 percent, with an average price of \$143,000. Approximately 925 new and existing homes sold in 2007, a 17-percent decline from a year earlier but a 30-percent increase from the volume sold in 2004. During 2007, the average price for homes sold was \$168,000, up 17 percent from 2006.

The rental housing market in Tangipahoa is currently balanced. According to Real Property Associates, the apartment vacancy rate in Tangipahoa Parish was 5 percent in early 2005. After Katrina, the rental market tightened to full occupancy through 2006. During 2007, the market returned to the pre-Katrina vacancy rate of 5 percent. The average rent in 2007 was estimated at \$750, which represents a 10-percent annual average increase since Katrina. Between 2000 and 2005, building permits were issued for an average of 150 multifamily units annually in the parish. The number of units permitted increased to 425 multifamily units in 2006 in response to the tightening market. In 2007, 290 units were permitted. More than 270 low-income housing tax credit units are currently in the development stage in Tangipahoa Parish and are scheduled for completion by 2010.

A housing market has begun to emerge in downtown Hammond. In the past 5 years, several existing commercial buildings have converted upper floors into apartments with retail space on the first floor. Currently, about 13 small, mixed-used buildings with a total of 90 units have been completed. The contract rents for these two- and three-bedroom units average \$1,200 and \$1,500, respectively.

## Washington, D.C.-Maryland-Virginia-West Virginia

The Washington metropolitan area comprises the District of Columbia (DC) and 21 neighboring independent cities and counties in Maryland, Virginia, and West Virginia. The population in the metropolitan area is estimated to be approximately 5.3 million as of March 2008, an increase of 1.4 percent annually

since 2000. Loudon County, Virginia, with a population increase of almost 5 percent between July 1, 2006, and July 1, 2007, had the fifth highest rate of growth for all counties in the nation, according to the Census Bureau.

The Washington economy supports nearly 3 million jobs. According to the Bureau of Labor Statistics, the metropolitan area ranks 4th in the nation in the number of nonfarm jobs. After increasing by more than 2 percent annually between 2003 and 2005, job growth in the metropolitan area has slowed during the past 2 years. During the 12 months ending February 2008, approximately 22,000 jobs were added in the metropolitan area, a rate of growth of less than 1 percent. The new jobs were one-half the number added during the comparable period ending in 2007 and only 30 percent of the gain in 2005, when the job growth rate was 2.6 percent. The education and health services sector reported its largest gain of the past 3 years, adding 10,100 jobs during the 12 months ending February 2008. The professional and business services sector added 12,300 jobs during the 12-month period, more than any other sector.

As the nation's capital, the area annually attracts more than 15 million business and leisure travelers, who generate more than \$5 billion for the local economy. The leisure and hospitality sector accounts for 8.5 percent of current employment and is growing, adding 4,050 jobs during the 12-month period, up almost 2 percent from the previous year. The federal government, which accounts for 11 percent of the total jobs currently in the area, declined by 400 positions during the 12 months ending March 2008 compared with additions of almost 750 jobs a year earlier and 3,300 jobs during 2005. The construction industry lost 6,200 jobs and the financial sector lost almost 3,100, reflecting the softer housing and credit markets in the metropolitan area during the year. The information sector, which has been declining since 2002, lost 2,900 jobs during the past 12 months. In addition to the major Department of Defense contractors Lockheed Martin Corporation and Northrop Grumman Corporation, with 22,000 and 20,000 employees respectively, other prominent private-sector employers in the area include Science Applications International Corporation (16,000 employees), Inova Health System (15,000 employees), and Marriott International, Inc. (14,500 employees). During the most recent 12-month period, the unemployment rate was slightly less than 3.1 percent, relatively unchanged from a year ago.

After 5 years of rapid growth in both the number of existing home sales and home sale prices, the market for existing homes softened throughout the metro-

politan area during the past year. Tighter lending standards contributed to the declines in the resale market. According to data from Metropolitan Regional Information Systems, Inc., approximately 56,450 existing homes were sold during the 12 months ending March 2008, a decrease of almost 28 percent compared with the 78,050 homes sold during the previous year. In the Virginia suburbs, the number of homes sold declined by 22 percent, to 29,900 homes. In the Maryland suburbs, the total number of homes sold decreased by 45 percent in the counties to the east and south of the DC and by 31 percent in the northern suburbs. Sales in DC declined by 1,150 homes, or 15 percent, during the year.

During the 12 months ending March 2008, average home prices in the metropolitan area increased by 2 percent. The increase was due to the relative stability of prices in DC, where homes sold at an average price of \$534,300, or 1 percent above the previous year, and due to a 3-percent increase in the average price, to \$509,000, in the northern Maryland suburbs. Average sales prices fell almost 4 percent in the other Maryland suburban counties, to \$335,300, and by more than 4 percent in the Virginia suburbs. The only West Virginia county in the metropolitan area, Jefferson County, reported a 31-percent decline in home sales to 11,200, and a 3-percent decline in average prices to \$281,050.

Slower economic growth, a softer existing home sales market, and tighter credit have decreased demand for new homes, and builders in the Washington metropolitan area have responded by slowing the pace of development. Construction of new single-family homes, as measured by the number of units permitted, declined to 13,625 homes during the 12-month period ending February 2008, which was 3,685 fewer permits than were issued during the previous year, a decrease of 22 percent. Demand for rental units strengthened and the number of multifamily units permitted increased to 8,800 units from 8,100 the previous year. Almost all of the multifamily units are being developed as rental apartments because condominium sales have also slowed.

Condominiums have been an affordable alternative for first-time homebuyers in the Washington metropolitan area, but more stringent lending practices caused sales to moderate during the past year. Developers responded to the softer market by converting proposed condominium developments to rentals. According to Delta Associates, approximately 7,750 proposed condominium units were cancelled during

the past 6 months, with almost one-third of them added to the rental apartment pipeline. During the 12 months ending March 2008, approximately 2,900 new condominiums were sold in the metropolitan area, down from 6,200 sold during the previous year and from 12,200 sold during the record year ending March 2006. Approximately 16,200 units are currently being marketed in the metropolitan area. Prices for new condominiums declined throughout the metropolitan area, ranging from 2 percent in DC to almost 9 percent in the outlying counties, based on an average price per square foot. Currently, new developments of 1,500-square-foot, two-bedroom condominiums are asking \$750,000 in DC, \$575,000 to \$625,000 in the counties adjacent to DC, and \$300,000 in the suburban counties on the outer rim of the metropolitan area. Only Prince George's County, Maryland, has seen an increase in prices, up 6 percent from a year ago.

The rental housing market in the Washington metropolitan area continues to be one of the strongest in the nation. The market is balanced currently but is softening because of the introduction of investor-owned condominium units for rent and reverted condominium projects now being marketed as rentals. According to Delta Associates, approximately 5,300 new Class A apartment units were absorbed into the market during the 12 months ending March 2008. Apartment vacancy rates in Class A and Class B projects, however, have risen from 3.3 and 3.5 percent, respectively, in March 2007 to 4.5 and 4.4 percent currently. More than 6,900 new units are leasing as of March 2008, twice the number available a year ago. According to M/PF YieldStar, the average rent for all apartments in the metropolitan area was \$1,280 during the fourth quarter of 2007, up 5 percent from \$1,220 a year ago. Rents averaged \$1,180 per month for a one-bedroom unit, \$1,330 for a two-bedroom unit, and \$1,483 for a three-bedroom unit.

DC is the center of major redevelopment in the metropolitan area. According to the DC Marketing Center, \$15.2 billion worth of projects have been completed since 2001 and \$7.5 billion are currently under construction. The largest project currently under way in DC is The Yards, with a total cost of \$1.5 billion; it will provide 1,800 for-sale units, 1,000 rental units, 1.8 million square feet of office space, and 300,000 square feet of retail space. The project broke ground in the fall of 2007 and the first phase of 250 condominiums, 170 apartments, and 10,000 square feet of retail space is slated for completion by 2009.





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

HUD Region and State	2008 Through March			2007 Through March			Ratio: 2008/2007 Through March		
	Total	Single Family	Multi-family*	Total	Single Family	Multi-family*	Total	Single Family	Multi-family*
Connecticut	1,253	842	411	1,395	992	403	0.898	0.849	1.020
Maine	663	586	77	1,095	1,010	85	0.605	0.580	0.906
Massachusetts	1,967	1,060	907	3,970	1,764	2,206	0.495	0.601	0.411
New Hampshire	748	567	181	971	834	137	0.770	0.680	1.321
Rhode Island	234	171	63	531	343	188	0.441	0.499	0.335
Vermont	258	231	27	418	342	76	0.617	0.675	0.355
<b>New England</b>	<b>5,123</b>	<b>3,457</b>	<b>1,666</b>	<b>8,380</b>	<b>5,285</b>	<b>3,095</b>	<b>0.611</b>	<b>0.654</b>	<b>0.538</b>
New Jersey	4,847	2,223	2,624	5,262	3,122	2,140	0.921	0.712	1.226
New York	7,399	2,500	4,899	12,126	3,850	8,276	0.610	0.649	0.592
<b>New York/New Jersey</b>	<b>12,246</b>	<b>4,723</b>	<b>7,523</b>	<b>17,388</b>	<b>6,972</b>	<b>10,416</b>	<b>0.704</b>	<b>0.677</b>	<b>0.722</b>
Delaware	956	702	254	1,363	1,195	168	0.701	0.587	1.512
District of Columbia	153	75	78	834	469	365	0.183	0.160	0.214
Maryland	4,174	2,267	1,907	5,508	3,396	2,112	0.758	0.668	0.903
Pennsylvania	5,737	4,556	1,181	7,643	6,059	1,584	0.751	0.752	0.746
Virginia	8,363	5,830	2,533	9,529	8,076	1,453	0.878	0.722	1.743
West Virginia	844	654	190	838	801	37	1.007	0.816	5.135
<b>Mid-Atlantic</b>	<b>20,227</b>	<b>14,084</b>	<b>6,143</b>	<b>25,715</b>	<b>19,996</b>	<b>5,719</b>	<b>0.787</b>	<b>0.704</b>	<b>1.074</b>
Alabama	4,545	3,465	1,080	6,301	5,409	892	0.721	0.641	1.211
Florida	18,215	11,722	6,493	32,574	22,039	10,535	0.559	0.532	0.616
Georgia	10,136	7,927	2,209	21,020	16,639	4,381	0.482	0.476	0.504
Kentucky	2,223	1,709	514	4,200	3,345	855	0.529	0.511	0.601
Mississippi	3,397	2,188	1,209	4,713	3,269	1,444	0.721	0.669	0.837
North Carolina	16,201	12,105	4,096	23,038	19,299	3,739	0.703	0.627	1.095
South Carolina	7,050	5,559	1,491	11,003	9,139	1,864	0.641	0.608	0.800
Tennessee	6,230	4,455	1,775	9,896	8,278	1,618	0.630	0.538	1.097
<b>Southeast/Caribbean</b>	<b>67,997</b>	<b>49,130</b>	<b>18,867</b>	<b>112,745</b>	<b>87,417</b>	<b>25,328</b>	<b>0.603</b>	<b>0.562</b>	<b>0.745</b>
Illinois	5,422	2,740	2,682	11,977	5,713	6,264	0.453	0.480	0.428
Indiana	3,219	2,493	726	5,335	4,340	995	0.603	0.574	0.730
Michigan	1,927	1,583	344	3,452	3,198	254	0.558	0.495	1.354
Minnesota	1,623	1,266	357	3,120	2,411	709	0.520	0.525	0.504
Ohio	4,561	3,282	1,279	7,295	5,599	1,696	0.625	0.586	0.754
Wisconsin	2,633	1,719	914	3,909	2,832	1,077	0.674	0.607	0.849
<b>Midwest</b>	<b>19,385</b>	<b>13,083</b>	<b>6,302</b>	<b>35,088</b>	<b>24,093</b>	<b>10,995</b>	<b>0.552</b>	<b>0.543</b>	<b>0.573</b>
Arkansas	2,309	1,294	1,015	3,052	2,087	965	0.757	0.620	1.052
Louisiana	4,657	3,304	1,353	4,956	4,057	899	0.940	0.814	1.505
New Mexico	1,751	1,388	363	2,392	2,289	103	0.732	0.606	3.524
Oklahoma	2,896	2,267	629	3,899	3,048	851	0.743	0.744	0.739
Texas	37,585	21,782	15,803	46,673	33,480	13,193	0.805	0.651	1.198
<b>Southwest</b>	<b>49,198</b>	<b>30,035</b>	<b>19,163</b>	<b>60,972</b>	<b>44,961</b>	<b>16,011</b>	<b>0.807</b>	<b>0.668</b>	<b>1.197</b>
Iowa	1,374	1,039	335	2,006	1,511	495	0.685	0.688	0.677
Kansas	2,204	1,061	1,143	2,343	1,819	524	0.941	0.583	2.181
Missouri	2,956	2,003	953	4,649	3,537	1,112	0.636	0.566	0.857
Nebraska	1,315	879	436	1,242	1,112	130	1.059	0.790	3.354
<b>Great Plains</b>	<b>7,849</b>	<b>4,982</b>	<b>2,867</b>	<b>10,240</b>	<b>7,979</b>	<b>2,261</b>	<b>0.767</b>	<b>0.624</b>	<b>1.268</b>
Colorado	4,973	2,875	2,098	7,107	5,063	2,044	0.700	0.568	1.026
Montana	589	466	123	973	747	226	0.605	0.624	0.544
North Dakota	346	149	197	336	240	96	1.030	0.621	2.052
South Dakota	543	436	107	879	670	209	0.618	0.651	0.512
Utah	2,407	1,743	664	5,204	4,537	667	0.463	0.384	0.996
Wyoming	437	399	38	618	524	94	0.707	0.761	0.404
<b>Rocky Mountain</b>	<b>9,295</b>	<b>6,068</b>	<b>3,227</b>	<b>15,117</b>	<b>11,781</b>	<b>3,336</b>	<b>0.615</b>	<b>0.515</b>	<b>0.967</b>
Arizona	7,214	5,118	2,096	15,946	12,018	3,928	0.452	0.426	0.534
California	16,092	8,071	8,021	31,423	20,692	10,731	0.512	0.390	0.747
Hawaii	1,036	736	300	2,104	1,310	794	0.492	0.562	0.378
Nevada	2,915	1,517	1,398	5,699	4,930	769	0.511	0.308	1.818
<b>Pacific</b>	<b>27,257</b>	<b>15,442</b>	<b>11,815</b>	<b>55,172</b>	<b>38,950</b>	<b>16,222</b>	<b>0.494</b>	<b>0.396</b>	<b>0.728</b>
Alaska	176	113	63	350	171	179	0.503	0.661	0.352
Idaho	1,647	1,524	123	3,380	2,699	681	0.487	0.565	0.181
Oregon	3,305	2,083	1,222	6,532	4,253	2,279	0.506	0.490	0.536
Washington	7,174	4,527	2,647	12,139	7,835	4,304	0.591	0.578	0.615
<b>Northwest</b>	<b>12,302</b>	<b>8,247</b>	<b>4,055</b>	<b>22,401</b>	<b>14,958</b>	<b>7,443</b>	<b>0.549</b>	<b>0.551</b>	<b>0.545</b>
<b>United States</b>	<b>230,879</b>	<b>149,251</b>	<b>81,628</b>	<b>363,218</b>	<b>262,392</b>	<b>100,826</b>	<b>0.636</b>	<b>0.569</b>	<b>0.810</b>

\*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	2008 Through March		
		Total	Single Family	Multi-family*
26420	Houston-Sugar Land-Baytown, TX	11,751	8,028	3,723
19100	Dallas-Fort Worth-Arlington, TX	11,141	4,743	6,398
35620	New York-Northern New Jersey-Long Island, NY-NJ-PA	9,063	2,276	6,787
12060	Atlanta-Sandy Springs-Marietta, GA	6,326	4,651	1,675
38060	Phoenix-Mesa-Scottsdale, AZ	4,764	3,239	1,525
12420	Austin-Round Rock, TX	4,423	2,399	2,024
16980	Chicago-Naperville-Joliet, IL-IN-WI	4,372	1,834	2,538
47900	Washington-Arlington-Alexandria, DC-VA-MD-WV	4,345	2,418	1,927
42660	Seattle-Tacoma-Bellevue, WA	4,262	1,986	2,276
31100	Los Angeles-Long Beach-Santa Ana, CA	4,218	1,218	3,000
16740	Charlotte-Gastonia-Concord, NC-SC	3,526	2,279	1,247
36740	Orlando-Kissimmee, FL	3,508	1,913	1,595
37980	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	3,173	1,762	1,411
39580	Raleigh-Cary, NC	3,116	2,018	1,098
33100	Miami-Fort Lauderdale-Miami Beach, FL	2,837	1,189	1,648
19740	Denver-Aurora, CO	2,757	1,025	1,732
41700	San Antonio, TX	2,694	1,462	1,232
40140	Riverside-San Bernardino-Ontario, CA	2,586	1,699	887
29820	Las Vegas-Paradise, NV	2,521	1,176	1,345
38900	Portland-Vancouver-Beaverton, OR-WA	2,150	1,147	1,003
34980	Nashville-Davidson--Murfreesboro, TN	2,065	1,541	524
41860	San Francisco-Oakland-Fremont, CA	2,010	599	1,411
27260	Jacksonville, FL	1,985	1,337	648
45300	Tampa-St. Petersburg-Clearwater, FL	1,849	1,309	540
28140	Kansas City, MO-KS	1,763	749	1,014
40060	Richmond, VA	1,671	1,198	473
14460	Boston-Cambridge-Quincy, MA-NH	1,627	709	918
35380	New Orleans-Metairie-Kenner, LA	1,572	913	659
12580	Baltimore-Towson, MD	1,557	736	821
47260	Virginia Beach-Norfolk-Newport News, VA-NC	1,426	1,011	415
26900	Indianapolis, IN	1,411	1,051	360
16700	Charleston-North Charleston, SC	1,394	1,056	338
41180	St. Louis, MO-IL	1,358	1,201	157
48900	Wilmington, NC	1,299	947	352
41740	San Diego-Carlsbad-San Marcos, CA	1,290	470	820
46140	Tulsa, OK	1,256	826	430
25060	Gulfport-Biloxi, MS	1,226	566	660
46060	Tucson, AZ	1,190	738	452
24860	Greenville, SC	1,173	717	456
32580	McAllen-Edinburg-Mission, TX	1,139	910	229
22220	Fayetteville-Springdale-Rogers, AR-MO	1,133	367	766
36420	Oklahoma City, OK	1,111	1,017	94
33460	Minneapolis-St. Paul-Bloomington, MN-WI	1,045	760	285
17140	Cincinnati-Middletown, OH-KY-IN	1,037	824	213
17900	Columbia, SC	1,033	875	158
24660	Greensboro-High Point, NC	1,003	655	348
21340	El Paso, TX	986	704	282
29460	Lakeland, FL	981	635	346
13820	Birmingham-Hoover, AL	976	740	236
40900	Sacramento--Arden-Arcade--Roseville, CA	929	733	196

\*Multifamily is two or more units in structure.

\*\*As per new OMB metropolitan area definitions.

Source: Census Bureau, Department of Commerce