

DEMOGRAPHIC/ECONOMIC SUMMARY OF THE CITY

Houston is the largest city in Texas and one of the primary demographic/economic drivers of the Southern United States. With a population of 2.2 million, it is the fourth largest city in the country. In terms of population, the City of Houston would rank 39th, just behind Nevada and ahead of New Mexico according to the Census Bureau.

The 2007 American Community Survey (ACS) reports that Houston's population is evenly split between men and women. The median age is 32.9, and 73.6% of the population is at least 18 years old. Residents that are 65 and older represent 8.7% of the population.

The racial makeup of Houston, according to ACS, is 53.1% White, 24.8% African American, 0.4% American Indian and Alaska Native, 5.4% Asian, 0.1% Native Hawaiian and Other Pacific Islander and 16.2% is some other race. Almost 41.1% of the population is Hispanic or Latino of any race.

The Houston area has a highly skilled workforce. Seventy three percent of the population are high school graduates and approximately 27% of the population has a bachelor's degree or higher.

Houston is the academic center of the Southwest, providing a first-rate education system. From "Pre-K to gray", Houston offers every subject specialization across all learning levels. The area includes more than 60 colleges, universities and other degree-granting institutions, 100 trade, vocational and business schools, 66 public school districts across the region, 47 independent charter schools, and 195 private and parochial schools. The Houston Independent School District, the largest public school system in Texas, is the seventh largest in the United States with an enrollment of 199,500 students in 293 schools.

U.S. News & World Report consistently rank the prestigious Rice University's Jesse H. Jones School of Management, University of Houston's Law Center, Baylor College of Medicine, and Rice University's George R. Brown School of Engineering among the top universities in the nation in the fields of business, law, medicine, and engineering respectively.

Select list of Houston Area Colleges and Universities:

Colleges	Universities
Alvin Community College	Houston Baptist University
Baylor College of Medicine	Prairie View A&M University
Blinn College	Rice University
Brazosport College	Sam Houston State University
College of the Mainland	South Texas College of Law
Galveston College	Texas A&M University
Houston Community College System	Texas Southern University
Lee College	Texas Women's University
North Harris Montgomery Community College System	University of Houston
San Jacinto College	University of Houston – Clear Lake
South Montgomery Community College System	University of Houston – Downtown
Wharton County Junior College	University of Houston – Victoria
	University of Phoenix
	University of St. Thomas
	University of Texas – Health Science Center
	University of Texas – M.D. Anderson Cancer Center

ECONOMIC DRIVERS

The City of Houston, the county seat of Harris County, is the economic center of the Houston – Sugar Land – Baytown Metropolitan Statistical Area (MSA). The entire MSA includes the counties of Austin, Brazoria, Chambers, Ft. Bend, Galveston, Harris, Liberty, Montgomery, San Jacinto, and Waller, and it ranks as the sixth largest in the United States. The MSA covers 10,062 square miles and has an estimated population of 5.6 million residents, creating one of the most dynamic urban centers in the United States.

Houston is the U.S. energy headquarters and recognized as the world energy capital. More than 3,000 energy-related establishments are located within the Houston MSA, including more than 500 exploration and production firms, more than 150 pipeline transportation establishments and hundreds of manufacturers and wholesalers of energy-sector products. Upstream energy employment has grown an average of 8.6% over the last 3 years while non-agricultural wage and salary employment grew 2.3% in 2008. The local economy is driven by the energy industry; however, non-energy industry base job growth continues. As the national recession deepened suddenly in late 2008, oil and natural gas prices continue to fluctuate. By late April 2009, the price of oil landed at \$47.41 per barrel.

Lyndon B. Johnson Space Center (JSC) continues to advance Houston's cosmopolitan and technological image, with its vision and leadership in space exploration and scientific achievements. JSC's responsibilities include training and developing astronauts worldwide. It also leads the design and implementation of the International Space Station, where astronauts from all over the world convene to perform experiments that enhance technology and medical science. JSC's research complements the local business community by transferring its findings to the private sector for commercial development. The center employs approximately 3,000 residents and 12,000 contractors in the Houston area.

Houston is also home to the world renowned Texas Medical Center (TMC), a sprawling campus south of downtown. TMC is comprised of 47 member institutions, including 13 hospitals and 2 medical schools. The TMC provided 5.5 million patient visits in 2007 on its thousand-acre facility due to the efforts of its 73,600 employees, including over 4,000 physicians and over 11,000 registered nurses.

The Houston Airport System (HAS) forms one of North America's largest public airport systems, ranking fourth in the United States and sixth internationally. Last year, HAS served over 52 million passengers and processed over 863 thousand tons of cargo. Despite the economic troubles, the passenger counts within the Houston Airport System (HAS) have fared extremely well in comparison to other airports located across the nation.

Recently, the HAS had celebrated the inaugural flight of Cathay Pacific Cargo at George Bush Intercontinental Airport for the launching of all-cargo service between Houston and Hong Kong. Cathay Pacific Airways will be Houston's fourth Asian-based cargo operator and the first all-cargo service to Hong Kong. The Hong Kong's largest airline will operate three weekly flights between the two destinations, using Boeing 747-400 ERF Extended Range Freighter.

Similarly, the Port of Houston maintains its position as a world-class port, ranking first in the United States in foreign waterborne commerce, second in total tonnage, and tenth in the world. Houston is linked to 1,053 ports in 203 countries by approximately 100 steamship lines. In 2008, the Port Authority posted its ninth consecutive year of growth with its operating revenue of \$196.5 million, a 4% increase from 2007's record-breaking revenue of \$188.9 million.

Additionally, as the Bayport Container and Cruise Terminal become fully operational in 2007, the Port continues to work diligently to plan future projects improvement for the Bayport area. At build-out, the Bayport facility is expected to handle an annual container volume of about 2.3 million twenty-foot equivalent units (TEUs).

The Houston-Sugar Land-Baytown MSA's Gross Area Product (GAP) in 2007 was \$416.6 billion, slightly larger than Belgium's, Malaysia's, Venezuela's or Sweden's Gross Domestic Product (GDP).

ARTS AND ENTERTAINMENT

With the nation's fifth largest ballet and opera companies, world-traveling symphony orchestra and multiple theater companies, Houston is one of only a few U.S. cities with performing arts year-round. The theater district also offers Houstonians the Houston Broadway Series, which includes shows direct from Broadway and London and is the largest non-profit producer of musical theater in America. Houston is one of only five cities in the United States with permanent professional resident companies in all of the major performing arts disciplines of opera, ballet, music and theater.

Houston's museum district offers a wide array of exhibits featuring the themes of art, history, science and nature. The district includes the Museum of Fine Arts, the sixth largest museum in the country with the opening of the Beck Building; the Contemporary Arts Museum; the C.G. Jung Education Center; the Children's Arts Museum; the Museum of Health and Medical Science; the Houston Zoo and the Museum of Natural Science, one of the most respected museums in the country. In 2008, the museum district had added the Buffalo Soldiers National Museum, a museum dedicated to the purpose of preserving, promoting, and perpetuating the history, tradition, and outstanding contributions of the Buffalo Soldiers toward the development and defense of the United States of America.

Houston, home to a team from nearly every major professional sports and state of the art football, basketball and baseball stadiums in the world, is a sports lover's paradise. The city boasts an array of championship teams such as the Houston Dynamo, Houston Rockets and Houston Astros. Houston has established itself as a destination for hosting major sporting events: Super Bowl XXXVIII in 2004; the World Series in 2005; the NBA All-Star game in 2006; the Tennis Masters Cup in 2003 and 2004; and the CONCACAF Gold Cup in 2005 and 2007.

Houston Area Sports Teams:

Professional Teams		Collegiate Teams/Mascots
Aeros	International Hockey League	Houston Baptist University - Huskies
Astros	Major League Baseball – National League	Rice University - Owls
Dynamo	Major League Soccer	Texas Southern University - Tigers
Energy	Women's National Football League	University of Houston - Cougars
Rockets	National Basketball Association	
Texans	National Football League-American Conference	
Thunder	National Pro Fastpitch Softball	
Wranglers	National Tennis Team	

EXHIBIT 1 HOUSTON PMSA AT A GLANCE

POPULATION

1999	4,057,800
2000	4,177,600
2001	4,268,100
2002	4,340,900
2003	4,376,600
2004	4,428,400
2005	4,622,400
2006	4,729,300
2007	4,918,200
2008	5,079,900

NEW REAL ESTATE SUPPLY - RESIDENTIAL (Units)

1998	55,053
1999	40,951
2000	36,656
2001	37,752
2002	46,093
2003	61,767
2004	57,336
2005	59,844
2006	75,134
2007	81,861

NON-AGRICULTURAL WAGE & SALARY EMPLOYMENT

1999	2,191,400
2000	2,243,600
2001	2,282,400
2002	2,277,400
2003	2,262,900
2004	2,278,700
2005	2,337,200
2006	2,434,300
2007	2,537,200
2008	2,601,600

RESIDENTIAL VACANCY RATE

1998	7.9 %
1999	7.9
2000	7.2
2001	6.1
2002	5.8
2003	6.4
2004	8.1
2005	9.3
2006	7.7
2007	8.4

PERSONAL INCOME (Per Capita)

1997	28,076
1998	30,066
1999	31,168
2000	34,047
2001	35,411
2002	34,458
2003	35,054
2004	37,402
2005	40,734
2006	43,174

UNEMPLOYMENT RATE (*)

1999	4.8 %
2000	4.4
2001	4.7
2002	6.1
2003	6.8
2004	6.2
2005	5.6
2006	5.0
2007	4.3
2008	4.7

HOUSTON CONSUMER PRICE INDEX ALL URBAN (1982-84 = 100)

	<u>Average Index</u>	<u>% Change</u>
1999	148.7	1.3 %
2000	154.2	3.7
2001	158.8	3.0
2002	159.2	0.3
2003	163.7	2.8
2004	169.5	3.5
2005	175.6	3.6
2006	180.6	2.8
2007	183.8	1.8
2008	189.9	3.3

TOP TEN PROPERTY TAXPAYERS IN 2008 (Amounts Expressed in Millions)

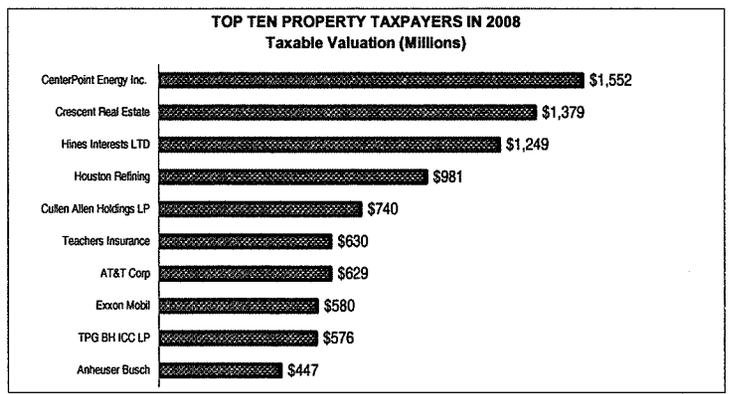
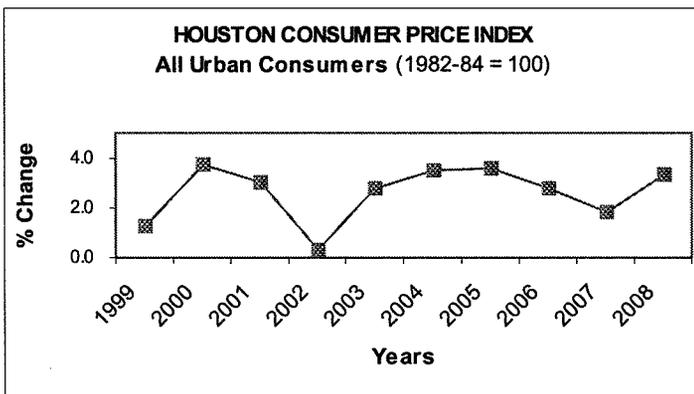
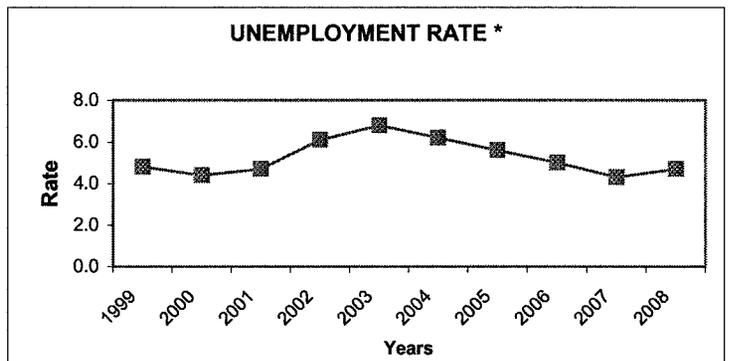
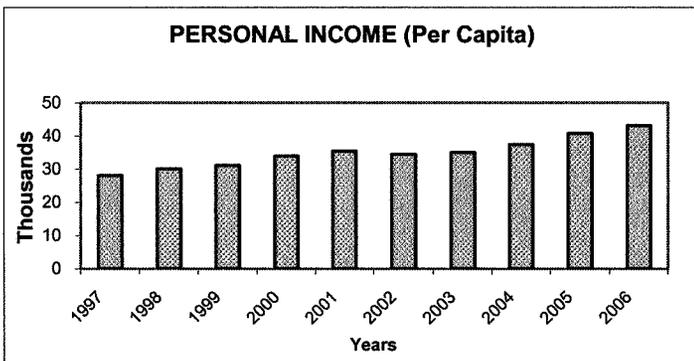
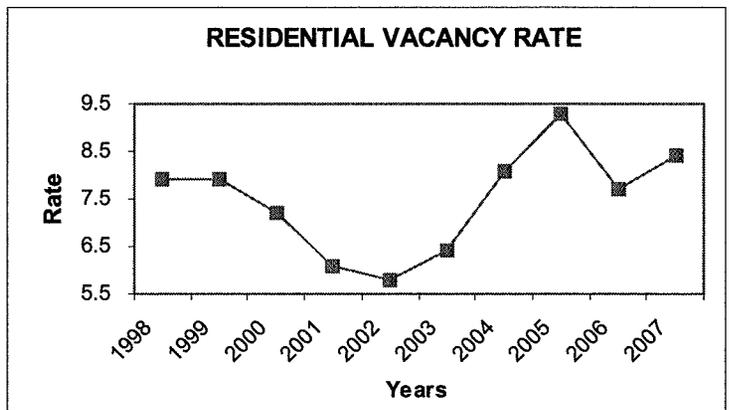
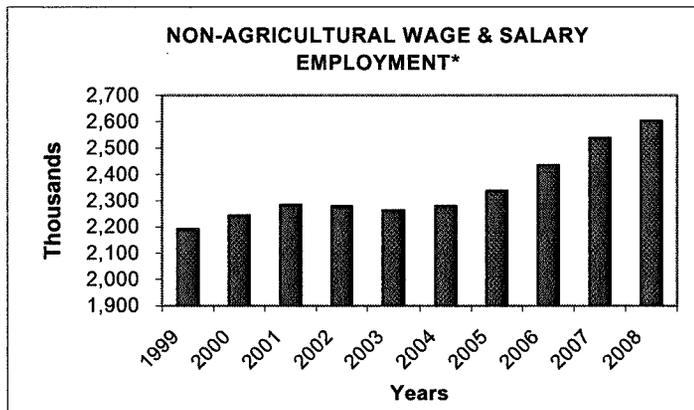
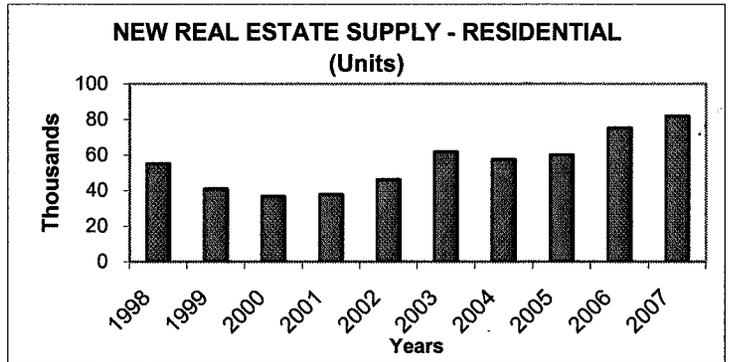
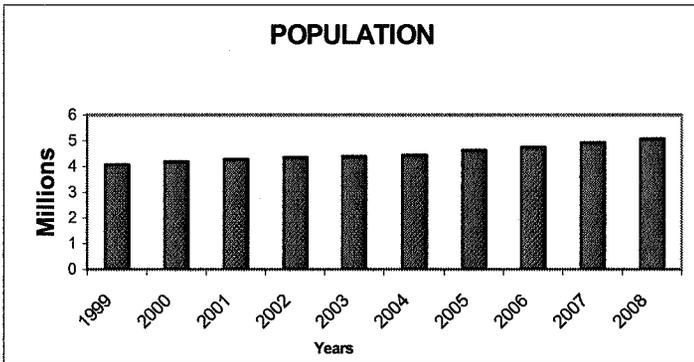
	<u>Taxable Value</u>
CenterPoint Energy Inc.	\$1,552
Crescent Real Estate	1,379
Hines Interests LTD	1,249
Houston Refining	981
Cullen Allen Holdings LP	740
Teacher's Insurance	630
AT&T Corporation	629
Exxon Mobil	580
TPG BH ICC LP	576
Anheuser Busch	447

PMSA: Primary Metropolitan Statistical Area

* Not Seasonally Adjusted

Source: University of Houston, Center for Public Policy (as of January 2009 except as otherwise noted).

EXHIBIT 2 HOUSTON PMSA AT A GLANCE



* Not Seasonally Adjusted

ECONOMIC OUTLOOK

ECONOMIC INDICATORS

The following table shows actual and projected economic indicators for the Houston MSA (Metropolitan Statistical Area):

ECONOMIC INDICATORS SHORT-RANGE FORECAST (Revised November 2008) HOUSTON PMSA							
	2007	2008	2009	2010	2011	2012	2013
Population	4,918,163	5,079,900	5,142,516	5,163,508	5,228,420	5,351,673	5,476,735
	3.99%	3.29%	1.23%	0.41%	1.26%	2.36%	2.34%
Retail Sales (millions) \$	74,139	79,100	80,287	81,454	85,004	90,151	95,361
	7.39%	6.69%	1.50%	1.45%	4.36%	6.06%	5.78%
Total Employment	2,351,583	2,409,267	2,399,121	2,413,996	2,462,508	2,524,753	2,581,194
	4.20%	2.45%	-0.42%	0.62%	2.01%	2.53%	2.24%
Construction	176,610	186,529	185,947	179,362	177,374	177,346	178,107
	7.44%	5.62%	-0.31%	-3.54%	-1.11%	-0.02%	0.43%
Trade	510,817	519,778	510,865	513,828	517,510	525,766	535,593
	3.82%	1.75%	-1.71%	0.58%	0.72%	1.60%	1.87%
Services	776,029	796,314	803,233	819,544	852,554	885,593	917,705
	4.55%	2.61%	0.87%	2.03%	4.03%	3.88%	3.63%
Government	306,822	312,345	317,839	322,890	328,996	335,129	341,141
	1.60%	1.80%	1.76%	1.59%	1.89%	1.86%	1.79%

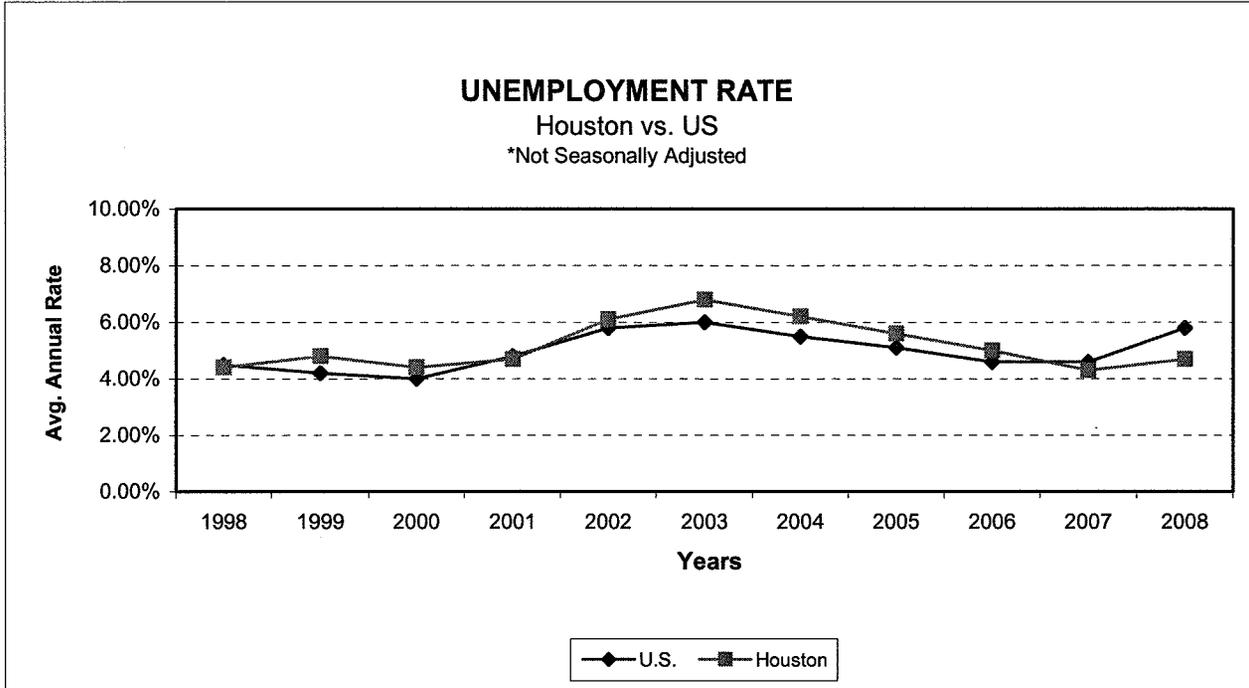
Source: University of Houston Institute for Regional Forecasting – January 2009

All Numbers represent the old Houston Primary Metropolitan Statistical Area: Chambers, Fort Bend, Harris, Liberty, Montgomery, and Waller counties.

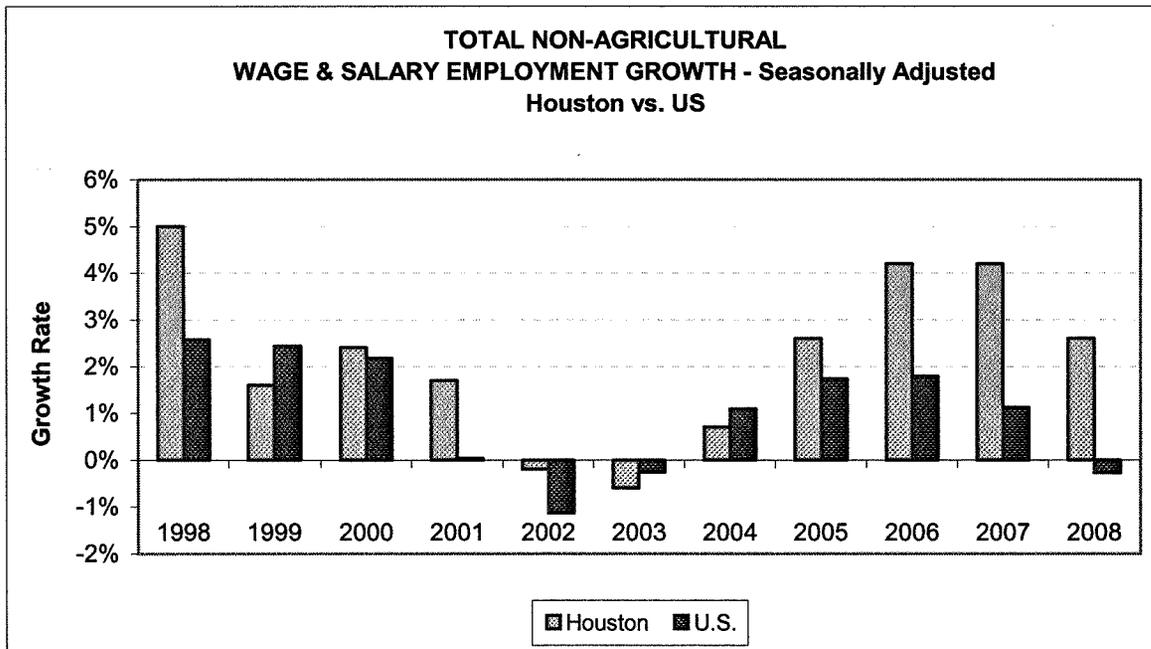
The Institute for Regional Forecasting projects that the PMSA population will grow 4% over the next 3 years.

The annual average of local unemployment rate (not seasonally adjusted), 4.7%, is 9% higher than 2007 and 110 basis points lower than the national unemployment rate.

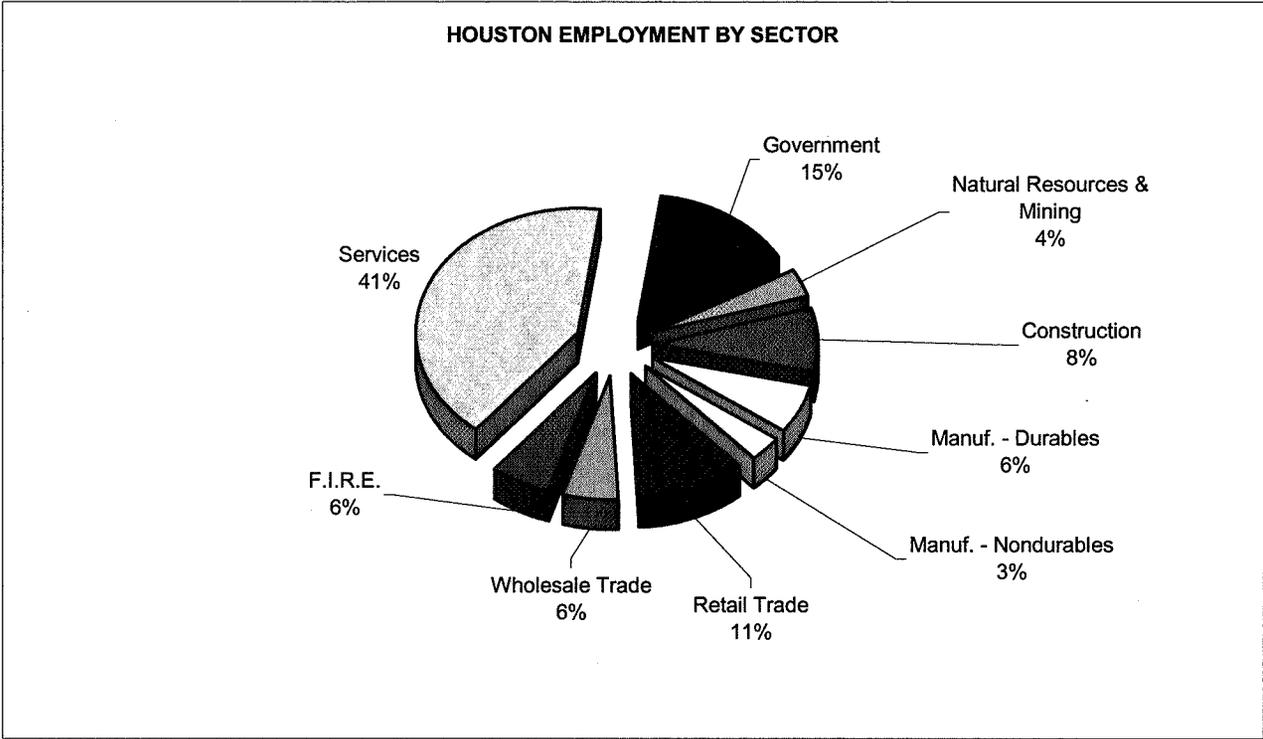
During the past five years, Houston employment growth advantage over the rest of the nation is due to oil and natural gas. However, Houston economy is beginning to show signs of significant decline as employer's scale back hiring led by the energy sector due to economic slowdown. The global commodity bust led to a steep drop in energy prices. West Texas Intermediate Crude oil fluctuates between \$34-\$48 per barrel a decline of more than 70% or \$100 from its all time high of \$140 in July 2008. Both natural gas and refined product prices have declined as well.



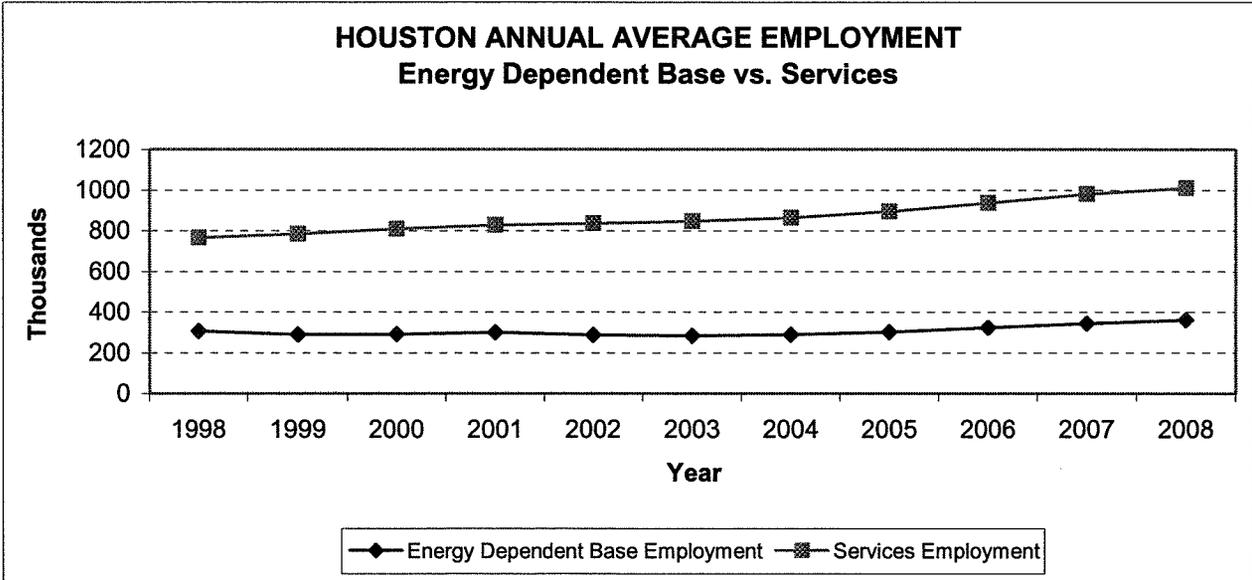
Nationally, the growth of non-agricultural wage and salary positions continues to decline from 2006 through 2008 while these same positions start to decline in 2008 locally by 2.6%.



Jobs in natural resources and mining grew 6.5% in 2008 while construction jobs only grew a little more than 3% compared to 2007.



Houston continues to diversify its economic base. Current employment growth continues to be driven by the energy sector. Energy base employment grew 4.6% in 2008 compared to 2.9% for services related jobs.

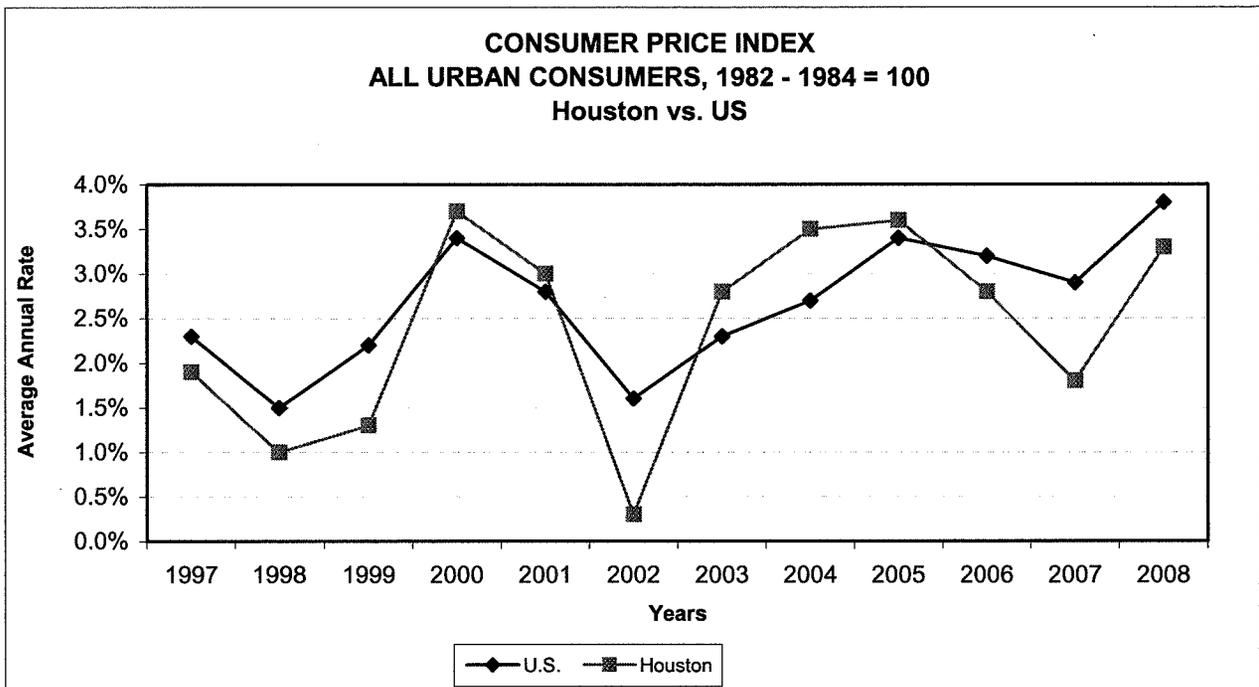


INCOME

Per capita income is widely used to compare the standards of living in different regions. In Houston, personal income rose from \$40,734 in 2005 to \$43,174 in 2006; a 6.0% increase over the previous year. Over the last 10 years, per capita income has increased an average of 6.5%.

PRICES

Houston prices, as measured by the Houston Consumer Price Index (CPI), rose 3.3% in 2008 compared to the national increase of 3.8%. Average CPI for the local area in 2008 was 189.9 versus 215.2 for the United States, meaning there is a lower cost of living for Houston residents than is the case nationally.

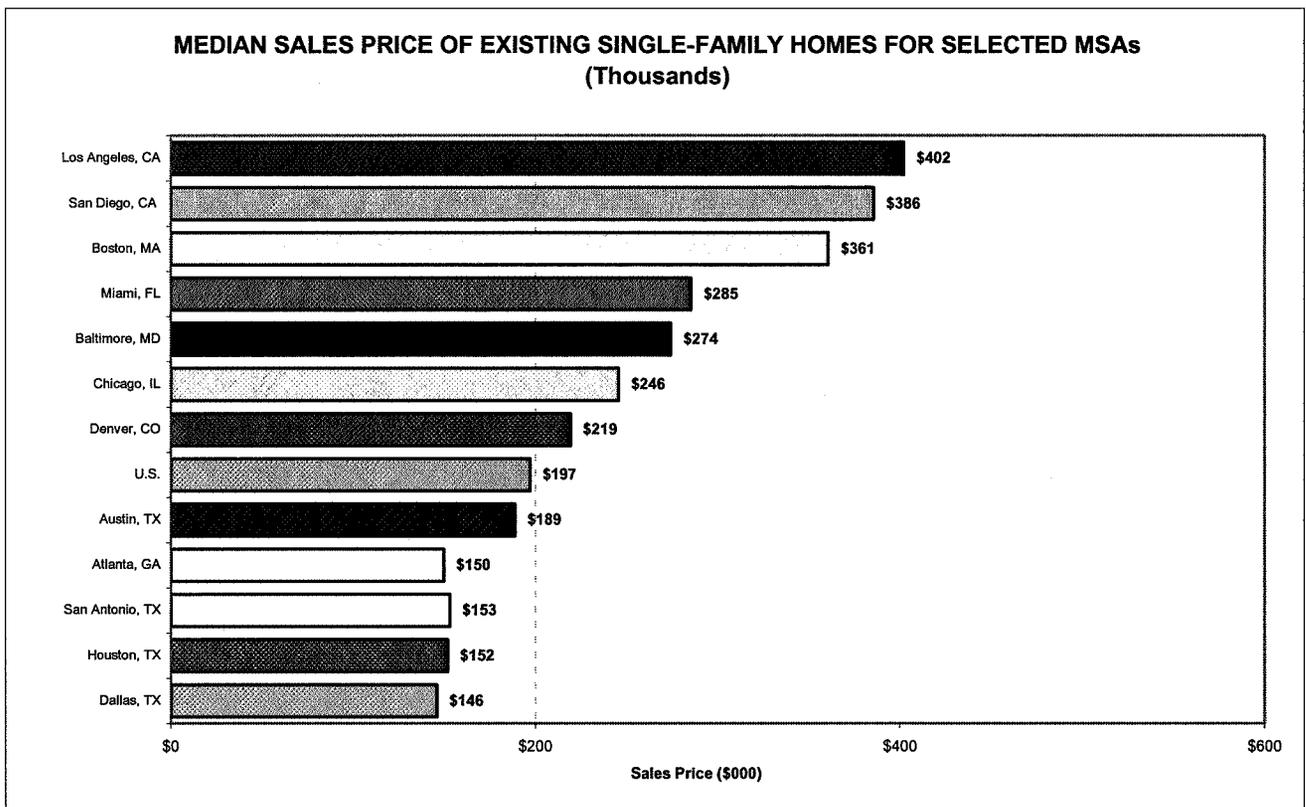


HOUSING COSTS

Housing costs in Houston continue to be the lowest among major metropolitan areas in the United States. The National Association of Realtors reports that Houston's fourth quarter 2008 median sales price of \$151,600 is \$45,500 lower than the national median sales price of existing single-family homes.

All MSAs in Texas fall below the national median sales price with Dallas having the lowest followed by Houston, San Antonio and Austin. Compared to 2007, Austin was the only city that experienced growth in median sales price both regionally and nationally (↑2.67%). The median sales prices in major cities had declined enormously in 2008 with the largest decline in San Diego (↓34.50%) followed by Los Angeles (↓32.26%), Miami (↓22%) and Atlanta (↓13.08%).

San Jose, California still has the highest median sales price of single-family homes in 2008 at \$668,800 (↓20% from 2007) while Saginaw Township, Michigan has the lowest at \$62,200(↓24% from 2007).



Sources:

- DATABook Houston – University of Houston Institute for Regional Forecasting
- Houston Facts – The Greater Houston Partnership
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- City of Houston, Convention and Entertainment Facilities Department
- City of Houston, Mayor's Office
- The Port of Houston Authority
- Houston Economics – University of Houston Center for Public Policy
- Facts and Figures about the Texas Medical Center – Texas Medical Center
- The Official Guide to Houston – Greater Houston Convention and Visitors Bureau
- Downtown Houston Association
- Harris County – Houston Sports Authority
- Houston Downtown Management District
- National Association of Realtors Quarterly Report
- US Bureau of Labor Statistics
- US Census Bureau
- Houston Independent School District
- Federal Reserve Bank of Dallas – Houston Branch
- U.S. Government Energy Information Administration