

U.S. Regional Outlook

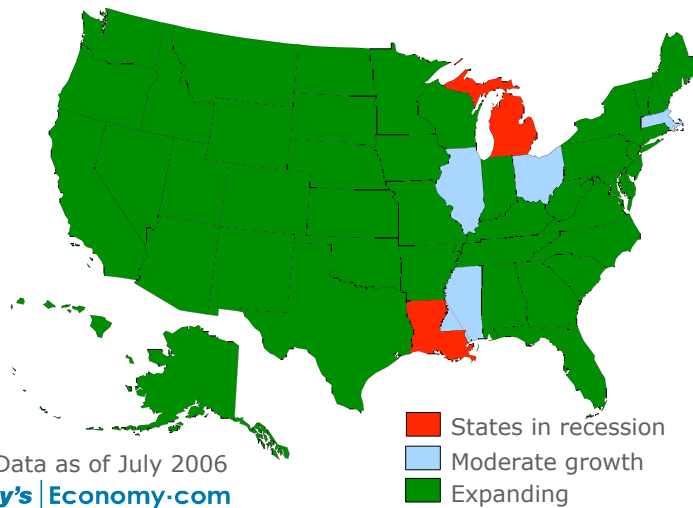
Presented by:
Mark McMullen
Director of Government Consulting

FTA Revenue Estimating Conference
September 18, 2006



Widespread Pattern of Economic Expansion

Based on employment and industrial production

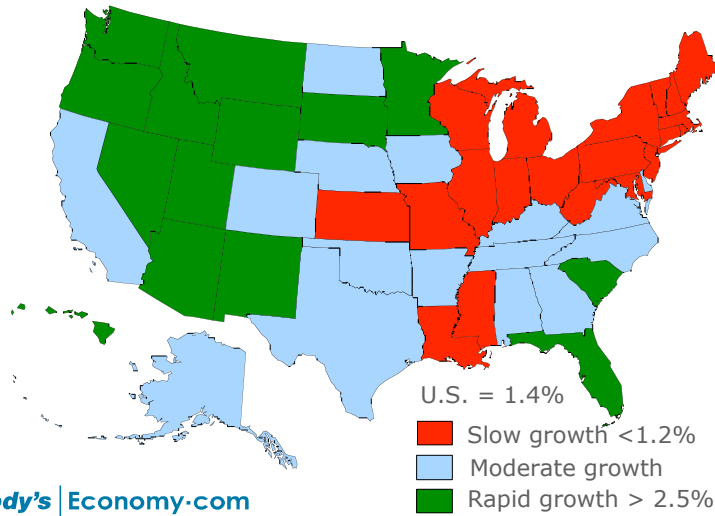


Data as of July 2006



Regional Blocks Define Employment Growth

Employment, July 2006, 3 mo. MA, % change year ago

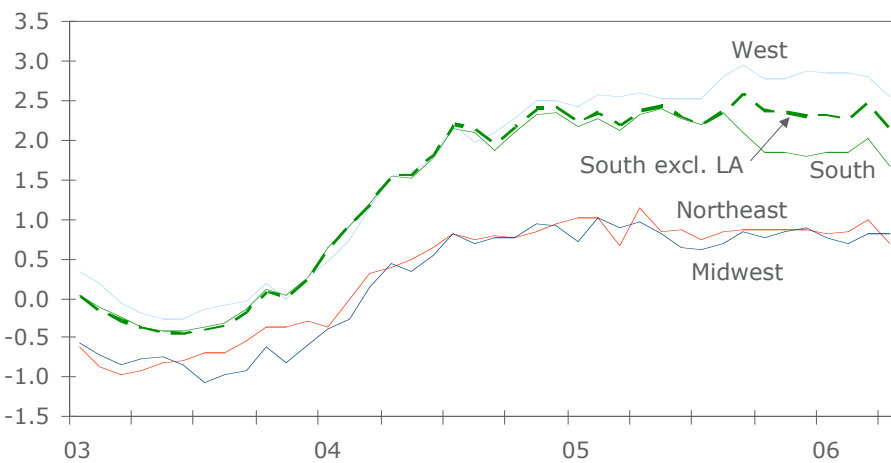


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West Leads Job Growth; Pace Is Faltering

Employment, % change year ago

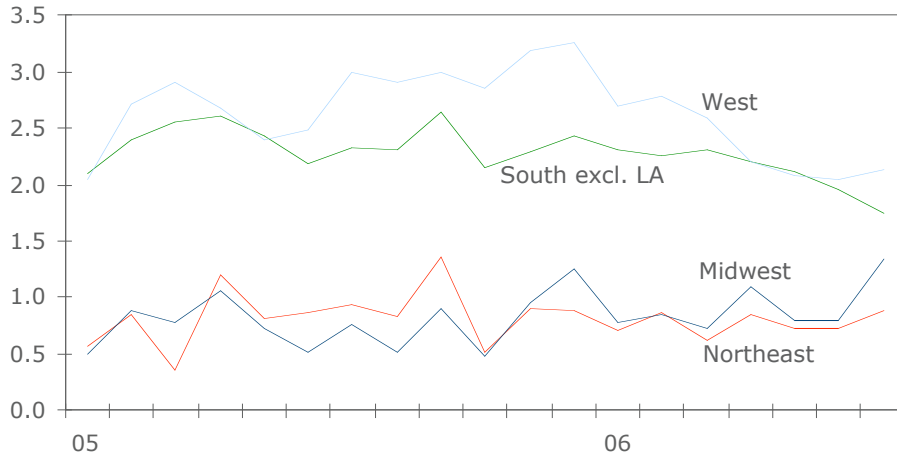


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Gap Narrows Between Regions

Employment, 6 mo. MA, monthly annualized % change

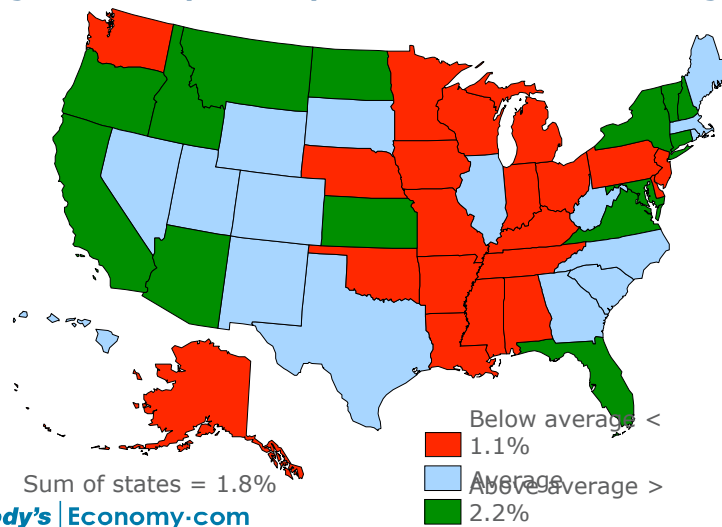


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Productivity Favors the Coasts

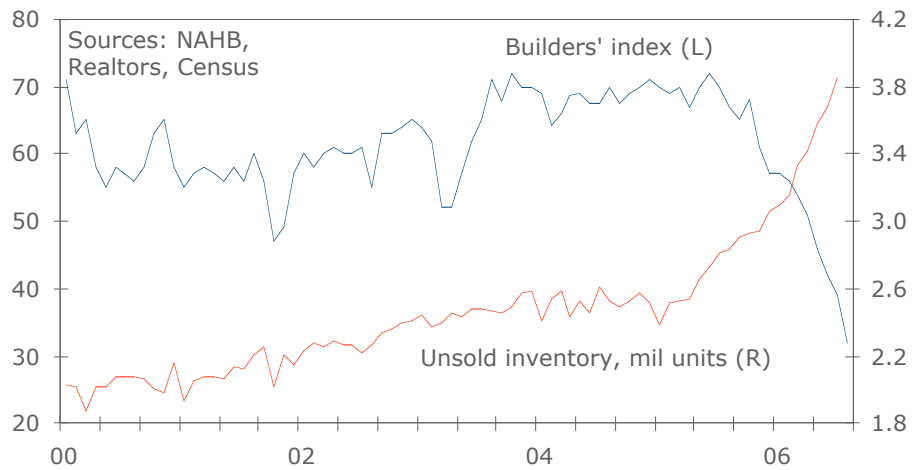
Real gross state product per worker, 2005, % change



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Housing Is on the Precipice

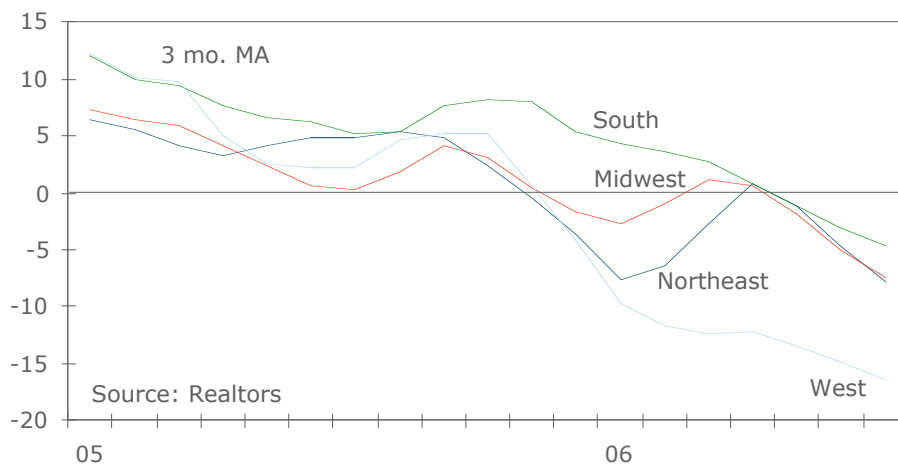


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Slower Home Sales Hit West

Number of single-family home sales, % change year ago

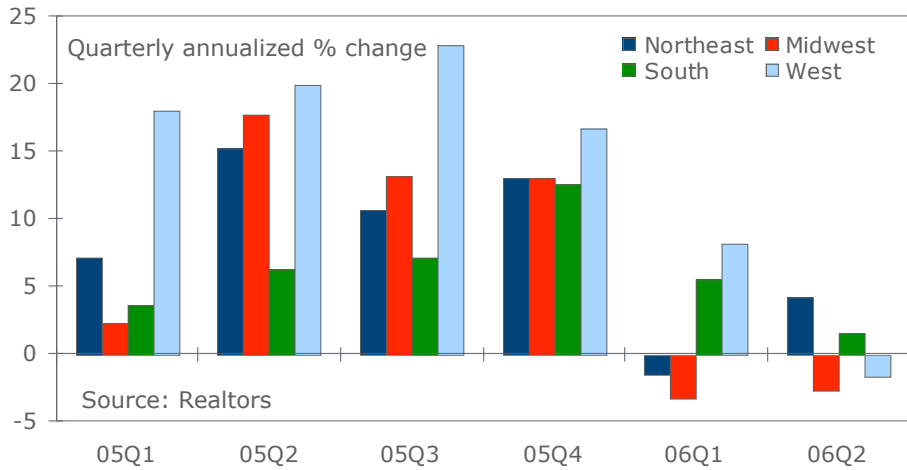


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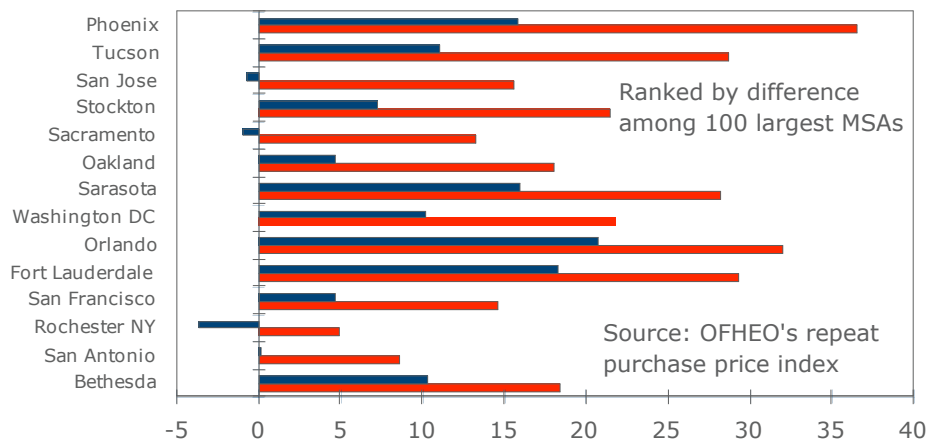
Price Appreciation Has Halted Nearly Everywhere

Median sales price, existing single-family homes



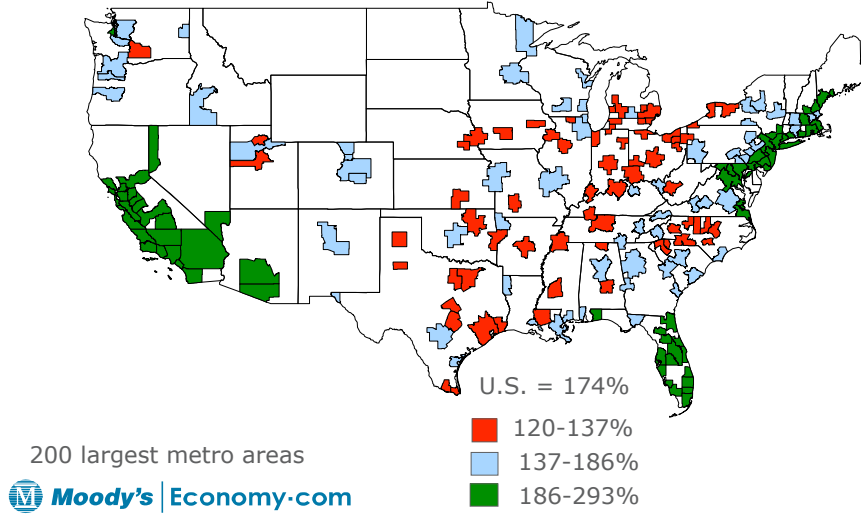
Slowing House Price Appreciation

2006Q1: quarterly ann. % chg (blue); % chg year ago (red)



Price Appreciation Concentrated on the Coasts...

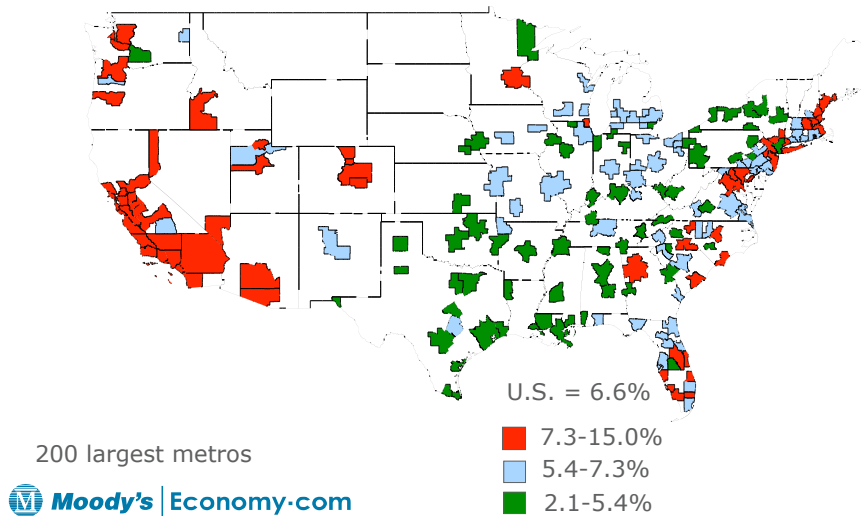
Median sales price, single-family homes, % chg, 99Q4-06Q2



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...Generating High Debt Service Burden...

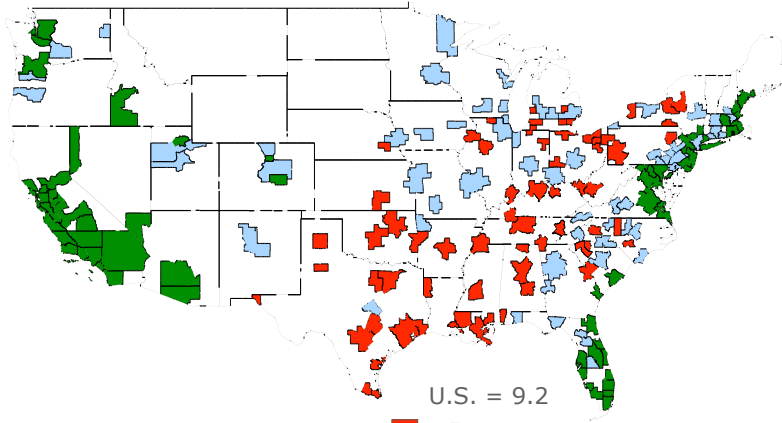
Mortgage debt service per household income, %



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...and Much Equity Extraction

Ratio of equity extraction to household income, %



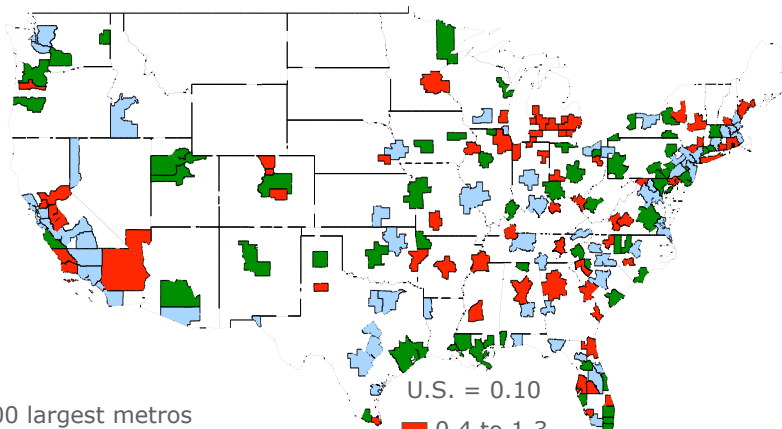
200 largest metros

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Credit Risks Are Emerging

Change in mortgage delinquency rate, ppts, 05Q4 to 06Q2



200 largest metros

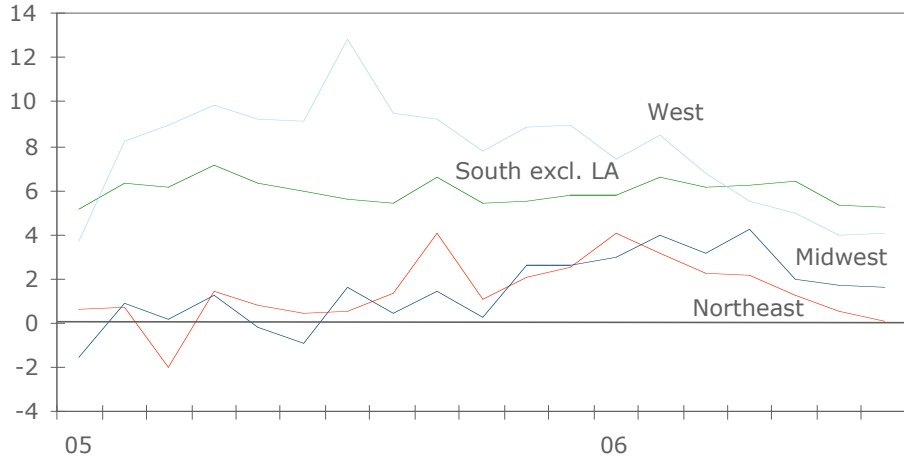
Based on \$ value

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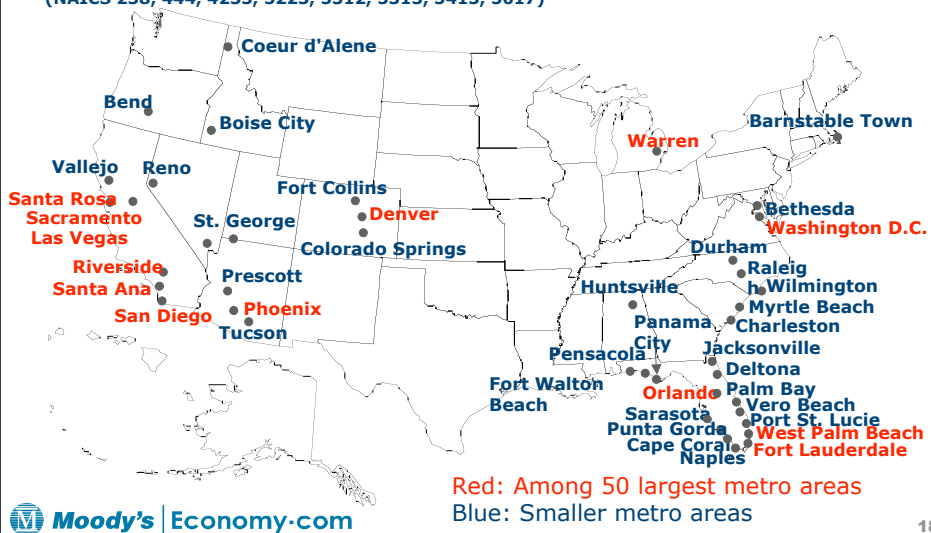
Construction Slows Most Quickly in West

Const. employment, 6 mo. MA, monthly annualized % change



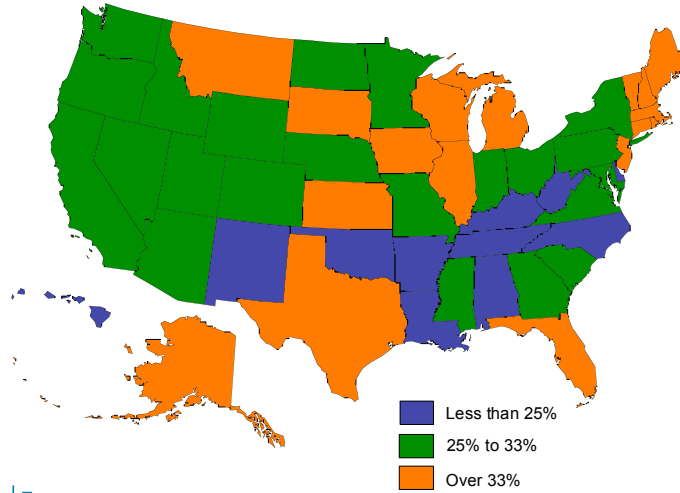
Housing-Related Employment Concentrations

10% or more of employment in housing-related industries
(NAICS 238, 444, 4233, 5223, 5312, 5313, 5413, 5617)



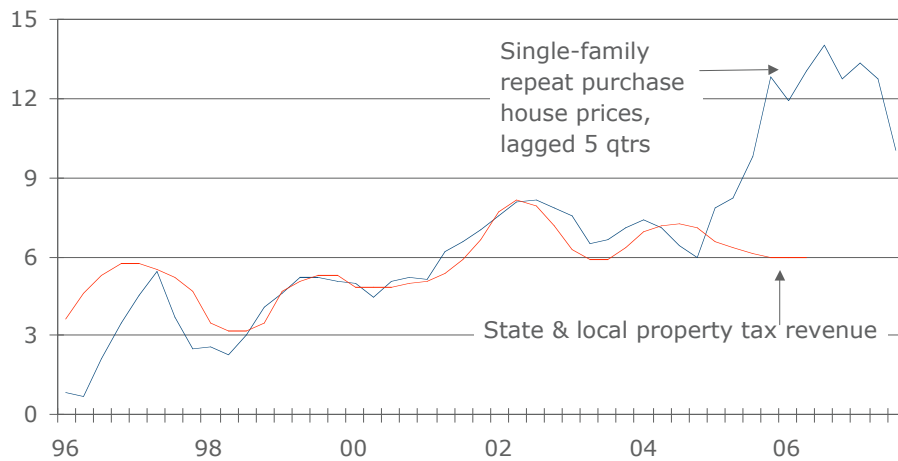
Dependence on Property Tax Revenues

State & local property taxes, % of general fund revenues



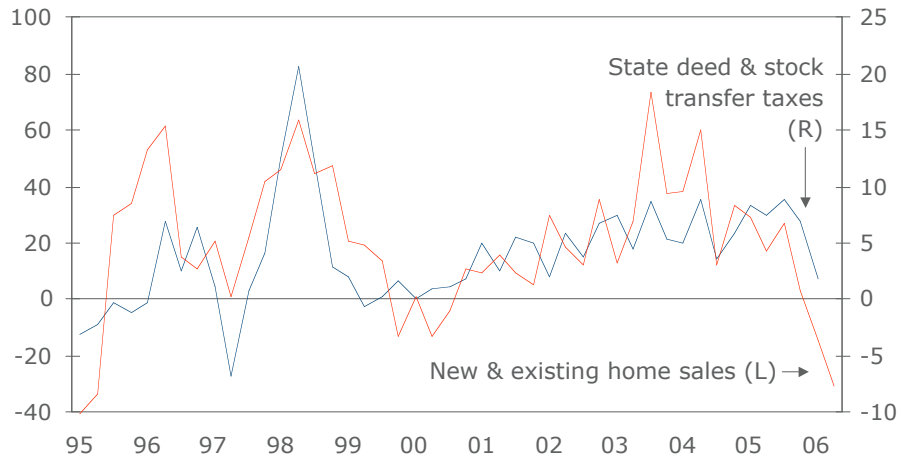
Taxes Lag House Prices by More Than a Year

% change year ago



Boom in Real Estate Transfer Fees Is Ending

% change year ago

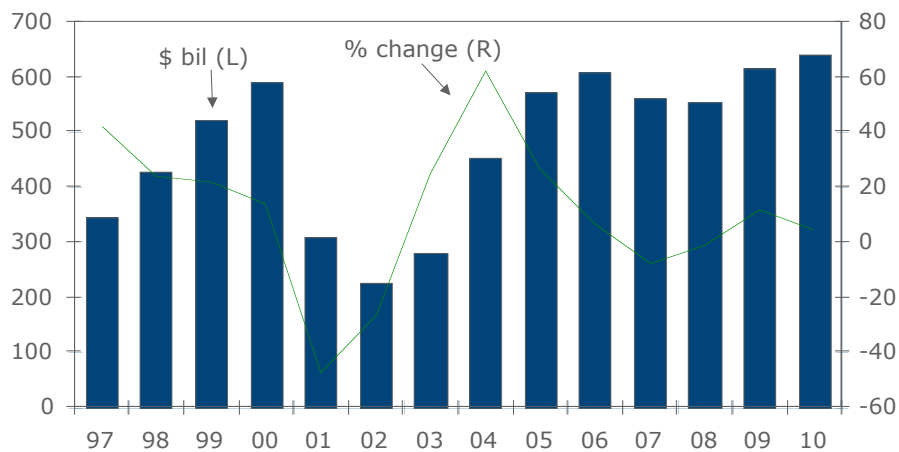


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Capital Gains Realizations Will Slow

Realized capital gains

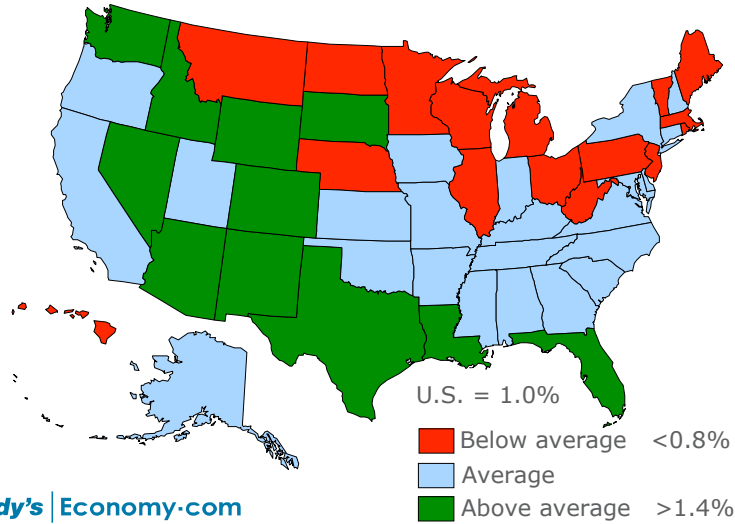


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Outlook for State Employment Growth

Two-year annualized job growth, 2006Q2 to 2008Q2



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