

HOUSTON REGIONAL AREA TEXAS MARKET

General Information

Location:	Southwestern United States on the Texas Gulf Coast
Counties:	Harris, Montgomery, Fort Bend, Galveston, Brazoria
Rank among other US cities	4th Largest
MSA Population:	5,628,101 as estimated by the United States Census Bureau.
Professional Sports teams & venues:	NFL – Texans, Reliant Stadium NBA – Rockets, Toyota Center MLB – Astros, Minute Maid Park
Airports with scheduled Commercial flights:	George Bush International Hobby Airport
Universities:	Houston Baptist University Rice University Texas Southern University University of Houston University of St. Thomas
Medical Schools:	Baylor College of Medicine University of Texas Medical School
Law Schools:	University of Houston Southwestern School of Law
Primary Industries:	Healthcare, Petrochemical, Airlines, Technology, Education
Major Employers:	Houston is home to the headquarters of 20 Fortune 500 companies, second behind New York City. Some of the major employers are: Exxon Mobil, Shell, BP, Chevron, Continental Airlines, University of Texas M.D. Anderson Cancer Center, Baylor College of Medicine, Hewlett Packard, Johnson Space Center

Economic Indicators

Employment: Per the following chart, unemployment increased significantly in 2008 with most of the job loss occurring in the second half of the year.

Year	Period	labor force	employment	unemployment	unemployment rate
2006	Dec	2713998	2603369	110629	4.1
2007	Dec	2767131	2651639	115492	4.2
2008	Dec	2835102(p)	2678433(p)	156669(p)	5.5(p)

HOUSTON TEXAS MARKET continued

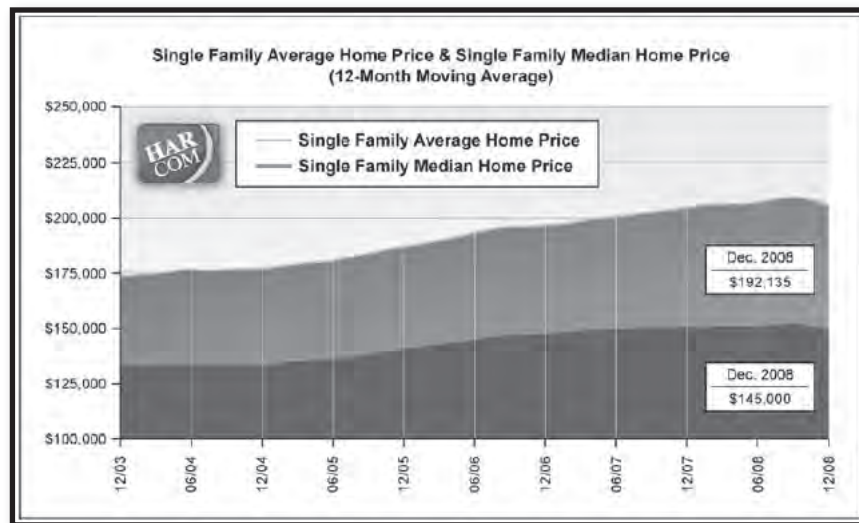
New Single Family Construction

The U.S. Commerce Department indicates there were 28,152 single family units authorized in 2008 versus 42,070 in 2007. There was a dramatic 33% decline in new housing starts which reflects obvious builder concern about future demand.

Residential Sales Trends

The following charts provided by the Houston Association of Realtors indicate a substantial decline in sales volume. The average median price for the year remained relatively flat. However; a review of the 12 month moving average shows a downward trend in median price in the last quarter.

CATEGORIES	FULL YEAR 2007	FULL YEAR 2008	PERCENT CHANGE
Total property sales	83,736	69,220	-17.3%
Total dollar volume	\$16,645,129,318	\$13,996,770,410	-15.9%
Average single-family sales price	\$206,393	\$208,266	+1.0%
Median single-family sales price	\$152,000	\$152,000	0.0%

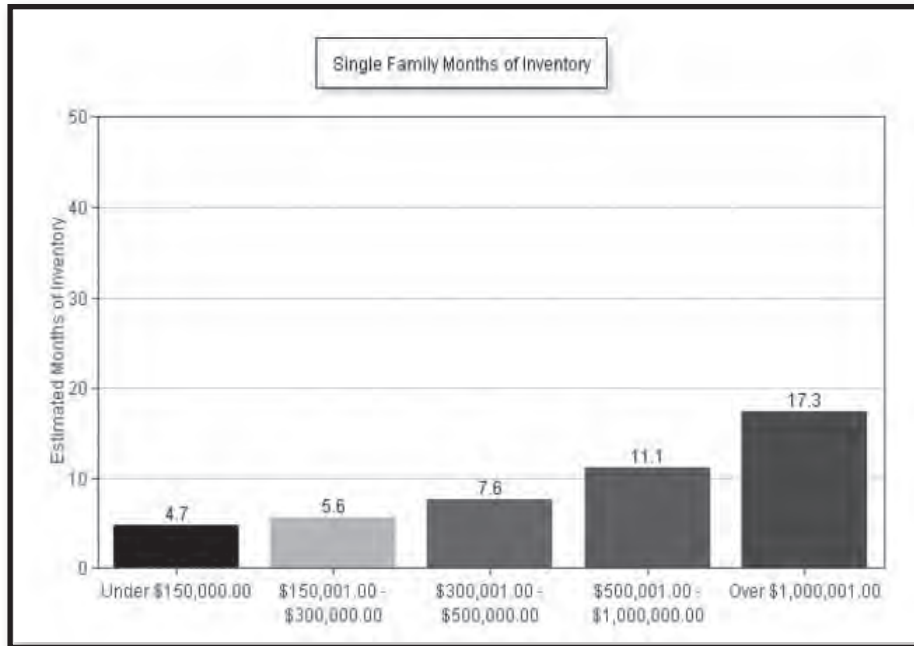


Single Family Inventory

The months of available inventory in a given market can be an indication of supply VS demand. The months of inventory in many Houston neighborhoods has remained relatively constant. The balance has likely occurred since as the number of sales declined so did the number of new listings. Market sentiment was adversely affected by recent negative economic news and owners have been reluctant to list their homes in the face of a soft market. The following chart provided by RAC (Relocation Appraisers and Consultants) depicts the months of available inventory by price range. This is one of several graphics available in the RAC Report on the RAC website (www.RAC.net).

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4th Quarter 2008



Take Away

While the Houston residential market has not experienced the dramatic fluctuations characteristic of most major metropolitan markets, residential market activity has declined in recent months. The weakening market can be attributed to declining oil prices, a poor national economy, and waning consumer confidence. New home construction has declined; however, builders continue to add inventory. This supply of new homes continues to put downward pressure on pricing in many suburban markets. Houston is a large city with ample geographic area for future growth. The city has modernized infrastructure and, as mentioned previously, there are a large number of employment opportunities in a number of diversified industries. There are no indications that a recovery in the residential real estate market will occur in the near term. Houston is well positioned to take advantage of an improving economy; however, there are significant barriers to a recovery. Unfortunately, local and national economies are not likely to improve significantly in the short term and analyzing real estate markets will continue to be a challenge.



For additional or more current information on the residential market in the Houston area, visit www.rac.net and select "The RAC Report," or contact the following RAC member:

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