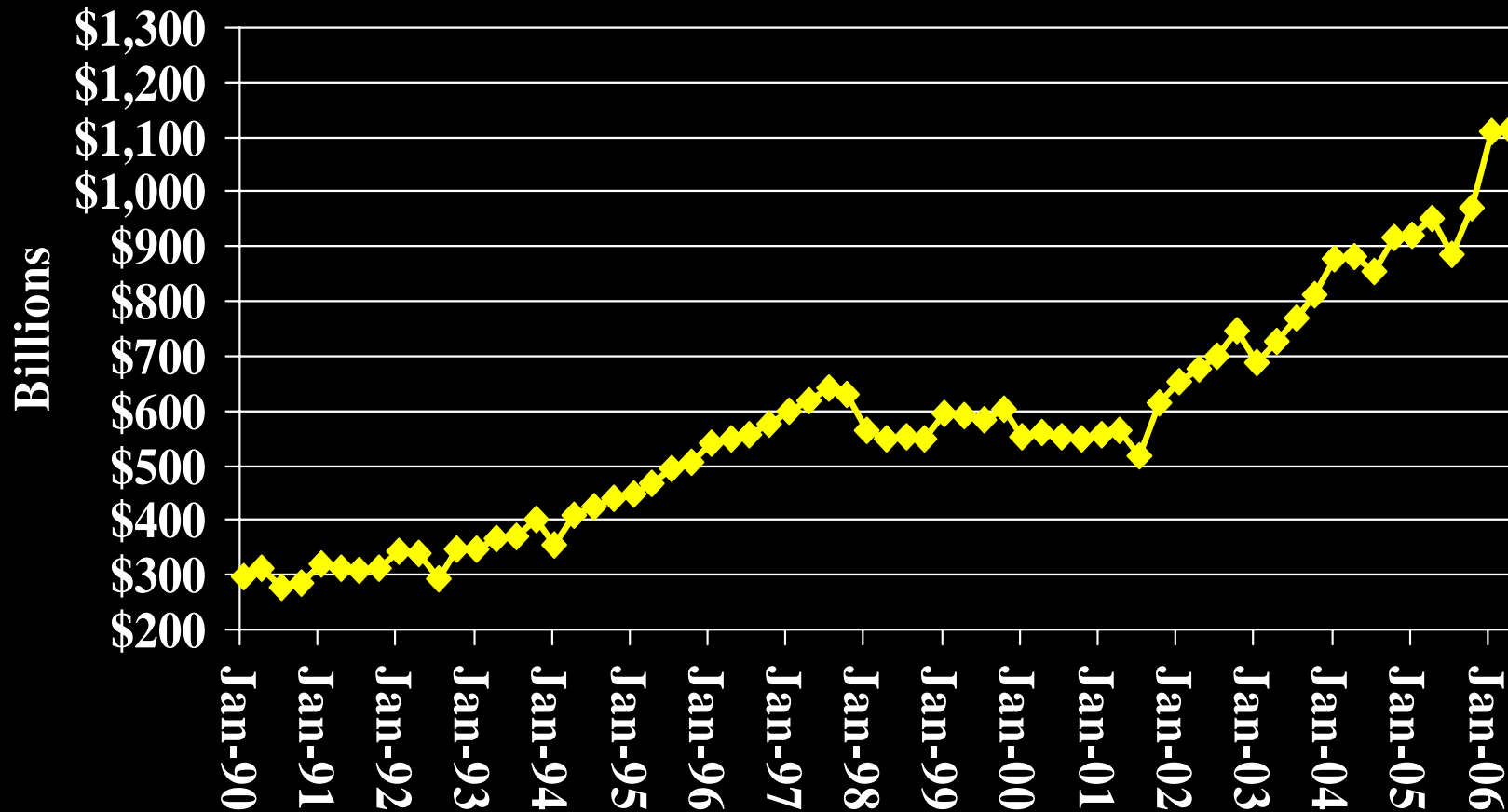




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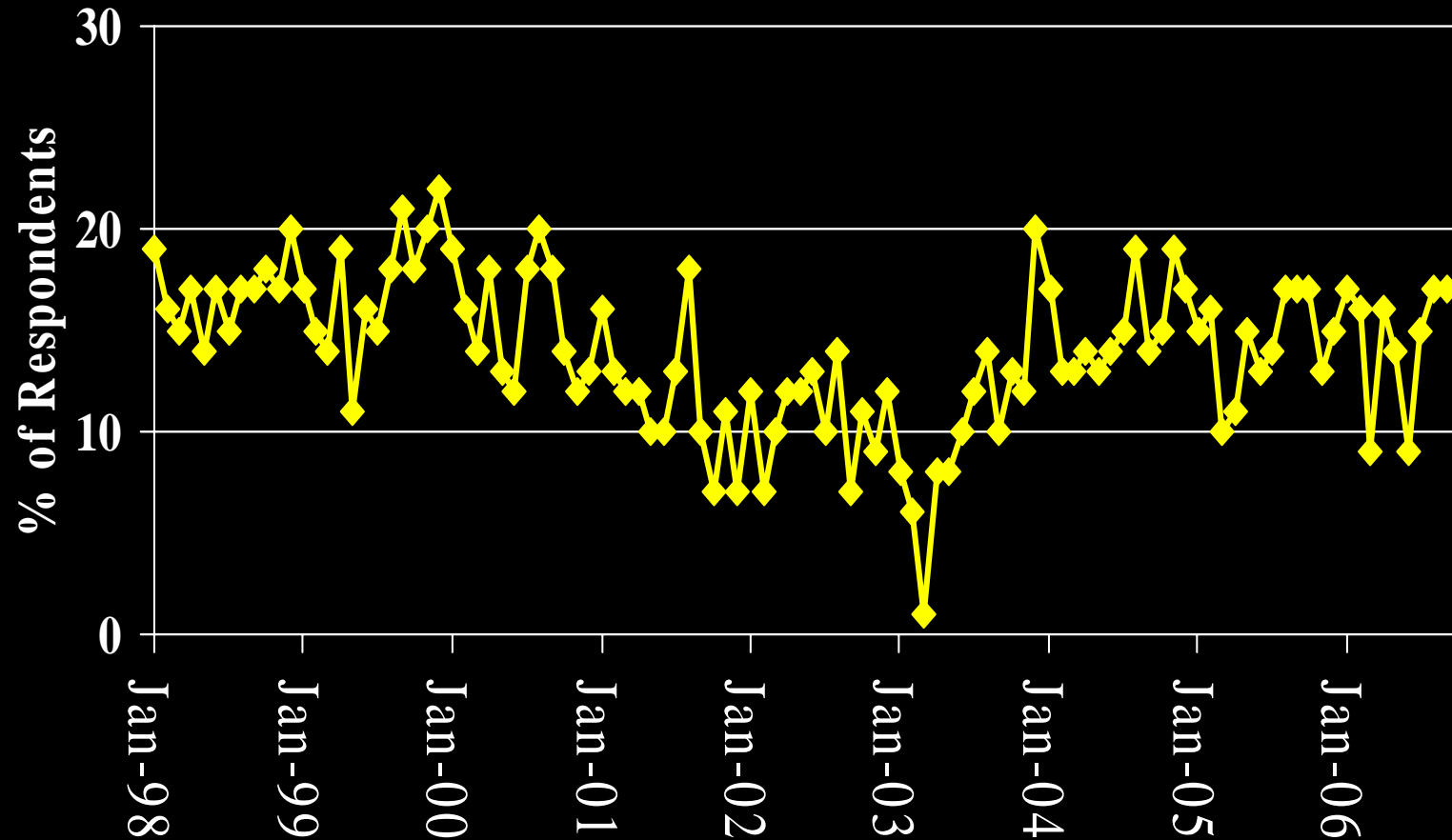
Corporate Profits

(With Inventory Valuation Adjustment & Capital Consumption Adjustment)



Source: Department of Commerce

% Planning to Increase Employment Small Business Outlook



National Federation of Independent Business

Corporate Hiring Plans in Next 6 Months

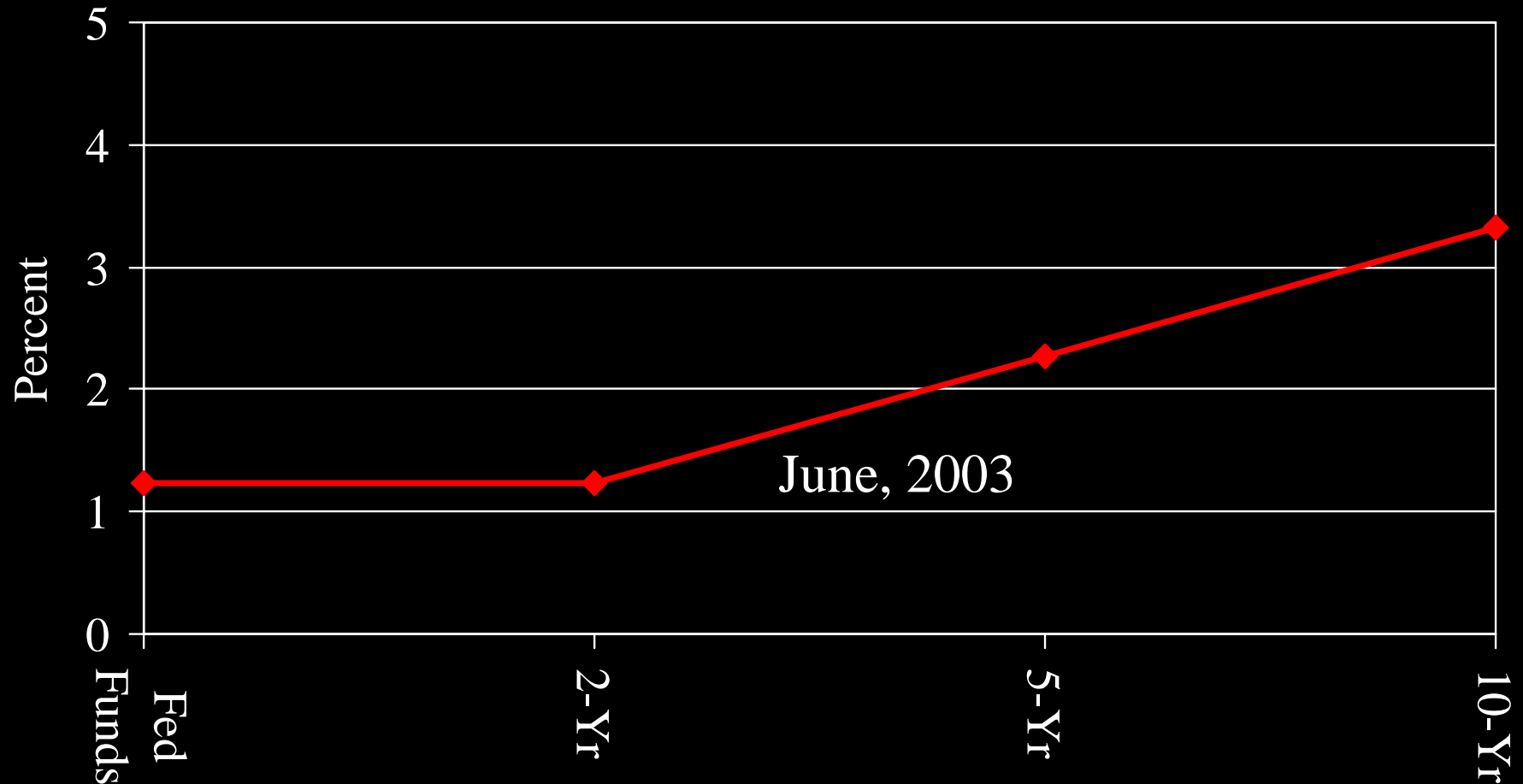
	Q3-2006	Q2-2006	Q1-2006	Q4-2005
More Jobs	32%	41%	43%	40%
Less Jobs	29%	20%	15%	19%

Major Business Risk

- Will the flattening yield curve result in a recession in 2007?

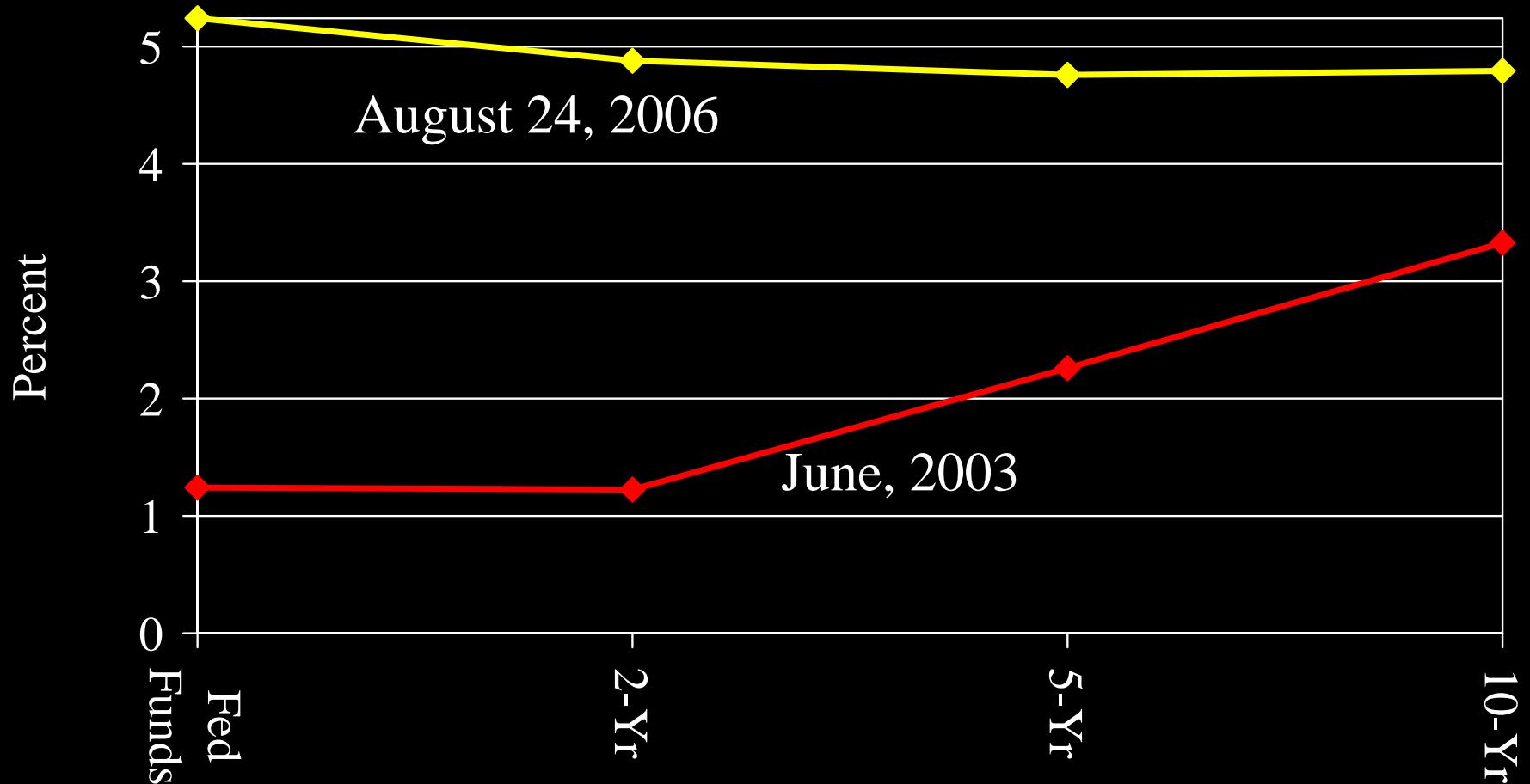
Yield Curve in the 2000's

Upward slope to stimulate a recovery



Yield Curve in the 2000's

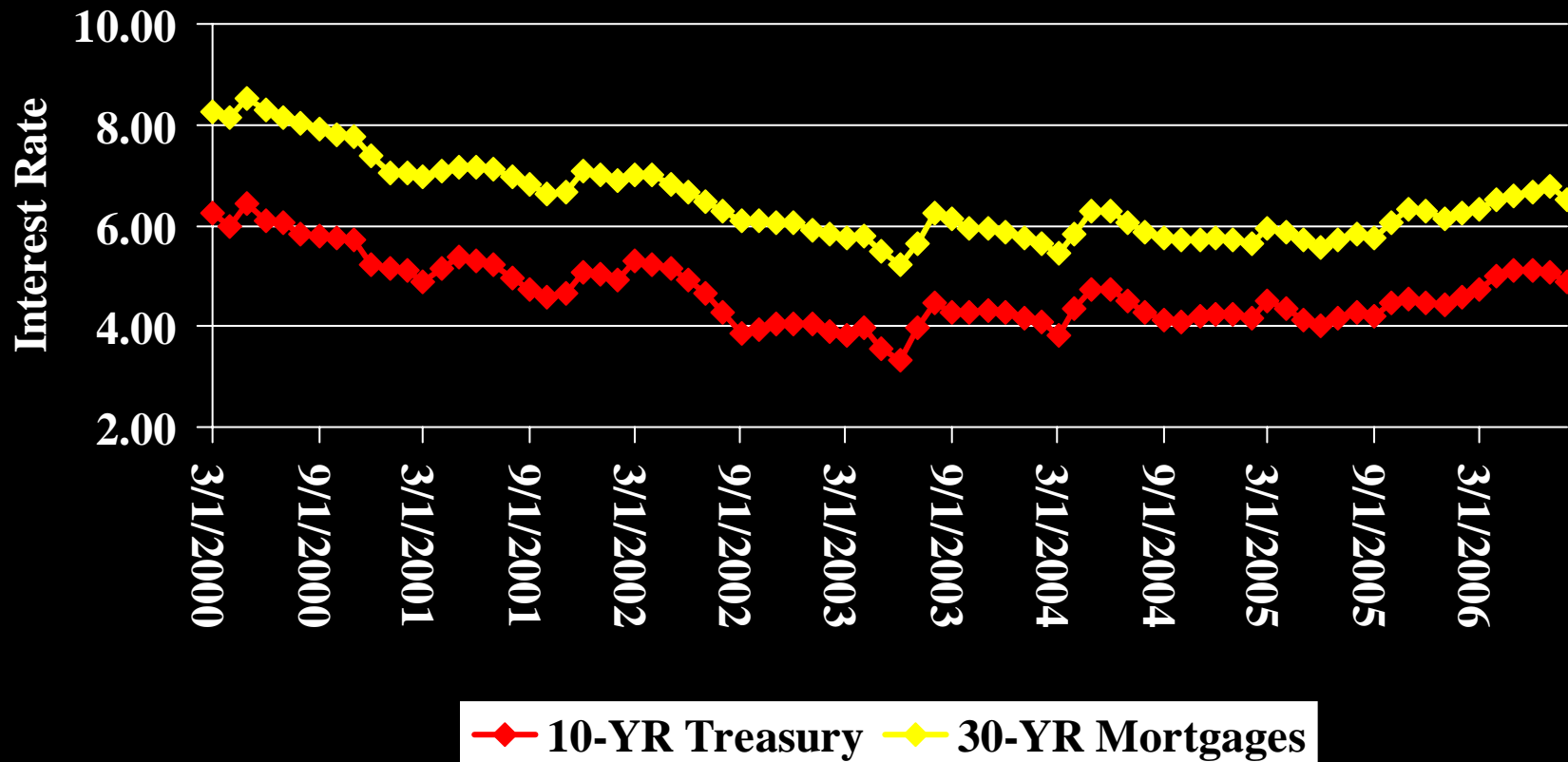
Flat yield curve can lead to recession



Source: Federal Reserve Bank of St. Louis

Mortgage Rates and Treasuries

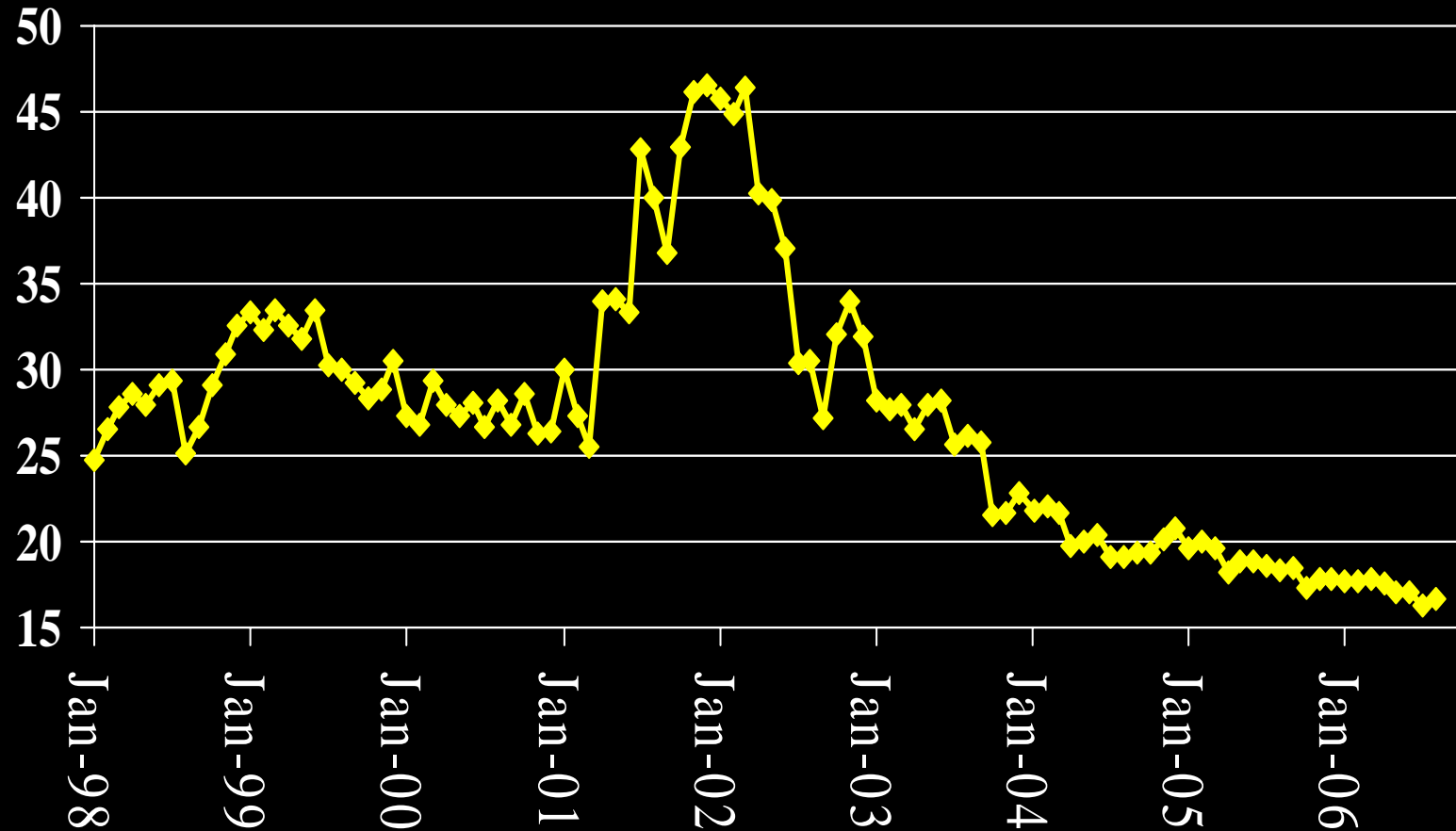
Monthly Data



Source: Federal Reserve Board

P/E Ratio

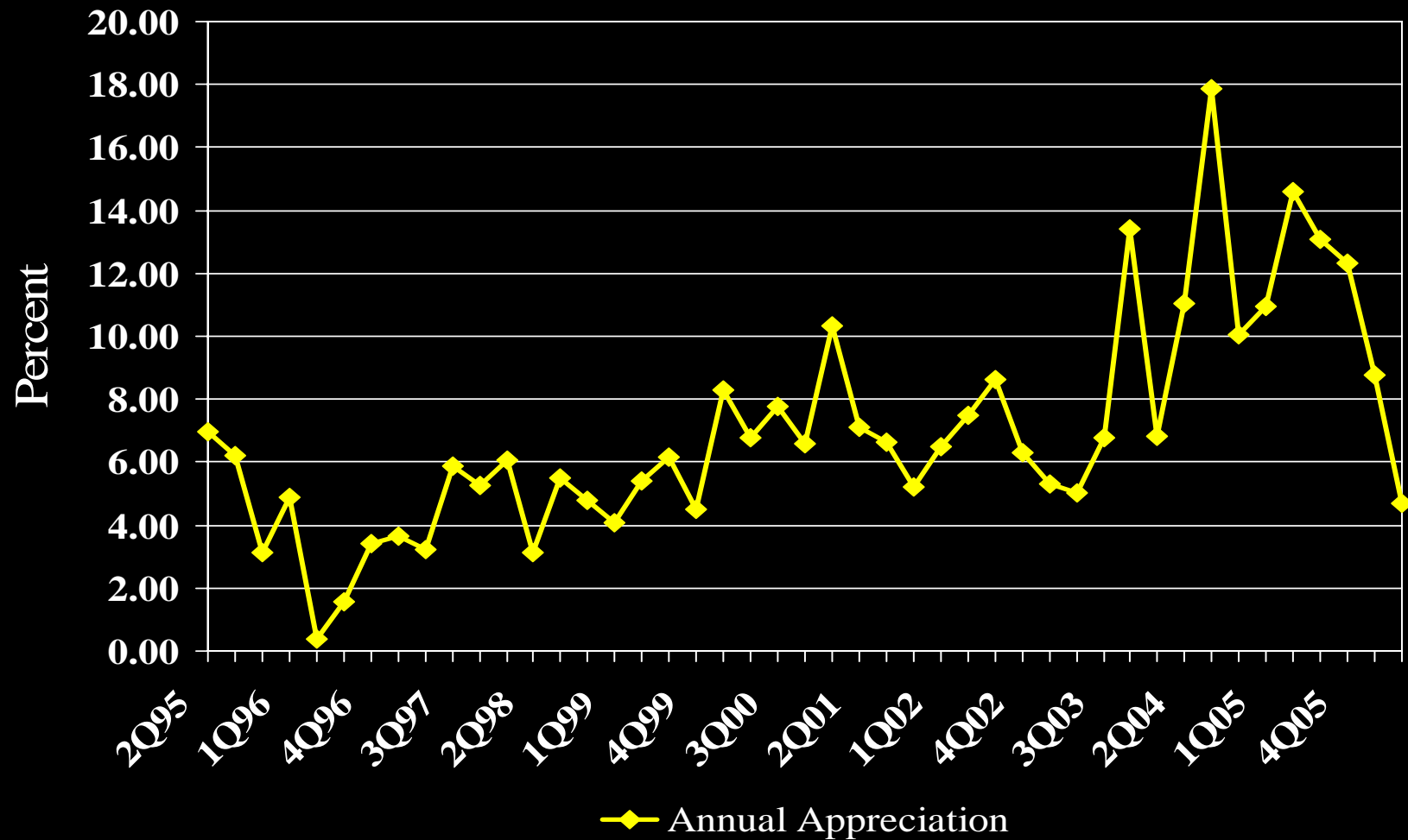
S&P 500 12-month trailing



Source: Standard and Poor's

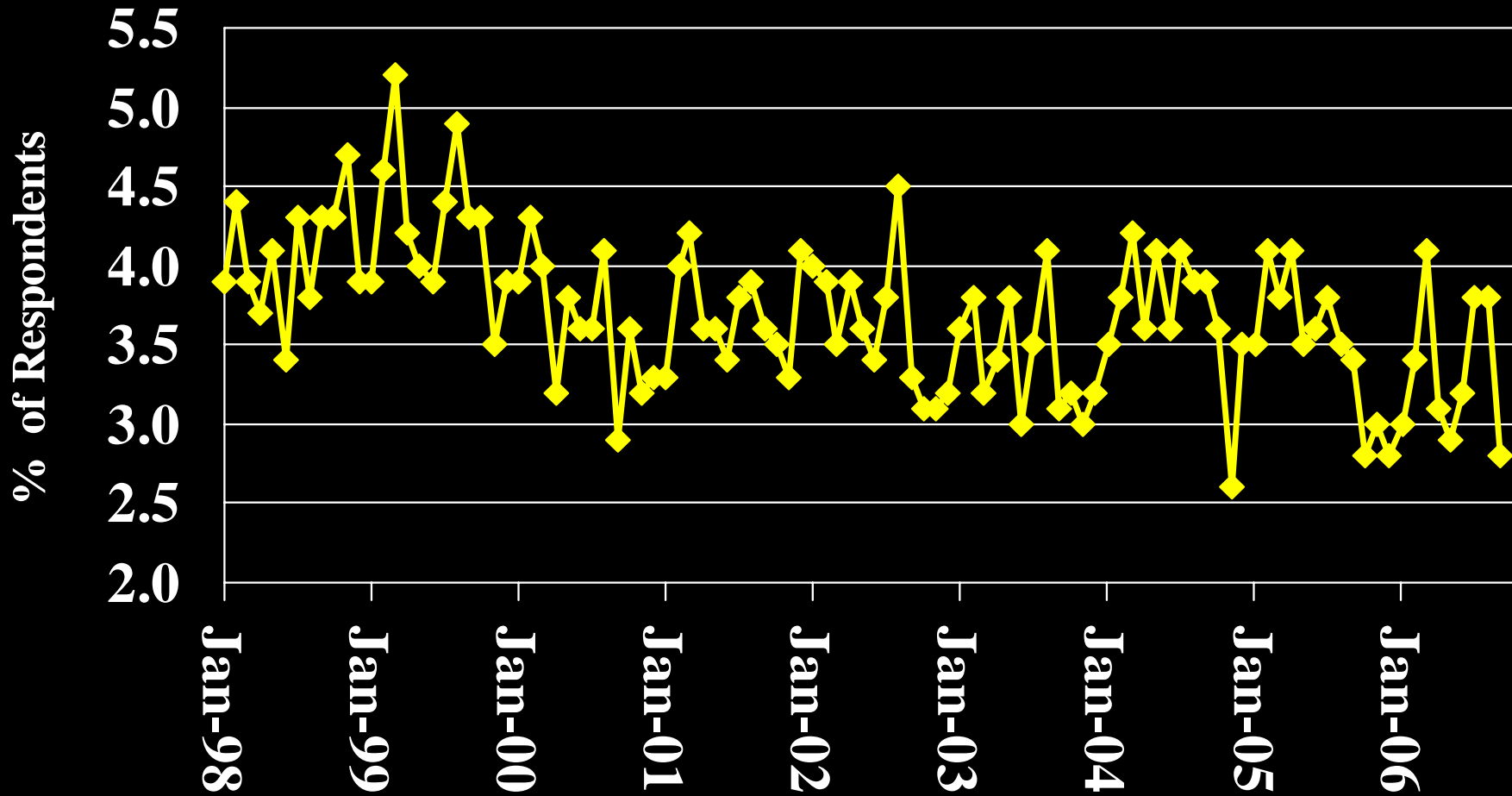
House Price Appreciation

Annualized Percentage Change from Previous Quarter



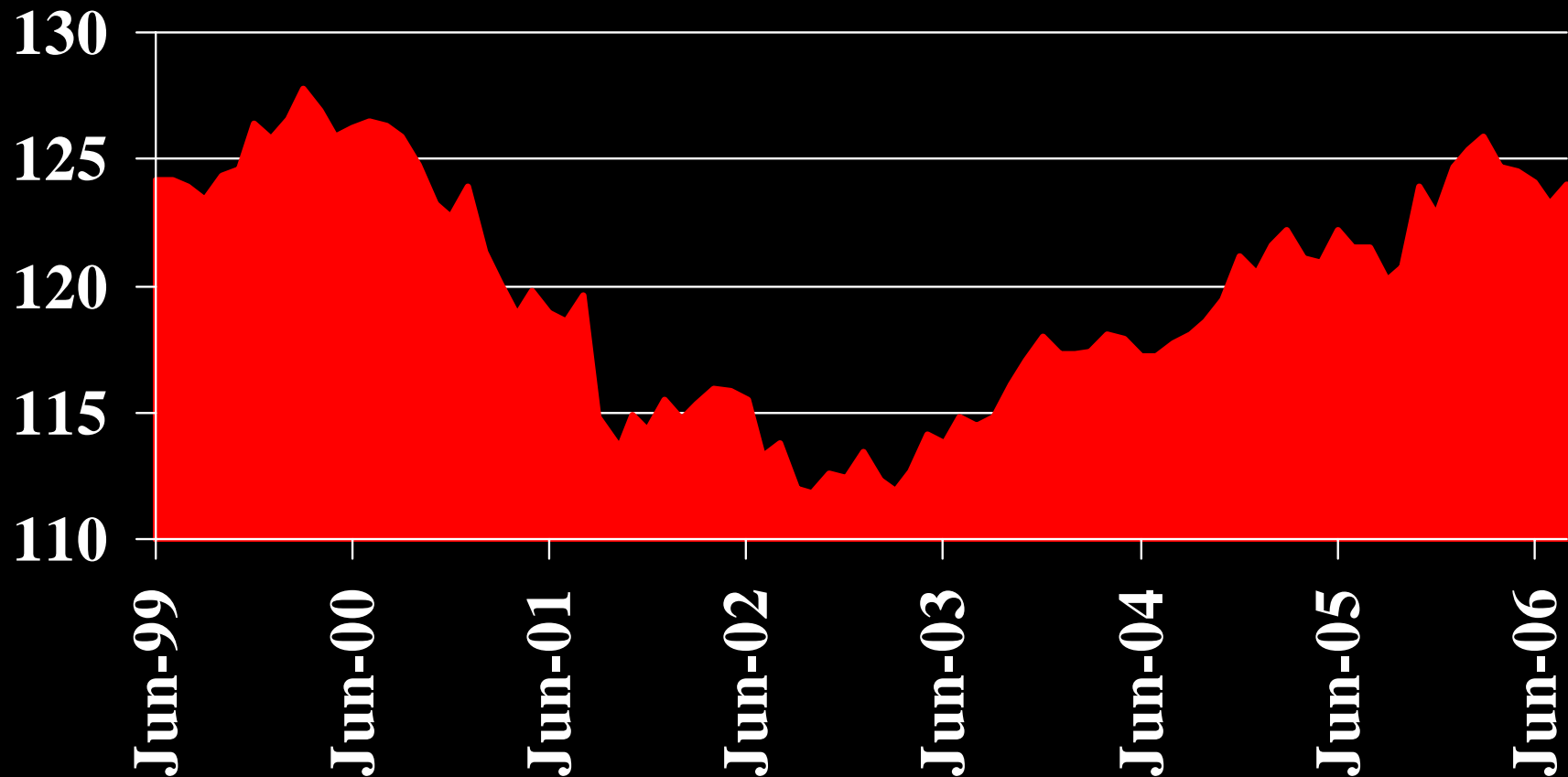
Source: OFHEO and Federal Reserve System

People Who Plan to Buy a Home in the Next Six Months



Source: The Conference Board

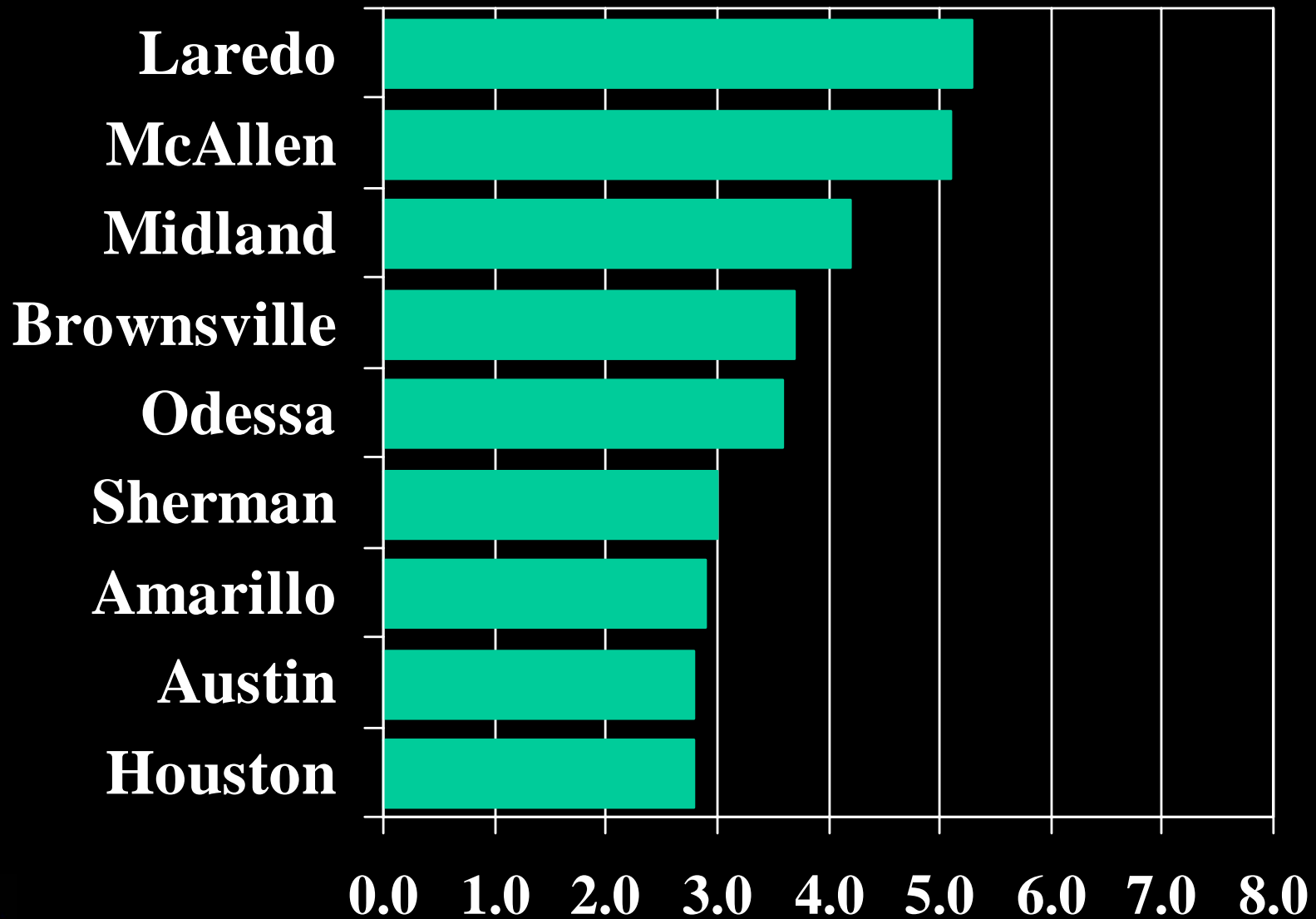
Texas Index of Leading Indicators



Source: Federal Reserve Bank of Dallas

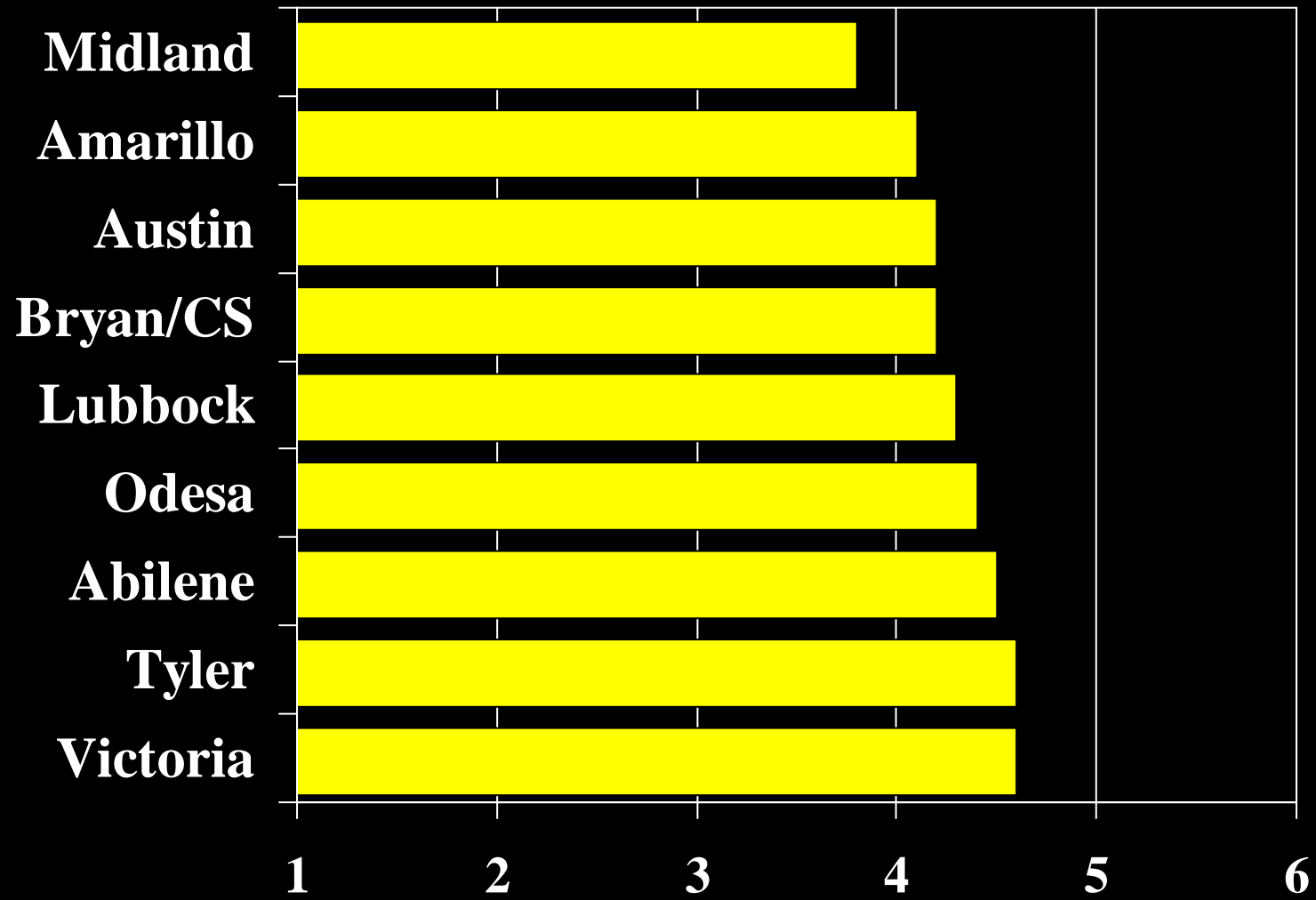
Job Growth Past 12 Months

Ending August 2006

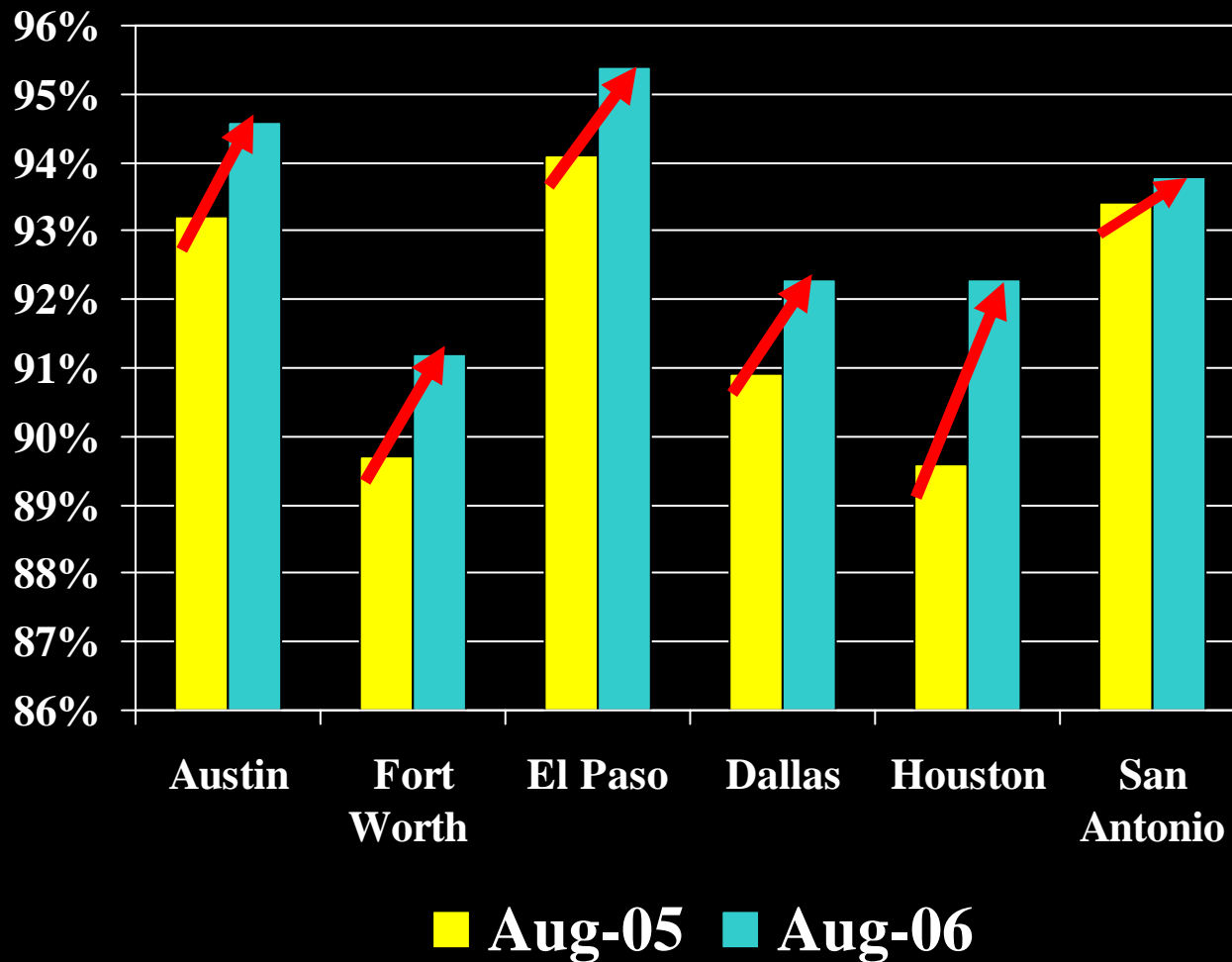


Source: Texas Workforce Commission

Unemployment Rates Aug 2006

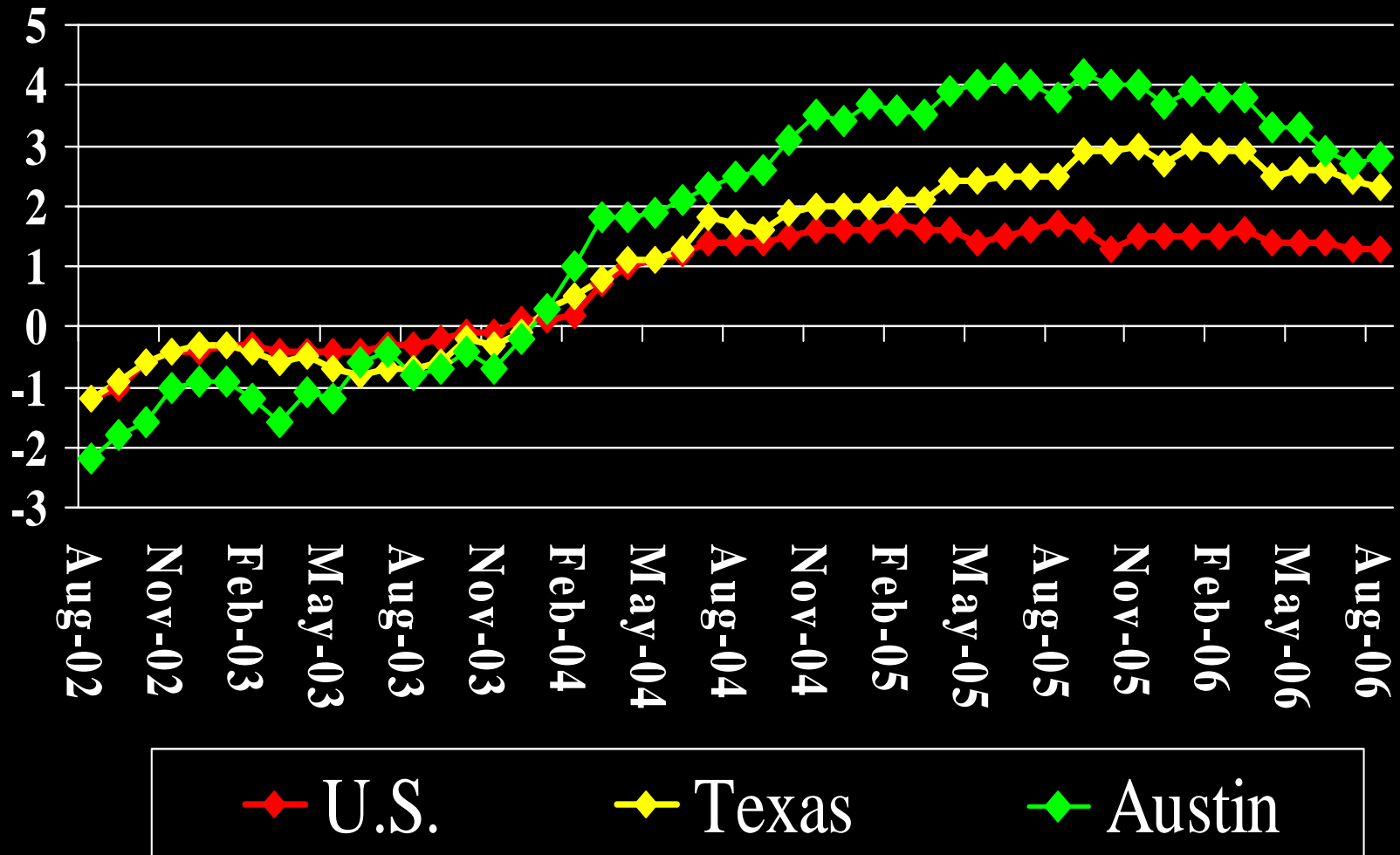


Apartment Occupancy Rates

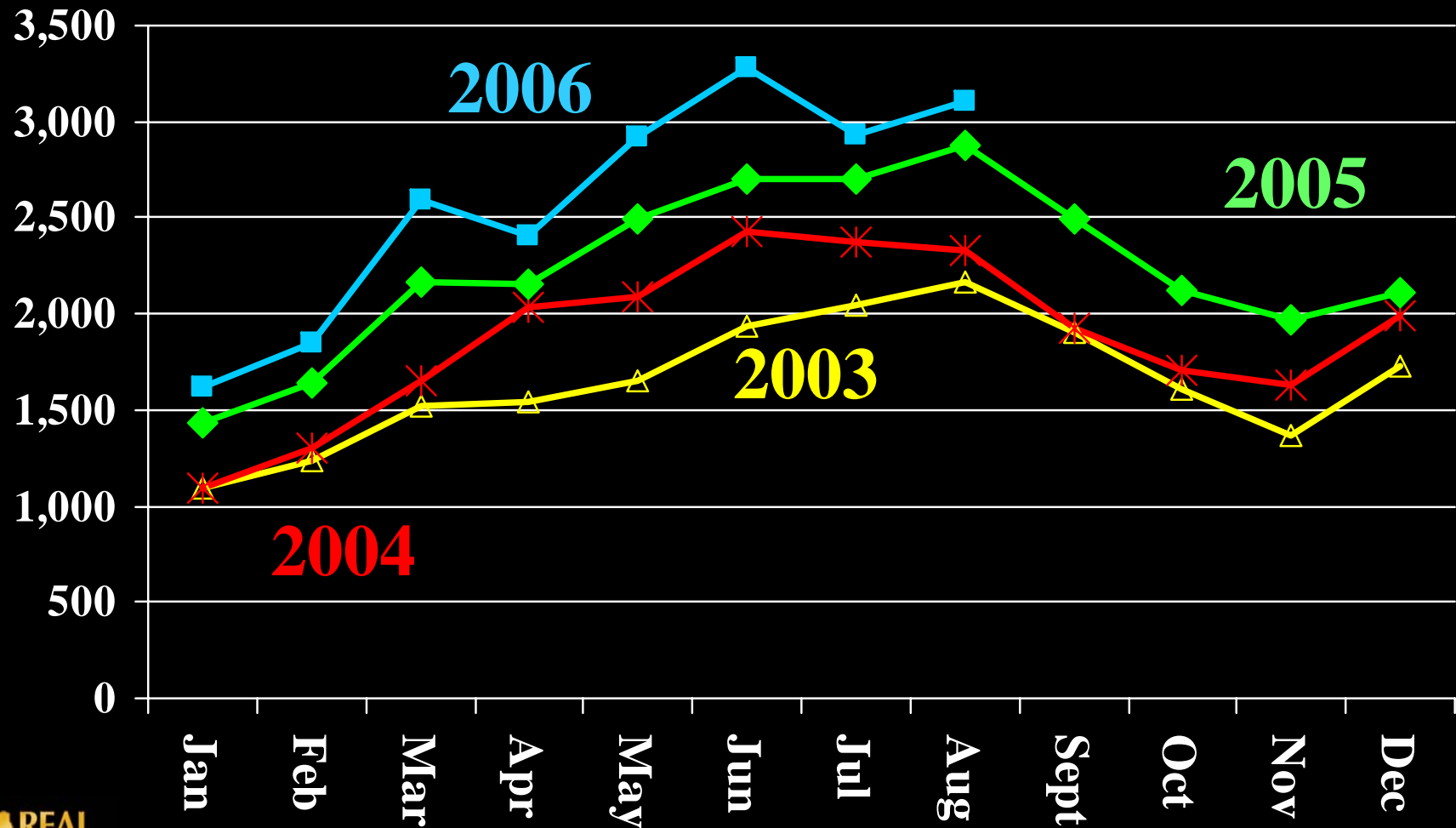


Source: Apartment MarketData Research, LLC

Employment Growth Rates

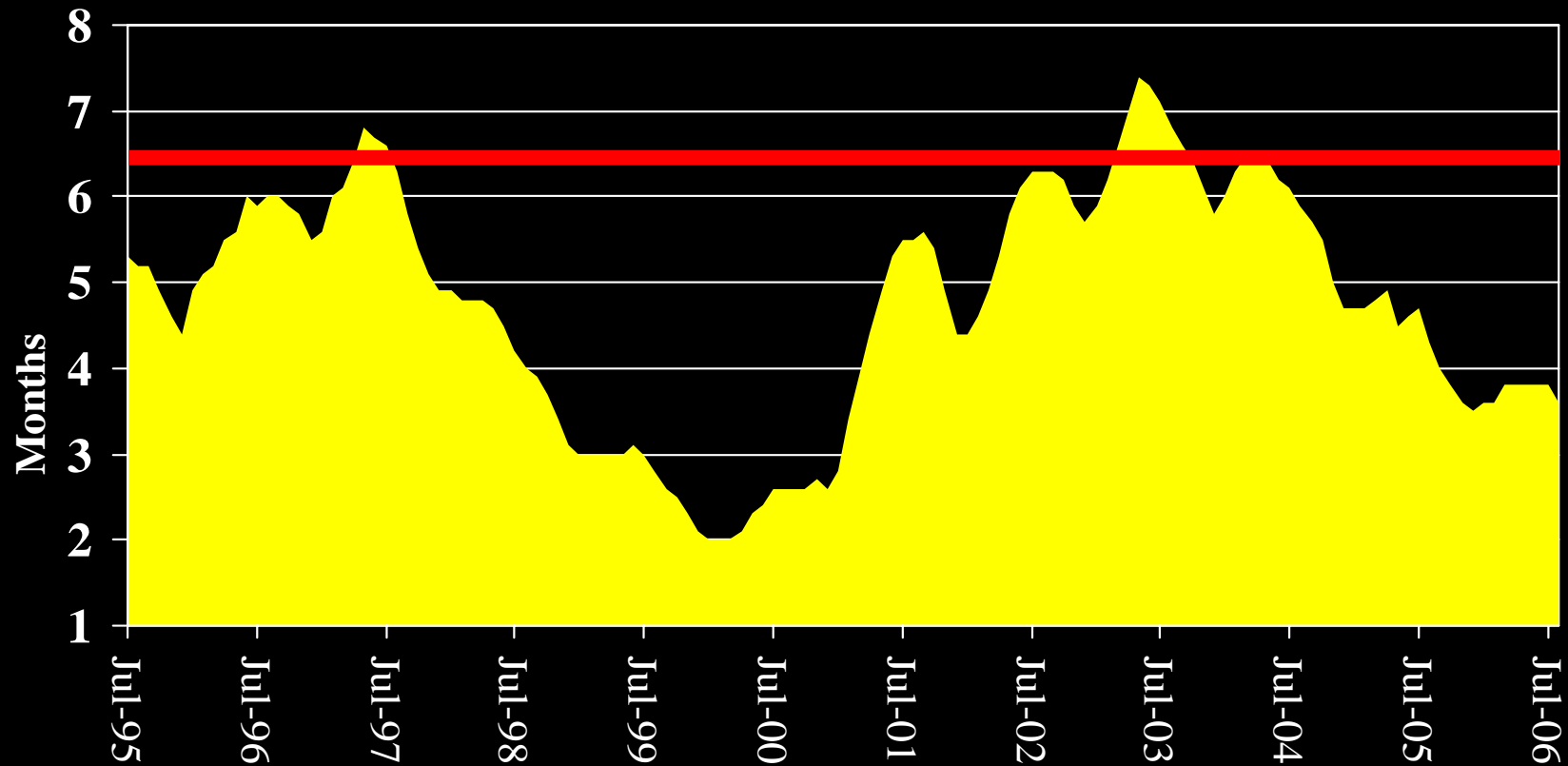


Existing Home Sales Austin



Source: Real Estate Center

Inventory of Unsold Homes Austin



July, 1995 to present

Source: Real Estate Center



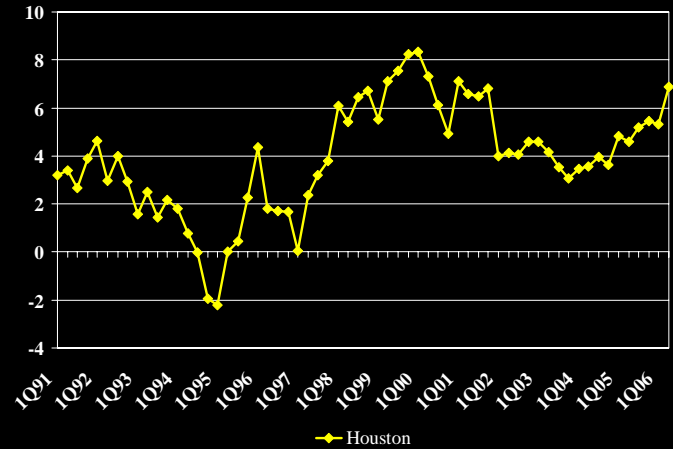
House Price Appreciation

Price Change from Year Earlier

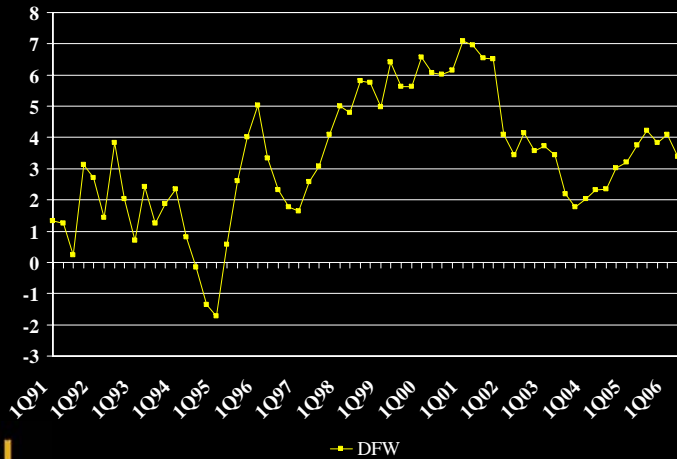
San Antonio



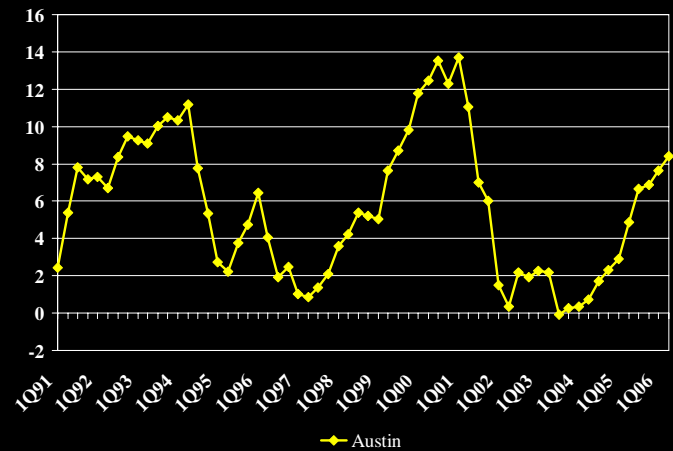
Houston



Dallas/Ft. Worth



Austin



Source: OFHEO

Conclusions

- Mortgage rates unlikely to rise much more
- Continued weakness in home sales in the US
- Recession in 2007 unlikely
- Fed likely to lower rates in 2007
- Austin economy to outperform state/nation
- Home sales in Austin will be strong in 2007