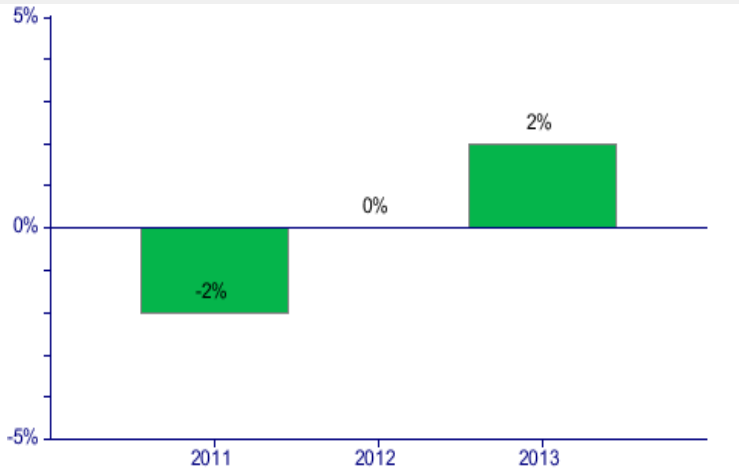




Philadelphia, PA (MSAD) (37964)

Home Price Forecast

Last Update: 09/01/2010



INVESTMENT SUITABILITY RATING

- SUITABLE FOR CONSERVATIVE INVESTORS
- TYPICAL RISKS/REWARDS
- SPECULATIVE RISKS/REWARDS
- FRANKLY DANGEROUS

Home Value Forecast and Equilibrium Home Price

Home values for **Philadelphia, PA (MSAD)** are forecast to decrease by 2 percent over the next 12 months. Nationally, prices are forecast to decrease by 3 percent.

Home prices in this market over the long-term are expected to remain unchanged in the next 24 months, and increase 2% over the next 36 months.

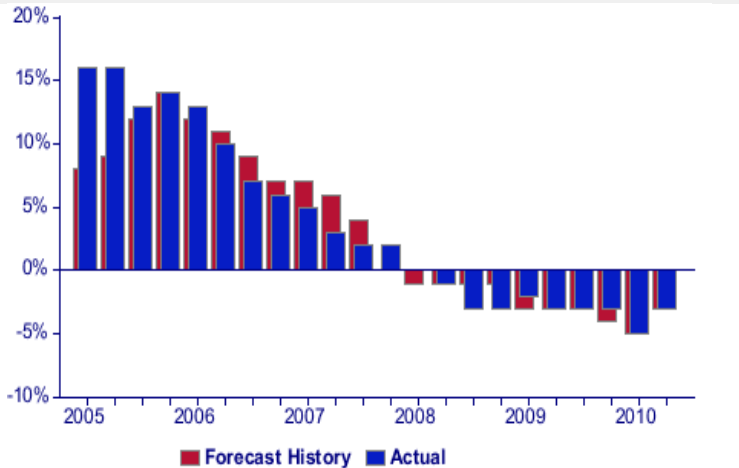
This market has **balanced prices**. Income growth is relatively more important in determining future home values. Future market income growth is estimated from current job growth in a market and an estimate of overall growth of the national economy.

Home prices in this market peaked in Q1 2008 at \$266,514. Since their peak, prices have fallen by 7%. The Average Home Value in this market is currently \$247,315 as of Q3 2010.

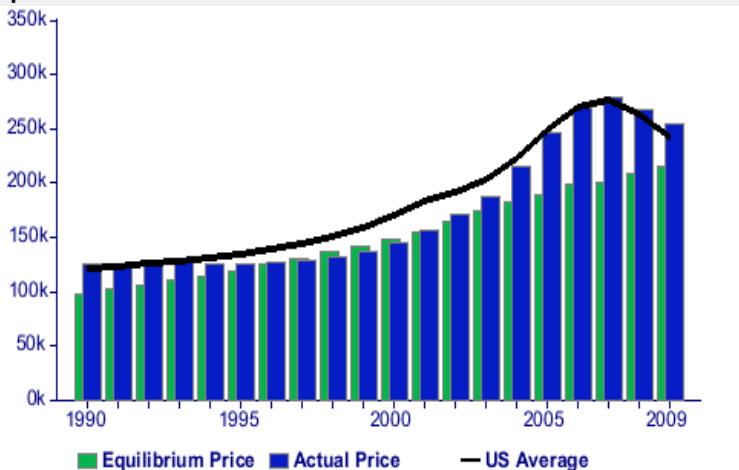
The Equilibrium Home Price in this market is currently \$223,666 as of Q3 2010. The market is currently in balance. Prices in this market are currently 5 percent higher than the national average.

The Equilibrium Home Price allows us to determine if a market is in balance or is over-priced, by comparing the calculated Equilibrium Price with the actual average home value. Over-priced markets always return to the Equilibrium Home Price, and the greater the difference between actual and Equilibrium prices, the greater the risk of an eventual sharp drop in prices.

Home Value Forecast vs. Actual



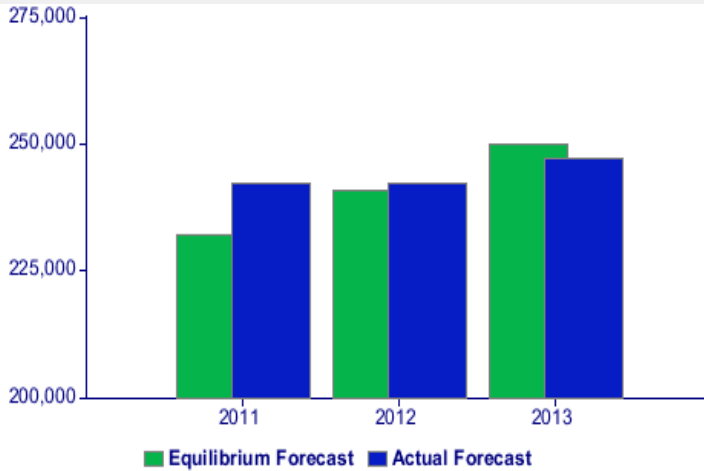
Equilibrium Home Price vs. Actual





Philadelphia, PA (MSAD) (37964)

Equilibrium Home Price Forecast



MARKET METRIC UPDATE

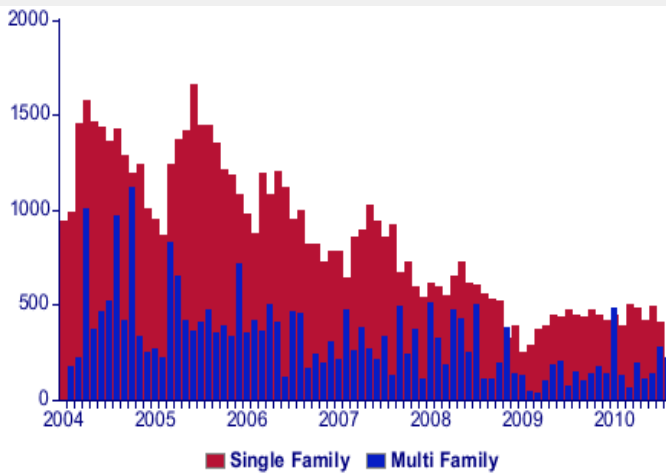
Equilibrium Home Price, Housing Permits and Vacancy Rates

The Equilibrium Home Price for this market is forecasted to be \$232,140 in 2011, \$240,946 in 2012, and \$250,087 in 2013. Based on the forecasted actual home values in this market, the market will be in-balance in 2011, in-balance in 2012, and in-balance in 2013.

Single family permits were 65 percent of total permits in July 2010. Single family permits have averaged 64 percent of total permits over the past 5 years.

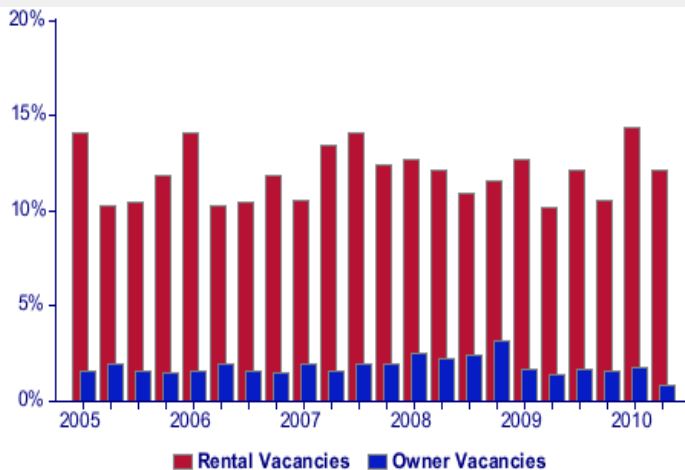
Rental Vacancy Rate rose from 10.2 percent in Q2 2009 to 12.1 percent in Q2 2010. Local Rental Vacancy Rate was equal to the national rate of 12.1 percent in Q2 2010. Owner Vacancy Rate fell from 1.4 percent in Q2 2009 to 0.8 percent in Q2 2010. Local Owner Vacancy Rate was lower than the national rate of 2.5 percent in Q2 2010.

Monthly Housing Permits Philadelphia, PA (37964)



Quarterly Vacancy Rate

Philadelphia-Camden-Wilmington, PA-NJ-DE-MD (37980)





Philadelphia, PA (MSAD) (37964)

Monthly Unemployment Rate



MARKET METRIC UPDATE

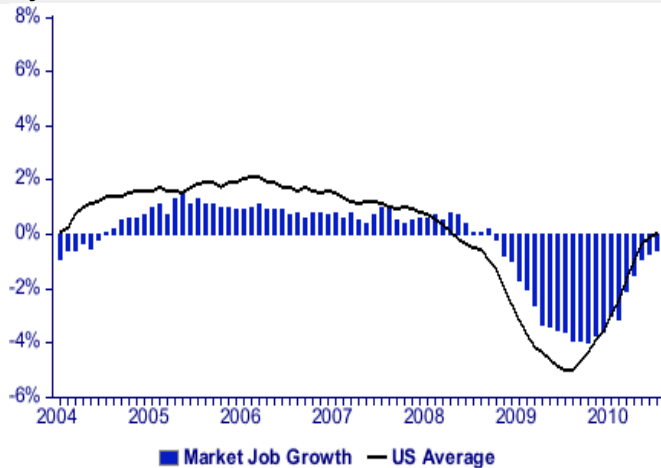
Employment

The unemployment rate in July 2010 was 9.5% versus 8.3% for the same month in the previous year.

In the past 12 months, jobs in this market have fallen by 0.6 percent. In the past 12 months, jobs in national market have not changed.

Total Non-Farm Employment was 1,835,700 in July 2010. Job gains over past year were seen in Education and Health Services and Leisure and Hospitality. Biggest job losses over past year by percentage were in Mining, Logging and Construction, and Manufacturing.

Monthly Job Growth Rates



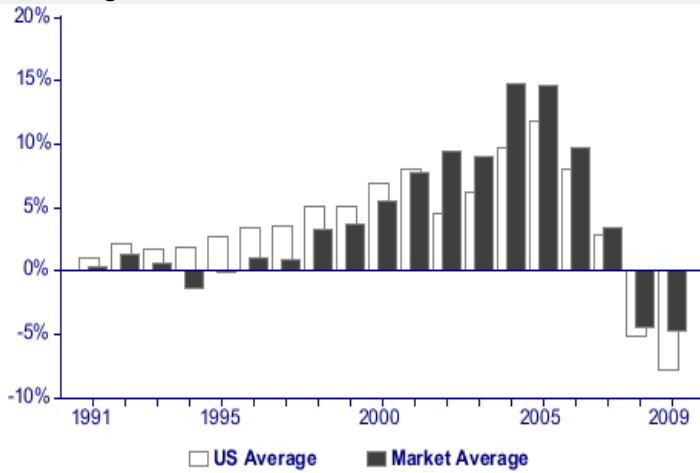
Employment by Industry

Industry	July 2009	July 2010	Change	% Change
Mining, Logging and Construction	69.8K	62.0K	-7.8K	-11.2
Manufacturing	140.6K	129.9K	-10.7K	-7.6
Wholesale Trade	83.7K	79.9K	-3.8K	-4.5
Retail Trade	187.0K	185.4K	-1.6K	-0.9
Transportation and Utilities	57.2K	54.5K	-2.7K	-4.7
Information	40.4K	39.1K	-1.3K	-3.2
Financial Activities	138.7K	134.5K	-4.2K	-3.0
Professional and Business Services	295.3K	289.9K	-5.4K	-1.8
Education and Health Services	404.7K	415.1K	10.4K	+2.6
Leisure and Hospitality	156.7K	157.6K	0.9K	+0.6
Other Services	83.7K	83.2K	-0.5K	-0.6
Government	205.7K	204.6K	-1.1K	-0.5



Philadelphia, PA (MSAD) (37964)

Annual Change in Home Values



MARKET METRIC UPDATE

Annual Home Value Trends and Population

The population in this market grew less than 1% from 2007 to 2008. The population in the US grew less than 1% from 2007 to 2008.

Population

