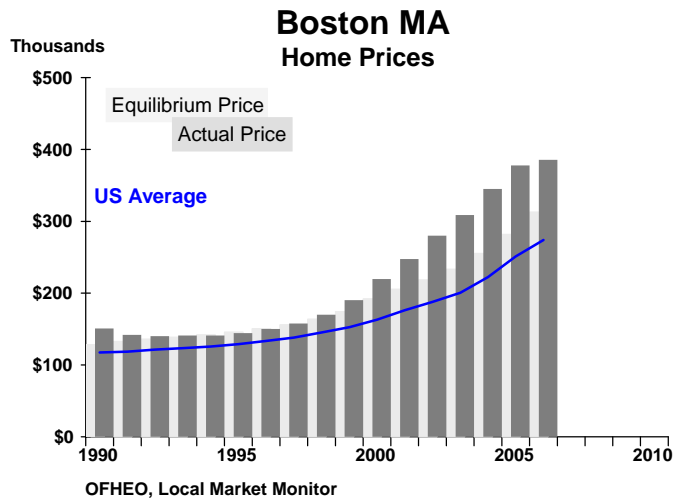
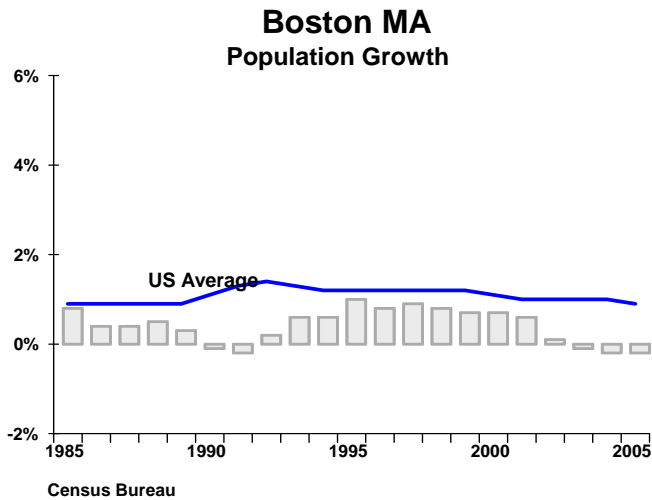


Boston MA



Demographics: The population is skewed away from school-age children, partly because the high cost of housing encourages out-migration of families. There is a large student population. Population growth has been mildly cyclical in the past and well **below-average**, as the erosion of jobs and high housing costs produce substantial annual **out-migration**.

Local Economy: The local economy closely follows the national cycle, but with big recessions in the last two cycles. The economy features very large **finance** (Fidelity), **business service** and **health service** sectors. The finance sector is disproportionately hurt during a national economic slowdown. The current situation is **fair**, but with job weakness still in some sectors.

Housing: Rental units provide a high 37% of all housing (most in 2-4 family triple-deckers), and made up 21% of new construction in recent years. Construction has been fairly steady since the last recession. Vacancy rates for owner properties in 2006 were at the highest rate in 10 years, though still moderate. The large student population keeps vacancies in lower-rent properties very low.

Home prices have been highly cyclical in the past, as even small increases in demand run up against a **short supply of land**. The market is overpriced but prices were flat in the last 12 months after several years of double-digit increases, suggesting the start of a longer-term **price correction**. Apartment rents are high, providing good returns but leaving apartments highly vulnerable to out-migration.

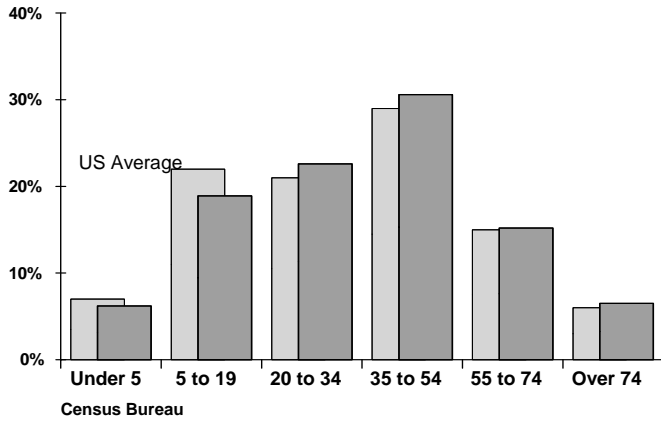
Investment Risk is high because of the chronic out-migration, modest economic growth and high home prices. In the short run, this would be a good time to **SELL** apartment properties at a premium price. The longer term outlook is **good** for existing owners of apartments because of the limited availability of land, but current investment prices are probably **too high** for new investors and rents will be flat, at best, in coming years as home prices stagnate. New single-family developments should be approached with **extreme caution**: the current high prices will leave many new homes stranded.

Reviewed by Ingo Winzer

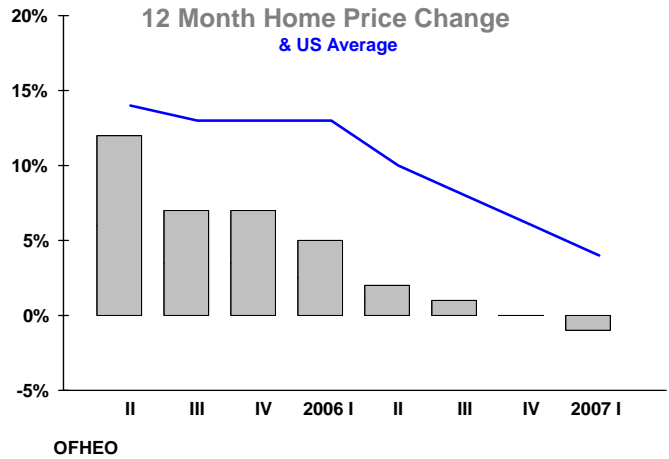
Investing in real estate is risky, even in favorable markets. This Review gives our best estimate of current and future economic circumstances in this market, but we could easily be wrong. The Review should not be considered investment advice regarding any particular property.

Boston MA

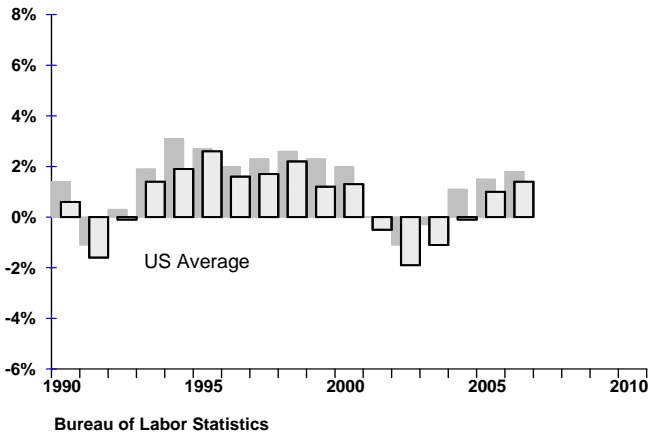
Boston MA
Population Age Distribution



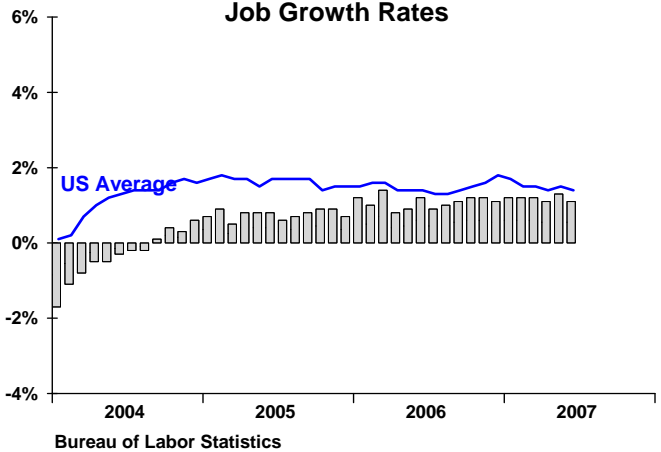
Boston MA
12 Month Home Price Change & US Average



Boston MA
Job Growth



Boston MA
Job Growth Rates



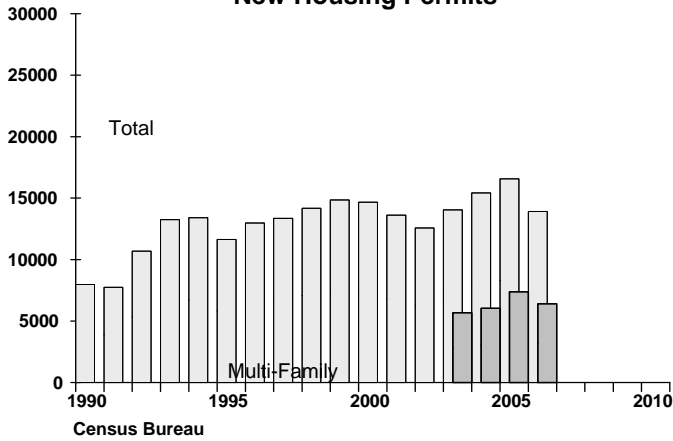
Boston MA	Current Jobs		Job Growth		
	(000)	%	US Avg	2006	Jun 07
Total	2500.3	100%	100%	1.1%	1.1%
Construction	105.9	4%	5%	0.6%	-0.4%
Manufacturing	223.0	9%	13%	-1.6%	-0.4%
Retail Trade	253.5	10%	12%	-1.2%	-0.6%
Transport, Util.	62.3	2%	5%	-1.5%	0.3%
Finance	191.0	8%	6%	1.0%	1.0%
Business Services	413.6	17%	10%	2.7%	2.7%
Health Services	452.2	18%	10%	2.8%	2.6%
Hotels, Restaurants	226.8	9%	10%	1.3%	1.7%
Government	302.5	12%	16%	0.9%	0.8%

Bureau of Labor Statistics

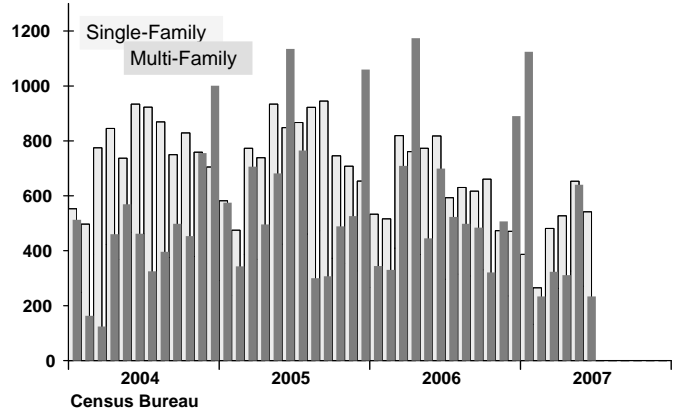
Boston MA	Total US	
Total Home Sales 2005:	94,248	8.4 Mil
Home Sales to Investors:	8%	15%
12 Months Housing Permits:	12,389	1,559,107
6 Months Permits Increase:	-28%	-25%
Average Home Price 2006:	\$385,625	\$274,030
Home Price Increase 2006:	2%	9%
Population 2005:	4,411,811	296,410,404
Estimated Pop. Growth '00-05:	0%	5%
Foreclosure Risk Rating:	Low	
Home Value Rating:	Overpriced	

Boston MA

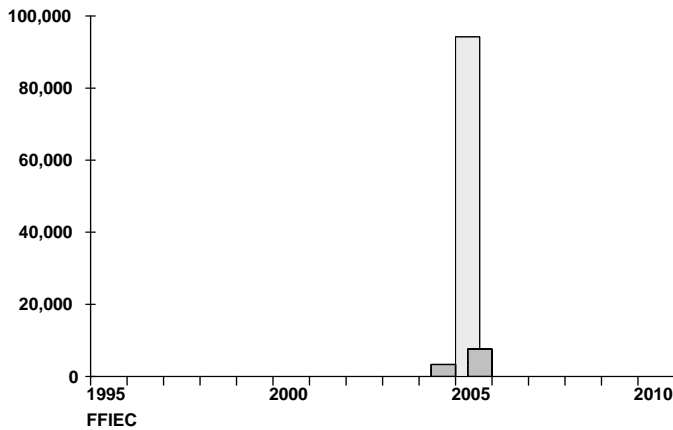
Boston MA
New Housing Permits



Boston MA
New Housing Permits



Boston MA
Total Home Sales & Sales to Investors



Boston
Housing Construction Balance

Units Absorbed by Population Growth	-3,761
Units Lost thru Deterioration, etc.	11,592
Total Annual Units Needed for Balance	7,831
Current Annual Construction Level	12,389
Overbuilding as % of Existing Housing	0.2%
12 Month Construction Change, Single-family:	-30%
12 Month Construction Change, Multi-family:	-15%

Boston MA
Vacancy Rates



Boston MA
Home Sales by Price Range

