



Market Update: Conditions & Forecast

Updated: February 6th, 2008



Current Market Conditions

- GDP or Gross Domestic Product
 - A measure of all goods & services produced in the country
 - 4th Quarter advance estimates

| | |
|------------------------------|------|
| 4 th Quarter 2007 | 0.6% |
| 3 rd Quarter 2007 | 4.9% |
| 2 nd Quarter 2007 | 3.8% |



Current Market Conditions

- 2006 GDP by State

| PA | NJ | DE |
|------|------|------|
| 1.7% | 2.9% | 3.3% |

- Delaware had the highest per capita real GDP
 - 57% above the national average
 - NJ is ranked fifth
- GDP grew in all states except Michigan (0.5%)



Current Market Conditions

- Unemployment in January 2008
 - Nation 4.9%
- Average hourly earnings rose 3.7% over the past year
 - Avg. hourly earnings are \$17.75
- Both construction and manufacturing employment continued to decline in January, and health care employment rose.

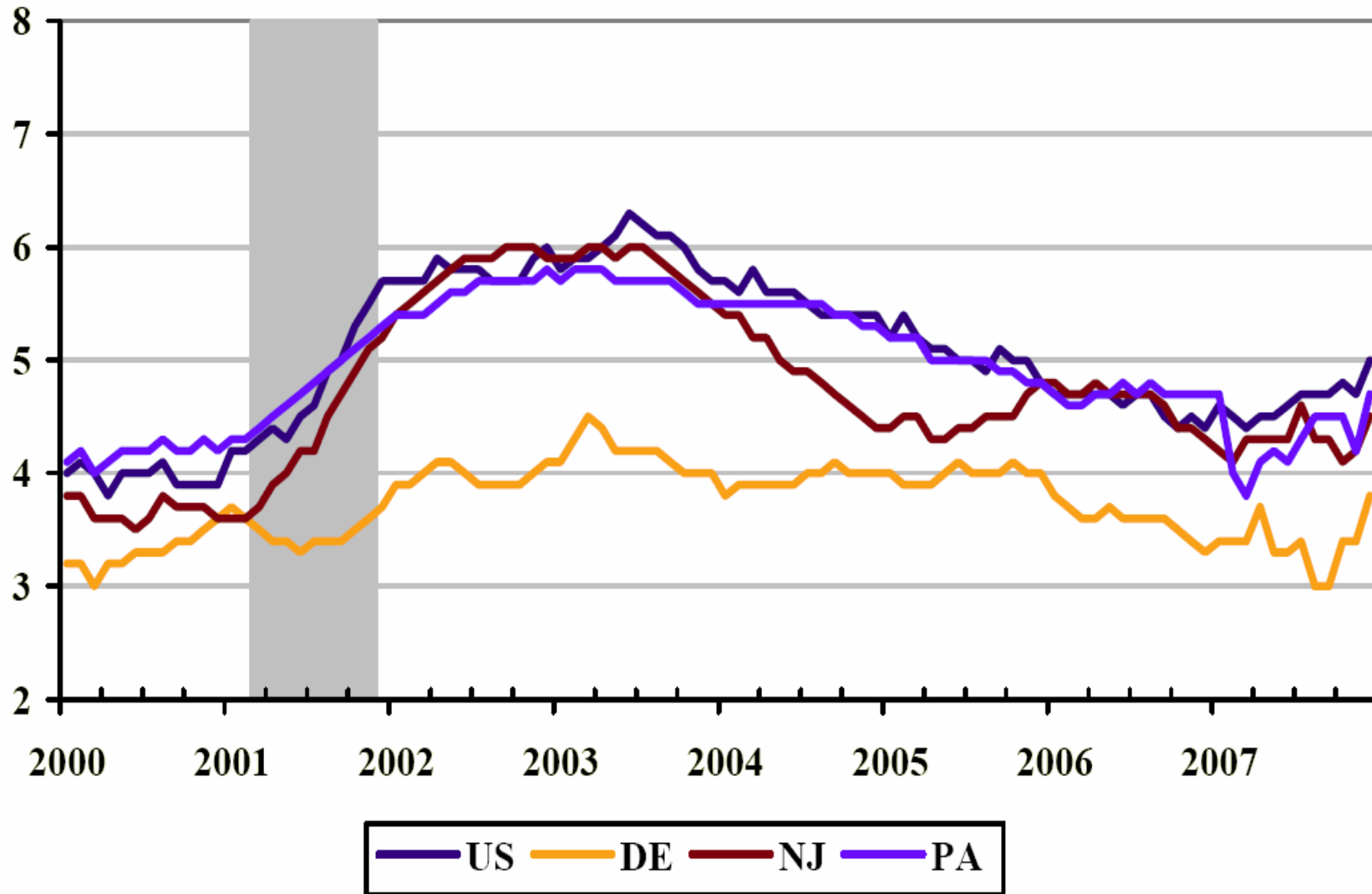


Current Market Conditions

- PA, NJ and DE Employment growth
 - Annual growth rate: DE (0.5%), NJ (0.7%), and PA (0.7%)
 - All lower than national growth rate of 1%
- Unemployment
 - DE increased from 3.4% to 3.8%
 - PA increased from 4.2% to 4.5%
 - NJ increased from 4.2% to 4.5%
- Real growth sectors
 - Education
 - Healthcare
 - Professional and Business Services

Third District Unemployment Rates

Percent



Source: Bureau of Labor Statistics



Current Market Conditions

- December 2007 report,
 - Released: January, 2008 by the BEA
- Real Consumer Spending
 - Unchanged
 - Last change was 0.4% in November
- Real Disposable Personal Income
 - Increased 0.2%
- Personal Savings and Compensation
 - Personal savings was 0.2% of DPI



Current Market Conditions

- National Retail Sales December 2007
 - Released: Commerce Department
 - Decreased 0.4% in December
 - Biggest declines
 - Building materials and supplies dealers (-2.9%)
 - Clothing and sporting goods (-2.0%)
 - With the housing sector slowing, fewer people are making improvements to aid in sales.



Current Market Conditions

- Regional Retail Sales
 - Second Quarter 2007 report, Marcus Millichap
 - Modest retail sales growth
 - Improving vacancy and steady rent growth
 - Upgrading and repositioning older properties in all areas of the market will remain a common strategy
 - Manufacturing site in Chester County being reconfigured into 750,000 sq. ft. of retail space



Current Market Conditions

- Consumer Price Index (CPI)
 - December 2007, BLS
 - 4.1% SAAR
 - Increased by 0.3% SAAR
 - Core CPI (minus energy & food)
 - 2.4% SAAR
 - Increased by 0.2% SAAR



Current Market Conditions

- Regional Consumer Price Index (CPI)
 - December 2007
 - 3.8% higher than a year ago
 - Gas prices jumped 1.1% over the month
 - Increased by 31.1% since last year
 - The regional energy index rose 18.2% over last year as reported by the BLS
 - Example: Food at Home Index (a basket of groceries)
 - 1982/4 = \$10
 - 2007 = \$20.49



Current Market Conditions

- Consumer Confidence
 - Based on a representative sample of 5,000 U.S. households
 - Confidence level is at 87.9 (1985=100)
 - Down from a 90.6 level in December
 - Consumers' claiming conditions are "good" declined to 20.7% from 21.2%
 - Those saying conditions are "bad" increased to 20% from 18.8%



Current Market Conditions

- Fixed 30 year mortgage rates
 - Down from this time last year (December 2006)
 - Freddie Mac
 - Mortgage rates ended their four-week descent this week (5.68 %)
 - MBA, Jan. 31st, 2008 report

| | |
|----------------|--------|
| December 2007 | 6.10 % |
| November 2007 | 6.21 % |
| October 2007 | 6.38 % |
| September 2007 | 6.38 % |



Current Market Conditions

- Delinquencies Decrease in MBA Survey
 - 5.12% Q2, 2007 to 5.59% Q3, 2007
 - Does not include loans in foreclosure
 - Increase in all loan types
 - Foreclosures start rates are the highest in history
 - Increase is largely due to increases in Florida, Ohio, Michigan and California
 - While California and Florida together have 36.4% of all of the prime ARM loans in the country, they had 42.4% of the nation's foreclosure starts for prime ARMS.



Current Market Conditions

- NAR Pending Home Sales Index
 - -1.5% in December
 - Dropped 1.7% in the Northeast
 - Sign of slower future home sales
 - Contract “signed” transactions
 - Not settled & closed



Current Market Conditions

- TREND Pending Listings
 - Transactions under contract
 - Units

| TREND | |
|---------------|-------|
| December 2007 | 3,514 |
| December 2006 | 4,816 |
| % Change | -27% |



Current Market Conditions

■ Pending Units in PA

| | | December 07' | December 06' |
|--------------|--------|--------------|--------------|
| Berks | -11.7% | 273 | 309 |
| Bucks | -23.2% | 302 | 393 |
| Chester | -35.7% | 231 | 359 |
| Delaware | -26.9% | 304 | 416 |
| Montgomery | -21.7% | 443 | 566 |
| Philadelphia | -27.5% | 754 | 1,040 |



Current Market Conditions

- Pending Units in NJ

| | | December 07' | December 06' |
|------------|--------|--------------|--------------|
| Burlington | -24.5% | 247 | 327 |
| Camden | -40.4% | 239 | 401 |
| Gloucester | -27% | 138 | 189 |
| Mercer | -34.9% | 168 | 258 |
| Salem | -30.8% | 27 | 39 |



Current Market Conditions

- Pending Units in DE

| | | December 07' | December 06' |
|------------|--------|--------------|--------------|
| Kent | -32.1% | 74 | 109 |
| New Castle | -23.4% | 314 | 410 |



Current Market Conditions

- Housing Starts
 - All regions declined
 - 38.2% down from December 2006 rate
 - New home sales to decrease, due to lower housing starts

| | |
|----------------|--------|
| December 2007 | -14.2% |
| November 2007 | -7.9% |
| October 2007 | 7.8% |
| September 2007 | -12.2% |



Current Market Conditions

- New Home Sales
 - Inventory at 9.6 months
 - Inventory appears to have already peaked
 - Northeast region sales rose 2%
 - Only region to see a rise in sales

| | |
|----------------|--------|
| December 2007 | -4.7% |
| November 2007 | -12.6% |
| October 2007 | 4.6% |
| September 2007 | -1.1% |



Current Market Conditions

- Existing Home Sales
 - Sales decreased by 4.1% in the Northeast
 - Home prices have declined
 - Single Family sales were the lowest since January 1998

| | |
|----------------|-------|
| December 2007 | -2% |
| November 2007 | -1.4% |
| October 2007 | 0% |
| September 2007 | -8.8% |



Current Market Conditions

- TREND Market Sales
 - Closed transactions
 - Units

| TREND | |
|------------------|--------|
| Jan. – Dec. 2007 | 78,031 |
| Jan. – Dec. 2006 | 87,468 |
| % Change | -10.8% |



Current Market Conditions

■ Units Sold in PA

| | | Jan.-Dec. 07' | Jan.-Dec. 06' |
|--------------|--------|---------------|---------------|
| Berks | -3.4% | 4,993 | 5,171 |
| Bucks | -4.9% | 6,870 | 7,224 |
| Chester | -10.9% | 5,889 | 6,613 |
| Delaware | -6.4% | 6,804 | 7,270 |
| Montgomery | -9% | 9,878 | 10,854 |
| Philadelphia | -11.4% | 15,785 | 17,812 |



Current Market Conditions

■ Units Sold in NJ

Jan.-Dec. 07'

Jan.-Dec. 06'

| | | | |
|------------|--------|-------|-------|
| Burlington | -15.4% | 5,427 | 6,417 |
| Camden | -12.5% | 5,917 | 6,763 |
| Gloucester | -12.6% | 3,206 | 3,670 |
| Mercer | -10.6% | 3,992 | 4,463 |
| Salem | -10.6% | 622 | 696 |



Current Market Conditions

- Units Sold in DE

Jan.-Nov. 07'

Jan.-Nov. 06'

| | | | |
|------------|--------|-------|-------|
| Kent | -21.2% | 1,784 | 2,264 |
| New Castle | -10.9% | 6,864 | 7,708 |



Current Market Conditions

- TREND Active Listings
 - Currently listed properties
 - In units
 - Inventory stands at 9.9 months

| TREND | |
|---------------|--------|
| December 2007 | 55,766 |
| December 2006 | 53,047 |
| % Change | 5.1% |



Current Market Conditions

- Active Units in PA

| | | December 07' | December 06' |
|--------------|-------|--------------|--------------|
| Berks | 18.3% | 4,072 | 3,442 |
| Bucks | 1.9% | 4,260 | 4,182 |
| Chester | 0.6% | 4,158 | 4,132 |
| Delaware | 10.4% | 3,666 | 3,321 |
| Montgomery | 1.6% | 5,858 | 5,768 |
| Philadelphia | -3.4% | 12,396 | 12,828 |



Current Market Conditions

- Active Units in NJ

| | | December 07' | December 06' |
|------------|-------|--------------|--------------|
| Burlington | 10.5% | 4,646 | 4,204 |
| Camden | 10.8% | 4,786 | 4,318 |
| Gloucester | 11.4% | 2,602 | 2,336 |
| Mercer | 3.7% | 2,989 | 3,103 |
| Salem | 17.8% | 628 | 533 |



Current Market Conditions

- Active Units in DE

| | | December 07' | December 06' |
|------------|-------|--------------|--------------|
| Kent | 18.7% | 1,823 | 1,536 |
| New Castle | 16.1% | 3,882 | 3,344 |



Current Market Conditions

- **TREND Market Sales**
 - Closed transactions
 - Dollar volume percentage change from January through December 2006 to 2007
 - Values increasing, the amount being sold is decreasing

| TREND | |
|----------|--------|
| % Change | -14.4% |



Current Market Conditions

■ Average Sold Price in PA

December 07'

December 06'

| | | December 07' | December 06' |
|--------------|-------|--------------|--------------|
| Berks | 2.3% | \$180,349 | \$176,287 |
| Bucks | 0.4% | \$362,861 | \$361,271 |
| Chester | 1% | \$379,974 | \$376,154 |
| Delaware | 6.4% | \$267,610 | \$251,535 |
| Montgomery | -0.3% | \$339,748 | \$340,864 |
| Philadelphia | 2.7% | \$185,317 | \$180,498 |



Current Market Conditions

■ Average Sold Price in NJ

December 07'

December 06'

| | | December 07' | December 06' |
|------------|-------|--------------|--------------|
| Burlington | -0.8% | \$282,167 | \$284,408 |
| Camden | 2.1% | \$218,023 | \$213,628 |
| Gloucester | 2.1% | \$246,140 | \$241,068 |
| Mercer | 3.7% | \$353,975 | \$341,469 |
| Salem | -4.6% | \$193,211 | \$202,449 |



Current Market Conditions

- Average Sold Price in DE

December 07'

December 06'

| | | | |
|------------|-------|-----------|-----------|
| Kent | -0.4% | \$239,499 | \$240,439 |
| New Castle | 3.5% | \$266,267 | \$257,210 |



Current Market Conditions

- TREND Market Sales
 - Closed transactions
 - Avg. Sold Price

| TREND | | Avg. Sold Price |
|-----------------|------------------|-----------------|
| Jan. – Dec. 07' | \$19,828,027,037 | \$270,395 |
| Jan. – Dec. 06' | \$23,150,299,383 | \$266,714 |
| % Change | -14.4% | 1.4% |



Conclusions

- Economic expansion will be moderate
- Modest employment growth will continue
- Federal Reserve will react to contain inflation
- Real estate market will continue to moderate & stabilize
- The number of transactions (units) will continue to decline slightly
- House pricing will moderate with single digit increases with some slight declines
- Days on the market will continue to increase