

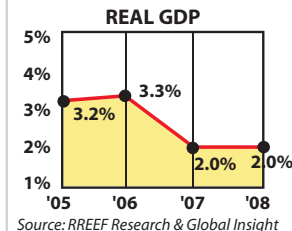
Mid-Cycle Slowdown in Progress

- Fewer home sales and increased foreclosures adding to already record inventories of unsold homes, housing construction and house prices are set to fall sharply.
- Corporate profit margins are near record highs, and while they may moderate, businesses will continue to expand.
- A weak dollar is trade balanced through exports, providing a much-needed boost. Import growth is moderating.
- Consumer expenditures are growing at a moderate rate.

Regional Perspective: 2007-2008

- For the first time since 2004 the West is no longer the leading region, at least as measured by employment growth.
- A weaker U.S. dollar, particularly against the currencies of major wheat and oilseed exporters, makes agricultural commodities shipped from the U.S. price-competitive. Worldwide demand for these goods are at an all-time high.
- Industrial production growth is running ahead of the national average and recent regional manufacturing surveys show an improvement in the factory sector in recent months.

November 2007



West:

- As measured by residential construction permits, construction has fallen to just 60% of its peak from fall of 2005.

Midwest:

- Auto industry will continue restructuring, producing a slow drain of jobs.

Northeast:

- Recent financial market turmoil lends considerable downside risk to the region's growth over the next few quarters, especially in New York City and Boston.
- Most of the gains in information technology are occurring in the Greater Boston area where the tech corridor west of the city is hiring again.

Des Moines: Home to half of the financial activities employment, financial market weakness has had a minimal effect.

Seattle: Washington Mutual Inc. headquarters was heavily involved in subprime and real estate investor lending. Nevertheless, economy remains strong.

Portland: Healthy trade flows represent a primary reason to be optimistic about near-term demand conditions.

San Francisco: Biotech's role in SAF's economy is expanding. Evidence comes from continued expansion of firms such as Genentech and a record-high amount of biotech venture capital placements. Finance remains strong.

Las Vegas: Expansion has stalled with a lull in the opening of new gaming venues. The slackening of economic growth will be short-lived, however, as new projects will open beginning next year. The metro has been hammered by home over-building.

Orange County: Employment base is shrinking due to downturns in construction and mortgage finance and also in the broader professional and business services category. Longer term prospects are good.

Denver: DirecTV is planning to add as many as 1,000 new customer service and IT jobs in the metro area. Telecom industry is growing.

Omaha: Strength in the railroad industry is reflected in transportation payrolls, which have increased since the start of the year.

Minneapolis-St. Paul: Employment growth matches the state trends with gains from healthcare, professional services and financial services supporting moderate growth.

Milwaukee: Biotech growth could offset some of the loss associated with the state's ongoing transition away from oldline manufacturing.

Kansas City: Weakening population growth and a shift to lower-wage service jobs will constrain performance to below average.

South Dakota: With sustained export growth, South Dakota has been able to add manufacturing jobs, bucking the national trend.

Cincinnati: While manufacturing losses will continue statewide, they are expected to decelerate in the near term.

St. Louis: In line with state trends, the economy continues its weak employment gains.

Indianapolis: AT&T has opened a new call center.

Boston: Growth in estimated industrial production has slowed and a purchasing managers' index for the Greater Boston area points to near-term weakness, with particular softness in new orders and exports.

New York: The boom time is moderating due to financial market adjustment. Nevertheless, the city remains a growth generator.

Philadelphia: A secularly declining manufacturing industry is the major weight on the economy as this sector is shedding jobs at twice the national pace.

New Jersey: Health care is generating modest growth, but it is being counterbalanced by professional services, while manufacturing remains a significant drag.

Washington, DC: Private service-producing payrolls remain the main engine of growth in the District of Columbia.

Delaware: Wilmington is slowly recovering from a difficult year. Payrolls are rising at a healthy clip in 2007 after stagnating through the last three quarters of 2006.

Maryland: Job growth has slowed sharply over the past year, thanks largely to the weakness in the local housing market, but should pick up with defense spending.

Richmond: Remains an economic leader in the state with employment growth above the state and national averages. One source of strength is local housing markets, which continue to outperform.

Athens: Georgia has made the short list of five for a National Bio and Agro-Defense Facility, which if awarded would result in an estimated 1,000 construction jobs and 250-300 permanent high-paying jobs in Athens.

Miami: Median sales price faltered in 2006 but showed a little strength in this year's first quarter, boosted by price gains at the low end of the market.

Savannah: Strong ports are also helping related industries, with Target and Ikea opening warehousing facilities.

Austin: Important tech industry. Dell's woes, including recently announced restructuring and layoffs in all its operations.

South:

- Stable growth continues to outpace the national record.
- Double-digit export growth persisted in the second quarter of 2007 for the South region.

RELATIVE RATES OF JOB GROWTH: 2007-2008

- Significantly faster than the U.S. average: 2.4% per year or greater
- Exceeding the U.S. average: 1.6% to 2.3% per year
- Adding jobs at or near the U.S. average: 0.9% to 1.5% per year
- Lagging the U.S. average: Less than 0.8% per year

Source: Economy.com and RREEF Research

Graphics: Anne McGillicuddy

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