UTAH HOUSING MARKET 2007

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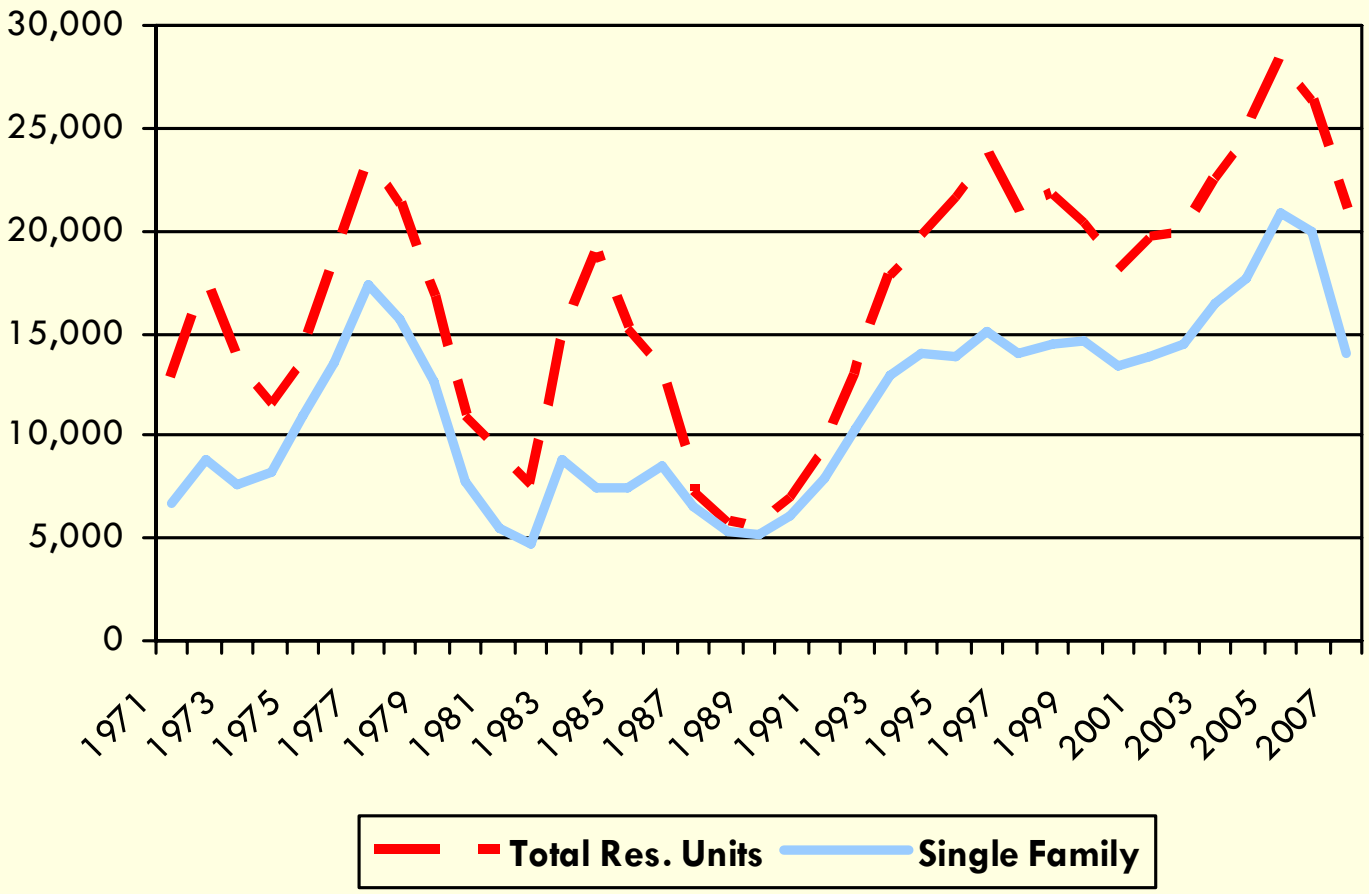
RESIDENTIAL CONSTRUCTION PERMITS ISSUED IN UTAH: 2007 RETURN TO VOLATILITY?



DECLINE IN SINGLE FAMILY BUILDING PERMITS - 2007

(Year-over January through August Comparison)

SALT LAKE COUNTY	-1,226
UTAH COUNTY	-760
DAVIS COUNTY	-577
WEBER COUNTY	-140
WASHINGTON COUNTY	-26
Lehi	-585
Draper	-268
West Jordan	-267
Riverton	-233
Herriman	-190
West Valley	-185
Spanish Fork	-181
Kaysville	-177
Clinton	-137

SINGLE FAMILY PERMITS ISSUED IN SEPTEMBER

Source: Construction Monitor.

	September 2006	September 2007	Percent Change
Salt Lake	348	130	-62.6%
Utah	172	68	-60.5%
Weber	417	124	-70.3%
Davis	105	34	-67.3%
Washington	129	82	-36.4%
Total	1,171	438	-62.6%

CHANGE IN UNOCCUPIED NEW HOMES

Source: NewReach.

	2nd Qtr 2006	2ND Qtr 2007	% Chg.
Salt Lake	273	594	116.5%
Utah	216	571	164.4%
Davis	132	368	178.8%
Weber	72	233	219.2%
Washington	222	378	70.3%
Total	915	2,144	134.3%

CHANGE IN EXISTING HOME SALES

Source: WFRMLS

	SEPT 2006	SEPT 2007	% CHG.
SALT LAKE	1,291	668	-48.3%
UTAH	539	282	-47.9%
DAVIS	393	237	-39.7%
WEBER	396	204	-48.4%
TOTAL	2,619	1,391	-46.9%

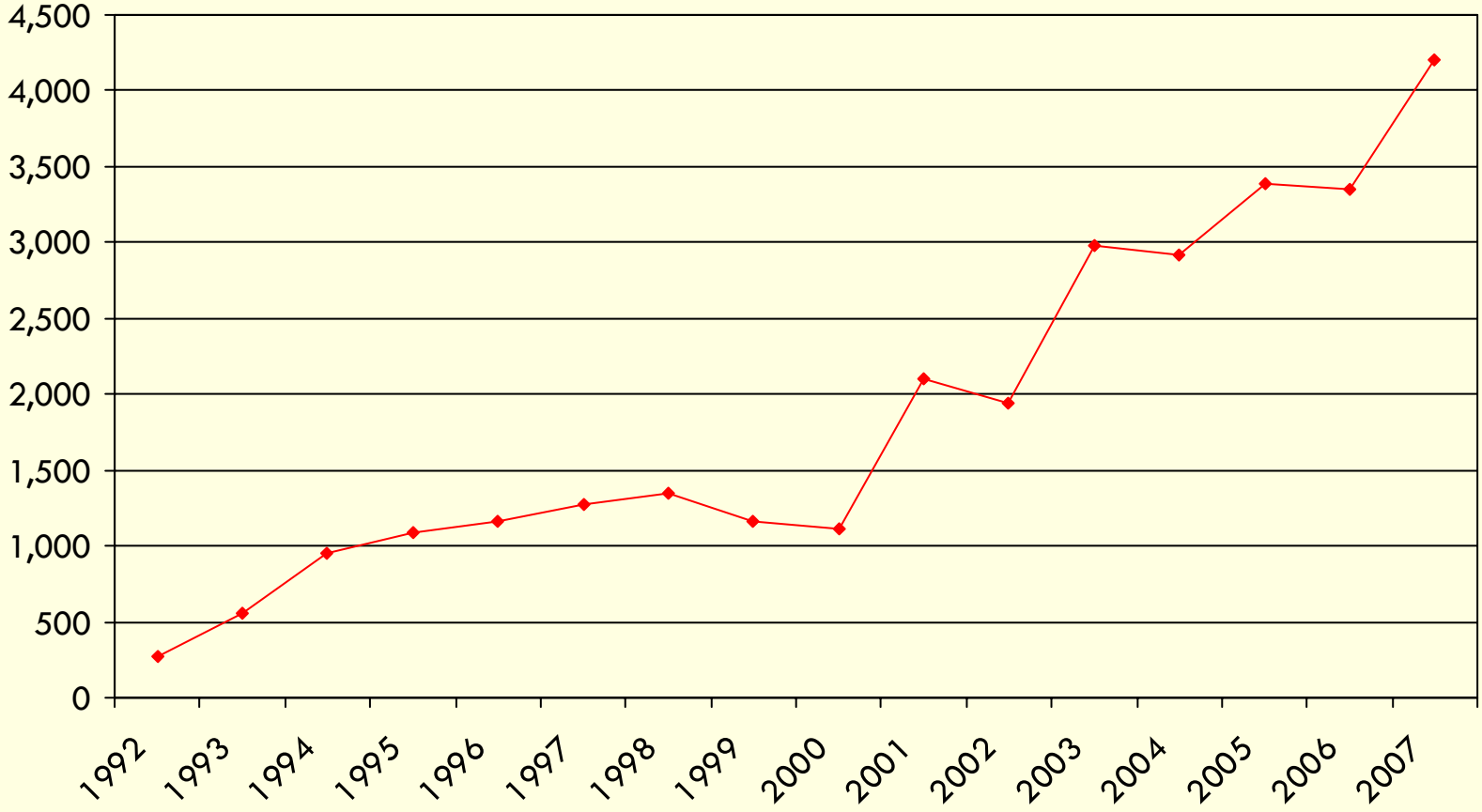
LISTING FOR EXISTING HOMES FOR WASATCH FRONT COUNTIES

Source: WFRMLS.

	2006	2007	% Chg.
Davis	2,267	2,855	25.9%
Salt Lake	8,457	10,861	28.4%
Utah	3,492	4,931	41.2%
Weber	2,291	2,378	3.8%
Total	16,507	21,025	37.4%

PERMITS ISSUED FOR CONDOMINIUMS/TOWN HOME UNITS IN UTAH

Source: Bureau of Economic and Business Research, University of Utah.



PERMITS ISSUED FOR NEW APARTMENT UNITS

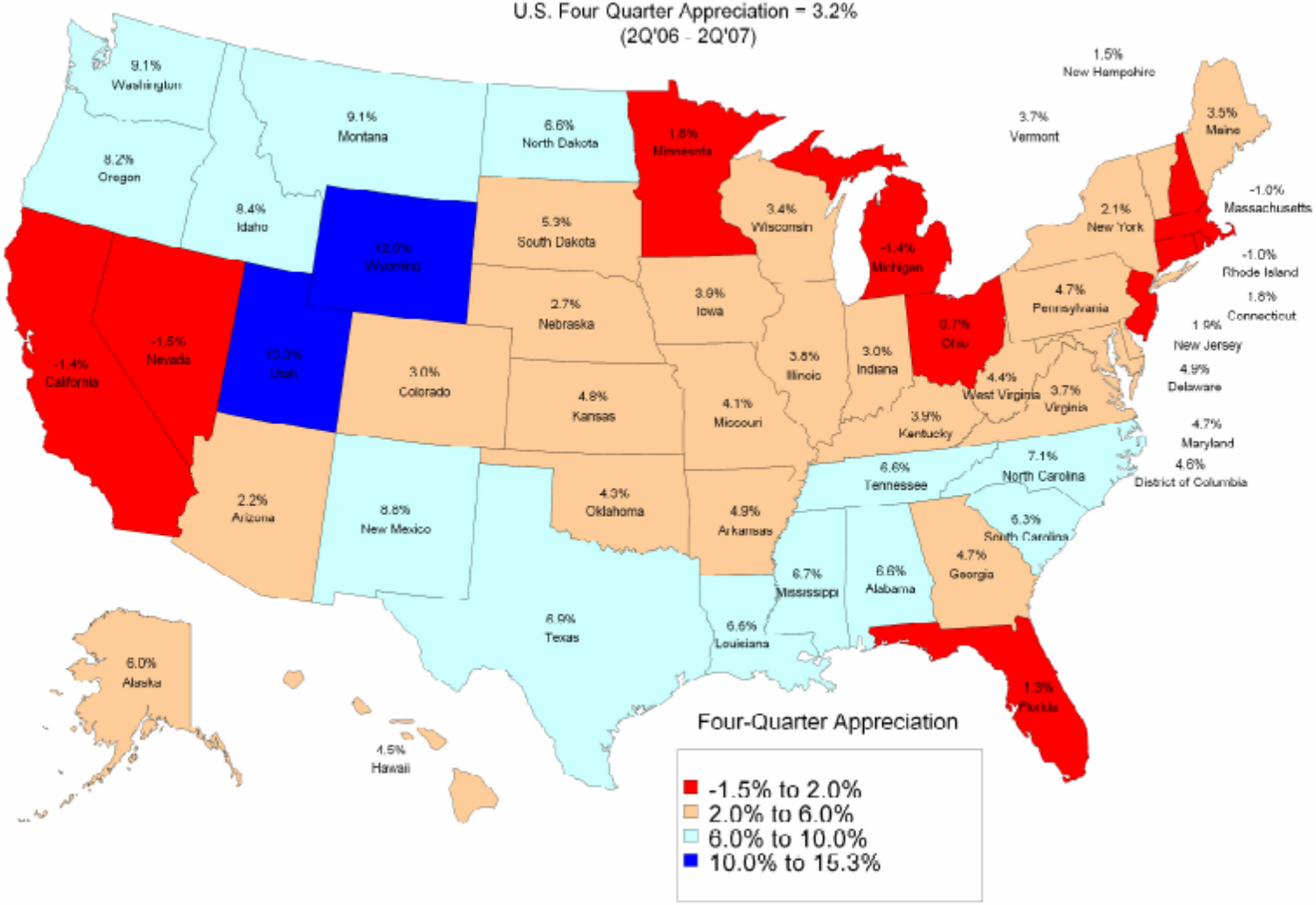
(January through August)

Source: Bureau of Economic and Business Research, University of Utah.

	2006	2007	% Chg.
Davis	34	265	679.4%
Salt Lake	304	582	91.4%
Summit	0	0	0.0%
Tooele	0	0	0.0%
Utah	373	284	-23.9%
Wasatch	4	0	-100.0%
Washington	63	14	-77.8%
Weber	106	16	-84.9%
Total	884	1,161	31.3%

Four-Quarter Appreciation by State
OFHEO HPI (Uses Purchase Prices and Appraisal Valuations)

U.S. Four Quarter Appreciation = 3.2%
(2Q'06 - 2Q'07)



FIVE YEAR PERCENT INCREASE IN OFHEO INDEX FOR WESTERN STATES

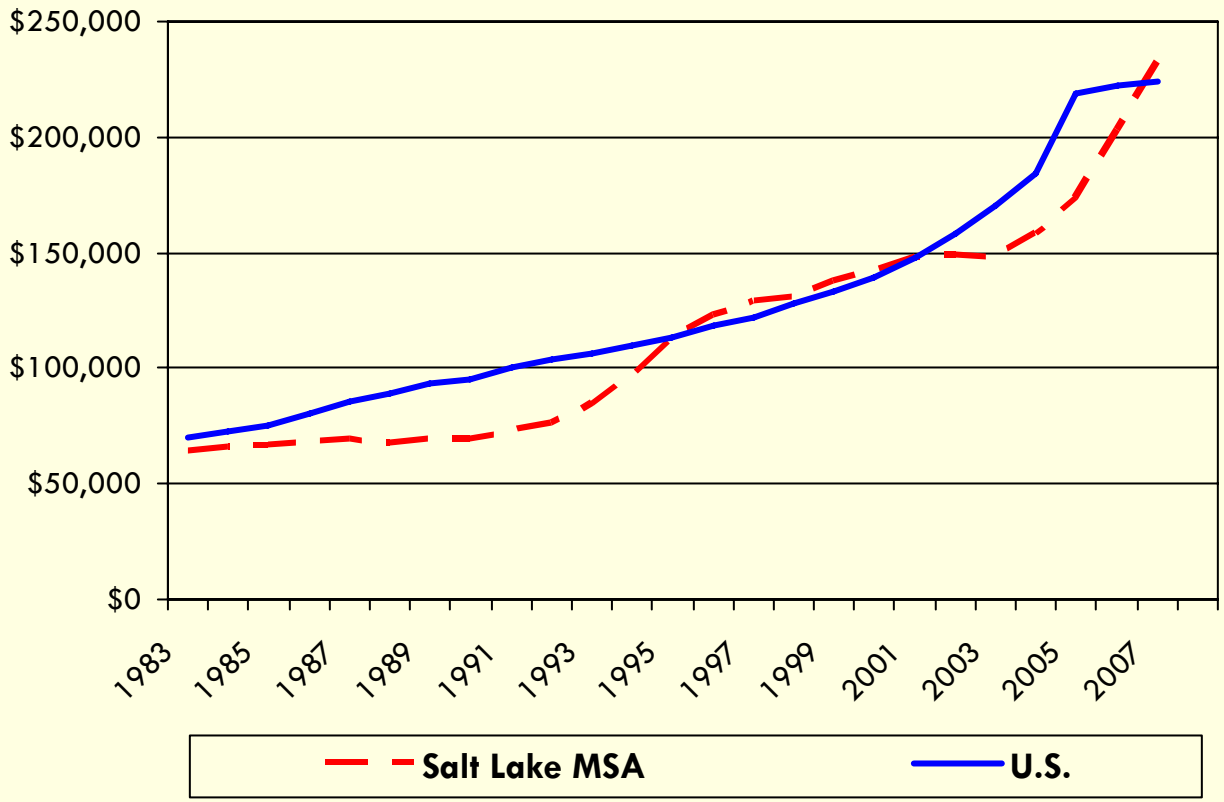
Source: OFHEO

ARIZONA	90.8%
CALIFORNIA	90.1%
NEVADA	89.5%
OREGON	70.9%
WASHINGTON	67.7%
IDAHO	64.4%
WYOMING	64.3%
MONTANA	62.2%
NEW MEXICO	57.0%
UTAH	53.0%
U.S.	50.8%
COLORADO	20.2%

MEDIAN SALES PRICE OF EXISTING HOME IN SALT LAKE METRO COMPARED TO U.S.

National Association of Realtors

Salt Lake $233,100 U.S. $223,800

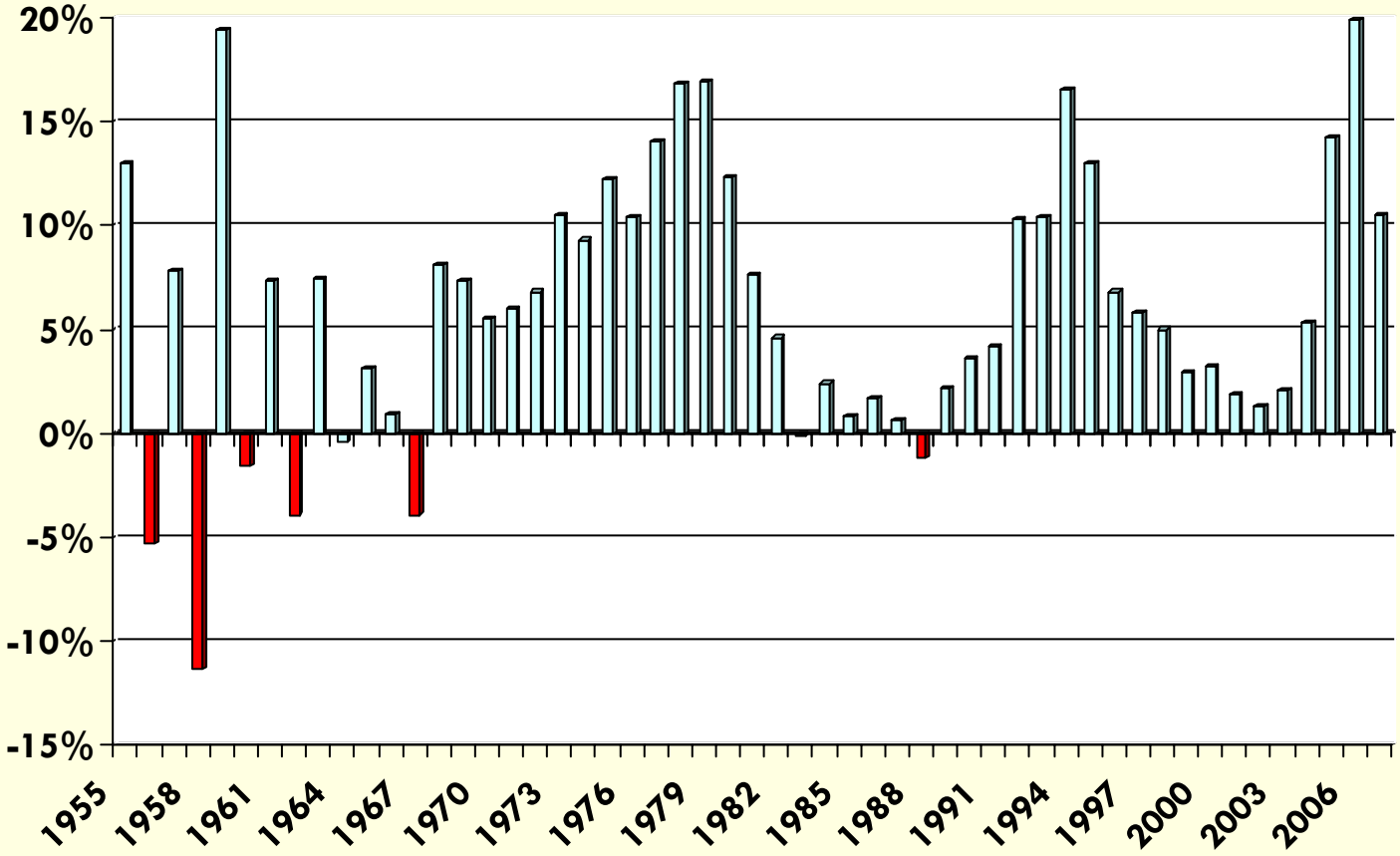


MEDIAN SALES PRICE OF EXISTING HOME IN WASATCH FRONT COUNTIES - 2007

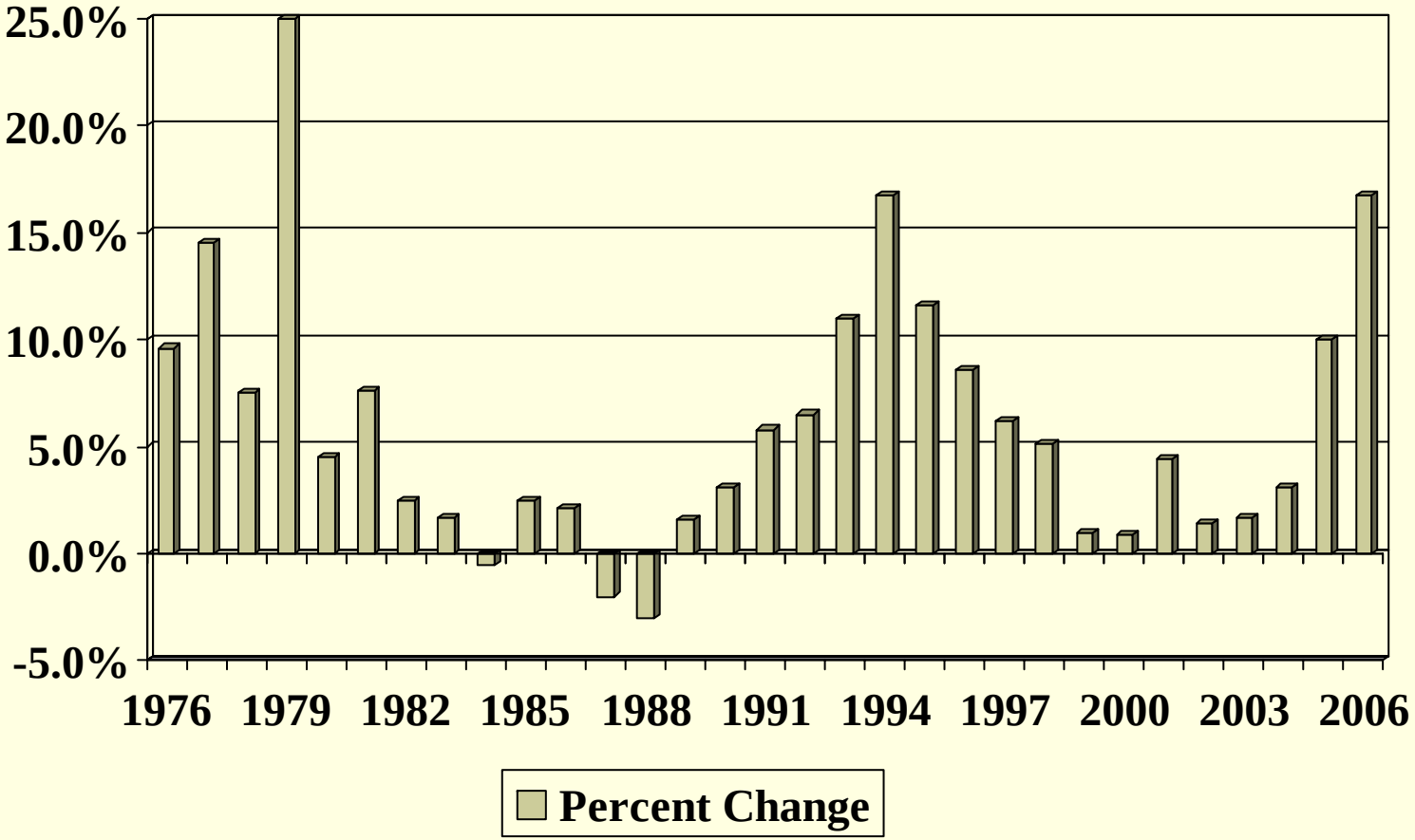
Source: WFRMLS

	Median Price	% Chg.
January	220,000	---
February	220,000	0.0%
March	230,000	4.5%
April	230,000	0.0%
May	234,850	2.1%
June	240,000	2.2%
July	237,000	-1.3%
August	237,000	0.0%
September	231,000	-2.5
Total Jan.- Sept.		5.0%

PERCENT CHANGE IN AVERAGE SALES PRICE OF HOME IN SALT LAKE COUNTY 1955-2007



PERCENT CHANGE IN OFHEO INDEX FOR UTAH



THREATS TO OWNER OCCUPIED HOUSING

- Extent of Overbuilding
  - Household Growth Rates at 3%
- Utah Demographics
  - 20 to 29 years olds
- Possibility of National Recession
- Demand Constrained by Lending Guidelines
- Subprime Debacle

Vacancy Rate and Average Two BedroomTwo Bath Rent in Salt Lake County – 1997 to 2005 rents up 6%, bold.

(Source: Equimark)

Year	Vacancy Rate	Avg. Rent	% Rent Increase
1996	4.30%	$683	8.9%
1997	5.30%	**$728**	6.6%
1998	6.80%	**$732**	0.5%
1999	7.70%	**$733**	0.1%
2000	6.30%	**$757**	3.3%
2001	7.10%	**$775**	2.4%
2002	10.90%	**$772**	-0.4%
2003	9.90%	**$746**	-3.4%
2004	8.30%	**$762**	2.1%
2005	6.50%	**$774**	1.6%
2006	5.10%	$824	6.5%
2007	3.20%	$851	3.3%

IMMIGRATION AND DEMAND FOR AFFORDABLE RENTAL UNITS

- Utah's foreign born population is about 200,000; about 85,000 are estimated to be illegal.
- Each year the foreign born population grows by about 10,000 people and 2,500 households.
- PUMS shows that 57% rent or 1,425 of additional households.
- 75% of these renter households are from Latin America and Africa.
- Assuming that these households are very low income the immigrant demand each year for affordable rental units is nearly 1,100 units.
- If high levels of overcrowding then demand might drop to 500 units.

WHAT ABOUT LOW INCOME RENTERS?

- Rental subsidy programs provide assistance for about 39,000 households: LIHTC (19,000), HUD (16,000), RD (1,500), Public Housing (2,500).
- Estimated 103,000 VLI and ELI renters
- Estimated 65,000 VLI and ELI renters with no assistance; 7% of Utah Households

DETERIORATION OF AFFORDABILITY FOR MODERATE, LOW AND VERY LOW INCOME HOUSEHOLDS - 2007

- Opportunity for Ownership Has Declined
- Housing Prices Unlikely to Decline
- Immigrant Population Increase Demand for Affordable Housing
- Loss of Construction Jobs in 2008
- New Rental Housing Less Than 1% of Inventory
- Rental Rates Increasing and Vacancy Declining
- Worsening Crisis in Rental Housing

UTAH ECONOMY AND HOUSING

(1) DESPITE SINGLE-FAMILY TROUBLES UTAH'S ECONOMY IN STRONG EXPANSION.

(2) LIKELY SINGLE-FAMILY HOUSING HAS BEGUN SEVERE CONTRACTION.

(3) CONDOMINIUM/TOWN HOME STARTS WILL GAIN SHARE; UP TO 20% OF RESIDENTIAL.

(4) APARTMENT SHARE PROJECTED AT 10% OF RESIDENTIAL CONSTRUCTION; INVENTORY INCREASING BY <1%.

(5) MODERATE AND LOW INCOME AFFORDABILITY DECLINING; FEWER OWNERSHIP OPPORTUNTIES PLUS UNFAVORABLE RENTAL MARKET CONDITIONS.