

DEMOGRAPHIC/ECONOMIC SUMMARY OF THE CITY

Houston, Texas is the largest city in the state of Texas and one of the primary demographic/economic drivers of the southern United States. It is the fourth largest city in the country. Houston offers a diverse and dynamic community with unlimited potential and a commitment to achieving a better quality of life for all residents.

The Metropolitan Statistical Area (MSA) composed of Austin, Brazoria, Chambers, Ft. Bend, Galveston, Harris, Liberty, Montgomery, San Jacinto, and Waller counties, ranks as the sixth largest in the United States. The MSA covers 10,062 square miles and an estimated population of 5.5 million residents, creating one of the most cosmopolitan urban centers in the United States.

ECONOMIC DRIVERS

Long recognized as a world energy capital, Houston continues to expand its economic base in the areas of international business, information systems technology, biotechnology, and service related industries. Consolidation of the energy industry has centralized headquarters and energy technology in Houston. More than 3,500 businesses located in the central business district (downtown Houston) and adjacent business districts (Ship Channel, Uptown/Galleria area, Greenway Plaza, and the Interstate 10 Energy Corridor) have created a thriving business community. Economists at the Federal Reserve Bank of Dallas report that Houston continued to achieve positive economic and employment growth through 2006.

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 45 institutions, including 13 hospitals and 2 medical schools. The TMC provided 5.2 million patient visits in 2006 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. As one of the largest employers in Houston, the Texas Medical Center generates \$13.5 billion annually indirectly to the local economy.

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 51 million passengers and processed over 810 thousand tons of cargo.

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 88 steamship lines. The Port handles 64% of the containerized cargo market along the gulf coast and 94% of the waterborne containers moving through Texas. Recently, the Bayport Container and Cruise Terminal facility was added and it is expected to triple the Port of Houston's container handling capacity. The facility is projected to increase both the jobs and personal income generated by the Port by at least 5%. The continued development of both strategic gateways enhances the City's international competitive edge as a world trade center and economic powerhouse.

EDUCATION

The Houston metropolitan area has a highly skilled workforce supported by a network of primary/secondary and higher education institutions. The area includes 41 colleges and universities; 23 school districts; and approximately 51,000 students enrolled in 195 accredited private or parochial schools. The Houston Independent School District, the largest public school system in Texas, is the seventh largest in the U. S. with an enrollment of over 210,000 students in more than 300 schools. The prestigious Rice University's Jesse H.

Jones School of Management and the University of Houston's School of Law are consistently ranked among the top universities in the nation in the fields of business and law, respectively.

URBAN AREAS

The City of Houston is revitalizing inner-city neighborhoods and providing affordable housing through the Houston Hope program. The City acquires delinquent and abandoned properties through the Land Assemblage Redevelopment Authority (LARA) then works with non-profit community development corporations to rebuild neighborhoods. The first phase of the Houston Hope neighborhood development program began with the opening of a model home in the Acres Home Subdivision in January 2007. In total, approximately 150 homes will be built in the following neighborhoods: Acres Homes, Sunnyside, Third Ward, Fifth Ward, Settegast, Magnolia, and Trinity Gardens.

The City of Houston and the Houston Downtown Park Conservancy joined forces to develop a 12 acre park on the east side of downtown Houston, across the street from the George R. Brown convention center. The park, Discovery Green, will feature an interactive fountain, a one-acre pond, beautiful green spaces for recreation or small events, a jogging trail, a playground, two restaurants, an amphitheater, picnic areas, and other activities park visitors can enjoy. The park is scheduled to open in fiscal year 2008.

In addition to the Discovery Green Park, the Houston Parks and Recreation Department added more green space to the City's portfolio by acquiring Lake Houston Park from the Texas Parks and Wildlife Department. Lake Houston Park features 5000 acres of forest, creeks, rivers and camping facilities located 30 miles North of Houston. Visitors can enjoy a number of outdoor activities at the park including: hiking, canoeing, biking, kayaking, and horseback riding.

With unprecedented growth and renewal underway, the need for city services such as fire and police protection as well as health and cultural services has increased. Construction will begin on a new fire station on West Lake Houston Parkway during fiscal year 2008. Construction continues on the new Vinson Branch Library in conjunction with the South Post Oak Multi-Service Center to provide enhanced community services for the growing needs of Southwest Houston. The Central Library, which closed due to construction last year, will reopen this summer with enhanced space for children and teen collections as well as American with Disability Act related upgrades.

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. The museum district recently 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 Soldier toward the development and defense of the United States of America.

Houston has established itself as a destination for hosting major league sporting events: Super Bowl XXXVIII in January 2004; the World Series in October 2005; and the NBA All-Star game in February 2006. Houston's newest championship team, the Houston Dynamo, hosted its first major league soccer championship

Houston is not only developing its economic base and revitalizing its inner city but does its utmost for the promotion and betterment of intellectual and cultural opportunities afforded to its citizens.

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
Comets	Women's National Basketball Association	Texas Southern University - Tigers
Dynamo	Major League Soccer	University of Houston - Cougars
Energy	Women's Professional Football League	
Rockets	National Basketball Association	
Texans	National Football League-American Conference	

Houston Area Major 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

EXHIBIT 1

HOUSTON PMSA AT A GLANCE

POPULATION

1997	3,829,300
1998	3,964,900
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	4,528,100
2006	4,718,100

NEW REAL ESTATE SUPPLY - RESIDENTIAL
(Units)

1997	39,822
1998	51,743
1999	41,918
2000	35,846
2001	36,322
2002	44,020
2003	52,674
2004	47,495
2005	50,668
2006	62,293

NON-AGRICULTURAL WAGE & SALARY EMPLOYMENT

1997	2,051,400
1998	2,155,900
1999	2,191,300
2000	2,243,500
2001	2,282,400
2002	2,277,400
2003	2,262,900
2004	2,278,700
2005	2,338,700
2006	2,408,600

RESIDENTIAL VACANCY RATE

1997	8.9 %
1998	7.9
1999	7.9
2000	7.2
2001	6.1
2002	5.8
2003	6.4
2004	7.8
2005	8.7
2006	6.9

PERSONAL INCOME (Per Capita)

1997	27,820
1998	29,787
1999	30,877
2000	33,717
2001	35,151
2002	34,291
2003	34,989
2004	36,529
2005	38,972
2006	41,671

UNEMPLOYMENT RATE (*)

1997	5.3 %
1998	4.4
1999	4.8
2000	4.4
2001	4.7
2002	6.1
2003	6.8
2004	6.2
2005	5.5
2006	5.0

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

	Average Index	% Change
1997	145.4	1.9 %
1998	146.8	1.0
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

TOP TEN PROPERTY TAXPAYERS IN 2005
(Amounts Expressed in Millions)

	Taxable Value
CenterPoint Energy Inc.	\$1,594
Crescent Real Estate	760
Hines Interests LTD	671
Lyondell	667
Southwestern Bell	659
Anheuser Busch, Inc.	467
Exxon Mobil	465
TrizecHahn Allen Ctr. LPI	370
Teachers Insurance	357
Weingarten Realty	299

PMSA: Primary Metropolitan Statistical Area

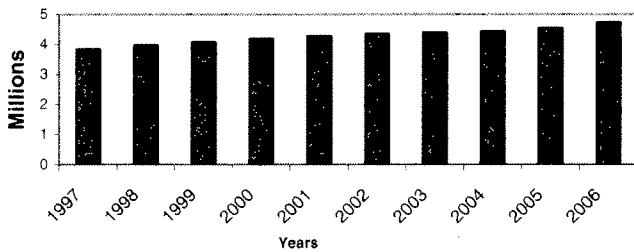
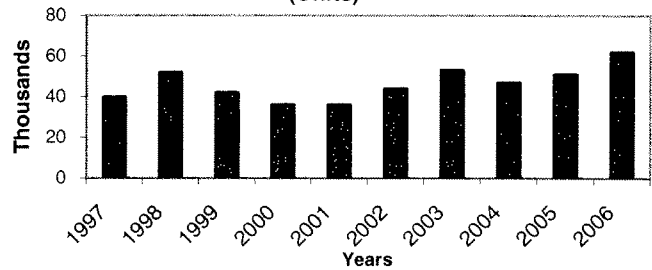
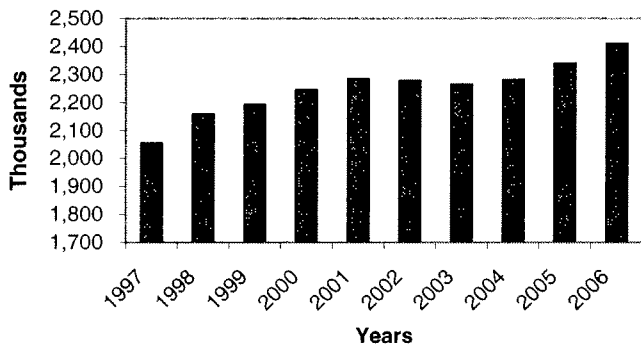
* Not Seasonally Adjusted

Source: University of Houston Institute for Regional Forecasting (as of January 2007 except as otherwise noted).

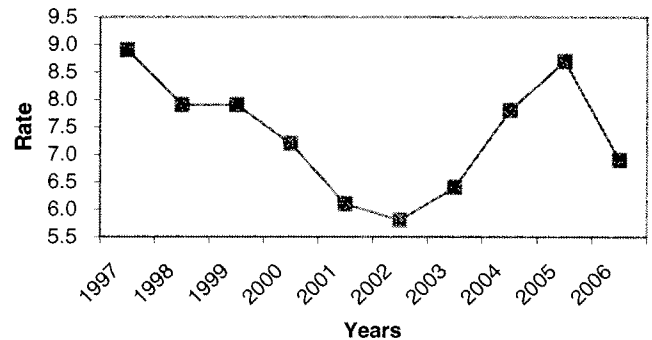
EXHIBIT 2

HOUSTON PMSA AT A GLANCE

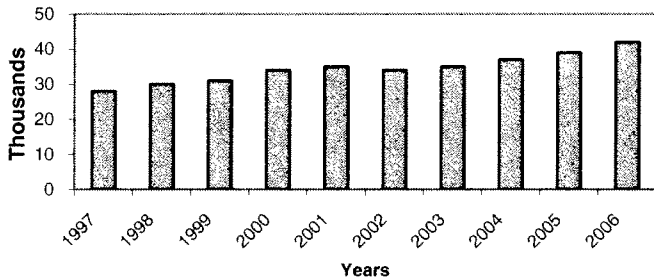
POPULATION

NEW REAL ESTATE SUPPLY - RESIDENTIAL
(Units)NON-AGRICULTURAL WAGE & SALARY
EMPLOYMENT*

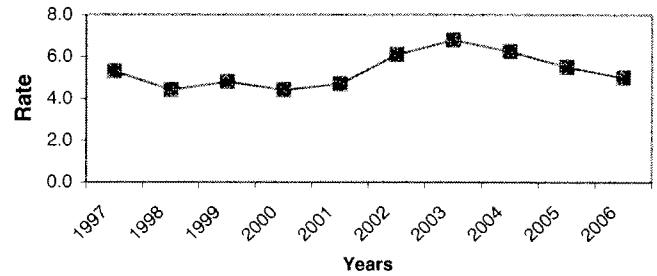
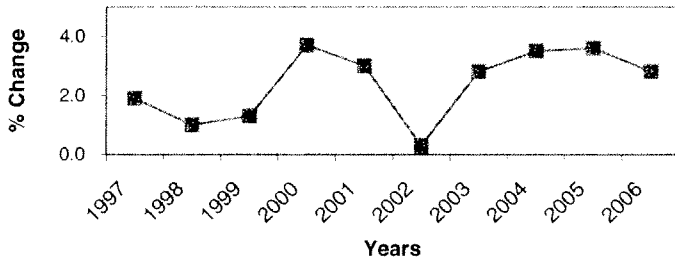
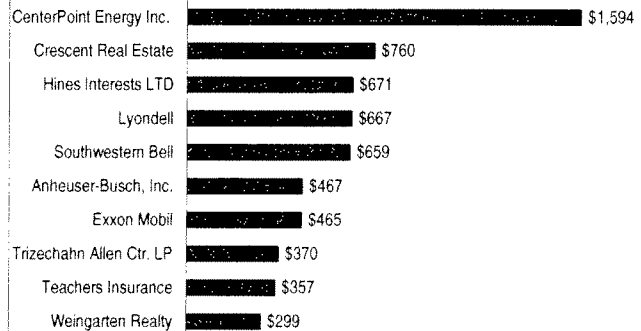
RESIDENTIAL VACANCY RATE



PERSONAL INCOME (Per Capita)



UNEMPLOYMENT RATE *

HOUSTON CONSUMER PRICE INDEX
All Urban Consumers (1982-84 = 100)TOP TEN PROPERTY TAXPAYERS IN 2006
Taxable Valuation (Millions)

ECONOMIC OUTLOOK

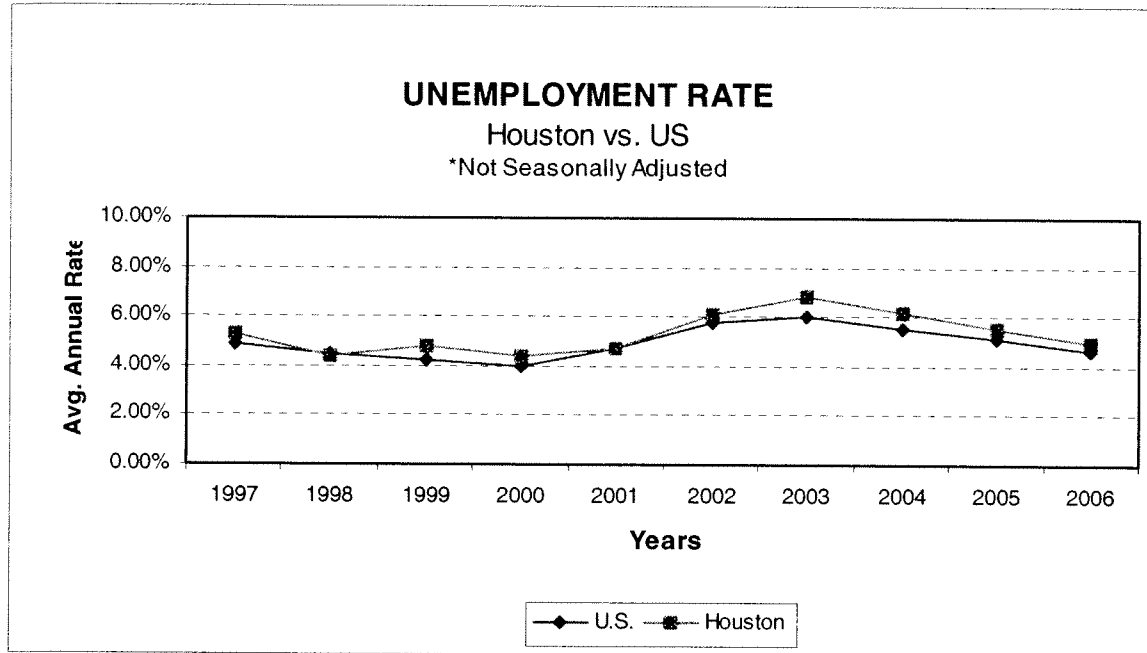
ECONOMIC INDICATORS

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

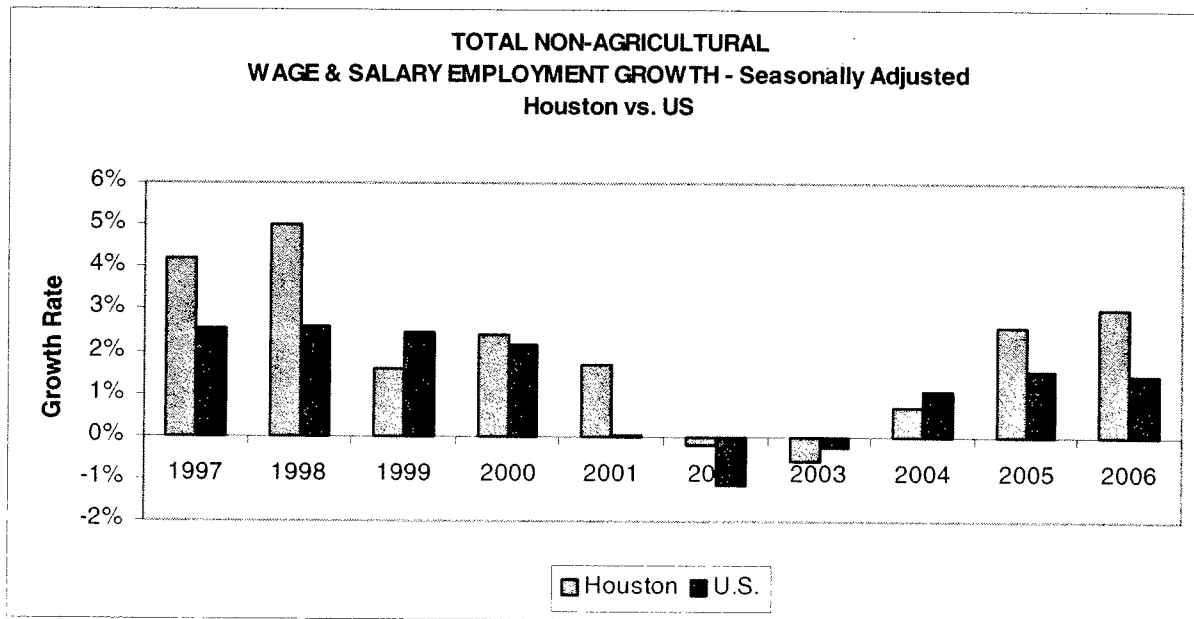
ECONOMIC INDICATORS SHORT-RANGE FORECAST (Revised November 2006) HOUSTON PMSA							
	2004	2005	2006	2007	2008	2009	2010
Population	4,428,434	4,528,131	4,718,099	4,811,752	4,896,019	5,002,246	5,129,722
	1.18%	2.25%	4.20%	1.98%	1.75%	2.17%	2.55%
Retail Sales (millions) \$	57,860	\$ 65,151	\$ 69,280	\$ 72,977	\$ 76,440	\$ 80,870	\$ 86,278
	4.40%	12.60%	6.34%	5.34%	4.75%	5.80%	6.69%
Total Employment	2,110,453	2,166,448	2,230,961	2,271,317	2,310,074	2,362,704	2,429,120
	0.70%	2.65%	2.98%	1.81%	1.71%	2.28%	2.81%
Construction	148,915	151,968	163,046	162,124	153,523	148,461	150,070
	-5.34%	2.05%	7.29%	-0.57%	-5.31%	-3.30%	1.08%
Trade	467,355	479,212	480,967	481,958	491,789	502,142	512,723
	1.06%	2.54%	0.37%	0.21%	2.04%	2.11%	2.11%
Services	682,912	705,858	732,327	759,684	789,088	820,407	854,866
	1.99%	3.36%	3.75%	3.74%	3.87%	3.97%	4.20%
Government	293,334	297,470	302,586	307,095	312,014	316,850	322,047
	0.56%	1.41%	1.72%	1.49%	1.60%	1.55%	1.64%
Source: University of Houston Institute for Regional Forecasting - December 2006 All Numbers represent the old Houston Primary Metropolitan Statistical Area: Chambers, Fort Bend, Harris, Liberty, Montgomery, and Waller counties.							

The Census Bureau estimates that the Houston Metropolitan area's population grew 17.5% between April 1, 2000 and July 1, 2006, becoming one of the top three metropolitan areas in the United States to achieve significant gains in its population. This is not surprising to local economists who attribute the population growth to Houston's hot economy.

The local unemployment rate reached a 10-year high in 2003 at 6.8%; however, the rate has steadily declined since then to 5% as reported by the Bureau of Labor Statistics in 2006. Houston's unemployment rate slightly hovers above the national rate at an average annual rate of .40% over the last 10 years.

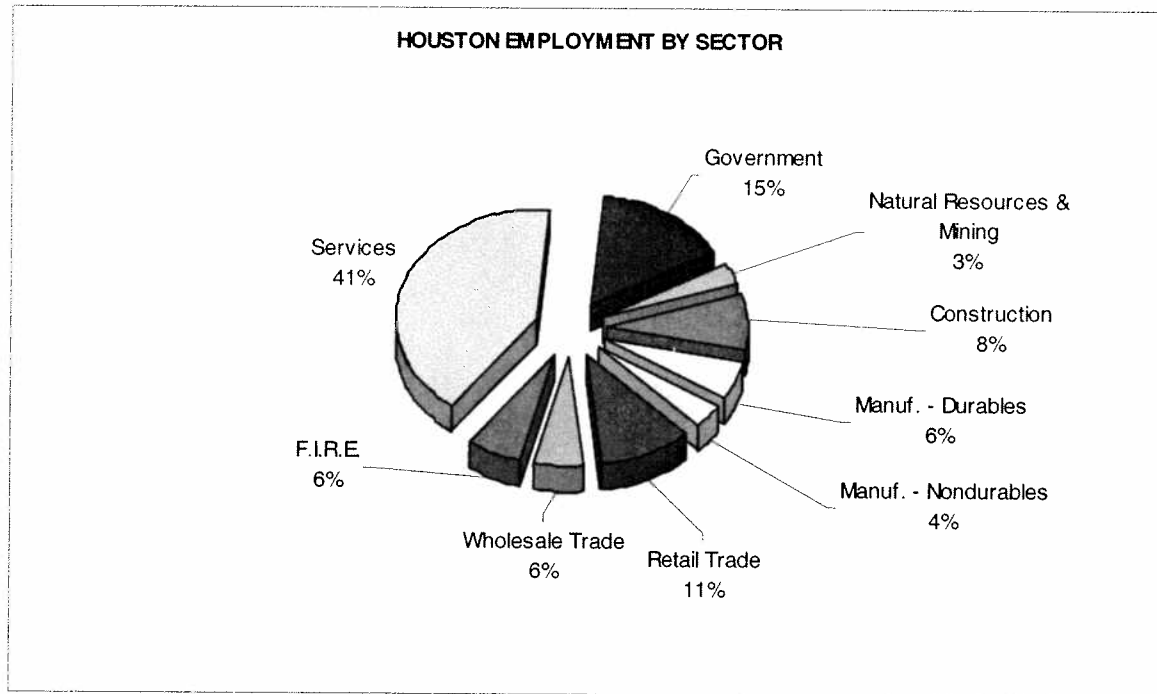


Total non-agricultural employment grew 3% in 2006. The growth of non-agricultural employment nationally continues to lag behind at a rate of 1.44%. Local economists attribute the growth of employment locally to higher oil and natural gas prices that have created new jobs directly and indirectly. Natural Gas Wellhead prices dipped slightly in 2006 compared to 2005; however, they are above levels recorded from 2001 to 2004.

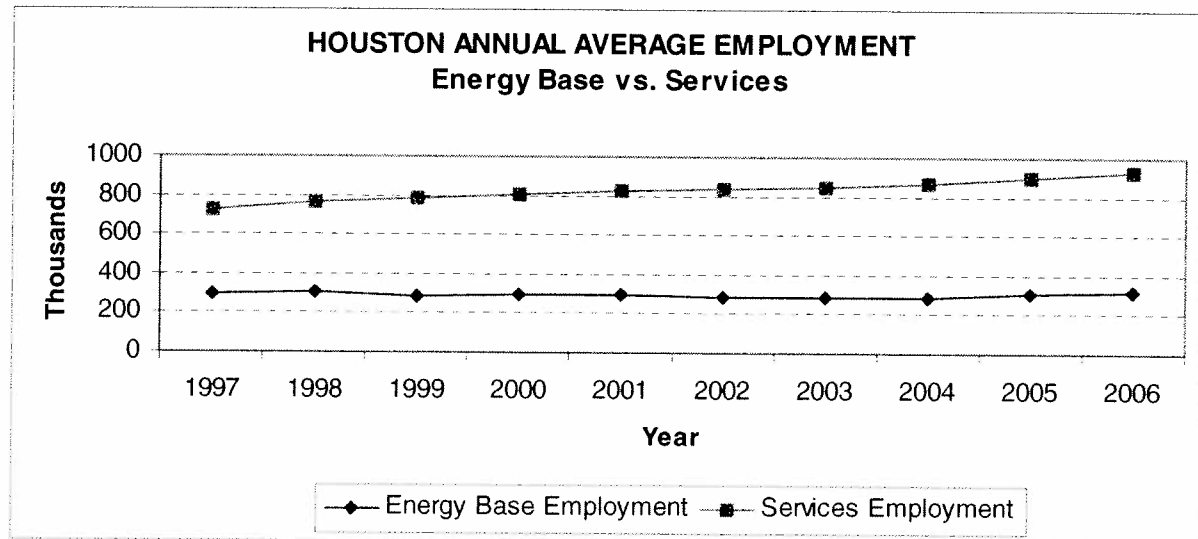


The Greater Houston Partnership predicts that the major areas of job growth in 2007 will be in Transportation and Warehousing, Construction, Natural Resources and Mining, and Finance. The Transportation and Warehousing industry will lead growth in the services sector with a forecasted growth rate of 7.2% in 2007 due to Houston's position in international trade and the weakening dollar that makes exports more attractive.

Construction jobs should remain steady according to the Partnership as a result of the increased demand for commercial construction. Finance jobs will grow 3% in 2007.



While jobs in the energy sector continue to drive the local economy, jobs in the services sector continue to increase their year over year growth compared to the energy sector. The chart below shows the widening gap between the growth of energy sector jobs and service sector jobs.



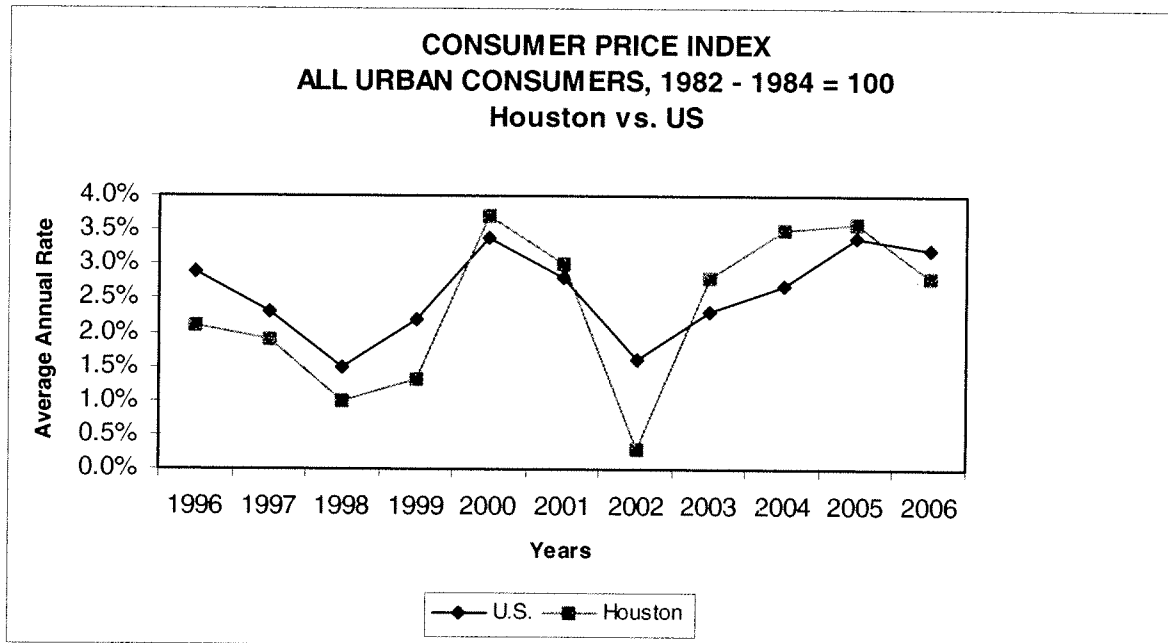
INCOME

Per capita income is an average calculated by the sum of all sources of income (wages, salaries, profits, interest, rents and transfer payments) divided by the population of a specific area. Per capita income is widely used to compare the standards of living in different regions. In Houston, personal income rose from \$38,972 in 2005 to \$41,671 in 2006; a 6.93% increase over the previous year.

The Federal Reserve Bank's December 2006 Houston Business reported that Houston's per capita income ranks sixth among other cities with comparable populations and per capita income. Adjusted for cost of living, Houston's per capita income moves to first place followed by Dallas, Chicago, Atlanta, and Boston. The analysis suggests that income goes a lot further in Houston compared to other cities across the U.S.

PRICES

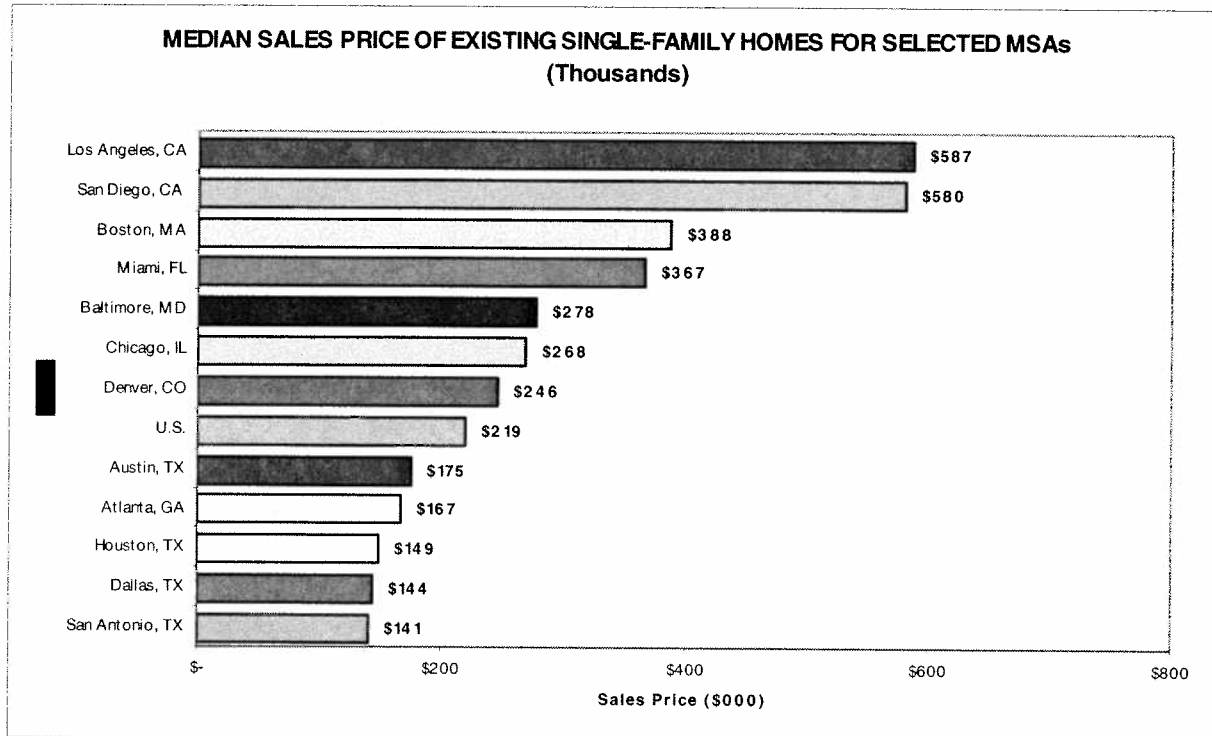
The Consumer Price Index (CPI) is the nation's best-known inflation indicator. It is a measure of the average change over time in the prices paid by urban consumers for a fixed market basket of consumer goods and services. Houstonians have enjoyed lower inflation rates compared to the country over the last 10 years as measured by the CPI. The average annual CPI over the last 10 years is 160.25 for Houston compared to the U.S. average annual rate of 178.90.



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 2006 median sales price of \$148,600 is \$70,700 lower than the national median sales price. All MSAs in Texas fall below the national median sales price with San Antonio having the lowest followed by Dallas, Houston, and Austin.

The median sales price for existing single-family homes in Houston increased 4% in 2006 compared to 2005. San Diego, California's median sales price reflected a 4.5% decline in the fourth quarter while Los Angeles, California showed the highest increase in median sales prices (11%) among the selected MSAs.



Sources:

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- City of Houston, Aviation Department
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- 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
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- US Census Bureau
- Houston Independent School District
- Federal Reserve Bank of Dallas – Houston Branch
- U.S. Government Energy Information Administration