

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 37th, just behind Nevada and ahead of New Mexico according to the Census Bureau.

The 2006 American Community Survey (ACS) reports that Houston's population is evenly split between men and women. The median age is 32.2 and 72% of the population is at least 18 years old. Residents that are 65 and older represent 8.5% of the population.

The racial makeup of Houston, according to ACS, is 52.7% White, 24.7% African American, .4% American Indian and Alaska Native, 5% Asian, .1% Native Hawaiian and Other Pacific Islander and 15.9% is some other race. Almost 42% 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.

The Houston Independent School District, the largest public school system in Texas, is the seventh largest in the U. S. with an enrollment of 199,500 students in 293 schools. "In the 2006 – 2007 academic year, Houston-area colleges, universities and institutes granted 33,862 associate degrees, one year, and two year certificates, and 34,007 bachelor's degrees, master's degrees, doctoral and professional degrees" according to the Greater Houston Partnership. U.S. News & World Report and the Princeton Review consistently rank the prestigious Rice University's Jesse H. Jones School of Management and the University of Houston's Law Center among the top universities in the nation in the fields of business and law, 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 4.8 million residents, creating one of the most dynamic urban centers in the United States.

Houston is recognized as the world energy capital and the local economy is currently enjoying this status as oil prices exceed \$100 per barrel. Upstream energy employment has grown an average of 8.3% over the last 3 years while non-agricultural wage and salary employment grew 4.2% in 2007. The local economy is driven by the energy industry; however, non-energy industry base job growth continues. In 1990, one third of local jobs

were non-energy based and now that number has grown to one half. Houston continues to expand its economic base in the areas of international business, information systems technology, biotechnology, and service related industries.

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 member 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. In 2006, according to the Greater Houston Partnership, 12,000 volunteers at the medical center contributed services valued at \$15 million.

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 828 thousand tons of cargo. Recently, five new international airlines have inaugurated service to Houston's Bush Intercontinental Airport – China Airlines Cargo, Korean Air Cargo, EVA Air Cargo, Emirates and Singapore Airlines. The services offered by these carriers provide nonstop passenger service to Dubai and Moscow, direct passenger service to Singapore, and new cargo links to Taipei and Korea.

Qatar Airways has also announced a new passenger service between Houston and Doha beginning in November 2008. Houston has also recently welcomed its first nonstop service to London's Heathrow airport as a result of the U.S. and European Union "Open Skies" agreement. These new services are being served by both British Airways and Continental Airlines. The recent additions to service have added 42 weekly flights to international markets.

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 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 Houston-Sugar Land-Baytown MSA's Gross Area Product (GAP) in 2006 was \$325.5 billion, slightly larger than Austria's, Poland's or Saudi Arabia'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. 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 Soldiers 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. The Houston Dynamo recently won back-to-back major league championships and joined the ranks of both the Houston Rockets and the Houston Comets, who also achieved consecutive championship seasons in previous years.

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	

EXHIBIT 1 HOUSTON PMSA AT A GLANCE

<u>POPULATION</u>		<u>NEW REAL ESTATE SUPPLY - RESIDENTIAL</u> (Units)	
1998	3,964,900	1997	39,822
1999	4,057,800	1998	51,743
2000	4,177,600	1999	41,918
2001	4,268,100	2000	35,846
2002	4,340,900	2001	36,322
2003	4,376,600	2002	44,020
2004	4,428,400	2003	52,674
2005	4,622,400	2004	47,495
2006	4,713,700	2005	50,668
2007	4,841,900	2006	62,293

<u>NON-AGRICULTURAL WAGE & SALARY EMPLOYMENT</u>		<u>RESIDENTIAL VACANCY RATE</u>	
1998	2,155,900	1997	8.9 %
1999	2,191,300	1998	7.9
2000	2,243,500	1999	7.9
2001	2,282,400	2000	7.2
2002	2,277,400	2001	6.1
2003	2,262,900	2002	5.8
2004	2,278,700	2003	6.4
2005	2,337,100	2004	7.8
2006	2,434,100	2005	8.7
2007	2,537,100	2006	7.1

<u>PERSONAL INCOME (Per Capita)</u>		<u>UNEMPLOYMENT RATE (*)</u>	
1997	28,076	1998	4.4 %
1998	30,066	1999	4.8
1999	31,168	2000	4.4
2000	34,035	2001	4.7
2001	35,353	2002	6.1
2002	34,369	2003	6.8
2003	34,929	2004	6.2
2004	36,676	2005	5.6
2005	39,199	2006	5.0
2006	41,671	2007	4.2

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

	Average Index	% Change
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
2007	183.8	1.8

TOP TEN PROPERTY TAXPAYERS IN 2007
(Amounts Expressed in Millions)

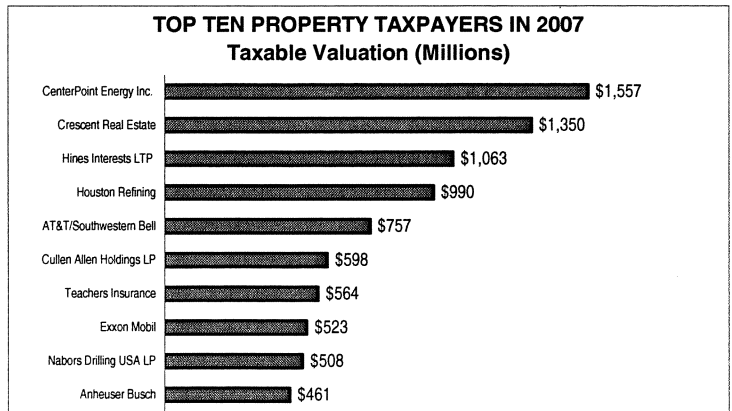
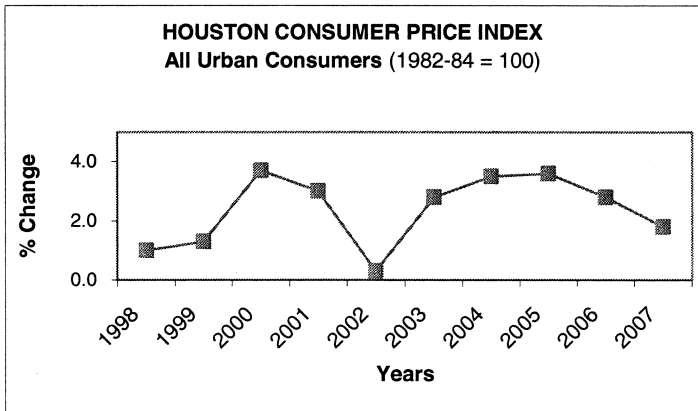
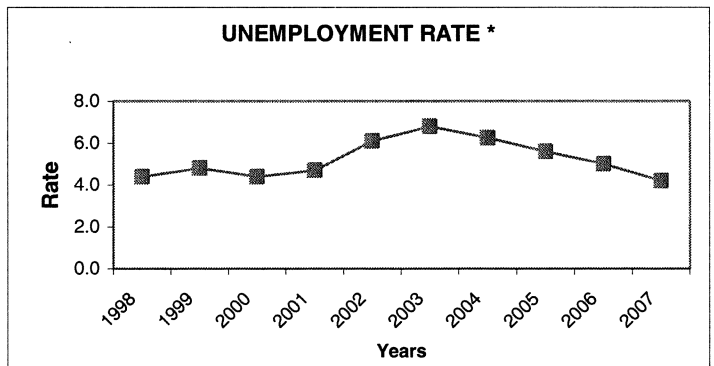
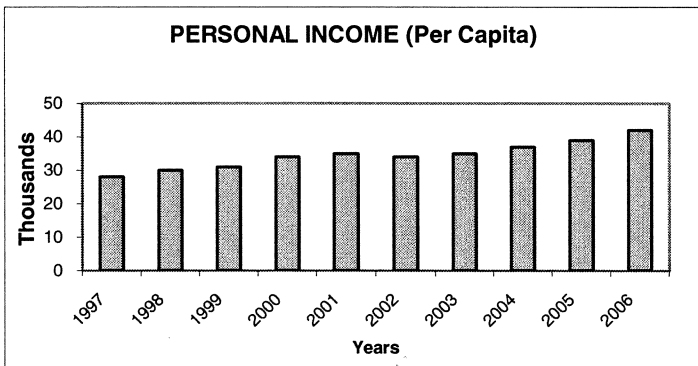
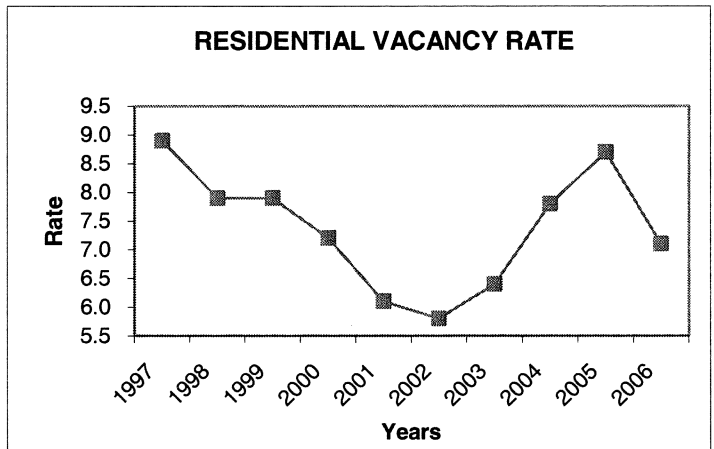
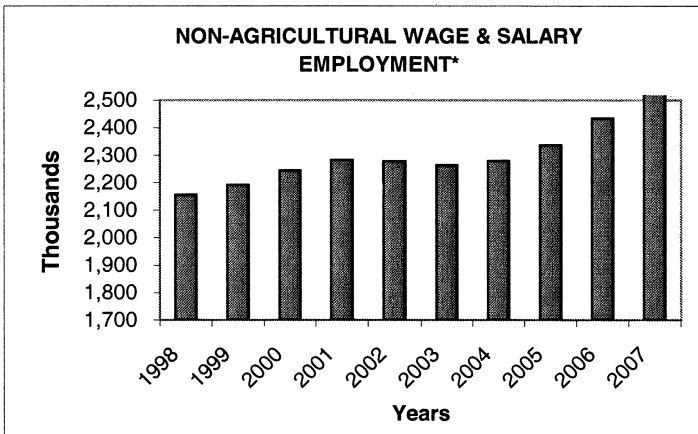
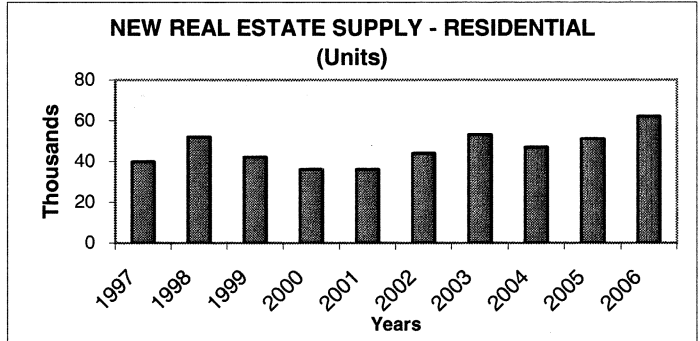
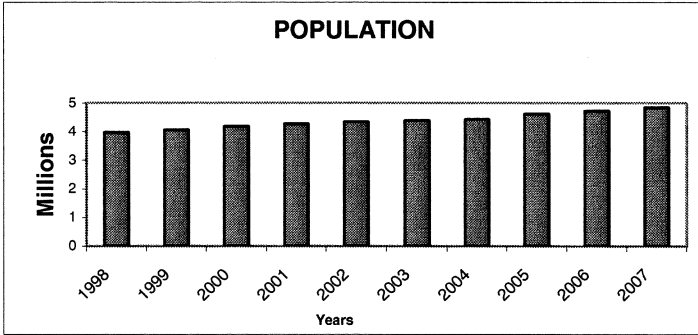
	Taxable Value
CenterPoint Energy Inc.	\$1,557
Crescent Real Estate	1,350
Hines Interests LTP	1,063
Houston Refining	990
AT&T/Southwestern Bell	757
Cullen Allen Holdings LP	598
Teacher's Insurance	564
Exxon Mobil	523
Nabors Drilling USA LP	508
Anheuser Busch	461

PMSA: Primary Metropolitan Statistical Area

* Not Seasonally Adjusted

Source: University of Houston, Center for Public Policy (as of January 2007 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):

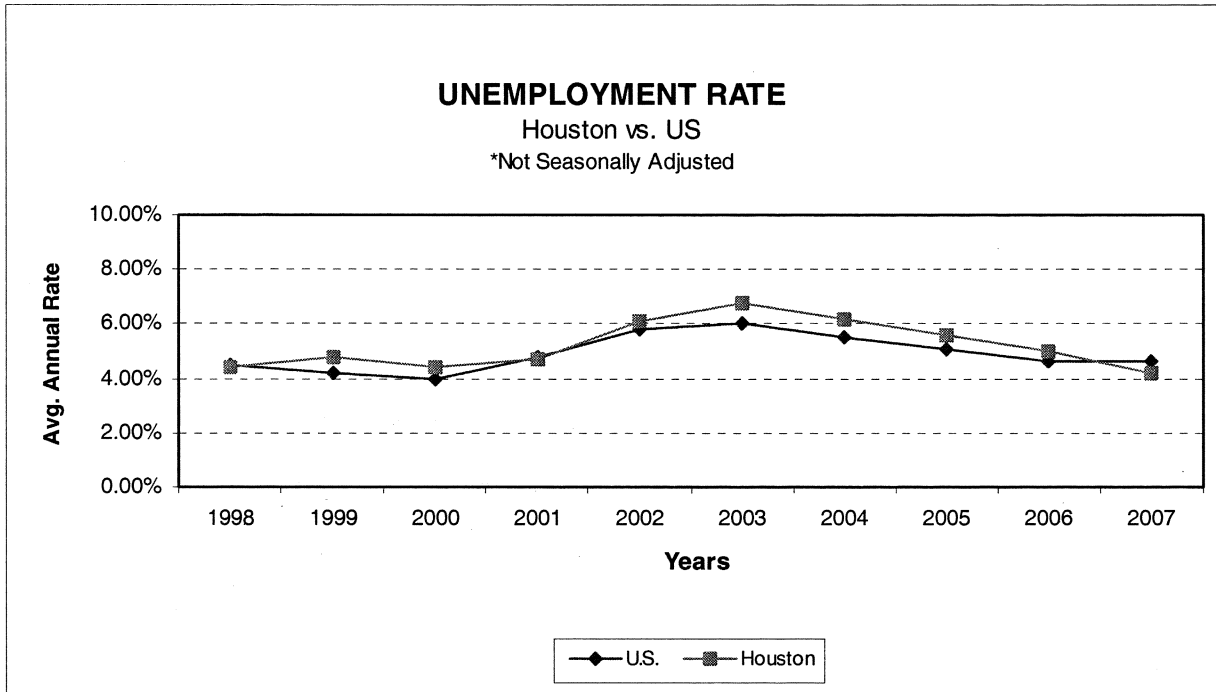
ECONOMIC INDICATORS SHORT-RANGE FORECAST (Revised November 2007) HOUSTON PMSA							
	2005	2006	2007	2008	2009	2010	2011
Population	4,622,368	4,713,711	4,841,854	4,969,520	5,111,408	5,268,378	5,431,439
	4.38%	1.98%	2.72%	2.64%	2.86%	3.07%	3.10%
Retail Sales (millions) \$	65,151	71,555	76,897	81,342	86,351	92,843	99,608
	12.60%	9.83%	7.47%	5.78%	6.16%	7.52%	7.29%
Total Employment	2,165,866	2,255,401	2,323,804	2,375,127	2,434,975	2,509,168	2,573,586
	2.62%	4.13%	3.03%	2.21%	2.52%	3.05%	2.57%
Construction	152,077	163,331	171,556	173,314	170,768	170,740	172,105
	2.07%	7.40%	5.04%	1.02%	-1.47%	-0.02%	0.80%
Trade	476,122	492,433	498,934	504,480	516,999	532,015	544,594
	2.04%	3.43%	1.32%	1.11%	2.48%	2.90%	2.36%
Services	708,327	740,273	774,961	804,568	839,097	878,537	917,083
	3.62%	4.51%	4.69%	3.82%	4.29%	4.70%	4.39%
Government	297,147	304,249	310,257	316,096	321,656	327,974	334,087
	1.30%	2.39%	1.97%	1.88%	1.76%	1.96%	1.86%

Source: University of Houston Institute for Regional Forecasting - February/March 2008
All Numbers represent the old Houston Primary Metropolitan Statistical Area: Chambers, Fort Bend, Harris, Liberty, Montgomery, and Waller counties.

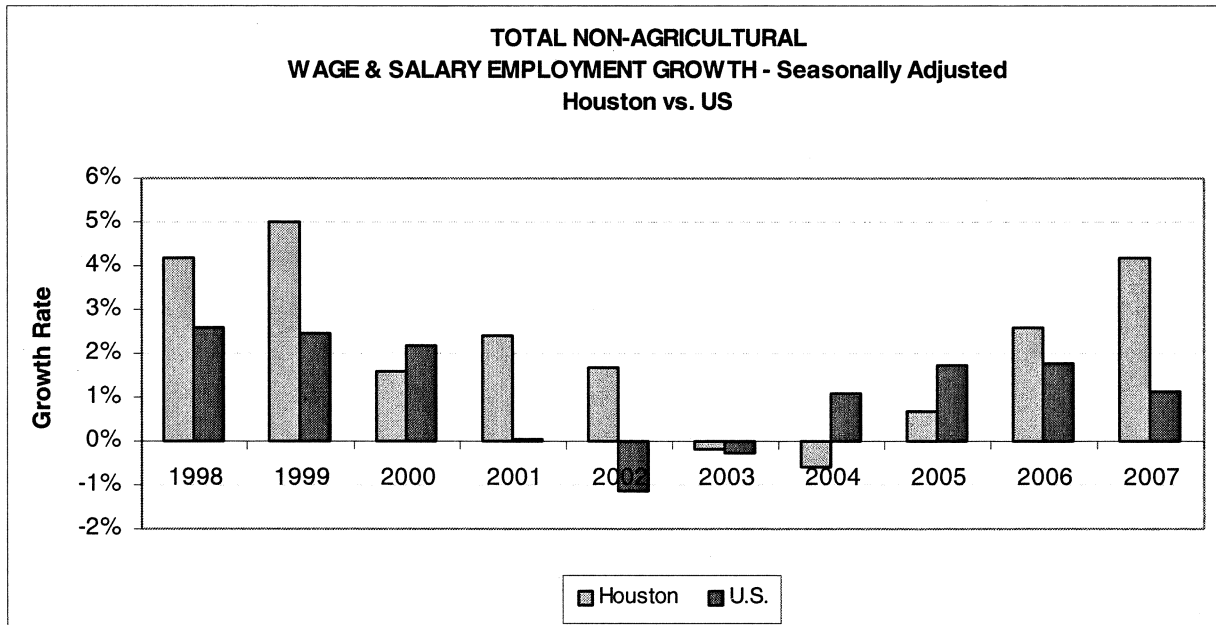
The Institute for Regional Forecasting projects that the PMSA population will grow 6% over the next 3 years.

Construction employment will decline over the next 2 years and services related employment will grow 9% over the next 3 years. According to the Dallas Federal Reserve, employers added 100,500 net jobs in 2007, which represented a third of the state's total.

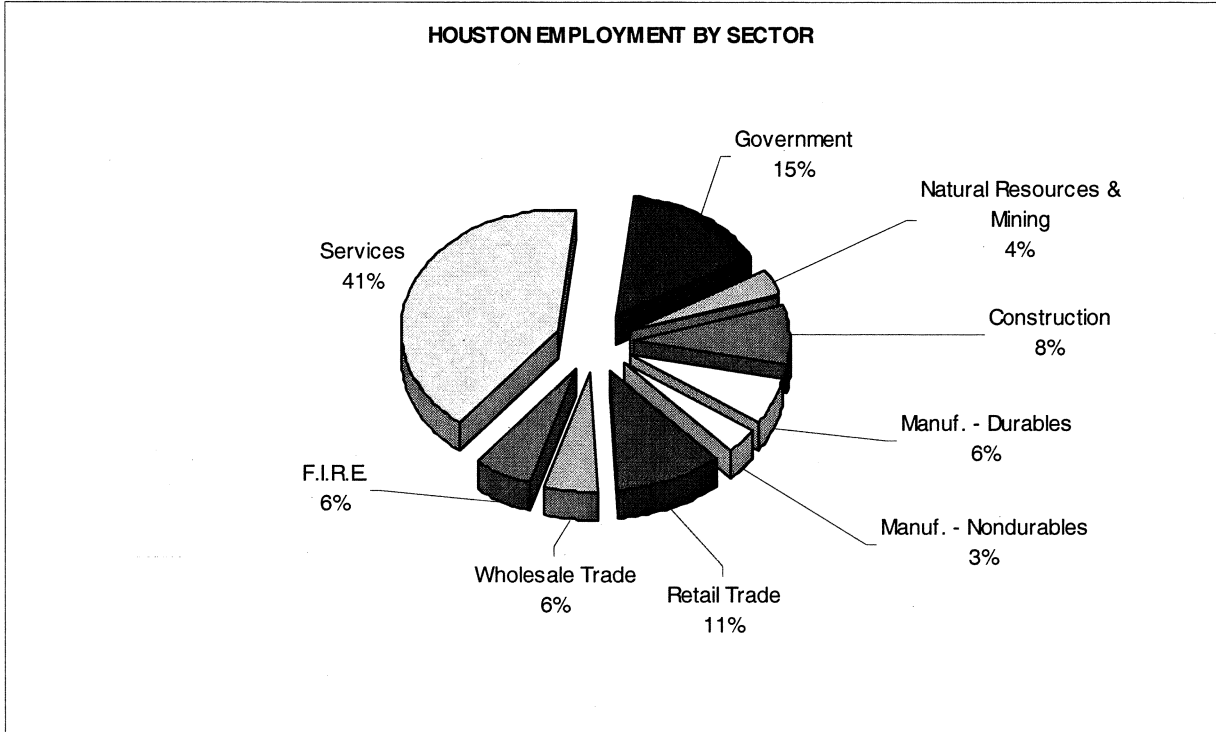
The local unemployment rate (not seasonally adjusted), 4.2%, is at its lowest rate in 13 years and it is 40 basis points lower than the national unemployment rate.



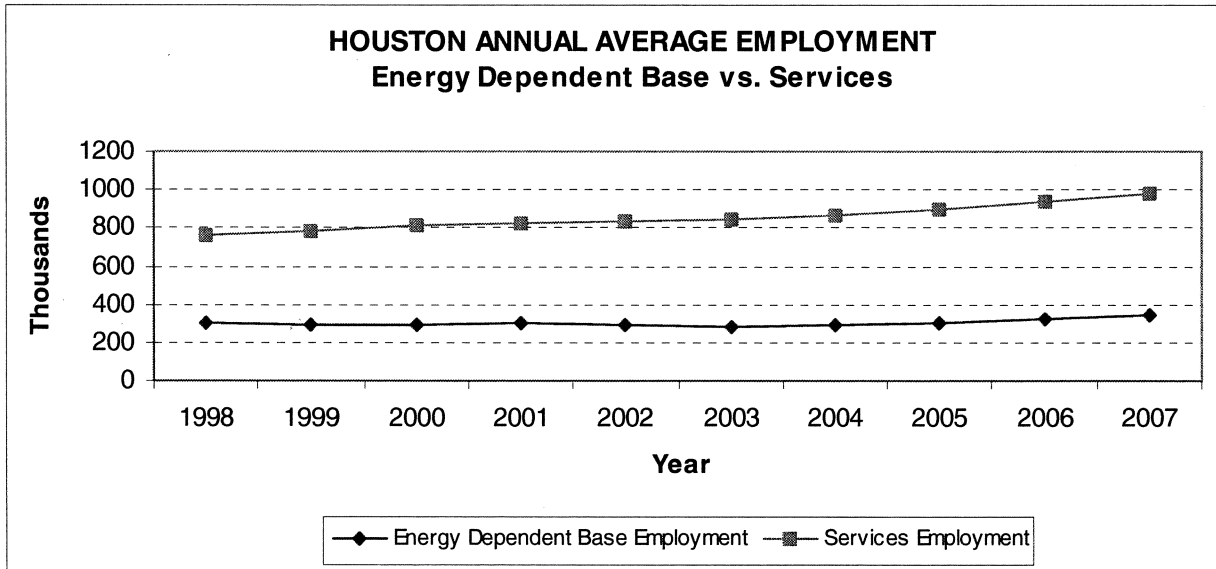
Nationally, the growth of non-agricultural wage and salary positions declined between 2006 and 2007 while these same positions grew 4.2% locally.



Jobs in natural resources and mining grew 8.7% in 2007; Construction and Durable Goods manufacturing jobs grew more than 7%.



Houston continues to diversify its economic base. Current employment growth continues to be driven by the energy sector. Energy base employment grew 6.6% in 2007 compared to 4.66% for services related jobs. However, opportunities in service jobs outweigh the energy sector almost 3 to 1.

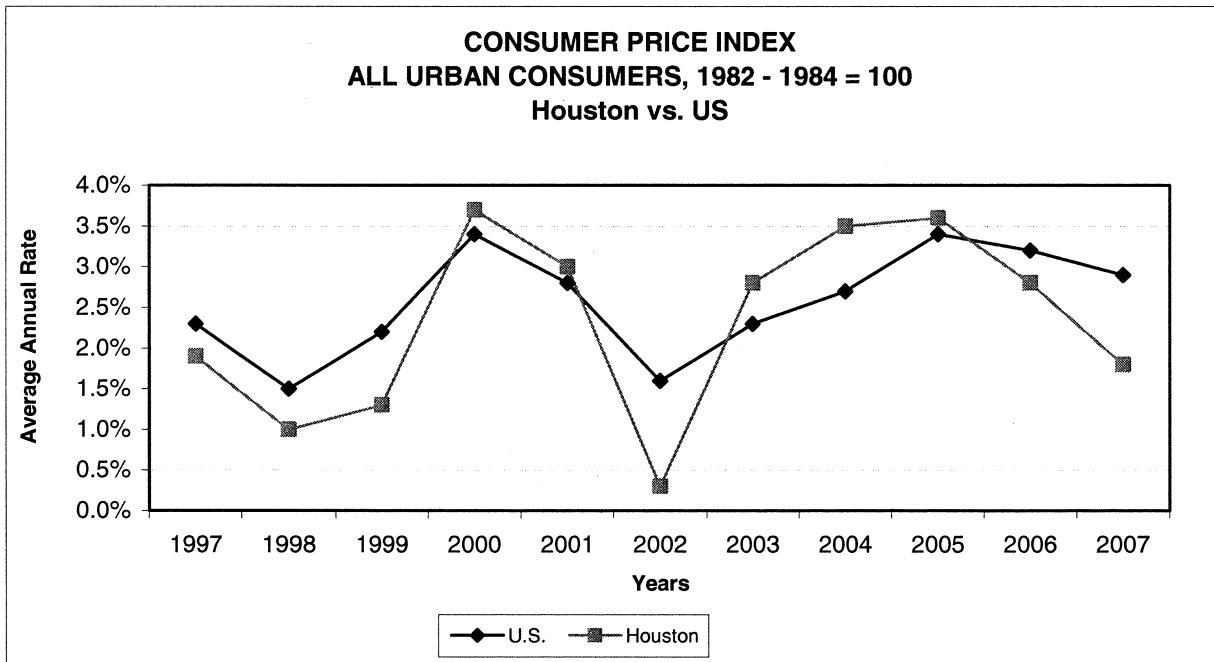


INCOME

Per capita income is widely used to compare the standards of living in different regions. In Houston, personal income rose from \$39,199 in 2005 to \$41,671 in 2006; a 6.93% increase over the previous year. Over the last 10 years, per capita income has increased an average of 4.5%.

PRICES

Houston prices, as measured by the Houston Consumer Price Index (CPI), rose 1.8% in 2007 compared to the national increase of 2.9%. Average CPI for the local area in 2007 was 183.8 versus 207.3 for the United States, meaning there is a somewhat lower cost of living for Houston residents than is the case nationally. The ACCRA Cost of Living Index shows that Houston's overall after-taxes living costs are 12 percent below the nationwide average, largely due to housing costs that are 26 percent below the average.

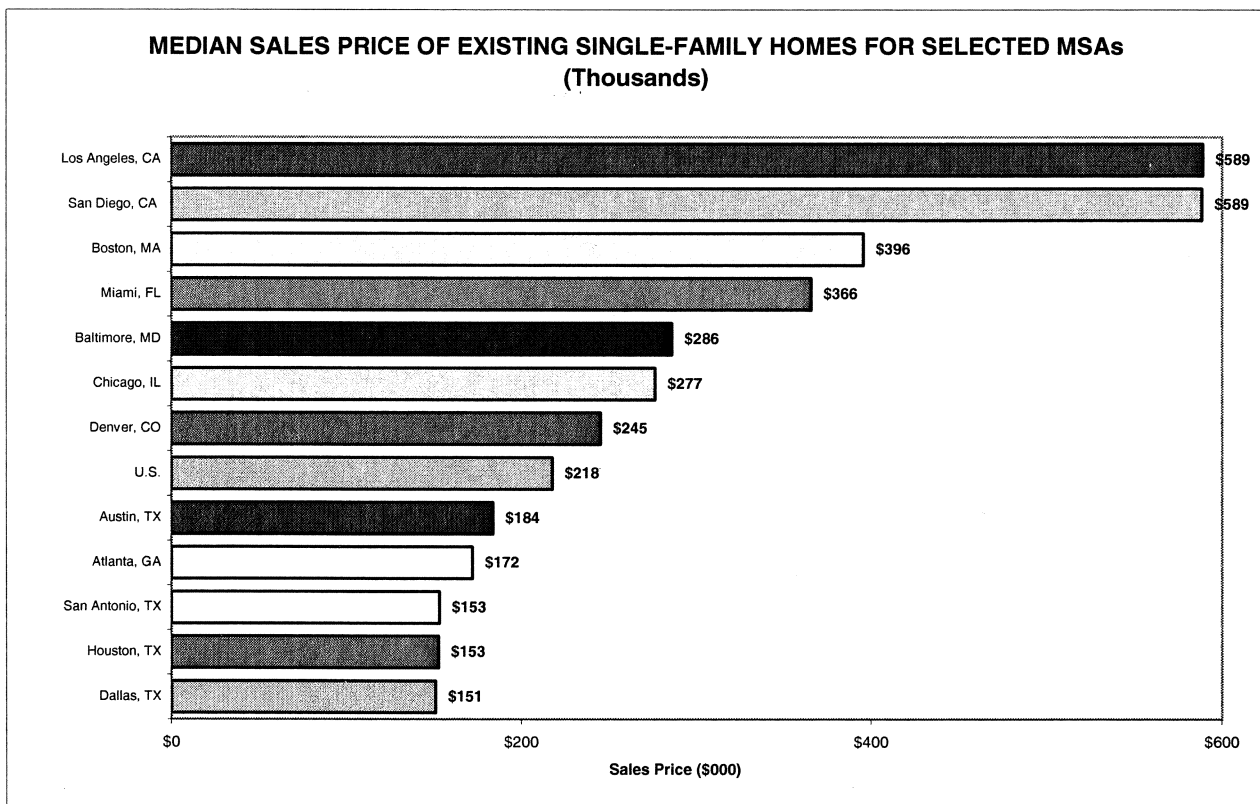


HOUSING COSTS

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 2007 median sales price of \$152,500 is \$65,300 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 2006, San Antonio saw the largest growth in median sales price both regionally and nationally followed by Austin (5.8%) and Houston (2.3%). Median sales prices in Denver, Miami, Boston, and San Diego declined between 1% and 2.5%; however, prices in these cities remain higher than the national median.

San Jose, California has the highest median sales price of single-family homes at \$836,800 while Youngstown, Pennsylvania has the lowest at \$78,900.



Sources:

- DATABook Houston – University of Houston Institute for Regional Forecasting
- Houston Facts – The Greater Houston Partnership
- City of Houston, Aviation Department
- 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