

Secret Value & Growth Cities

How to Make 6- and 7-Figure Profits
from the Flood of Money Away
from Overvalued Bubble Cities
and Into America's Best Priced,
Growing Cities



*Justin Ford, Kam Weiler, Tom Tumbusch
and Nadia Ankrah are the editors of this special report.*

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*“If you think the real estate boom
of the past decade was bounteous,
peek a little further over the horizon ...”*

— Business 2.0

Welcome! This is an introduction to the New Real Estate Boom Towns, and your invitation to realize instant equity and cash flow.

The coming years represent the biggest wave of development and population increase this country has ever seen. Along with that comes unprecedented opportunity for investors with the vision to see beyond the bubble markets and into the future growth areas. Undervalued markets poised for serious appreciation are already in clear sight, so let's get your investment dollars in the *right place*, at the *right time*, starting *right now*.

Buying Properties Under Market Value Is Good ... but Buying Under Market Value in an Undervalued Market Is Even Better!

What constitutes a good, solid real estate investment is very simple when you get to the heart of it. A solid investment should provide you with the highest possible returns and the lowest amount of risk.

Those of you who have already participated in the *Main Street Millionaire* real estate success program are well aware of exactly how to find and analyze specific properties that meet these criteria. For everyone else, prior to revealing the top U.S. cities that are currently the most undervalued (with the best opportunities for your investment dollars), let's review the characteristics any solid investment must possess:

1. The true “value” of a property must be firmly anchored by rental rates, much the same way as a stock price should be anchored by earnings. If the rental income a given property can earn does not cover the cost of owning the property on a monthly basis, then you have left the realm of “investment” and have entered into the world of “speculation.” Seek out properties that pay for themselves from day one, yet still offer solid opportunities for appreciation.
2. There are several factors that can influence the appreciation potential of a property. These include, but are by no means limited to, buying in an up-and-coming or revitalizing area, and buying near future improvements (e.g., public projects such as roads, or the expansion or creation of new businesses).
3. As an investor, you should seek to buy properties *under* market value. I aim for 10% minimum under market value on every property I buy. This provides a cushion, so to speak, in case of an unexpected downturn. It also provides you with *instant equity*. Imagine — if you buy a duplex that is *worth* \$215,000 — but you get it for just \$193,500 (which is 10% under value), you’ve made \$21,500 from day one.
4. The overriding rule here is this: “Take care of your downside, and the upside will take care of itself.” You must minimize risk and maximize profits. Period.

Whether you are a seasoned investor with a large portfolio, a “newbie” who has yet to buy your first home, or somewhere in between, you are going to find this report to be a clear guide to realizing the biggest real estate profits possible over the next five years and beyond.

I say “and beyond” for a very specific reason. You see, you won’t just be learning specifically about the top U.S. Cities — although you will receive in-depth profiles of these that you can start using to increase your profits immediately. You are also going to walk away with a new “tool” that you can use for the rest of your investment career. I’m talking about learning how to identify undervalued markets. That is where, time after time, you are going to realize the largest profits with the least risk.

It’s a simple concept. Stock and commodity analysts use it every day to identify sectors that are, for some reason or another, out of line. Earnings are strong, the outlook is bright ... but prices are relatively low. These little “anomalies” don’t usually last for long, but if you can buy them at the right time, you set yourself up for larger than normal returns.

It’s the same thing in the real estate market.

And it is particularly relevant given the over-inflated conditions prevalent in so many real estate markets across the country today. There is a large population of frustrated real estate investors living in bubble markets everywhere. While the appreciation has been phenomenal, the risks are becoming greater and greater with each passing day.

Not to mention that most would-be investors can't even afford to get into the game at the prices in cities like San Francisco, New York, and Miami.

I know I personally have felt this frustration living in South Florida, spending *more and more time just trying to find that needle-in-a-haystack deal that made sense, and less and less time actually buying properties and watching my income and net worth grow.*

This frustration, coupled with the earnest desire to continue to add properties to my portfolio and grow my net worth in a safe, yet assertive way, is what led me to start examining markets outside of my own. At first, it was fairly casual, just asking friends and colleagues if they knew of any promising areas I should look into.

In Search of the Anti-Bubble

I think I believed, deep down, that even if I found affordable properties with decent rents, they would surely be located in undesirable cities with gloomy prospects for serious depreciation. Imagine my delight when I discovered that was not the case. That, in fact, quite the opposite was true!

The first of the cities I visited sealed the deal. Here I was, in a popular, respected, beautiful, and prosperous city. We were in safe neighborhoods with strong rents of over \$1,000 a month, houses in good condition — and they were selling for just \$130,000. Sometimes even less! And there were “deals” everywhere ... from apartment complexes to duplexes, new downtown lofts to new suburban single-family homes. I immediately knew we were onto something.

Back home, every person I shared my experience with immediately bombarded my realtor there with requests for more information about this “magical place” where homes were still affordable and investors could spend time buying properties, not just looking.

As I purchased my first multifamily property in this market (for \$30,000 in instant equity, and at less than 7 times annual rent), I couldn't help but wonder, “Could there possibly be *more* cities like this in America? And if so, how long could they possibly remain a secret from the frustrated homebuyers and investors in California, Arizona, New York, and the like?”

How the New Real Estate Boom Towns Were Born

Well, I soon had the answers. As I spoke with colleagues, fellow investors, friends, and realtors, I found out that there are in fact a handful of cities that, for whatever reason, escaped the clutches of the evil bubble. (Although, I must admit,

I wasn't calling it evil when I was in early and making a killing! I was just hungry for more. And now, it's about to be feeding time in these new bull markets ...)

The new "Boom Towns" all share very similar conditions:

- Properties are selling at reasonable prices; prices that make sense compared to local rents ...
- The cities are experiencing explosive population growth ...
- Local economies are strong, with diversified industry and high wages ...
- Local residents are highly educated, an ideal work force for growing businesses ...
- The cities have attractive climates and outdoor life, culture and nightlife ... an overall quality of life that attracts new business, baby boomer retirees, and "bubble market refugees" ...
- The cities have a revitalized or revitalizing downtown ...
- In other words, they have all the right ingredients to see their property values TAKE OFF.

And I'm not the only one who has taken notice of these ripe conditions. Ask any realtor in any one of these cities, and they'll tell you exactly how much interest they've just started getting from out-of-state investors pulling equity out of their home market (oftentimes in a 1031 Exchange) and looking for a new opportunity elsewhere. That can mean only one thing: Investor interest is going to increase the pace at which prices start going up. Bottom line — anyone who wants to get in early, while the prices are still astoundingly, refreshingly LOW, needs to act NOW.

Remember, while buying under value in *any market* is good, buying under market value in an *undervalued market* is even better. If you can learn to do that, time and time again, you'll be positioned to see six-figure profits from your investments in a very short time.

How This Report Will Help You See Six-Figure Profits in Tomorrow's Hottest Markets

Let's take a quick look at the potential of real estate as an investment vehicle. Historically, the median U.S. home price has risen at a rate of about 6.5% per year. However, in any given year, there are always certain markets that outperform the average, while others underperform.

And, as we've seen recently, there are certain years that see above-average growth on the whole ... and there are years that see below-average growth.

The focus of this report is to show you how you can identify which specific

local markets are going to see the highest appreciation with the lowest risk, regardless of how the overall national market performs.

But what if your investments see just *average* returns?

Let's suppose you buy just one property a year. And let's suppose you average a down payment of 10% of the purchase price on each property. Some will be less, some will be more — but, overall, you average putting 10% down.

Let's keep in line with historical numbers and also assume your property will appreciate, on the average, 6.5% a year. To keep the math simple, we'll also say that every property you buy costs \$100,000.

We'll also suppose that after paying all costs (mortgage, taxes, insurance, and maintenance) and making an allowance for some rental vacancy, you initially net \$100 a month on each property. Finally, we'll also assume that your net rent increases by 5% a year. In the chart below, watch how your equity soars and your net rental income grows.

Year	New Properties Bought in Year	Total Properties Owned	Total Equity	Total Net Rent to Date	Total Equity Plus Total Net Rent To Date	Yearly Net Rent	Monthly Net Rental Income
1	1	1	\$17,542	\$1,200	\$18,742	\$1,200	\$100
2	1	2	\$43,116	\$3,660	\$46,776	\$2,460	\$205
3	1	3	\$77,245	\$7,443	\$84,688	\$3,783	\$315
4	1	4	\$120,483	\$12,615	\$133,099	\$5,172	\$431
5	1	5	\$173,425	\$19,246	\$192,671	\$6,631	\$553
6	1	6	\$236,699	\$27,408	\$264,107	\$8,162	\$680
7	1	7	\$310,978	\$37,179	\$348,157	\$9,770	\$814
8	1	8	\$396,978	\$48,638	\$445,615	\$11,459	\$955
9	1	9	\$495,459	\$61,869	\$557,328	\$13,232	\$1,103
10	1	10	\$607,233	\$76,963	\$684,196	\$15,093	\$1,258
11	1	11	\$733,165	\$94,011	\$827,176	\$17,048	\$1,421
12	1	12	\$874,175	\$113,112	\$987,286	\$19,101	\$1,592
13	1	13	\$1,031,242	\$134,367	\$1,165,609	\$21,256	\$1,771
14	1	14	\$1,205,410	\$157,886	\$1,363,295	\$23,518	\$1,960
15	1	15	\$1,397,791	\$183,780	\$1,581,571	\$25,894	\$2,158
16	1	16	\$1,592,027	\$210,969	\$1,802,996	\$28,389	\$2,366
17	1	17	\$1,798,888	\$239,517	\$2,038,406	\$31,008	\$2,584
18	1	18	\$2,019,196	\$269,493	\$2,288,689	\$33,759	\$2,813
19	1	19	\$2,253,823	\$300,968	\$2,554,791	\$36,647	\$3,054
20	1	20	\$2,503,701	\$334,016	\$2,837,717	\$39,679	\$3,307

See how you've accumulated \$1 million in equity in just 13 years? During that time, you've also collected over \$21,000 in net rent and continue to collect a net-rent check of nearly \$1,800 every month.

By year 20, you have over \$2.5 million in equity, have collected nearly \$40,000 in net rent, and now

receive monthly net income from your properties (after all expenses) of over \$3,300 a month. And that's just buying one property a year ...

Even in an *average* market, you can see how achieving six-figure profits would not require a very aggressive plan. Now imagine what kind of returns you could quickly see by investing in markets that see *above-average* returns ...

Hot! Hot! Hot! **The Current U.S. Bubble Markets**

Hot real estate markets in cities across the country, from San Francisco to Miami, have been making headlines for quite some time now. And for good reason ...

... The money that's being made is astounding. If you had bought property in Boise City, Idaho in 2005 ... you would have seen gains of 43% by 2006.

Based on average home prices in Atlantic City for the period (\$147,000 in 2005, \$209,500 in 2006), that would have translated into a gain of \$62,500 on just *one property*, in just *one year*. That's far more than most Americans earn working a full-time job.

And that's without taking leverage into account. If you bought with 10% down, the 43% gain on the value of your property represents a gain in the neighborhood of 430% in a year.

And if you bought 25% below market value with 10% down, you could have made about 680% on your investment in a year.

That's the investment power of real estate when you buy low in a market that is just taking off.

Similarly, if you had purchased property in Atlantic City, New Jersey, you could have made 33% gains in just one year. The average purchase price in 2005 was \$256,100. By Q4 2006, it was sitting pretty at over \$339,800. That's \$83,700 in gains on an average transaction.

Check out the median home prices of select U.S. metropolitan areas as reported by the National Association of Realtors in Q4 of 2006. You'll quickly see which areas have seen the most astronomical appreciation since 2004, and which ones have hovered at a much cooler rate.

Median Sales Price of Existing Single-Family Homes for Metropolitan Areas							
Metropolitan Area	2002	2003	2004	2005	2006*	Change 2005-2006	Change 2002-2006
	<i>(Not seasonally adjusted, 1000s)</i>						
U.S	158.1	170	195.2	219.0	219.3	0.14%	38.71%
NE	164.3	190.5	254.4	281.6	274.6	-2.49%	67.13%
MW	136	141.3	151.5	168.3	161.8	-3.86%	18.97%
SO	147.3	157.1	171.8	181.1	181.7	0.33%	23.35%
WE	215.4	234.2	289.1	340.3	355.1	4.35%	64.86%
Boise City-Nampa, ID	123.2	130.6	135.9	147.0	209.5	42.52%	70.05%
Atlantic City, NJ	143.6	166.5	197.9	256.1	339.8	32.68%	136.63%
Salt Lake City, UT	148.8	148	158.0	173.9	223.6	28.58%	50.27%
Beaumont-Port Arthur, TX	84.3	88.4	93.5	98.5	120.0	21.83%	42.35%
Spokane, WA	108.7	120.3	128.5	156.4	189.2	20.97%	74.06%
Baton Rouge, LA	116.9	121.2	127.7	146.2	173.4	18.60%	48.33%
Farmington, NM	118.8	127.2	134.6	155.1	183.0	17.99%	54.04%
El Paso, TX	88.9	92.9	94.7	111.8	131.8	17.89%	48.26%
Seattle-Tacoma-Bellevue, WA	229.4	239.1	284.6	316.8	372.9	17.71%	62.55%
Eugene-Springfield, OR	143.7	151.7	164.9	197.6	230.9	16.85%	60.68%
Portland-Vancouver-Beaverton, OR-WA	177.5	188.9	206.5	244.9	285.4	16.54%	60.79%
Raleigh-Cary, NC	160.1	162	169.9	194.9	226.3	16.11%	41.35%
Gulfport-Biloxi, MS	100.2	107.6	113.9	131.4	152.0	15.68%	51.70%
Gainesville, FL	130	145	159.0	184.0	211.5	14.95%	62.69%
Glens Falls, NY	99.9	113.3	129.3	153.1	174.4	13.91%	74.57%
Richmond, VA	142.3	155.1	170.7	201.9	229.4	13.62%	61.21%
Cumberland, MD-WV	66.5	69.5	72.7	87.4	98.0	12.13%	47.37%
Tampa-St.Petersburg-Clearwater, FL	133.5	138.1	159.7	205.3	229.7	11.89%	72.06%
Orlando, FL	136.6	145.1	169.6	243.6	272.1	11.70%	99.19%
Dover, DE	116.9	128.3	150.1	180.4	200.5	11.14%	71.51%
Los Angeles-Long Beach-Santa Ana, CA	290	354.7	446.4	529.0	586.5	10.87%	102.24%
Albuquerque, NM	133.8	138.4	145.4	169.2	187.5	10.82%	40.13%
Trenton-Ewing, NJ	179.5	212.4	234.2	261.1	289.0	10.69%	61.00%
Tallahassee, FL	136.9	137.1	152.5	167.6	185.3	10.56%	35.35%
Charlotte-Gastonia-Concord, NC-SC	149.1	151.5	168.0	180.9	198.2	9.56%	32.93%
Tulsa, OK	106.7	110.4	113.1	118.2	128.5	8.71%	20.43%
Decatur, IL	74.4	74.1	75.5	82.1	89.2	8.65%	19.89%
Riverside-San Bernardino-Ontario, CA	176.5	221	296.4	374.2	406.4	8.61%	130.25%
Albany-Schenectady-Troy, NY	125.9	141.6	161.3	183.5	198.7	8.28%	57.82%
Yakima, WA	115.7	123.4	129.9	133.9	144.6	7.99%	24.98%
Oklahoma City, OK	100.1	103	112.4	114.7	123.7	7.85%	23.58%
Charleston-North Charleston, SC	159.4	168.9	183.5	197.0	210.9	7.06%	32.31%
Austin-Round Rock, TX	156.5	156.7	154.7	163.8	175.2	6.96%	11.95%
Knoxville, TN	118.4	130.5	132.2	143.7	153.6	6.89%	29.73%
Pittsfield, MA	149.2	163.2	192.8	207.3	220.6	6.42%	47.86%
Phoenix-Mesa-Scottsdale, AZ	143.8	152.5	169.4	247.4	262.2	5.98%	82.34%
Shreveport-Bossier City, LA	90.3	100.7	110.6	124.3	131.7	5.95%	45.85%
Little Rock-N. Little Rock, AR	95.7	104.8	108.4	119.0	125.9	5.80%	31.56%
Mobile, AL	104.8	109.1	115.2	130.5	137.2	5.13%	30.92%
Honolulu, HI	335	380	460.0	590.0	620.0	5.08%	85.07%
San Antonio, TX	110.4	118.1	122.7	133.9	140.6	5.00%	27.36%
Wichita, KS	98.1	100.5	103.9	108.0	113.4	5.00%	15.60%
Reading, PA	94.7	106.5	121.1	136.6	143.2	4.83%	51.21%
Baltimore-Towson, MD	154.8	180	217.0	265.3	277.9	4.75%	79.52%
Montgomery, AL	113.6	115.7	116.6	133.3	139.6	4.73%	22.89%

Median Sales Price of Existing Single-Family Homes for Metropolitan Areas							
Metropolitan Area	2002	2003	2004	2005	2006*	Change 2005-2006	Change 2002-2006
	<i>(Not seasonally adjusted, 1000s)</i>						
Syracuse, NY	86.4	95	98.4	110.6	115.4	4.34%	33.56%
New York-Northern New Jersey-Long Island NY-NJ-PA	296	343.5	385.9	445.2	464.4	4.31%	56.89%
Boulder, CO	317.6	313	325.3	348.4	363.1	4.22%	14.33%
Houston-Baytown-Sugar Land, TX	132.8	136.4	136.0	143.0	148.6	3.92%	11.90%
Corpus Christi, TX	94.4	102.1	112.7	125.2	129.7	3.59%	37.39%
Tucson, AZ	146.4	156.3	177.3	231.6	239.4	3.37%	63.52%
Madison, WI	172.4	183.8	200.8	218.3	225.4	3.25%	30.74%
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	146.9	168.8	185.1	215.3	222.3	3.25%	51.33%
Deltona-Daytona Beach-Ormond Beach, FL	108.3	124.9	148.6	192.5	198.6	3.17%	83.38%
Greenville, SC	132.5	136.9	135.8	145.4	150.0	3.16%	13.21%
Birmingham-Hoover, AL	137.4	137.5	146.6	157.0	161.7	2.99%	17.69%
Jacksonville, FL	117.8	131.6	150.7	175.2	180.4	2.97%	53.14%
Las Vegas-Paradise, NV	159.8	179.2	266.4	304.7	313.5	2.89%	96.18%
Fargo, ND-MN	107.7	115.1	124.2	132.8	136.6	2.86%	26.83%
Champaign-Urbana, IL	111.6	122.6	127.2	137.7	141.6	2.83%	26.88%
Rockford, IL	83.6	99.4	103.6	118.2	121.5	2.79%	45.33%
Erie, PA	89.4	89.9	98.6	100.0	102.6	2.60%	14.77%
San Francisco-Oakland-Fremont, CA	517.1	558.1	641.7	715.7	733.4	2.47%	41.83%
NY: Newark-Union, NJ-PA	306.8	336.3	375.8	416.8	426.6	2.35%	39.05%
Chattanooga, TN-GA	112.3	116.7	125.4	131.9	134.6	2.05%	19.86%
NY: Nassau-Suffolk, NY	312.9	364.5	413.5	465.2	473.7	1.83%	51.39%
New Orleans-Metairie-Kenner, LA	123.5	130.8	137.4	159.2	162.1	1.82%	31.26%
Elmira, NY	68.2	77.9	78.8	77.1	78.4	1.69%	14.96%
Greensboro-High Point, NC	135.8	137.3	139.8	147.8	150.2	1.62%	10.60%
Binghamton, NY	75.3	82.2	85.3	94.4	95.8	1.48%	27.22%
Chicago-Naperville-Joliet, IL	205.1	220.3	240.1	264.2	268.1	1.48%	30.72%
Louisville, KY-IN	125.2	131.7	131.5	135.8	137.6	1.33%	9.90%
Amarillo, TX	91.9	95.7	97.1	107.1	108.3	1.12%	17.85%
Miami-Fort Lauderdale-Miami Beach, FL	192.7	231.6	286.4	363.9	366.8	0.80%	90.35%
Norwich-New London, CT	174.8	202.7	231.5	255.9	257.9	0.78%	47.54%
Waterloo/Cedar Falls, IA	87.8	91.3	95.2	102.2	102.9	0.68%	17.20%
New York-Wayne-White Plains, NY-NJ	348	387.3	436.6	495.2	498.4	0.65%	43.22%
Memphis, TN-MS-AR	129.4	133.8	136.2	141.2	141.9	0.50%	9.66%
Lincoln, NE	122.4	131.5	134.4	137.2	137.7	0.36%	12.50%
Hartford-West Hartford-East Hartford, CT	179.3	207.9	231.6	253.3	253.9	0.24%	41.61%
Spartanburg, SC	105.2	109.2	110.8	121.2	121.3	0.08%	15.30%
Omaha, NE-IA	122.4	128.1	131.3	136.2	136.2	0.00%	11.27%
New Haven-Milford, CT	191.4	223.9	249.2	279.1	278.8	-0.11%	45.66%
Dayton, OH	112.6	114.6	115.8	119.7	119.5	-0.17%	6.13%
Anaheim-Santa Ana, CA (Orange Co.)	412.7	487	627.3	691.9	690.7	-0.17%	67.36%
Atlanta-Sandy Springs-Marietta, GA	146.5	152.4	156.9	167.2	166.8	-0.24%	13.86%
Peoria, IL	88	93.1	96.3	109.3	108.9	-0.37%	23.75%
Lexington-Fayette, KY	127.1	133.4	138.7	146.9	146.3	-0.41%	15.11%
Pensacola-Ferry Pass-Brent, FL	112.2	116.4	131.1	162.1	161.4	-0.43%	43.85%
Portland-South Portland-Biddeford, ME	172.1	193.1	224.8	246.6	245.2	-0.57%	42.48%
Ft. Wayne, IN	94.9	93.2	96.6	102.3	101.6	-0.68%	7.06%
Des Moines, IA	130.2	133.9	140.8	145.5	144.5	-0.69%	10.98%
Providence-New Bedford-Fall River, RI-MA	203.3	242.9	276.9	293.4	291.3	-0.72%	43.29%
Appleton, WI	112.7	118.6	122.9	129.6	128.4	-0.93%	13.93%

Median Sales Price of Existing Single-Family Homes for Metropolitan Areas							
Metropolitan Area	2002	2003	2004	2005	2006*	Change 2005-2006	Change 2002-2006
Washington-Arlington-Alexandria, DC-VA-MD-WV	242.3	277.9	339.8	425.8	421.6	-0.99%	74.00%
Saint Louis, MO-IL	118.7	123	128.7	141.0	139.5	-1.06%	17.52%
Kankakee-Bradley, IL	105.8	109.7	120.0	127.1	125.7	-1.10%	18.81%
Springfield, MA	146.9	162.3	180.3	201.8	199.4	-1.19%	35.74%
Davenport-Moline-Rock Island, IA-IL	95	100.6	107.8	117.9	116.4	-1.27%	22.53%
Sioux Falls, SD	116.7	123.2	129.2	135.8	133.7	-1.55%	14.57%
Rochester, NY	93.8	99.4	106.5	113.5	111.4	-1.85%	18.76%
Kennewick-Richland-Pasco, WA	140.8	145.3	147.6	154.1	151.2	-1.88%	7.39%
Cedar Rapids, IA	118.8	122.8	129.5	131.8	129.2	-1.97%	8.75%
Milwaukee-Waukesha-West Allis, WI	173.8	182.1	197.1	215.7	210.9	-2.23%	21.35%
Dallas-Fort Worth-Arlington, TX	135.2	138.4	138.2	147.6	144.3	-2.24%	6.73%
NY: Edison, NJ	245.7	287.6	328.1	375.5	366.9	-2.29%	49.33%
Kansas City, MO-KS	137.4	144.2	150.0	156.7	153.1	-2.30%	11.43%
Buffalo-Niagara Falls, NY	86.6	90.5	95.0	99.0	96.6	-2.42%	11.55%
Minneapolis-St. Paul-Bloomington, MN-WI	185	199.6	217.4	234.8	228.3	-2.77%	23.41%
Sacramento-Arden-Arcade-Roseville, CA	210.2	247.6	317.0	375.9	365.1	-2.87%	73.69%
Kingston, NY	156.1	185.1	216.8	251.0	243.2	-3.11%	55.80%
Pittsburgh, PA	102.4	108.2	113.4	116.1	112.2	-3.36%	9.57%
Charleston, WV	107.2	110.9	111.3	118.4	114.3	-3.46%	6.62%
Cape Coral-Fort Myers, FL	133.3	151.9	187.2	269.2	258.9	-3.83%	94.22%
San Diego-Carlsbad-San Marcos, CA	364.2	424.9	551.6	604.3	579.8	-4.05%	59.20%
Topeka, KS	89	97.3	102.1	105.7	101.1	-4.35%	13.60%
Cincinnati-Middletown, OH-KY-IN	134.1	138.9	142.5	145.9	138.7	-4.93%	3.43%
Lansing-E.Lansing, MI	126.4	133.6	137.9	142.2	135.0	-5.06%	6.80%
Gary-Hammond, IN	114.3	119.2	122.6	129.8	123.2	-5.08%	7.79%
Indianapolis, IN	116.8	121.1	121.7	123.8	117.1	-5.41%	0.26%
Worcester, MA	225.6	252.6	275.9	290.7	274.7	-5.50%	21.76%
Green Bay, WI	130.6	137.3	143.3	154.8	145.6	-5.94%	11.49%
Grand Rapids, MI	125.3	129.9	132.9	137.8	129.5	-6.02%	3.35%
Boston-Cambridge-Quincy, MA-NH**	335.4	358.5	389.7	413.2	388.0	-6.10%	15.68%
Barnstable Town, MA	279.6	330.3	377.2	398.3	373.5	-6.23%	33.58%
South Bend-Mishawaka, IN	91	91.1	93.6	96.6	89.8	-7.04%	-1.32%
Bridgeport-Stamford-Norwalk, CT	377	422	441.3	482.4	445.7	-7.61%	18.22%
Akron, OH	115.3	116.7	116.9	120.5	110.2	-8.55%	-4.42%
Columbus, OH	140.3	146.3	146.7	152.0	138.7	-8.75%	-1.14%
Toledo, OH	109.6	111.4	113.5	117.3	104.8	-10.66%	-4.38%
Springfield, IL	95.5	101	103.3	106.4	94.9	-10.81%	-0.63%
Sarasota-Bradenton-Venice, FL	168.3	193.3	255.7	354.2	301.3	-14.94%	79.03%
Palm Bay-Melbourne-Titusville, FL	105.2	123.7	153.4	209.7	173.9	-17.07%	65.30%

(Not seasonally adjusted, 1000s)

*All areas are metropolitan statistical areas (MSA) as defined by the US Office of Management and Budget as of 2007. They include the named central city and surrounding areas. N/A Not Available.

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Take another look at Atlantic City, New Jersey. In 2003, the median home price was \$152,500, a modest 5.7% appreciation over 2002. Suddenly, between 2004 and 2006, you see that home prices skyrocketed an astounding 72% to \$268,000.

Which will be the next market to take off?

Being in the Right Place, at the Right Time ... Pays Off Big Time!

While there are inarguably several severely overpriced markets in the U.S. ... the fact of the matter is the real estate boom has only *just begun* in certain parts of the country.

The upcoming years represent the *biggest* money-making opportunities for real estate investors in a long time. With population projections and demographic shifts ... there are areas in America clearly poised for takeoff.

Please note that I am not making a blanket statement about every market in the U.S. As a matter of fact, there are certain areas where I will personally be very careful about buying any new property for a while, including my home market of South Florida. You see ...

Limited Partnerships: A Way For Passive Investors to Profit from America's Best Value Cities

Want to learn how to invest in America's best value cities without ever dealing with a tenant, signing a mortgage or contracting for a repair? You can invest in these same cities as a limited partner in a Limited Partnership. The advantages include:

- **A completely passive investment.** The deal is found, negotiated, and managed without your direct participation.
- **The potential for 15% to 35% annual returns without the volatility of the stock market.** Real estate limited partnerships, when spearheaded by experienced general partners, can deliver the return-boosting benefit of leverage. Yet, at the same time, the investment is far more productive and safe than leveraged investments in the stock market because properly leveraged real estate investments generate more than enough income to pay all operating expenses and debt service, and produce reserves and net income at the same time.
- **Limited liability:** The risk of limited partners in a limited partnership is limited to the amount of their investment.
- **The benefit of leverage without debt liability:** Though Limited Partnerships use mortgage debt to boost returns, the only personal

... *Some markets are overpriced. And in those markets, it is time to either cash out or — if you're collecting good income on cash-flow-positive properties — just sit tight.*

... *Other markets are inexpensive, but don't offer the best prospects for growth. Even in these areas, you may be able to make substantial returns. After all, a market that goes up 5% a year produces close to 100% returns for you every two years if you're putting just 10% down.*

*If you buy under market value, as we teach in **Main Street Millionaire**, you can do even better in an average rising market. Buy with 10% down and at 20% under value. After two years of 5% appreciation, you're up about 300%. Add in net rent and amortization (the reduction of your loan balance over time) and your gains can be even greater.*

So, if you're in a market that is priced well relative to rents and household

liability for the loans belongs to the general manager. The limited partners in a typical limited partnership have no liability for the debt taken on by the Partnership to purchase or repair the property.

- **Transparency:** quarterly detailed financial reports as well as reports on property performance and market dynamics.
- **Diversification from the Financial Markets:** Real estate investments are traditionally non-correlated to stocks and bonds. Real estate tends to have steadier more gradual appreciation than stocks... while the leverage used in real estate can produce much higher returns than stocks. Real estate, in fact, has shown time and again to perform exceptionally well during stock bear markets – including the NASDAQ led crash of 2000-02 and the market plunge of 1987.

When looking for a limited partnership, look for an experienced investor with a detailed investment offering... showing total required capital, division of profits among partners, projected returns in various market scenarios, a budget for repairs and a time table for full occupancy, debt acquisition and refinancing strategies, information about management and partnership referrals.

You can earn returns of 11% or more as a debt investor (with your return guaranteed, regardless of the performance of the individual property). Or you can earn two to three times that on an annual basis as an equity investor or hybrid investor (part equity position and part debt).

Go to www.highyieldplus.com to learn more about these kinds of opportunities.

incomes — and it's in a normal growth phase — you can still make large profits. But, of course, you can make greater profits if you apply the same value buying techniques to value-priced areas of the country that are likely to experience the greatest growth in demand and the strongest price appreciation.

... Then there are the special markets — the new superstars. Places where prices are still reasonable, rents are strong, population trends are positive, and job growth is enviable. Sprinkle in a warm or temperate climate in many cases and some rich culture, and you've got the recipe for incredible gains.

The trick is to determine which locations are going to experience the most growth at any given time. Five years ago, you wanted to be in Phoenix or South Florida as they offered value and growth. Ten years ago, Los Angeles offered compelling values *and* growth. Then over the last three or four years, it only offered speculative growth as prices had shot far beyond fundamental values of rent coverage and affordability. And that's a good reason why investors there are now selling and moving their money into the *next bull markets*.

The real estate markets in select cities are beginning new value-driven and growth-driven booms, all signs pointing to continued growth, despite the slowdown in several markets.

Learning to Analyze Any Market

You're going to walk away from this report not only with information specific to the top cities in the U.S. today, but also with the tools necessary to identify similar opportunities — in any market — for the rest of your investing career.

To that end, in this section, we will outline all of the information you'll need to gather (and tell you where to find it) to begin examining the potential of any market you might be curious about.

Specifically, you'll learn ...

- ... How to find and use local rental data, including average rents and vacancy rates, to determine if local property prices are “anchored” to reality or irrationally exuberant ...
- ... Exactly what “affordability” ratios take into consideration, and why it is important not just to owner-occupants but to investors as well ...
- ... Why a diversified industry base comes into play when evaluating a real estate market, and how to paint a clear employment picture for any city ...

- ... How to use “housing starts” to help you see in which direction a market is moving ...
- ... Where to gather population and demographic trends — and the story these tell ...
- ... How to use all of the above data to determine if your market may be ripe for a fall or still have plenty of steam to push ahead

How to Buy in a “Foreign” Market

After you’ve determined which overall market has the most potential for your investment goals, it’s time to get down to the business of buying some property. But where to begin?

Hopefully, you’ve already studied the *Main Street Millionaire* program, and are familiar with most of the techniques for mastering your local market knowledge. Certain aspects need to be tweaked when you are buying in a market outside of your home area, but the guiding principles are the same:

- ... **Define your Target Zone.** You need to focus your efforts on a specific neighborhood or part of town. It should be small enough to be considered a “cohesive” area, and large enough to provide a constant stream of properties. This may be the “university area” or “downtown” or a specific residential suburb.
- ... **Master your Target Zone.** You should know the average price per square foot in your Target Zone for every type of property you are interested in — duplex, single-family, or office space. You should also have rents down cold. You need to know, the moment you see a vacant property on the market, how much you could potentially earn in rents. If you have to waste time researching this information, you could miss out on the best deals.
- ... **Develop a local real estate “dream team.”** Build a network of potential partners, real estate agents, wholesalers, and property managers to accelerate your success.
- ... **Consider working with a local partner.** If you have a relative or friend you trust in a value city that is showing signs of growth, find out if they might be interested in partnering with you. If you buy a small property together, your partner can manage the property locally and charge your partnership a reasonable management fee of 8% to 10% of the gross collected rents. A local partner can also help you stay on top of deals and locate good values the moment they come up. If you’re interested in a value city, but don’t have a partner, you may be able to hook up with a local real estate agent who also invests. And you can look to make

contacts in local real estate investors' clubs. Some investors may find good deals but not have enough capital to do the deals themselves. This is where you can help.

In these pages, you'll find a complete guide to quickly and painlessly achieving each of these goals, no matter where you choose to set up shop.

An Insider's Guide to the Hottest Markets in the U.S.

Last, but certainly not least, we will guide you through the streets of the hottest markets in the U.S. today. Cities where the potential for six-figure income is real.

The *Main Street Millionaire* staff and I have compiled an unprecedented and comprehensive profile of **over 150 cities** across the nation.

- ... You'll see **median home prices, rents, and incomes**.
- ... Each of these numbers is put into **quick and easy ratios for easy comparison**.
- ... We've also put together **population growth trends**. You'll clearly see which areas are experiencing the bulk of our nation's growth, and which areas are simply stagnating.
- ... We also look at **job creation**, another important growth factor.
- ... Finally, we look at the overall economic profile of the city, with a preference for diversified economies with various drivers to the local economy and not overly susceptible to a downturn in any one industry.

Of course, there is more to every city than just numbers! That's why the *Main Street Millionaire* staff spent months, not just collecting numbers, but also poring over more subjective data and visiting different cities across the nation to get a true feel for the local flavor.

We considered **quality of life** as a huge factor in our selection process. Everything from climate to recreational activities and natural beauty. We also wanted to find cities that have an exciting urban center with fine dining, music, and art to attract young professionals and baby boomers looking to retire. What we discovered is that some of the most attractive cities are home to vibrant universities as well as revitalized or revitalizing downtown areas.

Finally, in order to highlight the difference between these superstar markets and the insanity of the bubble markets, we created our own "Bubble Index." We took some of the worst bubble offenders and created a sort of "standard" that you can compare to any other city.

Individual Profiles of Each City — Your Guide to Six-Figure Profits

So, what are these standout cities? The superstars of tomorrow ready to multiply your real estate profits? Without further ado, allow me to introduce our top picks:

Austin, Texas

Unexpectedly green and hilly, with lake after lake running through it, Austin is a gorgeous state capital city, home to the University of Texas and high-tech industry. Known as the Live Music Capital of the World, it offers culture, recreation, and an innovative economy with a bright future.

Albuquerque, New Mexico

Nestled between the Sandia Mountains and the Rio Grande, this gateway to the Southwest is the final frontier for the explosive growth the entire region has experienced. With a growing economy and exciting new developments, now is the time to jump on board.

Jacksonville, Florida

Perhaps the last affordable major coastal city in Florida, Jacksonville is a water-lover's paradise ... and an enviable business location. A major deepwater seaport with several major highways puts this bustling, low-cost city on the "short list" of places to watch for expanding business.

Raleigh, North Carolina

"Trees, trees, and Ph.D.s" is an accurate description of this lushly beautiful city. Steeped in Carolina charm, it is home to the internationally renowned Research Triangle Park, a hotbed of innovation. Raleigh is also home to several recognized universities and the state capital.

Atlanta, Georgia

An oasis of urban sophistication in the South, Atlanta has become known for the large number of corporate headquarters it hosts. With this largely white-collar, well-educated population comes culture and a booming retail and service industry. The birthplace of Martin Luther King Jr., it is a historical city with deep roots of resilience and progressive thinking.

All these cities possess qualities that set them apart from every other market we analyzed. But we didn't stop there. We visited each city, spending time getting to know the local real estate market to see if what we saw on paper matched up to reality.

We were thrilled with what we found in each and every one — and are excited to share the full details of our experiences with you. You will find that by the time you've read a city's profile, you'll feel as if you've been doing business there for years! You'll have the confidence and information you need to move forward and proceed to make stellar real estate investments for huge profits.

Finally, we're active investors. So when we found great cities, we put our money where our mouths are. We bought properties in a few of these value cities and have already made substantial profits for ourselves and our passive investors. And we're confident readers of this report — and our updates — can do the same.

So let's get started by learning how to analyze local real estate markets.

Learning to Analyze Local Real Estate Markets

You are about to learn powerful techniques that will enable you to transform your ability to make money well above the average returns ... for the rest of your life. You will be able to quickly determine if a specific local market is overpriced, in line with current rents and incomes, or (and this is where you'll find your biggest profits) underpriced.

Analyzing local real estate markets in this manner can help you determine if the area you are living or investing in is currently experiencing bubble conditions. It can also help you get to know other markets that you are not as familiar with. In this way, you will be able to determine the optimal locations for investing your real estate dollars.

It may go without saying, but I would like to take a moment to reiterate that even in the most favorable local market on the planet, it is still possible to find specific properties that are overpriced. You want to make sure that you are examining individual opportunities on a case-by-case basis. That is more detail than I will be getting into for the purposes of this report. But if you are interested in learning more, our full *Main Street Millionaire* program is a complete resource for step-by-step instructions in how to do it.

Here, we are going to be focusing on the most important economic trends in your area that affect real estate prices. You will learn to spot a few of the telltale signs of an impending bubble — using little techniques your real estate agent will never tell you about.

Specifically, you'll learn ...

- The history of U.S. real estate prices, and how this long-term view can help “ground” any real estate analysis you do ...
- How to find and use local rental data, including average rents and vacancy rates, to determine if local property prices are “anchored” to reality or irrationally exuberant ...
- Exactly what “affordability” ratios take into consideration, and why it is important not just to owner-occupants but to investors as well (Understanding these numbers could help you find the optimal strategy for your market.) ...
- Why a diversified industry base comes into play when evaluating a real estate market, and how to paint a clear employment picture for any city ...

- How to use “housing stats” to help you see in which direction a market is moving ...
- Where to gather population and demographic trends ... and the story these tell ...
- How to use all of the above data to determine if your market may be ripe for a fall or still have plenty of steam to push ahead — and keep bringing extraordinary wealth straight into your bank account as it does.

To give you an idea of how real estate prices generally behave, I’m going to give you a few national and regional statistics. I’ll also tell you where you can find key numbers about what’s going on in specific markets. You’ll be able to refer to these repeatedly in the future to assess the health of any local market before you put your money at risk.

You can use the tools I’m about to give you to gauge the health of your local market or any market you are interested in investing in. We’ll begin with national and regional figures. Then we’ll work our way down to more local facts and stats ... all the way to your own zip code.

So let’s take it from the top — starting with the four main regional subdivisions of the U.S.

Staying Grounded: A Look at the History of Real Estate Prices

The first table below shows average housing prices for single-family homes from 1964 to 2006, according to the U.S. Department of Housing and Development (HUD). Immediately underneath the actual prices, are the same data represented as yearly percentage changes.

The most remarkable thing about these numbers is that — up until 2007 — they showed *only two years of decline in real estate prices nationwide*, a mild 2% drop in 1991 and a hefty 9% drop in 1970.

Even the most volatile region, the West, showed only four years of negative price changes over 38 years (though that does include one serious double-whammy of -4% and -8% in 1991-1992). If stocks had been this kind, investors would not have lost an estimated \$4 trillion-plus in the wake of the 2000-02 stock market crash.

Median Prices for New Single Family Residences					
	U.S.	Northeast	Midwest	South	West
1964	18,900	20,300	19,400	16,700	20,400
1965	20,000	21,500	21,600	17,500	21,600
1966	21,400	23,500	23,200	18,200	23,200
1967	22,700	25,400	25,100	19,400	24,100
1968	24,700	27,700	27,400	21,500	25,100
1969	25,600	31,600	27,600	22,800	25,300
1970	23,400	30,300	24,400	20,300	24,000
1971	25,200	30,600	27,200	22,500	25,500
1972	27,600	31,400	29,300	25,800	27,500
1973	32,500	37,100	32,900	30,900	32,400
1974	35,900	40,100	36,100	34,500	35,800
1975	39,300	44,000	39,600	37,300	40,600
1976	44,200	47,300	44,800	40,500	47,200
1977	48,800	51,600	51,500	44,100	53,500
1978	55,700	58,100	59,200	50,300	61,300
1979	62,900	65,500	63,900	57,300	69,600
1980	64,600	69,500	63,400	59,600	72,300
1981	68,900	76,000	65,900	64,400	77,800
1982	69,300	78,200	68,900	66,100	75,000
1983	75,300	82,200	79,500	70,900	80,100
1984	79,900	88,600	85,400	72,000	87,300
1985	84,300	103,300	80,300	75,000	92,600
1986	92,000	125,000	88,300	80,200	95,700
1987	104,500	140,000	95,000	88,000	111,000
1988	112,500	149,000	101,600	92,000	126,500
1989	120,000	159,600	108,800	96,400	139,000
1990	122,900	159,000	107,900	99,000	147,500
1991	120,000	155,900	110,000	100,000	141,100
1992	121,500	169,000	115,600	105,500	130,400
1993	126,500	162,600	125,000	115,000	135,000
1994	130,000	169,000	132,900	116,900	140,400
1995	133,900	180,000	134,000	124,500	141,000
1996	140,000	186,000	138,000	126,200	153,900
1997	146,000	190,000	149,900	129,600	160,000
1998	152,500	200,000	157,500	135,800	163,500
1999	161,000	210,500	164,000	145,900	173,700
2000	169,000	227,400	169,700	148,000	196,400
2001	175,200	246,400	172,600	155,400	213,600
2002	187,600	264,300	178,000	163,400	238,500
2003	195,000	264,500	184,300	168,100	260,900
2004	221,000	315,800	205,000	181,100	283,100
2005	240,900	343,800	216,900	197,300	332,600
2006	245,300	350,100	209,900	205,100	335,300

Source: HUD

Annual Percentage Changes of Prices for New Single Family Residences					
	U.S.	Northeast	Midwest	South	West
1964					
1965	5.8%	5.9%	11.3%	4.8%	5.9%
1966	7%	9.3%	7.4%	4%	7.4%
1967	6.1%	8.1%	8.2%	6.6%	3.9%
1968	8.8%	9.1%	9.2%	10.8%	4.1%
1969	3.6%	14.1%	0.7%	6%	0.8%
1970	-8.6%	-4.1%	-11.6%	-11.1%	-5.1%
1971	7.7%	1%	11.5%	10.8%	6.3%
1972	9.5%	2.6%	7.7%	14.7%	7.8%
1973	17.8%	18.2%	12.3%	19.8%	17.8%
1974	10.5%	8.1%	9.7%	11.7%	10.5%
1975	9.5%	9.7%	9.7%	8.1%	13.4%
1976	12.5%	7.5%	13.1%	8.6%	16.3%
1977	10.4%	9.1%	15%	8.9%	13.3%
1978	14.1%	12.6%	15%	14.1%	14.6%
1979	12.9%	12.7%	7.9%	13.9%	13.5%
1980	2.7%	6.1%	-0.8%	4%	3.9%
1981	6.7%	9.4%	3.9%	8.1%	7.6%
1982	0.6%	2.9%	4.6%	2.6%	-3.6%
1983	8.7%	5.1%	15.4%	7.3%	6.8%
1984	6.1%	7.8%	7.4%	1.6%	9%
1985	5.5%	16.6%	-6%	4.2%	6.1%
1986	9.1%	21%	10%	6.9%	3.3%
1987	13.6%	12%	7.6%	9.7%	16%
1988	7.7%	6.4%	6.9%	4.5%	14%
1989	6.7%	7.1%	7.1%	4.8%	9.9%
1990	2.4%	-0.4%	-0.8%	2.7%	6.1%
1991	-2.4%	-1.9%	1.9%	1%	-4.3%
1992	1.3%	8.4%	5.1%	5.5%	-7.6%
1993	4.1%	-3.8%	8.1%	9%	3.5%
1994	2.8%	3.9%	6.3%	1.7%	4%
1995	3%	6.5%	0.8%	6.5%	0.4%
1996	4.6%	3.3%	3%	1.4%	9.1%
1997	4.3%	2.2%	8.6%	2.7%	4%
1998	4.5%	5.3%	5.1%	4.8%	2.2%
1999	5.6%	5.3%	4.1%	7.4%	6.2%
2000	5%	8%	3.5%	1.4%	13.1%
2001	3.7%	8.4%	1.7%	5%	8.8%
2002	7.1%	7.3%	3.1%	5.1%	11.7%
2003	3.9%	0.1%	3.5%	2.9%	9.4%
2004	13.3%	19.4%	11.2%	7.7%	8.5%
2005	9%	8.9%	5.8%	8.9%	17.5%
2006	1.8%	1.8%	-3.2%	4%	0.8%
Averages	6.4%	7.2%	6.0%	6.3%	7.1%
Standard Deviation	4.8%	5.7%	5.6%	4.9%	6.1%

Calculated from HUD figures.

Going Way Back ...

We've used only 40 years of real estate history here, because that's all the data HUD provides. The U.S. Census Bureau's Housing Survey goes back even fewer years. So to go further back, we turn to Morgan Stanley Research. The table below summarizes U.S. real estate returns for various periods going back to the late 19th century.

Annual Rates of Return Under Various Economic Conditions			
	CPI	Stocks	Housing
Deflation			
1871-1896	-1.5%	5.5%	N/A
1892-1895	-3.3%	-2.5%	1.5%
1919-1922	-2.0%	5.0%	1.0%
1929-1932	-6.4%	-21.2%	-3.9%
Average	-3.3%	-3.3%	-0.4%
Price Stability			
1896-1900	0.3%	26.1%	0.0%
1921-1929	-1.3%	20.2%	4.4%
1934-1940	1.0%	12.2%	7.2%
1952-1955	0.3%	24.5%	4.5%
Average	0.1%	20.8%	4.0%
Disinflation & Moderate Inflation			
1885-1892	0.0%	4.5%	N/A
1899-1915	1.3%	8.2%	5.7%
1942-1945	2.5%	26.1%	10.0%
1951-1965	1.6%	16.5%	5.5%
Average	1.4%	13.8%	7.1%
1982-1993	3.7%	15.0%	4.4%
Rapid Inflation			
1914-1919	13.3%	11.6%	17.5%
1945-1947	6.8%	12.3%	12.2%
1949-1951	5.8%	24.8%	10.2%
1965-1971	4.0%	6.4%	10.3%
1971-1981	8.3%	5.8%	10.3%
Average	8.3%	12.1%	12.1%

Averages do not double-count overlaps. N/A = Not Available
Source: Morgan Stanley Research

Again, real estate is relatively stable. Even during the worst economic and financial period in U.S. history, real estate fell an average of just 3.9% a year from 1929 through 1932. And that was followed by an average annual rise of 7.2% from 1934 to 1940.

That recovery was far faster than it was for stocks, as it took the Dow 26 years to regain its former 1929 peak level for good. That doesn't include dividends, but

the real estate figures don't include the rental income component either. And rent (or at least potential rental income, if you're flipping properties) is a very important part of your total return.

From 1972 to 1999, Morgan Stanley estimates total returns from residential real estate of 13.7% annually (not counting leverage). Nearly half of that return, or 6.7%, was due to rental income.

A Bubble Caveat and an Opportunity: How Bubble Cities Can Boost the Bargain Cities

Real estate has undoubtedly proven much more stable and consistent than stocks over the long haul. However, there is a first time for everything. Just as 2001-06 saw the fastest 5-year growth of real estate prices ever (and by a large margin) in much of the country, we could see the biggest bear market yet in many of these former bubble markets.

However, we believe the value cities, will provide great opportunities. Many will continue to appreciate even while former bubble markets stall or fall. In fact, many of these value cities will benefit from "bubble market refugees" fleeing crowded and expensive markets and heading to areas where they can get twice the land and building for half the price or less... while enjoying open spaces, and lively urban areas.

To evaluate these value areas, it all starts with the income the properties are generating... and how the local properties are priced in relationship to that income...

Rental Earnings as an Anchor for Property Value

Rent, of course, is a very important number to watch. It is not merely interesting to note or an indicator of market performance ... *rental rates are the backbone for evaluating ANY and ALL real estate investments.*

I cannot overemphasize this point. If you are not able to cover your costs with the income you receive in rent, then you will be *losing* money. Every month. While this has certainly become commonplace in the overheated bubble markets of today, that doesn't mean it is okay. And it's certainly not the goal.

At least not while there are fantastic opportunities all over — properties that can command enough rent to cover all of your expenses *and* even provide you with a positive monthly cash flow to boot! That is why, in this report, I am going to help you identify the areas that are *most likely* to have quality property for sale

in high-demand rental areas. High demand means that vacancy rates are low (hopefully around 5%, certainly no higher than 10%), and rates are steadily rising.

I know you are concerned with the “big payoff”: appreciation. And in just a while, we will also be analyzing a city’s potential for appreciation. But for the moment, let’s just focus on making sure our investment does not *lose* us any money while we own it. You never know how long you are going to have to hang onto a property, and you need to take care of your downside first. That means getting a strong handle on rents.

In the *Main Street Millionaire* program, I go into the details of scouting out rental rates for specific neighborhoods within your local market. This is important. But for the purpose of this report, we will be looking at markets as a whole, in order to differentiate one from another. Once you’ve chosen a specific market, please take the time to get to know the rental rates for each neighborhood you’re considering. You may be able to get complete “comps” from a real estate agent that will give you easy-to-reference, solid, real data. If not, simply checking local newspaper listings, calling a couple of property managers, and calling on “For Rent” signs should give you a good idea of what you can realistically expect to charge.

I always like to start by looking at the “big” picture. In this case, that means looking at the history of rental rates and vacancy rates in the U.S.

Going back to 1970, rents have gone up about 4.6% a year in the U.S. Nationwide, as the table below shows, rents have fallen in only four of the last 35 years.

Market Absorption of New Rental Units and Median Asking Rent: 1970-2006				
Year	Unfurnished Rental Apartment Completions	Percent Rented in 3 Months	Median Asking Rent	Annual Change
1970	328,400	73	\$188	
1971	334,400	68	\$187	-0.53%
1972	497,900	68	\$191	2.14%
1973	531,700	70	\$191	0.00%
1974	405,500	68	\$197	3.14%
1975	223,100	70	\$211	7.11%
1976	157,000	80	\$219	3.79%
1977	195,600	80	\$232	5.94%
1978	228,700	82	\$251	8.19%
1979	241,200	82	\$272	8.37%
1980	196,100	75	\$308	13.24%
1981	135,400	80	\$347	12.66%
1982	117,000	72	\$385	10.95%
1983	191,500	69	\$386	0.26%
1984	313,200	67	\$393	1.81%
1985	364,500	65	\$432	9.92%
1986	407,600	66	\$457	5.79%
1987	345,600	63	\$517	13.13%
1988	284,500	66	\$550	6.38%
1989	246,200	70	\$590	7.27%
1990	214,300	67	\$600	1.69%
1991	165,300	70	\$614	2.33%
1992	110,200	74	\$586	-4.56%
1993	77,200	75	\$573	-2.22%
1994	104,000	81	\$576	0.52%
1995	155,000	72	\$655	13.72%
1996	191,300	72	\$672	2.60%
1997	189,200	74	\$724	7.74%
1998	209,900	73	\$734	1.38%
1999	225,900	72	\$791	7.77%
2000	226,200	72	\$841	6.32%
2001	193,100	63	\$881	4.76%
2002	204,100	58	\$918	4.20%
2003	166,500	61	\$931	1.42%
2004	153,800	62	\$976	4.83%
2005	113,100	63	\$943	-3.38%
2006*	82,200	62	\$996	5.62%

Source: US Census Bureau (HUD Office of Policy Development and Research)

Notice that the table shows only a few drops in rental rates and none greater than 4.6%. This should tell you that a recession and real estate bear market should be manageable if you're careful to demand value when you buy and make sure you have the rental "safety net" ... just in case.

“Even during the worst economic and financial period in U.S. history, real estate fell an average of just 3.9% a year from 1929 through 1932. And that was followed by an average annual rise of 7.2% from 1934 to 1940.”

Another good source of rental information is HUD. Every year, they produce Fair Market Rent numbers for nearly every city in the United States. Their figures are broken down by the number of bedrooms, and averaged. HUD uses this as a guideline for establishing affordable housing voucher rates — and, in many cases, I have found it to be a fairly accurate estimate. This is the information we used when comparing rental rates of cities across the nation to determine those with the most favorable conditions.

To access this information, go to www.huduser.org. Click on “Data Sets” and then on “Fair Market Rents.” You will be brought to a screen where you are able to select “FMR Tables” for the current year. And if you would like to check historical data to look for trends, there is data starting from 2001 toward the bottom of the page.

Let’s get back to the idea of making sure you have a rental “safety net.” This goes back to the theory that the price of a property should be “anchored” by the amount of rental income it commands. For example, let’s say you buy a \$100,000 property with 20% down and rental income of \$1,000 a month. At 6% interest, your principal and interest for the \$80,000 loan should be about \$480. Let’s use round numbers and tack on \$80 each month for insurance, \$80 a month for taxes, \$80 a month as an allowance for maintenance, and \$80 a month as an allowance for vacancy. Add it all up, and your total carrying costs are about \$800.

In this case, rental values could fall 20% (from \$1,000 to \$800) before you’d have to reach into your pocket to carry the property. And by historical standards, a 20% drop in rental values would be severe.

In the above case, property values would undoubtedly fall, too. So let’s say your local real estate market followed the pattern of the Western U.S. from 1991 onward. Hard luck kid that you are, you bought a property at market value just as the market was about to correct. Over the next two years, your property falls by 4% — then another 8%.

Watching your property fall in value is not fun. Watching your rental income fall on top of that could be very scary. But in this case, because your monthly payments are more than covered, you don’t have to sell if you don’t want to. You can weather the storm (even a drop in rents) if you’re prepared to accept that risk.

In the scenario we’re looking at, property values returned to positive (though below-

Buying Just Before a Bear: Purchase \$100,000 Property in 1990		
Year	Price Change	Value of Property
1991	-4%	\$95,661
1992	-8%	\$88,407
1993	4%	\$91,525
1994	4%	\$95,186
1995	0%	\$95,593
1996	9%	\$104,339
1997	4%	\$108,475
1998	2%	\$110,847
1999	6%	\$117,763
2000	13%	\$133,153
2001	9%	\$144,814
2002	11%	\$161,695
2003	9%	\$176,881
2004	9%	\$191,932
2005	18%	\$225,491
2006	1%	\$227,322

normal) growth in 1993-94 and then were flat in 1995. Yet, even in this case, your equity would be intact by mid-1996. Since you're amortizing your loan (reducing the balance due), you're also gaining a couple of thousand dollars of equity here as well, actually helping you break even sometime in 1995. And if you managed to maintain any net rents, you would have reached breakeven a little sooner still.

Obviously, this is not what you're shooting for — just to break even after four or five years. But we are assuming you bought at full market value (with no discount), with perfectly poor timing on your part and a real estate correction followed that is pretty sharp by historical standards. What's more, as the market enters a recovery phase, you end up doing pretty well after all.

By year end 2006, your equity is approximately \$167,400 (\$227,400 market price less a mortgage at that point of about \$60,000). Even in a conservative case, you've also probably picked up at least another \$10,000 in net rents (or about \$80 a month), since rents rise in the recovery too.

The result is that your initial \$23,000 investment (\$20,000 down payment plus \$3,000 closing costs) is now worth \$177,400 after 16 years. That's a 671% profit, or the equivalent of almost 13% compounded annually. Not bad for having bought at exactly the wrong time and having weathered a pretty serious bear market.

Of course, you would have come out even better if you had used shrewd investing techniques (such as those covered in *Main Street Millionaire*) to buy at a discount to market value. Had you bought the house at a 10% discount (a \$90,000 purchase price), you could have gotten rid of it after three years at a small profit. Or, if you held onto it, your returns would have been about 630% after 16 years.

If you had a 10% down payment, that would have been \$9,000 plus, say, \$4,000 in closing costs for an initial investment of \$13,000. After 16 years, your original \$83,000 mortgage could be whittled down to about \$50,000 (depending on the exact interest rate and terms). With a \$227,440 value, your original \$13,000 investment is now worth \$177,400. Add \$10,000 in net rents and you basically turned \$13,000 into \$187,400 after 16 years.

That's about a 1,342% total return or about an 18% compounded annual return — even though you bought at a market peak.

Worst-Case Scenarios

Let me remind you: This is a negative-case scenario. Buy right, especially in a strong market, and you can aim for profits of 30% to 300% on short-term holds (as I'll demonstrate in a moment) and annual compound profits of 20% to 30% on long-term income-producing properties.

But if the market turns south on you and yet you get to break even after three years or take 1,342% profits after 16 years ... that's pretty good for a negative-case scenario.

Affordability — Another “Anchor” for Real Estate Prices

My job here is to show you how to make money in real estate and guard against risk at the same time. Comparing affordability ratios between cities is just another “reality check” to help you gain a firm understanding of where prices are at. Are they in line with what the local market is able to pay for a home? Or will the market

be unable to maintain current levels and be facing a possible downturn?

To determine affordability, you need to look at median income versus median home prices for an area. In the following chart from HUD, they have also taken interest rates into account. This adds a very interesting element to the historical look at affordability in the U.S. housing market. Take a look at the “Composite” column, which indicates the percentage of income Americans were making as compared to what they needed in order to qualify for the median-priced home at that time.

Period	U.S.				Affordability Indexes*		
	Median Price Existing Single-Family (\$)	Mortgage Rate	Median Family Income (\$)	Income To Qualify (\$)	Composite	Fixed	ARM
Annual Data							
1973	28,900	8.01	12,051	8,151	147.9	147.9	147.9
1974	32,000	9.02	12,902	9,905	130.3	130.3	130.3
1975	35,300	9.21	13,719	11,112	123.5	123.5	123.5
1976	38,100	9.11	14,958	11,888	125.8	125.8	125.8
1977	42,900	9.02	16,010	13,279	120.6	120.6	120.6
1978	48,700	9.58	17,640	15,834	111.4	111.4	111.4
1979	55,700	10.92	19,680	20,240	97.2	97.2	97.2
1980	62,200	12.95	21,023	26,328	79.9	79.9	79.9
1981	66,400	15.12	22,388	32,485	68.9	68.9	68.9
1982	67,800	15.38	23,433	33,713	69.5	69.4	69.7
1983	70,300	12.85	24,580	29,546	83.2	81.7	85.2
1984	72,400	12.49	26,433	29,650	89.1	84.6	92.1
1985	75,500	11.74	27,735	29,243	94.8	89.6	100.6
1986	80,300	10.25	29,458	27,047	108.9	105.7	116.3
1987	85,600	9.28	30,970	27,113	114.2	107.6	122.4
1988	89,300	9.31	32,191	28,360	113.5	103.6	122.0
1989	94,600	10.11	34,218	30,432	112.4	105.9	116.8
1990	97,300	10.04	35,353	31,104	113.7	110.6	122.8
1991	102,700	9.30	35,940	30,816	116.6	113.5	128.3
1992	105,500	8.11	36,573	28,368	128.9	124.9	150.8
1993	109,100	7.16	36,959	26,784	138.0	133.0	160.4
1994	113,500	7.47	38,790	28,704	135.1	125.2	153.3
1995	117,000	7.85	40,612	30,672	132.4	126.6	143.3
1996	122,600	7.71	42,305	31,728	133.3	129.6	142.9
1997	129,000	7.68	44,573	35,232	126.5	123.6	137.2
1998	136,000	7.10	46,740	35,088	133.2	131.9	142.6
1999	141,200	7.33	48,955	37,296	131.3	128.8	142.0
2000	147,300	8.03	50,733	41,616	121.9	120.5	133.3
2001	156,600	7.03	51,407	40,128	128.1	128.1	137.3
2002	167,600	6.55	51,680	40,896	126.4	124.2	138.7
2003	180,200	5.74	52,680	40,320	130.7	128.2	141.8
2004	195,200	5.73	54,061	43,632	123.9	120.3	132.2
2005	219,000	5.91	55,823	49,920	111.8	110.1	115.6
2006	222,000	6.58	57,612	54,336	106.0	105.6	108.0

2006 figures are through the 4th quarter.

Source: US Housing Market Conditions, 4th Quarter 2006, HUD (Table 11)

http://www.huduser.org/intercept.asp?loc=/periodicals/ushmc/winter06/Q406_historical.pdf

As you can see, since 1998 median income has risen about 18%. Yet real estate prices in some of the hottest markets in the country have gone up 100% to 200% or more in that time.

Overall, housing is now the least “affordable” it’s been since 1985, according to this table. The affordability index here takes the Median Family Income and divides it by the Income Needed to Qualify to Purchase the Median Existing Price Home.

By that gauge, the typical family still has only a little bit more than enough income needed to qualify. Its income is about 106% of the minimum income it needs.

This number dipped down as far as 70% and 80% when we had sky-high interest rates in the early ‘80s. So as long as interest rates remain low and incomes remain stable, this should provide some support to many markets.

And yet the possibility of a recession in 2008 coinciding with higher market interest rates remains. Then, income could drop while rates rise, bringing the affordability index down to levels not seen since the early ‘80s.

Yet, in this environment, sharp value investors will still find ample opportunities—especially in the value markets. In fact, a drop-off in buying activity will create far more profit situations for buyers who understand how to

- 1) identify the best markets with solid economic profiles, good quality of life and strong value and growth characteristics,
- 2) identify motivated sellers in those markets, and
- 3) buy cash-flow properties at discounts to the local market value.

At the Heart of It — a Local Endeavor

These numbers are very telling ... for the U.S. real estate market as a whole. But that brings me back to this point: While the health of the national economy is important, real estate investing is ultimately a local endeavor. This is why there are some very exciting opportunities on the horizon for forward-thinking investors. Each market has different things going for it. A large influx of people from other parts of the world and other parts of the country tends to exert upward pressure on prices. So does new development and the revitalization of formerly rundown areas. So does an increase in local incomes as a result of business expansion.

So let’s take a look at how to assess your local market right now ...

Local Economies: A Case for Diversification and Job Growth

One of the most important factors that will determine the future growth and success of an area’s real estate market is its job market. For instance, if the

population is growing but jobs in the area are by and large low-paying, your appreciation potential is going to be limited. Residents in the area just won't be able to afford to buy houses at significantly higher prices.

Similarly, you want to make sure that there is a positive rate of job creation. If jobs are not being created at a strong pace, your level of housing demand can fall, stagnate or only grow anemically.

Also important to a local economy is a diverse economic base. If the economy is too dependent upon one particular sector (oil, for instance) and that sector experiences a sharp downturn (as oil did in the 1980's), the *entire* economy will suffer. Real estate prices are tied to the health of the local economy.

In the ideal situation, a city should have a growing, high-wage, diversified economic base. Let's take a look at how you can go about finding this information for any city in the U.S.

Job Growth

The U.S. Department of Labor has an excellent website, www.bls.gov, where they provide a huge range of statistics about the U.S. labor market that can often be broken down by state, county, or MSA. (MSA — Metropolitan Statistical Area — defines the “metro” areas encompassed by today's cities, since most have outgrown their actual city limits.)

To look at **job creation**, go to www.bls.gov, select “State and Local Employment,” then “Get Detailed LAUS Statistics,” “Create Customized Tables (One Screen).” From here, a reporting tool will pop up in a separate window. You need to select your desired “State,” “Area,” then specify “Total NonFarm” — which will give you total employment numbers for the area. Select “Get Data” and a report will be produced with aggregate monthly and annual jobs for every year as far back as 1990. Scanning the information will allow you to quickly see if the number of jobs is consistently *increasing, decreasing, or remaining the same*. You can also use these numbers to determine percentage increases and compare growth between different areas.

Another interesting way to look at business trends for an area is with the U.S. Census Department's statistical website at <http://censtats.census.gov>. Select “County Business Patterns Data (NAICS).” This should give you the last eight years of available data. To go back a further eight years, select “# County Business Patterns Data (SIC).” Select your county and state. Then compare with other states. Is there diversified economic activity ... or is your area heavily dependent on one industry (like Houston relied on oil in 1980s)? Is the overall number of businesses contracting or expanding? What's happening with business establishment and employment levels in the biggest industries? (Other industries depend primarily on these.)

You can get this same information for an area that's as detailed as a specific zip code. Go back to <http://censtats.census.gov>. Select "County Business Patterns Data (NAICS)" again ... but this time, search by zip code. What's happening in your immediate area?

Income Trends

There are various sources you can use to find **median income** levels for different cities. The U.S. Census Bureau provides data at www.census.gov. You can also go to www.huduser.org to access a comprehensive list that HUD produces every year to determine income levels for housing vouchers. Go to "Data Sets," choose "Income Limits," then select "FY2006 Income Limits" (or the most current fiscal year). You'll see an interactive map of the U.S. Simply click on the state you're interested in or click on "All" for a full list.

Population Trends — Demographics Is Destiny

There is an old adage, "Demographics is destiny." That is certainly true for housing. Long-term housing demand is driven predominantly by demographic factors. And while population growth in many industrialized countries is small, or even declining, the U.S. is on track to increase from 298 million as of December 2005 to 420 million by 2050, according to *The Economist*. One major reason cited for this is the constant influx of immigrants into the U.S.

A Changing of the Guard in the Local Markets

As I mentioned earlier, real estate markets move in different cycles. For the past few years, markets experiencing strong appreciation have included LA, San Francisco, Phoenix, Miami, Boston, New York, DC, and a few others. But the cyclical heydays for these markets are coming to an end. Real estate sales in most of these markets have slowed considerably — and that's fine because they need the chance to let income and rental rates catch up a bit.

But this means there are a whole bunch of investors with money to spend ... and they are actively seeking out new markets to invest in. You may be one of these people. This leaves a great big, wide-open spot for the "new" Boom Towns. Don't think for a second that successful real estate investment companies are going to simply stop investing because LA or Miami has peaked. Oh no. Their pace of activity could certainly slow, but they'll still be looking for places to put billions of dollars to work — including proceeds from sales of properties in the bubble markets.

That's great news. But even if the housing market were weak for the nation as a *whole*, that still wouldn't tell us anything about specific local markets. **And local**

markets are where you make your money. Finding the ones that have for one reason or another found themselves in an undervalued state — but have every reason in the world to see a strong future — is the key to outperforming other investments.

And one very important factor in strong performance is population growth. **To Find Population Growth:** Go to the U.S. Census Bureau's American Community Survey at <http://factfinder.census.gov>. Go to "Data Sets," select "American Community Survey," select the year you're interested in the, click on "Data Profiles", Select "Metropolitan Statistical Area", select the state then click "show results". From here you can look at the demographic, Social, Economic, Housing and Narrative trends. You can compare year-by-year changes for the last five years. Inside Housing changes, you'll also find rental vacancy rates, a very important indicator of the health of your local real estate market. In Palm Beach, it crept up from 6.8% in 2005 to 9.9% in 2006. A 5% vacancy rate is considered very strong, A vacancy rate rising above 10% should give you cause for concern, especially if the trend is toward increased vacancy.

Housing Starts as an Indicator of the Very Near Future

What is going on with new construction? This can often be an indication of expected growth in a region. It is a sign of builder confidence, and just another piece of the puzzle when you are attempting to create a clear picture of an area.

Find housing-start information at <http://censtats.census.gov>. Click on "Building Permits" and look up your state and county. How many building permits have been issued in the most recent month? How does this stack up as compared to previous months? In Unincorporated Palm Beach County through July of 2007, for instance, 1,313 total permits were issued year-to-date. That's 60% below the levels of a year earlier and 76% below the peak levels of 2005.

That's the kind of sharp downturn you can see when a bubble market goes bust.

Palm Beach County – Year to Date Residential Building Permits Issued

<u>YTD through...</u>	<u>Total Permits Reported</u>	<u>Change</u>
July, 2007	1,313	Change July '07 vs July '06:-60%
July, 2006	3,251	Change July '07 vs July '05: -76%
July, 2005	5,513	

The Bottom Line — Local Home Prices

I started out this section by looking at a history of U.S. housing prices. This was to give you a feel for the industry as a whole. But when it comes down to actually purchasing a specific property, real estate is once again a local interest.

So it's necessary to take a look at individual markets — and, eventually, individual properties. Again, the focus of this report is to analyze entire markets. But when you are ready to purchase a property, you must take care to analyze each opportunity individually.

So how do you begin to analyze a local real estate market's prices?

Well, a good start is to check out the median home prices by city. These are available at www.realtor.org. Select "Research," then "Housing Statistics" toward the bottom of the screen, then "Metropolitan Area Prices."

Earlier in this report, on pages 19 and 20, I showed you current results from this resource. As another example of how you can take this data and make it a little more useful when trying to compare potential markets, take a look at the following table. We've taken the data and manipulated it to see what kinds of trends are happening in several markets across the U.S. This shows the increase in value from 1998 through the first half of 2006 in select metropolitan areas:

Changes in Residential Real Estate Prices Major Metropolitan Areas					
	1998- 2000	2000- 2002	2002- 2004	2004- 2006*	1998- 2006
Ft. Lauderdale/Hollywood/Pompano Beach, FL	16%	32%	53%	27%	128%
Los Angeles Area, CA	12%	32%	48%	20%	112%
Miami/Hialeah, FL	19%	31%	65%	31%	146%
New York/N. New Jersey/Long Island,NY/NJ/CT	22%	35%	58%	23%	138%
Bergen/Passaic, NJ	22%	29%	54%	N/A	105%
Middlesex/Somerset/Hunterdon, NJ	19%	29%	65%	N/A	113%
Monmouth/Ocean, NJ	17%	41%	78%	N/A	136%
Nassau/Suffolk, NY	22%	46%	42%	16%	126%
Newark, NJ	15%	24%	58%	18%	115%
Orange Cnty. (Anaheim/Santa Ana MSA), CA	21%	31%	39%	N/A	91%
Portland, ME	9%	27%	55%	8%	99%
Sacramento, CA	16%	44%	67%	20%	147%
San Diego, CA	30%	35%	76%	11%	152%
San Francisco Bay Area, CA	41%	14%	61%	17%	133%
Sarasota, FL	8%	33%	43%	37%	121%
Tampa/St. Petersburg/Clearwater, FL	24%	20%	49%	45%	138%
Washington, DC/MD/VA	6%	37%	45%	30%	118%
Worcester, MA	20%	42%	71%	4%	137%

* 2006 are 2nd quarter figures
 Calculated using data from the National Association of Realtors at
[http://www.realtor.org/Research.nsf/files/ReI03q1s.pdf/\\$FILE/ReI03q1s.pdf](http://www.realtor.org/Research.nsf/files/ReI03q1s.pdf/$FILE/ReI03q1s.pdf)

First, the good news: This table shows the kind of serious money you can make as a real estate investor. For instance, if you bought a \$100,000 home in Nassau County, NY in 1998, by mid 2006 it was worth \$298,000. If you bought it with 20% down, your original \$80,000 loan balance could easily have dropped to

about \$73,000 (depending on your loan) — so your equity would have grown to about \$225,000. And that's on top of your net rents.

Your gains would be in the neighborhood of 1000% after 8 1/2 years ... far better than the stock market, to say the least.

The problem comes in, however, when we consider how long this kind of sharp rise in real estate prices can continue. After all, the table on page 21 showed that, nationwide, real estate rises by 6% to 7% a year on average. Yet the table above shows that in some of today's hottest markets, prices have been rising at an annual rate of twice that or more over recent years.

Again, once you've determined a specific market to invest in, you will want to get more detailed information about historical sales and active listings. Local real estate agents should be able to provide you with this data, though you may need to be very specific about the kind of information you are seeking. You can also go to www.realtor.com (the public access version of the Multiple Listing Service) for listings in cities across the nation. For more information about getting detailed local real estate knowledge, please refer to our *Main Street Millionaire* program. www.mainstreetmillionaire.net/sunbelt

Putting Together the Pieces of the Puzzle to Create a Clear Picture of Local Real Estate Markets

We've covered quite a bit of ground in this section ...

- ... We've looked at the history of U.S. real estate prices
- ... Learned the importance of having a firm grasp on what your property can earn in rental income
- ... Taken a look at affordability ratios, and how they can affect your investing decisions
- ... Researched local economies to ensure that they have a diverse economic base and are not susceptible to the swings of a single employer or sector
- ... Studied population trends and how they affect the housing market
- ... Learned how housing stats are a good indicator of short-term growth
- ... Gotten down to the bottom line: local housing prices

When you put all of this information together, you'll find you've begun to form a very clear picture of an area. What's left from there? Well, when it comes to

buying in a “foreign” market (somewhere other than where you live), there are several specific steps you can take to make the entire process run smoothly and profitably. Let’s get into those now.

11 Steps for Buying in a “Foreign” Market

There are a number of steps you should take when buying in a market outside of your local area. While buying in a new city need not be difficult, it can be made easier by doing some specific research that will increase your market knowledge, your confidence, and ultimately your bottom line.

Let’s assume you’ve already identified a city you are interested in. It has a strong, diversified economy, a growing population, rising rental rates, and reasonable home prices. What next?

First, take the time to do some “prep” work from the comfort of your own home. This includes going online, making some telephone calls, and creating a system to organize your findings. Second, **you must make a trip** to the city you are interested in. There is truly no other way to confirm what you’ve uncovered in your economic and market research. You’ve got to get to know the area. Even a one or two-day trip can produce enough good information to help you finalize your “target area” and develop a team of experts you trust.

After that, it’s time to get down to the business of selecting the specific property you are going to buy. Using techniques covered in *Main Street Millionaire* (which I will recap shortly), you can develop a systematic approach to finding positive-cash-flow properties selling below market prices. Make offers, negotiate, close on a property, hand over the responsibilities to a reputable property manager with solid referrals, and wait for the checks to roll in. There’s not much more to it than that.

So let’s get into a little more detail about the specific steps to buying in a foreign market ...

The Armchair Work — Researching the City From Home

Let’s assume you’ve chosen a city called Profitville, USA to invest in. You’ve looked at the median home prices, the rental rates, and the local income levels. You believe that Profitville is only going to get better, because the population is booming and jobs are being created at a very fast rate. On paper, this place looks like a dream. So now what?

Step 1. Get to Know the Appeal of the City

The first thing to do is just try to get to know the city a little bit. If you have

friends or family who live there, call them up and ask them to tell you about it. What are the best things? The worst? Where are the good parts of town ... where is it “shady” ... and are there any “up and coming” neighborhoods? What about downtown? Do people live there? Are there shops and restaurants that are popular ... or is it mostly just big office buildings, deserted on weekends?

If you don’t know anybody in Profitville, don’t worry. Go on the local tourism website, and ask them to mail you some information. Then go to the Profitville Chamber of Commerce site. There will probably be a section called “Economic Development” that is dedicated to enticing businesses to expand or relocate to the area. You’ll find all sorts of useful information there, including articles from magazines that have ranked the city for “Best of ...” awards, lists of major employers, information about new roads or capital improvements. You’ll be amazed at how quickly you’ll feel like a local yourself!

You may even find a link to a local realtor offering to send you a “Relocation Package.” Most major real estate companies have very nice, glossy information packets ready to go on request. They usually include good maps, descriptions of neighborhoods, school district information, and a few real estate magazines. All of this will start to give you an idea as to the quality of life in the city. Does it have natural beauty? Culture and the arts? Would young people, entrepreneurs, or retirees be attracted to relocating there?

Step 2. Start Defining Your “Target Zone”

It is absolutely essential that you get to know the *specific neighborhoods* in Profitville. When you are finally ready to make a trip to look at properties, you will need to focus on the parts of town most in line with your investment goals, and not waste time driving around other areas. You may have two or three potential Target Zones in mind when you first visit, and walk away with one favorite area that you can get to know like the back of your hand.

The *Main Street Millionaire* program gives complete details on how to become the “master” of your target area. But when you’re just getting started, there is no better way to get to know the various neighborhoods and the opportunities they represent than by talking to a living, breathing, local. In a bit, we’ll discuss why you may want to consider developing a partnership if you have trusted contacts in the area — but for now, let’s assume that you will be working with realtors and property managers.

Step 3. Start Building Your Local “Dream Team”

This is the perfect time to start building your local network of realtors, property managers, and lenders. Get referrals, if you can. And/or search online by using keywords such as “Profitville investment real estate” ... or something along those lines. There are agents who specialize in investments, and will totally understand your goals. And then there are those who will carry on about the cute

FINDING THE IDEAL REALTOR

Here's a series of questions that will help you spot the perfect agent to help you reach your investment goals:

1. Do you normally work with investors? What percentage of your business is investors? Do you work with both buyers and sellers ... or do you specialize?
2. Could you tell me about two or three of your favorite neighborhoods for investors? I'd particularly like to know *why* you think these are good areas for growth, and the specific types of properties and price ranges you are recommending. How much do these properties command in rental income? How long do vacant rentals usually stay on the market?
3. Could you send me a map of the different neighborhoods in Profitville?
4. Can I be signed up for automatic e-mail updates of properties on the market that meet my specific criteria?
5. Is the city involved in revitalizing any areas of town? Do you know what type of incentives they are providing to property owners?
6. Are there any new major roadways being constructed?
7. Could you send me the recent sales histories of some properties in your favorite neighborhoods for investors?
8. Are there any local property managers you have worked with in the past that you can refer me to?
9. Do you know of any lenders who have loan programs with low down payments for investment property?

These questions will give you a good feel for how knowledgeable the realtor is about investing. And because you've asked him to provide you with a few things, you will soon know how good he is about following up. After you've spoken with a few realtors, you will also have a good variety of local "expert" (hopefully!) opinions about which areas are potential "Target Zones" for you.

little fireplace. The right agent can make your profits soar. Get a few on the phone, and ask them some questions.

Ask the realtors which neighborhoods are good investments, and why. And ask them for referrals for property managers and lenders. When you call these professionals, ask for their opinions on various neighborhoods too. Particularly the property managers ... about what you can reasonably expect to get in rent, and how long it should take to get tenants. Remember, the more opinions you get, the better. You’ll probably start to get some of the same recommendations from several different sources.

Organizing Your Findings

You’ll soon begin to get a real feel for the city. It’s then time to break it down into neighborhoods, so you can determine where to focus the majority of your property-scouting efforts.

You should be receiving listings from one or more local realtors. You can also go to www.realtor.org for listings in any city in the U.S.

Step 4. Create a Matrix to Track Sales Data

At this point, it’s a good idea to create a matrix for each neighborhood you are considering. Include the following columns: Area, Property Type (duplex, single-family, etc.), Number of Bedrooms, Bathrooms, Square Footage, Asking Price, Price Per Square Foot, Lot Size, Price Per Square Foot of Lot. Use this matrix to keep track of the various listings you come across, and you will eventually be able to spot a “deal” the moment it comes on the market.

What you’re keeping track of here are properties that are for sale. And while having this information is very helpful, the more accurate and useful information is the price they actually sell for (Asking Price vs. Sold Price). That is why you ask realtors to provide you with “Sold Comps” for the areas they recommend.

You can also search county tax records for information about local property values. Every county is different in terms of the type of data they store and how you can access it. Some counties will make you come into the courthouse in person to search records, others may require specific requests by mail, but more and more you will find information online. You may be able to go online and search by street or subdivision or zip code. You may be able to see sales record data, or the value according to the county tax assessor, or both.

Other good sources for finding local property values are www.zillow.com and www.domania.com. Both of these are free sites that provide interesting information — however, I wouldn’t rely on it 100%. Try to confirm their data with other sources, including tax records and realtor comps.

Step 5. Create a Matrix to Track Rental Data

Similarly, you should create a matrix for rental properties. You want to know exactly how much any given property in your Target Zone could reasonably earn in rental income, without having to waste time researching after it's already on the market. The best deals generally move quickly, and you don't want to miss out because you weren't prepared.

Some markets may have rental histories in the MLS. So ask your realtor. He may be able to provide this information quickly. If not, talk to property managers and get specific examples. You can also call on properties that are listed in local newspaper classifieds (which you can view online) or go to websites such as www.craigslist.org, where you will find rental ads. And you can go to www.realtor.com and search "For Rent" listings by zip code.

Armed with all of this great rental information, you can fill out your matrix. It should include the following columns: Area, Property Type (duplex, single-family, etc.), Number of Bedrooms, Bathrooms, Square Footage, Rental Price, and Rent Per Square Foot. You'll then have a keen sense of market rents for each of your potential Target Zones before you've even stepped foot in the city!

Doing the Road Warrior Work — It's Time To Visit!

From the outset, you need to plan on making an in-person visit to Profitville. Once you have gotten to know the city, made contact with realtors and property managers in the area, organized listing and rental information, and narrowed down your potential Target Zones ... it's time to hit the road!

You needn't spend a great deal of time there. One or two days will probably be sufficient (if you've prepared). Arrange to meet with a realtor, and send him a rough outline of what you would like to see.

Step 6. Plan Your Itinerary in Advance

Don't simply tour neighborhoods when you arrive. Have properties lined up that potentially meet your investment criteria. That is, properties that you can buy at or below the average dollar per square foot in the area ... and that will cash flow with the 80%, 90%, or even 100% (usually a combo of a 1st mortgage and an equity line) financing you plan on using.

Step 7. Take Some "Personal" Time

If you don't have a local partner and you are working with this realtor for the first time, rent a car and spend some time by yourself driving through neighborhoods that interest you. Take your time revisiting areas that sparked your

interest, calling on FSBO (for sale by owner) properties, and calling on For Rent signs. This will give you a further handle on prices and rents in the area.

Step 8. Take Good Notes

Note the zip code of every area you like. You can then check new properties for sale as soon as they appear on www.realtor.com. You can also use the zip code to check for FSBO properties. If you’re interested in commercial properties, you can check for them too — from anywhere in the country — by entering that zip code into www.loopnet.com.

You’re not end-running your realtor. You just realize that when you first meet him, he probably has only a limited amount of time that he can spend with you ... perhaps a half-day or day, at most. You’re doing further research. And when you have the right realtor, he will even follow up on FSBO properties for you ... with the understanding that you’ll pay him a buyer’s commission.

Partnering for Profits

While I’ve focused this section on how to buy in a foreign market on your own, you may want to consider the advantages of partnering. In fact, prior to selecting a city, you may want to first consider “Where do I know people that I would trust in a real estate partnership?”

There are several reasons why this may be a beneficial move. A local partner has intimate local knowledge. His expertise may make things easier and quicker. Also, having a local partner means you have somebody there with a *vested interest* in the success of your property. If your partner is willing to manage the property, this can be really nice. While you should still arrange to pay the partner from your proceeds (as you would a property manager), you are more than likely going to see the property get more personal attention. It’s only natural.

Having a local partner also makes it more feasible to take on “fixer-upper” projects. While a professional property manager can take on certain responsibilities for getting a house into rental condition ... there is probably a limit as to what you would want to entrust him with. Perhaps, as you develop your relationships in the area, you will find managers or contractors you are comfortable with. But in the beginning, that could be a challenge. Having a partner to manage the renovations just opens up more doors.

For more information on the different ways you can form and manage partnerships successfully, check out the **Main Street Millionaire** program. www.mainstreetmillionaire.net/sunbelt.

Believe me, a good realtor is worth it. If he alerts you to the best deals, follows up on FSBOs that you express an interest in, and puts in the offers that you decide to make (because you know you’re buying under market value), your local realtor can help you make a great deal of money in Profitville.

As you tour Profitville — most likely with a realtor, perhaps with a partner — take careful notes about each property you visit. How does the price per square foot compare to the average you found for the area when you created your matrix? How much rent do you think you could get? Would it cover your carrying costs? What is the overall condition of the property?

Step 9. Start Making Smart Offers

You may want to consider making offers on *every property* you visit. Why not? You took the time to go there. Just make your offer based on what *you think the property is worth*, not based on what they are asking. People may think you are low-balling, but you never know. You may find somebody who is willing to negotiate. What’s more, when you do your homework right, for the most part, you’ll only be looking at properties that have asking prices in line with the value you have determined for them. Remember, a good goal is to try to buy property at a minimum of 10% below market value. And make sure your rents should cover your costs.

In a hot market that still represents value, a 10% discount may be fine. In fully valued markets, you may have to buy at 20% or below to get good cash flow on a leveraged purchase. In overvalued markets, you’ll only want to bid on special situations with motivated sellers, where you can get the property for 30% or more below market value. Since it’s an overvalued market to begin with, a 30% discount may only be keeping it in the realm of reason, a price where the property will pay for itself including its mortgage debt.

Taking Ownership

Step 10. Negotiate and Close

Finalizing negotiations, shopping for the best loan terms, and selecting your property manager are the next steps. Most of the hard work is now done! Once you have closed on a property, you can hand over the reins to your property manager.

In reality, this part of the process is pretty much the same no matter where you are. You want to make sure you get a good inspection of the property. Where this is included in your contract will vary from place to place. But work with your realtor to ensure that the inspection clause gives you the right to walk away from the deal within a certain period of time — without losing any money — if the

Selecting and Working With a Property Manager

Selecting a property manager is a very important task, especially when you are purchasing property that's too far away to drive by and check on periodically. You want to ensure that you select somebody who will take good care of both your property and your tenants.

To that end, you should interview several property managers in the area. Ask your realtor, and perhaps investors in a local real estate investing club, for some recommendations. You can also visit www.irem.org, the Institute of Real Estate Management site, where you can search for property managers with professional designations, including Certified Property Manager (CPM).

When you've narrowed it down to a few potential candidates, be sure to do the following:

- Ask for references, and call the people on the list of names the candidate provides to get an idea of the level of service his clients are receiving.
- Get a detailed description of services and fees. Standard fees range between 6% and 10%. There will probably be an *additional fee* during the month the property is being rented. While fees are sometimes negotiable, do NOT base your decision on price alone. It's worth paying a little extra up front for quality property management. It could save you thousands in vacancies, poor tenant selections, and deferred maintenance. You want to keep your property filled with solid, happy tenants, and maintain a clean, updated physical appearance that will sell quickly when the time comes.
- Find out what type of reporting you can expect. Will the property manager send monthly detailed statements? Quarterly? What type of information will be included?

Again, this is an important decision, particularly when buying in a "foreign" market. Get as much information as you can prior to selecting your property manager. It will make your life easier ... and your investment more profitable.

property fails inspection. When it comes to closing, the local closing company should be able to Fed-Ex the paperwork for your signature, no need to make another trip.

Step 11. Let Your Property Manager Do His Job!

The property manager can arrange for new flooring or other minor improvements that need to be taken care of, and start to market the property for rent. If the property already has tenants, even better! Now you can expect to get periodic reports from the manager about the expenses and income your property produces. Other than the occasional decision regarding major improvements, such as a new roof, you can just sit back and relax. You don't have to worry about broken toilets or deal with clogged drains. You can simply walk to your mailbox to pick up your checks, and wait for the beauty of appreciation to kick in as you focus on finding your next property.

The Top 5 Cities in the U.S. for Real Estate Investments — An Overview

At last, the moment you've been waiting for! An introduction to the new real estate Boom Towns — and your invitation to realize instant equity and cash flow, just by being in the right place at the right time.

Just over the horizon are the largest population increases this country has ever seen. American cities are going to be teeming with opportunities for astute real estate investors with a little vision.

By now, you have a strong understanding of exactly how we narrowed down our candidates for the Top 5 Cities in America for real estate investors. We looked for ...

- ... Home prices that have not risen to outrageous levels
- ... Local economies that are diversified and growing
- ... Local incomes — with high wages to support housing affordability
- ... Population trends that outpace the national average
- ... High quality of life factors — climate, culture, and educational opportunities

I'd like to show you the initial results of our research. While we've selected our favorite cities, there are countless opportunities across the map. And you may just find, on the list of over 100 cities that we reviewed, one or two of particular interest to you. Maybe a city where you've lived or have family and friends!

I'd like to show you the initial results of our research. While we've selected our favorite cities, there are countless opportunities across the map. And you may just find, on the list of over 100 cities that we reviewed, one or two of particular interest to you. Maybe a city where you've lived or have family and friends!

UPDATE

City	Median Home Price*	Annual Rent**	Median Family Income 2006***	Price to Income Ratio	Price to Rent Ratio	Population Growth 2000-2006	Population Growth 2005-2006	Job Creation 2005^	Job Creation 2006
Akron, OH	\$110,200	\$11,016	\$61,300	1.80	10.00	0.71%	-0.07%	0.47%	0.68%
Albany, NY	\$198,700	\$10,800	\$66,200	3.00	18.40	2.93%	0.42%	1.25%	0.36%
Albuquerque, NM	\$187,500	\$13,032	\$53,200	3.52	14.39	11.64%	2.42%	1.78%	3.65%
Amarillo, TX	\$108,300	\$9,504	\$51,800	2.09	11.40	6.34%	1.13%	1.61%	2.71%
Appleton, WI	\$128,400	\$10,452	\$67,600	1.90	12.28	7.28%	1.01%	0.78%	0.59%
Ashville, NC	\$265,843	\$9,972	\$50,400	5.27	26.66	7.44%	1.57%	1.66%	0.00%
Athens, GA ****	\$182,539	\$10,632	\$52,900	3.45	17.17	11.26%	1.65%	0.78%	2.78%
Atlanta, GA	\$166,800	\$11,376	\$68,100	2.45	14.66	20.00%	3.34%	0.97%	2.57%
Atlantic City, NJ	\$339,800	\$14,664	\$64,400	5.28	23.17	7.31%	0.48%	0.79%	0.53%
Austin, TX	\$175,200	\$13,644	\$69,600	2.52	12.84	19.67%	4.05%	2.35%	4.02%
Baltimore, MD	\$277,900	\$14,496	\$72,800	3.82	19.17	3.95%	0.28%	1.25%	1.35%
Barnstable Town, MA	\$373,500	\$14,364	\$66,800	5.59	26.00	0.70%	-0.59%	1.24%	0.00%
Baton Rouge, LA	\$173,400	\$11,460	\$55,800	3.11	15.13	8.36%	4.81%	-0.02%	3.09%
Beaumont, TX	\$120,000	\$8,820	\$50,600	2.37	13.61	-1.34%	-0.91%	-0.18%	3.68%
Binghamton, NY	\$95,800	\$8,988	\$54,100	1.77	10.66	-1.78%	-0.14%	-0.17%	0.98%
Birmingham, AL	\$161,700	\$9,192	\$57,400	2.82	17.59	4.43%	1.08%	0.46%	0.00%
Bloomington, IL	\$151,300	\$10,332	\$73,500	2.06	14.64	6.84%	1.40%	-0.85%	0.90%
Boise City, ID	\$209,500	\$12,132	\$56,100	3.73	17.27	21.06%	4.13%	3.94%	6.16%
Boston, MA	\$388,000	\$19,608	\$84,100	4.61	19.79	1.11%	-0.02%	0.78%	1.41%
Boulder, CO	\$363,100	\$18,216	\$81,600	4.45	19.93	4.03%	1.00%	2.86%	1.94%
Bridgeport, CT	\$445,700	\$14,688	\$79,900	5.58	30.34	1.75%	-0.07%	0.42%	1.24%
Buffalo, NY	\$96,600	\$9,144	\$58,300	1.66	10.56	-2.69%	-0.64%	0.06%	-0.18%
Canton, OH	\$106,200	\$8,916	\$54,900	1.93	11.91	0.66%	0.06%	1.16%	-1.26%
Cape Coral, FL	\$258,900	\$12,348	\$56,000	4.62	20.97	28.71%	4.99%	4.60%	4.74%
Casper, WY	\$58,600	\$8,940	\$58,600	1.00	6.55	5.76%	1.07%	4.19%	5.12%
Cedar Rapids, IA	\$129,200	\$10,392	\$65,200	1.98	12.43	4.84%	0.94%	1.22%	2.05%
Champaign, IL	\$141,600	\$9,528	\$62,600	2.26	14.86	2.93%	0.52%	0.01%	0.36%
Charleston, NC/SC	\$210,900	\$10,788	\$56,400	3.74	19.55	9.57%	1.92%	2.78%	2.25%
Charleston, WV	\$114,300	\$8,592	\$52,500	2.18	13.30	-1.26%	-0.21%	0.47%	0.94%
Charlotte, NC/SC	\$198,200	\$10,692	\$64,400	3.08	18.54	18.13%	4.04%	3.24%	3.75%
Chattanooga, TN	\$134,600	\$8,976	\$52,500	2.56	15.00	4.08%	1.01%	0.94%	1.91%
Cheyenne, WY****	\$182,870	\$10,344	\$59,900	3.05	3.05	4.47%	0.42%	1.80%	2.64%
Chicago, IL	\$268,100	\$13,716	\$72,400	3.70	19.55	3.72%	0.54%	0.82%	1.45%
Cincinnati, OH	\$138,700	\$10,728	\$64,600	2.15	12.93	4.45%	0.63%	0.65%	0.40%
Cleveland, OH	\$130,900	\$10,800	\$61,400	2.13	12.12	-2.25%	-0.29%	-0.05%	0.36%
Colorado Springs, CO	\$219,400	\$13,440	\$63,100	3.48	16.32	10.94%	2.11%	2.17%	2.21%
Columbia, SC****	\$143,600	\$9,732	\$58,900	2.44	14.76	8.42%	1.85%	1.00%	2.62%
Columbus, OH	\$138,700	\$10,176	\$64,400	2.15	13.63	6.58%	1.09%	0.62%	1.03%
Corpus Christi, TX	\$129,700	\$11,448	\$48,200	2.69	11.33	3.11%	0.65%	0.00%	2.24%
Cumberland, MD	\$98,000	\$8,400	\$48,400	2.02	11.67	-2.07%	-0.43%	-0.21%	-0.25%
Dallas, TX	\$144,300	\$12,708	\$65,500	2.20	11.36	15.64%	3.13%	1.40%	3.73%
Danville, IL****	\$72,378	\$7,740	\$49,800	1.45	9.35	-2.25%	-0.29%	0.18%	-1.56%
Davenport, IA	\$116,400	\$9,060	\$60,100	1.94	12.85	0.37%	0.35%	0.00%	0.00%
Dayton, OH	\$119,500	\$10,236	\$59,800	2.00	11.67	-1.07%	-0.27%	-0.58%	-0.44%
Daytona Beach, FL	\$198,600	\$11,328	\$50,300	3.95	17.53	11.58%	1.78%	2.54%	2.51%

UPDATE

City	Median Home Price*	Annual Rent**	Median Family Income 2006***	Price to Income Ratio	Price to Rent Ratio	Population Growth 2000-2006	Population Growth 2005-2006	Job Creation 2005^	Job Creation 2006
Decatur, IL	\$89,200	\$8,796	\$56,500	1.58	10.14	-4.53%	-0.48%	1.02%	0.92%
Denver, CO	\$245,600	\$15,492	\$71,300	3.44	15.85	9.80%	1.99%	1.73%	2.07%
Des Moines, IA	\$144,500	\$10,596	\$67,700	2.13	13.64	10.57%	2.08%	2.54%	2.48%
Detroit, MI	\$154,600	\$11,376	\$69,700	2.22	13.59	-4.24%	-0.96%	-0.99%	-1.84%
Dover, DE	\$200,500	\$11,124	\$55,800	3.59	18.02	16.12%	2.89%	3.11%	1.40%
Easton, PA	\$249,700	\$12,288	\$65,900	3.79	20.32	7.86%	1.35%	1.36%	0.00%
UPDATE — El Paso, TX	\$131,800	\$10,104	\$39,500	3.34	13.04	8.03%	2.10%	2.11%	1.57%
Elmira, NY	\$78,400	\$9,720	\$52,400	1.50	8.07	-2.65%	-0.41%	-1.17%	0.75%
Erie, PA	\$102,600	\$8,520	\$54,300	1.89	12.04	-0.33%	-0.13%	1.36%	0.00%
Fargo, ND	\$136,600	\$10,044	\$65,000	2.10	13.60	7.04%	1.54%	2.12%	2.84%
UPDATE — Fort Wayne, IN	\$101,600	\$9,132	\$61,300	1.66	11.13	4.33%	0.96%	0.61%	1.68%
Gainesville, FL	\$211,500	\$11,424	\$54,500	3.88	18.51	4.83%	1.58%	2.70%	2.08%
Glens Falls, NY	\$174,400	\$10,020	\$53,700	3.25	17.41	4.10%	0.68%	2.16%	0.93%
Grand Rapids, MI	\$129,500	\$10,716	\$61,500	2.11	12.08	4.19%	0.51%	0.38%	-0.18%
Green Bay, WI	\$145,600	\$10,260	\$63,700	2.29	14.19	5.54%	0.65%	0.44%	0.65%
Greensboro, NC	\$150,200	\$10,716	\$56,400	2.66	14.02	6.19%	1.66%	1.43%	1.46%
Greenville, SC	\$150,000	\$9,864	\$56,500	2.65	15.21	7.15%	1.92%	0.55%	2.36%
Gulfport, MS	\$152,000	\$10,008	\$46,800	3.25	15.19	-7.60%	-10.49%	-7.46%	-7.96%
Hagerstown, MD	\$213,900	\$11,652	\$57,700	3.71	18.36	15.22%	2.70%	1.57%	1.19%
Hartford, CT	\$253,900	\$14,832	\$80,200	3.17	17.12	3.28%	0.26%	0.75%	1.10%
Honolulu, HI	\$620,000	\$22,380	\$71,300	8.70	27.70	3.94%	0.58%	2.86%	2.35%
Houston, TX	\$148,600	\$12,288	\$60,900	2.44	12.09	16.82%	3.50%	1.39%	4.15%
Indianapolis, IN	\$117,100	\$10,764	\$65,100	1.80	10.88	8.82%	1.59%	0.98%	1.44%
UPDATE — Jackson, MS	\$145,300	\$9,216	\$49,900	2.91	15.77	6.25%	1.69%	0.48%	1.99%
Jacksonville, FL	\$180,400	\$11,736	\$60,300	2.99	15.37	13.47%	2.42%	2.71%	3.19%
Kalamazoo, MI****	\$118,924	\$10,044	\$60,600	1.96	11.84	1.43%	0.28%	0.41%	-0.21%
Kankakee, IL	\$125,700	\$10,968	\$58,800	2.14	11.46	5.00%	1.17%	-0.33%	2.34%
Kansas City, MO	\$153,100	\$11,592	\$67,600	2.26	13.21	6.75%	1.17%	1.11%	1.10%
Knoxville, TN	\$153,600	\$9,516	\$54,800	2.80	16.14	8.08%	1.75%	1.62%	1.84%
Lansing, MI	\$135,000	\$10,320	\$64,900	2.08	13.08	1.26%	-0.14%	-0.39%	0.35%
Las Cruces, NM****	\$178,679	\$8,628	\$39,000	4.58	20.71	10.78%	2.42%	2.80%	2.92%
Las Vegas, NV	\$313,500	\$14,844	\$58,200	5.39	21.12	27.57%	3.99%	7.51%	5.42%
Lexington, KY	\$146,300	\$10,440	\$61,800	2.37	14.01	6.64%	1.63%	1.04%	1.09%
Lincoln, NE	\$137,700	\$10,332	\$66,100	2.08	13.33	6.07%	0.90%	1.37%	1.12%
Little Rock, AR	\$125,900	\$9,864	\$51,500	2.44	12.76	6.68%	1.59%	0.51%	2.58%
Los Angeles, CA	\$586,500	\$20,448	\$56,200	10.44	28.68	4.19%	0.07%	0.95%	1.70%
Louisville, KY	\$137,600	\$9,792	\$58,900	2.34	14.05	4.89%	0.99%	1.09%	1.70%
Madison, WI	\$225,400	\$12,480	\$72,400	3.11	18.06	7.78%	1.12%	1.19%	0.46%
Memphis, TN	\$141,900	\$10,584	\$54,400	2.61	13.41	5.50%	1.44%	1.59%	1.71%
UPDATE — Miami, FL	\$366,800	\$15,624	\$55,900	6.56	23.48	6.26%	1.03%	2.68%	1.70%
Milwaukee, WI	\$210,900	\$10,980	\$66,800	3.16	19.21	0.51%	0.04%	0.98%	0.81%
Minneapolis, MN	\$228,300	\$13,476	\$78,500	2.91	16.94	6.49%	1.08%	1.25%	1.31%
Mobile, AL	\$137,200	\$9,276	\$49,500	2.77	14.79	1.02%	1.08%	2.83%	2.39%
Montgomery, AL	\$139,600	\$9,912	\$55,900	2.50	14.08	4.24%	1.63%	2.33%	1.90%
Myrtle Beach, SC*****	\$204,417	\$10,212	\$51,300	3.98	20.02	20.43%	4.82%	3.51%	6.03%
Nashville, TN****	\$179,613	\$10,788	\$60,900	2.95	16.65	10.46%	2.39%	1.70%	2.23%
New Haven, CT	\$278,800	\$15,300	\$76,600	3.64	18.22	2.44%	0.09%	0.04%	1.06%
New Orleans, LA	\$162,100	\$15,072	\$52,300	3.10	10.76	-22.12%	-22.01%	-10.64%	-13.70%
New York, NY	\$498,400	\$17,544	\$70,900	7.03	28.41	2.18%	0.02%	0.84%	1.73%
Newark, NJ	\$426,600	\$15,264	\$84,400	5.05	27.95	2.44%	0.18%	-0.67%	0.75%

An Overview of the Top Cities for Your Investment Dollar

City	Median Home Price*	Annual Rent**	Median Family Income 2006***	Price to Income Ratio	Price to Rent Ratio	Population Growth 2000-2006	Population Growth 2005-2006	Job Creation 2005^	Job Creation 2006
Norwich, CT	\$257,900	\$12,588	\$73,900	3.49	20.49	1.45%	-0.37%	1.09%	0.00%
UPDATE — Ocala, FL	\$170,700	\$9,432	\$44,900	3.80	18.10	21.45%	4.20%	2.54%	4.97%
Oklahoma City, OK	\$123,700	\$9,504	\$53,900	2.29	13.02	6.79%	1.50%	1.77%	2.03%
Omaha, NE	\$136,200	\$10,920	\$66,500	2.05	12.47	6.94%	1.20%	1.68%	1.64%
UPDATE — Orlando, FL	\$272,100	\$12,228	\$57,400	4.74	22.25	19.82%	2.76%	4.43%	4.01%
UPDATE — Palm Bay, FL	\$173,900	\$11,364	\$57,300	3.03	15.30	11.82%	1.08%	2.89%	2.02%
Pensacola, FL	\$161,400	\$10,464	\$51,900	3.11	15.42	6.58%	0.44%	2.73%	2.31%
Peoria, IL	\$108,900	\$9,336	\$62,400	1.75	11.66	0.96%	0.50%	0.98%	2.45%
Philadelphia, PA	\$222,300	\$13,260	\$72,100	3.08	16.76	0.86%	0.17%	0.51%	0.78%
Phoenix, AZ	\$262,200	\$13,668	\$60,100	4.36	19.18	23.20%	4.14%	4.23%	5.98%
Pittsburgh, PA	\$112,200	\$11,160	\$57,400	1.95	10.05	-2.41%	-0.46%	0.13%	0.41%
Pittsfield, MA	\$220,600	\$10,884	\$61,200	3.60	20.27	-2.75%	-0.51%	0.92%	1.64%
Portland, ME	\$245,200	\$14,832	\$68,200	3.60	16.53	4.96%	0.13%	2.05%	0.57%
Portland, OR	\$285,400	\$12,876	\$66,900	4.27	22.17	10.39%	1.96%	2.58%	3.21%
Providence, RI	\$291,300	\$14,568	\$64,000	4.55	20.00	1.64%	-0.40%	0.67%	0.22%
Raleigh-Durham, NC	\$226,300	\$12,816	\$71,600	3.16	17.66	23.66%	4.49%	2.56%	4.57%
Reading, PA	\$143,200	\$10,800	\$64,600	2.22	13.26	7.08%	1.24%	1.69%	2.30%
Reno, NV	\$332,900	\$15,888	\$62,800	5.30	20.95	16.18%	1.71%	4.31%	3.76%
Richmond, VA	\$229,400	\$12,612	\$67,200	3.41	18.19	8.53%	1.76%	2.49%	1.74%
Riverside, CA	\$406,400	\$16,596	\$57,500	7.07	24.49	22.77%	2.97%	2.05%	4.03%
Rochester, NY	\$111,400	\$9,948	\$64,100	1.74	11.20	-0.30%	-0.14%	-0.83%	-0.31%
Rockford, IL	\$121,500	\$9,972	\$63,600	1.91	12.18	8.45%	1.81%	0.10%	1.94%
Sacramento, CA	\$365,100	\$17,172	\$65,400	5.58	21.26	14.28%	1.24%	1.53%	2.20%
Saginaw, MI****	\$123,863	\$8,736	\$53,800	2.30	14.18	-1.74%	-0.74%	-0.95%	-0.22%
Salem, OR	\$223,100	\$11,052	\$56,800	3.93	20.19	10.41%	2.21%	1.55%	2.12%
Salt Lake City, UT	\$223,600	\$12,060	\$61,300	3.65	18.54	9.79%	2.01%	3.41%	4.65%
San Antonio, TX	\$140,600	\$11,064	\$53,100	2.65	12.71	12.95%	2.87%	1.66%	3.75%
San Diego, CA	\$579,800	\$21,084	\$64,900	8.93	27.50	4.12%	0.16%	1.42%	1.39%
San Francisco, CA	\$733,400	\$24,852	\$91,200	8.04	29.51	-2.02%	0.53%	1.07%	2.01%
Santa Fe, NM	\$442,000	\$13,692	\$58,200	7.59	32.28	9.68%	1.14%	2.31%	0.96%
Savannah, GA****	\$219,957	\$11,196	\$54,800	4.01	19.65	8.99%	2.09%	2.08%	3.77%
Seattle, WA	\$372,900	\$14,484	\$74,300	5.02	25.75	6.31%	1.71%	2.82%	3.44%
Shreveport, LA	\$131,700	\$8,928	\$49,600	2.66	14.75	2.83%	1.24%	1.41%	1.43%
Sioux Falls, SD	\$133,700	\$10,032	\$62,800	2.13	13.33	13.08%	2.42%	2.68%	2.86%
South Bend, IN	\$89,800	\$9,852	\$57,700	1.56	9.11	0.30%	0.14%	1.60%	-0.48%
Spokane, WA	\$189,200	\$10,812	\$53,900	3.51	17.50	6.68%	1.42%	2.09%	3.35%
Springfield, IL	\$94,900	\$9,336	\$64,600	1.47	10.16	2.25%	0.41%	0.39%	0.09%
Springfield, MA	\$199,400	\$12,060	\$62,900	3.17	16.53	0.82%	-0.05%	0.47%	0.57%
Springfield, MO	\$119,400	\$9,240	\$51,400	2.32	12.92	10.14%	2.32%	2.02%	2.89%
Springfield, OR	\$230,900	\$12,336	\$54,700	4.22	18.72	4.45%	1.01%	2.07%	2.33%
St. Louis, MO	\$139,500	\$10,356	\$65,800	2.12	13.47	3.50%	0.50%	0.77%	0.97%
Suffolk, NY	\$473,700	\$21,588	\$91,000	5.21	21.94	1.25%	-0.30%	0.99%	0.67%
Syracuse, NY	\$115,400	\$9,456	\$59,500	1.94	12.20	-0.06%	-0.06%	1.15%	0.06%
Tallahassee, FL	\$185,300	\$11,448	\$58,500	3.17	16.19	4.85%	1.02%	1.58%	2.37%
UPDATE — Tampa-St.Petersburg, FL	\$229,700	\$12,420	\$54,400	4.22	18.49	12.20%	1.93%	2.62%	2.11%
Toledo, OH	\$104,800	\$9,336	\$58,900	1.78	11.23	-0.84%	-0.29%	0.30%	0.36%
Topeka, KS	\$101,100	\$8,904	\$60,400	1.67	11.35	1.79%	0.28%	0.78%	-1.00%
Trenton, NJ	\$289,000	\$15,540	\$85,400	3.38	18.60	4.55%	0.42%	1.69%	2.49%
Tucson, AZ	\$239,400	\$13,368	\$52,400	4.57	17.91	11.52%	2.31%	3.59%	3.55%
Tulsa, OK	\$128,500	\$9,972	\$54,500	2.36	12.89	4.21%	1.35%	1.04%	3.24%

City	Median Home Price*	Annual Rent**	Median Family Income 2006***	Price to Income Ratio	Price to Rent Ratio	Population Growth 2000-2006	Population Growth 2005-2006	Job Creation 2005^	Job Creation 2006
Virginia Beach, VA	\$235,200	\$13,968	\$60,300	3.90	16.84	4.39%	0.48%	1.27%	0.80%
Washington DC	\$421,600	\$19,908	\$90,300	4.67	21.18	10.38%	0.77%	3.07%	1.80%
Waterloo, IA	\$102,900	\$8,328	\$57,600	1.79	12.36	-0.81%	0.25%	1.26%	0.57%
Wichita, KS	\$113,400	\$9,480	\$61,200	1.85	11.96	3.50%	0.88%	0.60%	2.09%
Wilmington, NC	\$222,300	\$11,952	\$53,900	4.12	18.60	18.30%	3.67%	3.32%	5.09%
Worcester, MA	\$274,700	\$12,768	\$71,700	3.83	21.51	4.28%	0.42%	0.62%	1.27%
Yakima, WA	\$144,600	\$10,812	\$46,300	3.12	13.37	4.63%	0.94%	1.55%	2.76%
Youngstown, OH	\$80,000	\$8,436	\$52,100	1.54	9.48	-2.54%	-0.68%	-0.73%	-0.78%

*Median Home Price calculated using 4th quarter data from National Association of Realtors.

**Annual Rent based on the HUD Fair Market Rents for 2006, 3 Bedroom Existing Housing.

***Median Family Income Based on HUD Data for 2006.

**** Median house price value was calculated using 1 year percentage change from <http://www.oftheo.gov/media/hpi/4q06hpi.pdf> and applying it to 2005 figures.

^ 2006 Job Creation Numbers calculated using data provided by the US Department of Labor.

Please, use the information to make your own call about what the best investing opportunity is for you. That's part of the power of this report. It enables you to make informed decisions.

As another tool for comparing different markets to one another, we've created our very own "Bubble Index." We wanted a bubble "standard" of sorts, to show you exactly how disparate the home valuations were between our top 5 picks and the bubble cities around the nation. You'll see us refer to this Bubble Index throughout the profiles of our individual picks. So let's have a look at it.

The Main Street Millionaire "Bubble Index"

City	Median Home Price*	Annual Rent	Median Family Income 2006***	Price to Income Ratio	Price to Rent Ratio
Los Angeles, CA	\$586,500	\$20,448	\$56,200	10.44	28.68
New York, NY	\$498,400	\$17,544	\$70,900	7.03	28.41
Miami, FL	\$366,800	\$15,624	\$55,900	6.56	23.48
San Francisco, CA	\$733,400	\$24,852	\$91,200	8.04	29.51
Las Vegas, NV	\$313,500	\$14,844	\$56,200	5.39	21.12
Boston, MA	\$388,000	\$19,608	\$84,100	4.61	19.79
Washington DC	\$421,600	\$19,908	\$90,300	4.67	21.18
Seattle, WA	\$372,900	\$14,484	\$74,300	5.02	25.75
Bubble Average	\$525,871	\$18,414	\$72,388	7.26	28.56

*Using Median Home Prices in Q4 2006

Can you add Boston to the bubble markets? Also, check the tables to see if Chicago and Seattle are bubble markets by these standards. If so, please add them.

Okay. You are now officially armed and ready to take a look at our individual profiles of **Secret Value & Growth Cities — How to Make 6- and 7-Figure Profits from the Flood of Money *Away* from Overvalued Bubble Cities and *Into* America's Best Priced, Growing Cities ...**

... **Austin, Texas**

... **Albuquerque, New Mexico**

... **Jacksonville, Florida**

... **Raleigh, North Carolina**

... **Atlanta, Georgia**

Enjoy! I hope you're geared up and ready to see serious, accelerated profits in one or all of these markets. Best of luck ... and Happy Investing!

Austin, the Live Music Capital of the World ...

	Austin	USA	Bubble Index
Median Home Price*	\$175,200	\$221,900	\$472,600
Median Annual Rent**	\$13,644	\$10,303	\$18,975
Median Income***	\$69,600	\$53,942	\$72,400
Price to Income Ratio	2.52	4.11	6.53
Price to Rent Ratio	12.84	21.54	24.91
Change in Pop:'90-'00	48%	13.10%	
Change in Pop:'00-'06	20%	6.04%	
Climate – Winter	42-62		
Climate – Summer	75-95		
Job Growth 2005-2006^	4.02%	1.85%	
Job Growth 2004-2005	3.72%	1.73%	

*Source for Median Home Price: National Association of Realtors, Q4 2006.

**Source for Median Annual Rent: HUD Fair Market Rents for 2006, 3-Bedroom Existing Unit. For USA and "Bubble Index," median rents of all available and/or defined cities were averaged.

***Source for Median Income: HUD Median Income for 2006. For USA and "Bubble Index," numbers were averaged.

^Source for Job Growth: U.S. Department of Labor, Bureau of Labor Statistics, employment numbers through 2006.

^^Source for Population: U.S. Bureau of the Census, based on Austin MSA.

Austin is a city that has everything going for it ...

... and the timing could not be better for real estate investors to get in now for huge gains over the next few years.

Appreciation in the real estate market is on the upswing but prices are still low, with the median home price sitting at about 22% below the national average. Already — **strong rents are on the rise** across all sectors — including residential, office, industrial, and retail.

While housing prices are sitting well *below* the national average, **job growth** in Austin has been rising at a rate well above the national average: 5.4% from Q3 2005 to Q3 2006, while the U.S. as a whole was at 1.9% for the same period.

The **population growth rate** absolutely dwarfs the national average. Between 1994 and 2006, greater Austin grew 49.78%, while the U.S. as a whole grew only 12.2%. Even among Texas cities, Austin outpaced everyone, with overall state growth at 22.95%. As a result of the recent growth, you will find that a good deal of both the residential and commercial property is modern and well-maintained, a huge plus for investments.

The population growth, job creation, and returns on individual investment properties are enough to make seasoned investors salivate. And on top of that, you get ...

- ... A gorgeous **state capital** city with one of the highest qualities of life in the nation. A special culture that fosters and encourages creativity, which is perhaps why it's become a hotbed of talent known as "**The Live Music Capital of the World**" and why locals proudly sport T-shirts and bumper stickers proclaiming "Keep Austin Weird." Green and lush, Austin is an unexpected oasis smack-dab in the center of Texas — with its rolling Hill Country and winding lakes, complete with hidden rope-swings and dripping springs to keep the most avid of outdoorsmen entertained.
- ... A **highly educated** and talented workforce that attracts new business and helps grow existing business. According to the 2006 U.S. Census, Austin ranks fifth in the number of college graduates, with 45% of the population holding degrees. In addition, Austin has a strong entrepreneurial and technical base in high-wage industries that can "cross-pollinate."
- ... A **healthy, active population** that enjoys bountiful **outdoor activity** during the 300 days of sunshine and overall **temperate climate**. From cycling in the hill country alongside local Lance Armstrong to hiking below steep cliffs through the 7.9 mile Barton Creek Greenbelt that runs right through town or swimming in the beloved naturally fed fresh water Barton Springs ... there is never any shortage of activities.
- ... Top that off with some of the best nightlife in the country, and you start to understand the appeal of Austin to the **flood of newcomers** from California, Arizona, and New York. Austin boasts a phenomenal number of nationally recognized musicians, venues, and festivals. It doesn't hurt that it's been ranked as having some of the best-looking and friendliest people of any metro area. (Perhaps that is why it is consistently recommended for singles and named one of the **most loved cities** in the nation.

If I could recommend just one place where I fully expect to realize large profits over the next three years, it would be Austin, Texas. That being said, let's get to know the city in more detail.

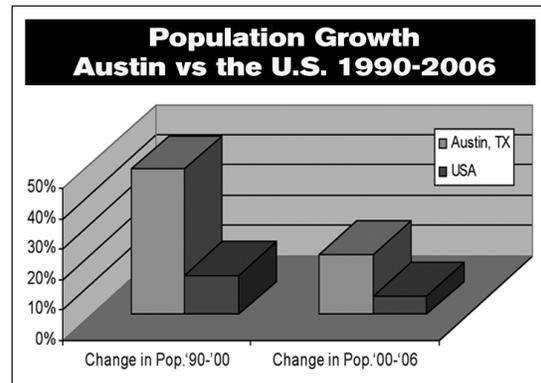
Austin Neighborhoods

Located in Central Texas along the Colorado River, Austin is within 200 miles of three of the 10 largest cities in the U.S. (Dallas, Houston, and San Antonio). The main artery running north-south through Austin is I35, which begins 225 miles south at the U.S./Mexico border, and continues onward through the midwest to the north. The I35 Corridor, as it is called, is an area of the nation that is projected to realize particularly strong growth.

Central to Austin is the downtown area, which is at the intersection of north-south-running I35 and the east-west-running Colorado River. (Not the same Colorado River you're thinking of. This one begins and ends in Texas.) To the west of downtown runs Loop 1, and circling around the city you have U.S. Highways 290, 183, and Loop 360. Several new highways are in the works to accommodate projected growth, including a bypass to ease some of the I35 congestion (caused largely by distribution trucks running to and from Mexico) and roads to accommodate the recent astronomical residential sprawl to the north and northwest.

West Austin begins with Texas Hill Country, a beautiful area spotted with golf courses and luxury homes (including Michael Dell's sprawling estate) and laced with the 150 miles of Highland Lakes. The lakes are a series of dams within the Colorado River, with the major draws being Town Lake, Lake Austin, and Lake Travis.

Overall, the Austin Metro area has seen astronomical growth, a trend that is projected to continue, with continued immigration and business growth.



Central Austin

Downtown Austin, the original and historic city, begins at Town Lake and runs north to about 45th Street. Town Lake is a sweeping park with miles of hiking and biking trails, concert areas, sports fields, rowing, kayaking, and canoeing ... all within the shadow of the central business district.

Between 1st and 11th Streets are the bulk of the office towers and financial buildings, as well as world-famous "6th Street," home to an endless row of live music venues and nightclubs. The area has also seen a wildly successful revitalization since about 1998. An ever-growing array of colorful local restaurants and bars have cropped up. The newer 2nd Street and Market Districts are mixed-use intensive, with boutique retail shopping, cafes, coffee shops, museums, and the flagship Whole Foods Market store and headquarters.

Right along with the commercial growth has come a huge influx of newly constructed, hip, loft-style condominium high-rises. Approximately 1,800 new residential units are planned for construction in the greater downtown area over the next three years, part of a major "smart-growth" initiative by the city. To reduce sprawl, Austin hopes to draw 25,000 new residents to the downtown area over the next 10 years. These high-end properties do not come cheap. You can reasonably expect to pay in the neighborhood of \$300 per square foot for them.

The government buildings for the state capital begin at 11th Street. As you

continue north, you enter the University of Texas Austin campus, which covers 357 acres. Running through campus on Guadalupe Drive is “The Drag,” a popular strip of shopping and eating establishments.

Surrounding and just north of campus is a charming older, wealthy residential neighborhood called Hyde Park. Renovations of the Victorian and early Craftsman houses here began in the 1970’s, and property values along the tree-lined streets have remained strong.

North Austin

North of 45th Street, you begin to see a slightly more rundown area of high-density living and commercial zoning. Prices have risen due to the proximity to downtown, and some areas are more desirable than others. Homes here range in age and size, but as you go north of Highway 183, you’ll find a good deal of large multifamily housing developed from the 1960’s through the 1980’s.

Northwest Austin

Mostly residential (with homes mainly from the 1980’s), prices have remained moderate here as many new buyers have bypassed the area in favor of new construction booming at cheap prices in the northern suburbs.

Northern Suburbs/Williamson County

With some of the most astronomical growth in the entire country over the past 10 years, new construction abounds in the areas to the north of Austin. These include Round Rock, Pflugerville, Cedar Park, and Leander. The driving force behind this influx has been the location of Dell, Austin’s major private employer, as well as Samsung and other large technology and supporting companies.

Many out-of-state real estate investors have been flocking to these new developments by home builders such as DR Horton, KB Homes, and Centex, drawn by substantial builder incentives and low price per square foot. Homes begin at under \$150,000, although most builders have implemented restrictions on what (if anything) they will allow investors to purchase.

East Austin

East of I35 is an interesting part of Austin. Traditionally economically disadvantaged, there are some very promising things happening to turn it around.

Just east of downtown, on Town Lake, is a perfect example. Many, if not most, homes there are very small and in a state of neglect. However, the location could not be more attractive in terms of proximity to major cultural and nightlife attractions, as well as the scenic hiking trail around Town Lake. As a result, prices have risen dramatically in anticipation of what residents all agree is an assured revitalization. There are several urban-loft style projects either underway or

recently completed, and a sprinkling of restaurants and shops. Still, the area has a long way to go, and you must have vision and proceed with caution as prices can be over-inflated.

East Austin — The Mueller Development

The Mueller Development is a huge part of the city's efforts to revitalize East Austin.

When Austin built a new airport in the late 1990's, the city was left with over 700 acres of prime real estate, located just minutes from the University of Texas Campus and Central Business District. The result of a community effort to implement sustainable, smart-growth initiatives here is a plan for a new urban-village, with both residential and commercial aspects. The progressive plan calls for utilizing ground-breaking advances in "green building" and environmental responsibility. More than 140 acres of Mueller - one-fifth of the community - is dedicated to public parks, greenbelts, playfields, trails, and plazas. This network of public greenspace connects to other parks and trails in Austin's No. 1-in-the-nation park system.

The first major Mueller project, the Dell Children's Medical Center, is currently under construction, with other major commercial projects on the books. Residential building is expected to begin within another year, with the first residential sales projected to close in 2007.

Some surrounding neighborhoods have already seen an increase in values in anticipation, but there are several areas with room for growth.

South Austin

If you head back to central Austin's Town Lake and just step over to the south side, you've entered a whole new game. Largely residential and teaming with venerable old oak trees, South Austin has traditionally been a funky, quirky neighborhood. Recent years have seen a rundown South Congress Avenue become hip "SoCo," a popular pedestrian area with shopping and restaurants a bit more on the bohemian side. Adjacent to the Town Lake Park just west of SoCo, you run into the 350-acre Zilker Park, home to (among other things) the locally beloved Barton Springs, a naturally spring-fed swimming spot. From here, you can enter the 7.9-mile Barton Creek Greenbelt trail through town, which follows the Creek through abundant foliage, past a cavern, and below steep cliffs. (It was named the second-best trail in or near a major metropolitan area by the American Hiking Society.)

Properties closest to downtown, in the prestigious neighborhoods of Travis Heights and Barton Heights (so named for their hilly location above the area's rivers and springs), were the first to see real property value spikes. Quickly following them in recent years have been the neighborhoods creeping further

south, where you now see large, severely modern, brand-new homes next to small 1920's bungalows and across from majestic old southern-plantation style homes.

As you continue south toward Ben White (local terminology for the convergence of east-west Highways 71 and 183), you find fewer remodeled homes, some multifamily housing, and some older commercial properties. But every day brings change here, and it has become increasingly difficult to buy a single-family home for less than \$200,000.

Far South Austin

If you continue heading south, past Ben White, there are a great many inexpensive single-family homes. There is a strong rental base here, but also enough properties backed by real pride of ownership to keep the neighborhood well maintained ... and make it an interesting prospect for investors. Houses begin around \$120,000 (though you can find them for less) and most stay well under \$200,000.

Due to environmental concerns, new development is somewhat limited, with the location of an aquifer the subject of recent political debate. But in the southwest part of Austin, you will find some popular master-planned communities, particularly Circle C, with its golf courses and large homes. The southwest section, including the charming smaller towns of Wimberly and Dripping Springs, is another gateway into the Hill Country.

West Austin — Westlake and the Hill Country

If you once again set yourself in downtown Austin, it is a short 5 or 10-minute drive to the west to Lake Austin, with its beautiful waterfront homes nestled in the surrounding hills. Visitors are often taken by surprise to see just how green and ... well, not flat Austin is. Lake Austin is much larger than Town Lake. Boating is allowed and very popular. This area is the primary entryway into the beautiful Hill Country.

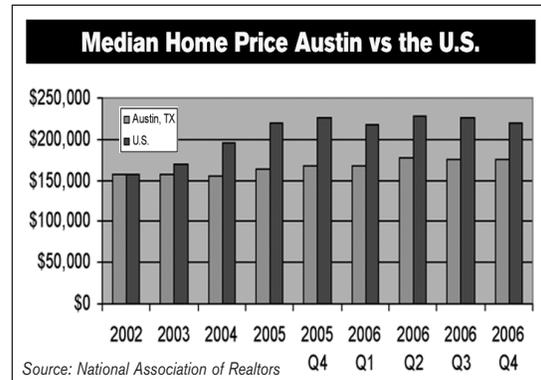
The Hill Country really begins in Westlake, the prestigious lakeside community that Michael Dell calls home. Home prices range from about \$400,000 to \$6,000,000. If you carry on westward, you run into Lake Travis, the largest of the lakes. The area around Lake Travis is known for its bountiful golf courses and resort lifestyle. Lakeway — the largest town here — has experienced a good deal of new development recently, with major retailers moving in. It is difficult to buy lake-view property here without deep pockets, but there are reasonably priced homes.

Local Real Estate Market

The local property market quite literally *missed* the national real estate boom, largely due to the technology bust that left a major hole in the local economy. All told, Austin lost about 31,000 jobs between 2000 and the end of 2003 because of large cutbacks by major employers and Internet start-ups that fizzled out. As a

result, while the rest of the nation was experiencing record high prices, the local housing market in Austin sat on the sidelines recovering.

Today, home prices are sitting at a median price of \$175,200 (according to Q4 2006 figures from the National Association of Realtors) — about 20% below the national median. That is just one indication that there's plenty of room for growth, particularly in light of Austin's strong employment and population-growth numbers. And all signs point to a full-swing recovery in progress for the city's real estate market right now. Steady increases in home prices, decreasing vacancy rates, and increasing rental rates are on every active investor's radar.



Generally speaking, the last sector to recover after an economic downturn is commercial real estate. That makes the recent upswing in Austin's commercial market particularly interesting. An across-the-board positive report card has generated a good deal of activity. Rents have been rising slowly but steadily during the last year, and overall occupancy was near 89% as of Q4 2006.

The *Wall Street Journal* wrote in December of 2005 that some of the biggest names in commercial real estate were taking note of Austin's strong, attractive market and contributing to a solid rebound. The article noted that "nearly all sectors of the real-estate market [residential, apartment, office, and industrial] are enjoying the upswing."

Rents are steadily increasing as vacancies decrease. Which is what has drawn one of the nation's biggest mall owners, REIT Simon Property Group Inc., to begin construction on 1.9 million square feet of retail space. Simon's chief operating officer says that Austin's diverse and growing economy will fuel a steady retail market.

Citing Austin's educated workforce and lower prices, the region's hilly terrain, and downtown height limitations as attractions, the country's biggest owner of office buildings (Equity Office Properties Trust, Chicago) recently sold off properties in other markets as it nearly doubled its Austin portfolio.

Austin in the News ...

“Austin is a Great Place to Retire”

Austin is one of the top four cities to watch as a retirement-friendly community, according to *AARP The Magazine*. The magazine's annual list of top 5 places to live in the United States for anyone over 50 years old were: Atlanta; Boston; Chandler, AZ; Milwaukee and Portland, OR. The magazine also featured a handful of other cities that are starting to address the challenges of an aging population: Austin; Burlington, VT.; Mankato, MN; and Traverse City, MI. The selections are based on features that make a community livable, including new urbanism, smart growth, mixed-use development and easy-living standards.

(AARP The Magazine, Sep-Oct/07)

“Austin Apartment Market Jumps in National Ranking”

The Austin multifamily market ranks number 22 as reported in the Marcus & Millichap Real Estate Investment Brokerage Co.'s annual *National Apartment Research Report*. The report notes that strong rent and occupancy growth will support the forecast for double digit growth in gross property revenue over the next few years.

(Marcus and Millichap, 1/27/06)

Austin in Top 10 Markets for Apartment Investors

The Center for Real Estate Studies, a nonprofit real estate advisory organization in Palos Verdes, CA, ranked 37 of the top markets for multifamily investing. The Austin metro area is projected to have the 9th-best market over the next two years. Charlotte, N.C. led the pack, followed by Denver, Raleigh-Durham, Tampa, and Houston. Austin apartment rental rates are projected to rise by 2.1% over two years.

(Austin Business Journal, 11/28/05)

Office Real Estate Market						
	Austin			National		
	Inventory (Sq. Ft.)	Vacant (Sq. Ft.)	Vacancy Rate	Average Rental Rate	Vacancy Rate	Average Rental Rate
2005	61,158,533	8,729,051	14.30%	\$19.89	12.00%	\$22.21
2006	61,973,781	6,625,097	10.7	22.16	11.4	22.39
2005 Q3	61,077,870	9,071,808	14.9	19.67	12.4	22.24
2005 Q4	61,158,533	8,729,051	14.3	19.89	12	22.21
2006 Q3	61,839,514	7,663,718	12.4	22.15	11.5	23.12
2006 Q4	61,973,781	6,625,097	10.7	22.16	11.4	22.39
% Change						
2005-2006	1.30%	-24.10%	-25.20%	11.40%	-5.00%	0.80%
Q4 '05-Q4 '06	1.3	-24.1	-25.2	11.4	-5	0.8
Q3 '06-Q4 '06	0.2	-13.6	-13.7	0	-0.9	-3.2

Source: © CoStar Group.

Industrial Real Estate Market						
	Austin			National		
	Inventory (Sq. Ft.)	Vacant (Sq. Ft.)	Vacancy Rate	Average Rental Rate	Vacancy Rate	Average Rental Rate
2005	68,678,778	9,470,936	13.80%	\$6.47	8.90%	\$5.77
2006	69,313,149	7,733,104	11.2	6.78	8.7	5.99
2005 Q3	68,405,199	9,608,159	14	6.67	9.1	5.72
2005 Q4	68,678,778	9,470,936	13.8	6.47	8.9	5.77
2006 Q3	69,260,278	8,287,252	12	6.67	8.7	5.91
2006 Q4	69,313,149	7,733,104	11.2	6.78	8.7	5.99
% Change						
2005-2006	0.90%	-18.30%	-18.80%	4.80%	-2.20%	3.80%
Q4 '05-Q4 '06	0.9	-18.3	-18.8	4.8	-2.2	3.8
Q3 '06-Q4 '06	0.1	-6.7	-6.7	1.6	0	1.4

Source: ©CoStar Group.

Austin — The Real World

Let's get specific and look at some real-world examples.

One member of our *Main Street Millionaire* team bought a duplex in the fast-rising South Austin neighborhood for \$175,000. Each side has three bedrooms and two baths, and rents for \$1,100. So that's \$2,200 a month, which leaves her with a nice \$400+ positive cash flow per month after PITI (principal, interest, taxes, and insurance — based on a zero-down loan, with all closing costs rolled in, and interest rates on the high side). She has put approximately \$4,000 per unit into renovations. And she says she feels confident that the next time a unit comes up for rent, she will be able to get \$1,200 or more, as the entire neighborhood becomes more and more popular.

In a nearby area, two **MSM** members recently partnered to buy a 4-unit building. Comparable properties are selling for \$220,000, but they purchased this FSBO (for sale by owner) for just \$185,000. Current monthly rents are \$2,000 — meaning that not only did they get \$35,000 in instant equity, they also bought it at less than eight times the annual rent. Compare that to the national average of about 25 times rent! Not only that, it's in an area ripe for an increase in rents and value. That's because it is near downtown, I35, directly across the street from St. Edwards (a respected private university that is expanding at a very aggressive rate), and just around the corner from two new retail developments (one that has won architectural accolades, another that turned a "crack motel" into a swank retro-modern strip mall).

“Austin Ranked 8th in the Country for Hot Retail Real Estate Markets”

MAY Austin ranks 8th in the country for hot retail real estate markets. Austin is one of the country's top 10 markets to watch in retail real estate thanks to “exceptional job growth, robust population gains and overall market expansion”. The report says about 2.8 million square feet of retail space is set to open in 2006 in the Austin area, or 6 percent of the region's total inventory. Among the new projects are four CVS drugstores, two Wal-Mart stores and a Home Depot store. The report also cites the opening later this year of an outlet center in Round Rock and the opening next year of an IKEA home furnishings store in Round Rock.

(Sperry Van Ness Top Ten Report, 5/06)

“Austin Ranked Number 16 Among Best Real Estate Markets for Expanding Companies in 2005”

Expansion Management magazine ranked the best metros for low prices and a wide selection of commercial and industrial real estate using data from the National Real Estate Index, Grubb & Ellis' Office Market Trends and Industrial Market Trends, and RS Means' Construction Cost Index. Topping the list were Tulsa, Greenville-Spartanburg, and El Paso.

(Expansion Management, 8/05)

“Commercial real estate market performance is improving due to nearly 4 million jobs created during the past 2 years. The office sector showed real strength, primarily due to demand from an increase in professional and financial services employment. New international trade agreements will help propel demand for industrial real estate, particularly in Florida, Texas, and Southern California. With vacancy rates in most key markets declining, rental rates have begun to accelerate.”

(National Association of Realtors, 12/05)

While shopping for properties in Austin, we also ran across a 25-unit apartment complex, located in an up-and-coming eastside neighborhood about 10 or 15 minutes from the UT campus. Around the corner were several new restaurants that are gaining popularity. The entire complex was selling for \$825,000 — or just \$33,000 per unit. Unfortunately, by the time we called it was already under contract (not surprising). But it gives you another example of the exciting opportunities that come up all the time in Austin.

A local residential realtor provided the following information about a specific neighborhood in Far South Austin that she's recommending to her investor clients who are interested in single-family homes — an Excel spreadsheet that details houses that had been *leased* in the neighborhood over the past six months, according to local MLS data. Details included are the original asking price, the final lease price, number of bedrooms, bathrooms, square footage, and days on the market. The information could easily be aggregated into average numbers for a “non-local” to get a feel for what they could expect to rent any given house for. Here's a sampling of the averaged results (*at right*):

Leased Price	Number of Bedrooms	Number of Bathrooms	Sq Ft
\$842	2	1	974
\$945	2	2	1,202
\$882	3	1	1,028
\$1,060	3	2	1,483
\$1,218	4	2	1,841
\$1,600	4	3	2,436

Just to give you a taste of the single-family home prices in this particular neighborhood of Austin, here is a sampling of some actual listings that were active during the same time period (*at right*):

List Price	Bedrooms	Baths	Price Per Sq Ft	Year Built	SQ FT
\$85,400	2	1	\$111	1965	768
\$92,700	2	1	\$106	1979	872
\$106,500	2	1	\$120	1982	884
\$118,900	2	1	\$104	1959	1,140
\$80,000	3	1	\$87	1971	916
\$95,000	3	1	\$96	1969	988
\$99,900	3	1	\$103	1971	971
\$99,900	3	1	\$83	1973	1,204
\$99,900	3	1	\$106	1970	944
\$104,900	3	1	\$121	1967	864
\$104,900	3	2	\$102	1981	1,031
\$109,900	3	2	\$103	1985	1,069
\$114,995	3	2	\$104	1979	1,110
\$115,000	3	2	\$93	1976	1,236
\$115,000	3	2	\$110	1987	1,047
\$119,675	3	2	\$95	1983	1,256
\$119,900	3	2	\$80	1977	1,492
\$119,900	3	2	\$107	1970	1,123
\$120,000	3	2	\$113	1975	1,063
\$120,000	3	2	\$105	1962	1,146
\$120,000	3	2	\$106	1986	1,135
\$125,000	4	2	\$72	1966	1,730
\$128,500	4	2	\$82	1978	1,567
\$128,500	4	2	\$100	1975	1,282
\$129,900	4	2	\$80	1964	1,634

And these were *asking prices*. In the Austin market, the average home has sold for about 96% of asking price recently, so there's definitely room for negotiation on many properties. When you use the buy-right techniques taught in *Main Street Millionaire*, you can buy at 10% to 30% below the average market prices, giving you instant equity in a market just beginning its bull run.

In Austin, there are opportunities in nearly all types of real estate investments, whether you want to get in on pre-construction downtown lofts, renovations of retail facilities, or foreclosures and pre-foreclosures (still somewhat viable here, unlike what we've seen in other markets), or even flipping luxury properties. You may feel a bit like a kid in a candy store when you first check it out.

The Local Economy Diversified, Innovative, and Growing

So what is going to give the Austin real estate market the steam it needs to see continued, strong growth? We've seen the population trends, which have an obvious correlation to the amount of housing required ... but what else is going to help push up the value? The answer becomes clear when you look at the employment horizon.

Employment growth in the Austin MSA between November '05 and November '06 was 4.7%, more than *double* the national average of 1.7%. This was on the heels of 3.4% growth between 2004-2005, as compared to just 1.7% nationally, according to the Texas Workforce Commission.

Pro-Business Government

There is a pro-business state government helping create jobs by luring companies with attractive incentives, including the Texas Enterprise Fund and the newly formed Texas Emerging Technology Fund. As *Site Selection* (a site consultant's magazine) noted, "Central to Texas' ability to lure projects is the \$295 million Texas Enterprise Fund authorized by the legislature in 2003 to help seal deals that might have gone elsewhere." In the first two years, \$200 million in fund incentives resulted in 22,000 jobs statewide.

The success of the program spurred the approval of a second fund in 2005, the Texas Emerging Technology Fund, half of which would be dedicated to "regional centers of innovation and commercialization" to be developed jointly by institutions of higher-education and the private sector. SEMATECH in Austin is already one such center. The remaining funds will be used to attract federal grants and leading researchers to the area.

In fact, Texas led the nation in the number of job-creating projects announced in 2004, according to a March 2005 *Site Selection* magazine article.

Diversified Industry Base

Austin's educated workforce, overall low business costs, business-friendly

(continued on page 66)

“19 of Texas’ 50 Fastest-growing Tech Firms in Austin”

Of the 50 fastest-growing technology companies in Texas, 19 are based in Austin, according to a report released by Deloitte and Touche. 2006 saw a jump in the number of Austin-based companies making the list. Ranking near the top are Molecular Imprints Inc., which was listed as the fourth fastest growing company; 360Training ranking as sixth; NetQoS Inc. ranking as seventh; and Zilliant Inc. ranking as eighth. Other Austin companies on the list include Convio Inc., Infoglide Software Corp., SigmaTel, Medical Present Value, Encore Medical Corp., Myriad Development, QuantumDirect, eMDS, Builder Homesite, Silicon Laboratories, Perficient, Multimedia Games, SiteStuff, ArthroCare Corp. and VirTex Assembly Services.

(Deloitte & Touche, 08/23/06)

“Austin ranks 5th Best Large City for Entrepreneurs”

Entrepreneur and the National Policy Research Council's annual entrepreneurial Hot Cities rankings of the nation's best places to start and grow a business ranked Austin high on the list for its diverse, highly trained and readily available workforce, eight regional universities with renowned academic programs, no personal or corporate state income tax and minimal union activity. Others in the top five large cities list were Phoenix, Charlotte, Raleigh-Durham and Las Vegas.

(*Entrepreneur*, 9/06)

“Austin Employment Outlook Among Nation’s Best”

Manpower ranked Austin Number 10 in its fourth quarter 2005 Employment Outlook Survey. The recruiting company's survey of employers showed that 41% of Austin area companies planned to hire more employees and none expected to reduce their payrolls. Another 59% expect to maintain current staff levels. The outlook had improved considerably since the third quarter survey when 27% expected to add staff. The data was collected before Hurricane Katrina.

(www.manpower.com, 9/05)

“Austin Ranked One of the Best Places for Business and Careers”

Fueled by the University of Texas system and firms like Dell, Austin grabbed the top spots in 2000, 2001, 2003, 2004 and 2005. The slowing income

(*continued on next page*)

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growth pushed Austin down to 28th place, but as this ranking was being completed, Samsung Electronics, the world's second-largest chipmaker after Intel, unveiled plans to build a chip factory in Austin, scheduled to open in 2007. Samsung will receive an estimated \$233 million in incentives from local and state governments. That is less than half of what New York State offered to house the plant at a site north of Albany. So why Austin? Samsung already has a smaller chip plant there and likes the area's large high-tech workforce.

(Forbes, 5/06)

“Austin Among Hottest U.S. Regions for Relocation, Expansion”

The Austin area is one of the country's 50 hottest regions for corporate relocation or expansion, according to a *Expansion Management* magazine's list of “America's 50 Hottest Cities.” Site consultants who were surveyed for the report cited factors that include business climate, workforce quality, operating costs, incentive programs, and the ease of working with local political and economic development officials.

(Expansion Management, 2/01/06)

“Three Local Counties Among Country's Fastest-growing”

Williamson, Hays and Bastrop counties are among the top 100 fastest-growing counties in the United States with more than 10,000 population. Williamson County ranks as the 16th fastest-growing county, while Hays County took the 35th spot, and Bastrop ranked 88th. From April 2004 to July 2005, Williamson County's population grew 33.4 percent, to 333,457. Hays County's population grew 27.5 percent, to 124,432. Bastrop County's population grew 21.2 percent, to 69,932. Williamson and Hays also ranked in the top 100 fastest-growing counties between 2004 and 2005 among all counties in the United States.

(U.S. Census Bureau, 3/06)

“Austin Ranks Number 2 in 50 Best Places to Live”

Austin comes in second behind Portland in the “Best of the Best” category. Austin's live music scene, hike and bike trail, tech companies, the University of Texas and the city's affordability are touted as criteria that contributed to the

ranking. The ranking notes, "Job-wise, the University of Texas provides a steady economic base and attracts tech companies- among them Motorola, IBM and the headquarters of Dell which began in a UT dorm. And yet, Austin is amazingly affordable, offering high salaries and single-family homes for well below the national average."

(*Men's Journal*, 3/06)

"Austin Ranks Among the 8 Best of "America's Greatest Golf-Home Towns"

According to *Golf Digest* magazine, the Austin area "has so much else going for it – lush, rolling topography; an outdoors-friendly climate; multiple lakes for boating and fishing; a vibrant downtown – it's easy to forget all the great golf. But there is plenty of it." In determining the rankings, *Golf Digest* rated 244 counties and detailed the 10 best communities for golfers in eight U.S. regions. Austin ranked first in the Southwest. *Golf Digest* used golf and nongolf criteria for the rankings, such as number and quality of golf courses, golf days per year, golf course congestion, crime rates, airport access and cost of living.

(*Golf Digest*, 5/06)

"Austin's Job Market is One of the Hottest in the Country"

Austin ranks No. 4 for projected job growth among metropolitan areas with at least 1 million residents and has a forecasted 24.7 percent job growth from 2005 to 2015. The ranking cites a tech rebound and Toyota's new, nearby plant which could create thousands of jobs. Las Vegas topped the list.

(*Business 2.0* citing data from research firm Global Insight, Inc., 5/06)

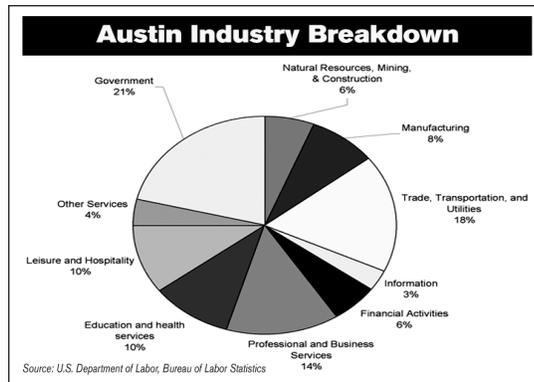
"UT System Takes Top Billing in Patent Index"

The University of Texas System was ranked first among more than 400 major research universities internationally in a study analyzing the ability of universities to produce patents from their biotechnology research. The study included other indexes that measured the number and quality of biotechnology publications and ranked universities based on their ability to turn their research into commercial applications.

(Milken Institute, 9/06)

(continued from page 62)

environment, and the fact that Texas is one of only six states with no individual income tax nor corporate income tax all combine to offer unparalleled opportunity for business growth. These factors, along with the fact that Austin is the state capital of Texas and home to the renowned University of Texas at Austin, contribute to the strong and diversified industry base the city enjoys.



Entrepreneurial Spirit and Success

New business thrives in Austin. The culture fosters innovation and tight ties between private and public sectors with educational facilities. Venture Capital spending in the area, as well as the low cost of doing business and a highly educated workforce, are the reasons. This is consistently recognized in national publications such as *Entrepreneur*, which recently ranked Austin as one of the Hottest Cities for Entrepreneurs.

***A marriage of artistic inspiration
and business innovation ... supported and nurtured
by local government and UT involvement.***

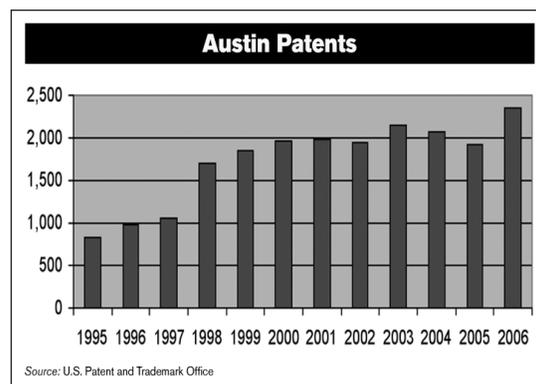
Vital to an economy's longevity and growth is its ability to create. Austin's local culture and business environment fosters innovation and promotes success. When you talk about a grassroots movement, Austin is a true example. You're likely to see many bumper stickers pronouncing "Keep Austin Weird — Shop Local." And you shouldn't be surprised to learn that the city that launched natural grocery store giant Whole Foods Market takes great pride in its local bookstore (BookPeople) and music store (Waterloo) as well as a slew of locally owned restaurants and boutiques.

This creative and entrepreneurial spirit continues in nearly every direction the eye can see — from the incredibly strong artistic base that makes up Austin's thriving music, filmmaking, and digital-media industries ... to the cutting-edge companies making headlines worldwide in nanotechnology, clean energy, bio-science, and wireless technology.

The UT campus has played no small role in ensuring a constant stream of research capabilities and helping to provide a large pool of highly educated and experienced people able to contribute to commercial success.

Patent Activity

Austin has earned its reputation as a city of creativity, innovation, and invention. Patents are one of the best measurements of innovation, and Austin has always been extremely competitive in the number of patents issued yearly. The University of Texas is third in the nation in the number of patents earned. According to a U.S. Patent and Trademark Office geographic analysis of patent activity in the 1990's, Austin outpaces regions such as Phoenix, Seattle, Denver, and Raleigh-Durham. This demonstrated capacity for generating new ideas has only increased in the 21st century.



“Sister Cities” a Corridor to Opportunity

The entire “I35 Corridor” is projected to see substantial growth for the next 30 years. For the reasons we’ve been giving, our favorite city along this corridor is Austin – but there are other very intriguing markets you may want to consider.

To the south is San Antonio, home of the famous “River Walk” and the NBA Spurs.

To the north is the Dallas-Fort Worth metroplex. Dallas is the larger and more metropolitan of the two cities, but Fort Worth has a certain charm and appeal that shouldn’t be ignored. The two cities are “joined” by a series of suburb towns, including Arlington.

	San Antonio	Dallas-Fort Worth	USA	Bubble Index
Median Home Price*	\$140,600	\$144,300	\$221,900	\$472,600.00
Median Annual Rent**	\$11,064	\$12,708	\$10,303	\$18,975
Median Income***	\$53,100	\$65,500	\$53,942	\$72,400
Price to Income Ratio	1.98	2.64	4.11	6.53
Price to Rent Ratio	9.50	12.71	21.54	24.91
Change in Pop:’90-’00	17.76%	22.71%	13.10%	
Change in Pop:’00-’06	12.95%	15.64%	6.04%	
Job Growth 2005-2006 [^]	3.75%	3.73%	1.85%	
Job Growth 2004-2005	1.66%	1.4%	1.73%	

*Source for Median Home Price: National Association of Realtors, Q4 2006.

**Source for Median Annual Rent: HUD Fair Market Rents for 2006. For USA and “Bubble Index,” median rents of all available and/or defined cities were averaged.

***Source for Median Income: HUD Median Income for 2006. For USA and “Bubble Index,” numbers were averaged. Dallas and Fort Worth reported separately; this number represents the average.

[^]Source for Job Growth: U.S. Department of Labor, Bureau of Labor Statistics, employment numbers through 2006 and annual numbers averaged.

^{^^}Source for Population: U.S. Bureau of the Census.

Venture Capital

Access to investment capital in Austin is well established, with the region ranking among the top targets for venture capital investment in the United States. Economists predict historically large amounts of venture capital in 2006, with emerging industries such as clean energy, biotechnology, and medical devices positioned to benefit.

Regional Rolodex

If you are as excited as we are about the opportunities and potential in the Austin real estate market, I'm sure you will want to get started on your own investments as soon as possible. To that end, the following is a list of some of the service providers we have found particularly helpful in our own endeavors. As always, these are just our personal recommendations. We place no guarantees. We are not compensated in any way for including any particular business or individual.

Real Estate Agents

Kam Weiler
JB Goodwin
Phone 512.825.7834
E-mail kamweiler@yahoo.com

Property Management

David Allen
April Realty Services
Phone 512.442.6500
E-mail davidcallen@austin.rr.com

Lenders

Matt Spin
Maverick Residential Mortgage
Phone 512.241.1500
E-mail mspinn@maverickmortgage.com

County Tax Assessor

<http://www.traviscad.org/search.htm>

The Golden Allure of Albuquerque ... Enchantress of the Southwest

	Albuquerque	USA	Bubble Index
Median Home Price*	\$187,500	\$221,900	\$525,871
Median Annual Rent**	\$13,032	\$10,303	\$18,414
Median Income***	\$53,200	\$53,942	\$72,388
Price to Income Ratio	3.46	4.11	7.26
Price to Rent Ratio	14.12	21.54	28.56
Change in Pop:'90-'00	22.00%	13.10%	
Change in Pop:'00-'06	11.64%	6.04%	
Climate – Winter	24-57		
Climate – Summer	55-92		
Job Growth 2005-2006^	3.65%	1.85%	
Job Growth 2004-2005	1.78%	1.73%	

*Source for Median Home Price: National Association of Realtors, Q4 2006 info for available areas.

**Source for Median Annual Rent: HUD Fair Market Rents for 2006. For USA and "Bubble Index," median rents of all available and/or defined cities were averaged.

***Source for Median Income: HUD Median Income for 2006. For USA and "Bubble Index," numbers were averaged.

^Source for Job Growth: U.S. Department of Labor, Bureau of Labor Statistics, employment numbers through 2006 and annual numbers averaged.

^^Source for Population: U.S. Bureau of the Census.

Albuquerque is the next big wave of the great Southwestern explosion. While Las Vegas and Phoenix have already experienced unprecedented growth, Albuquerque is the next high-tech retirement haven, with its serene Sandia Mountains and increasingly diverse cultural offerings.

Home prices here maintained a relatively level and modest growth rate during the craziest portions of the national housing boom. From 2002 to 2003, the median home price rose just 3%. The following year saw 5% ... but most recently, between Q3 2004 and Q3 2005, prices have seen a sudden spike of **18%**. And saw a further increase of 7.7% between Q4 2005 and Q4 2006. All signs point to a continued rate of **accelerated appreciation**, so the time to get in on the serious upswing is now. It won't be long before prices in this beautiful southwestern gem are on a par with nearby Phoenix and Las Vegas.

So what is going to support this rapid appreciation? For starters, **population growth** in the city is strong. Albuquerque grew 22% from 1990 to 2000, as compared to 13% overall U.S. growth. And from 2000 to 2006, it's already ballooned another 12%.

On top of that, the local **job market** is outpacing the rest of the country, with

higher-paying fields growing thanks to the large federal research facilities that help provide a large pool of talent to fuel growth in surrounding businesses. Local job creation came in at 2.12% in 2004 (compared to just 1.14% in the U.S. economy) and 1.78% in 2005 (also above the national rate). And local officials are working hard to attract new, high-paying businesses in areas from nanotechnology to aerospace.

So the numbers are favorable for continued growth ... which is essential for killer real estate investments. But what makes this a truly standout opportunity is that Albuquerque is also beautiful and exciting.

- ... Nestled between the glowing **Sandia Mountains and the flowing Rio Grande River**, Albuquerque is a city where you never feel “trapped” by the usual urban scenery. From nearly every point in the city, you can see for miles ahead.
- ... Perhaps the appeal of its outdoors is why Albuquerque is consistently ranked as one of the nation’s “**Fittest Cities**” as well as one of the “**Best Communities for Young People.**”
- ... Not only does it boast breathtaking scenery, it is a popular **tourist destination**, with impressive contributions to art, easy access to skiing, and surrounding national monuments and ancient Pueblo ruins.
- ... On top of all that, it is home to a **highly educated workforce**, with the strong University of New Mexico presence as well as Sandia National Laboratories and several local technology and research/development facilities.

Albuquerque Neighborhoods

Albuquerque is the gateway to northern New Mexico, a gem of the Southwest. From the rocky crest of Sandia Peak at sunset, you can see the lights of the city, spread out across 16 miles of high desert grassland. More than a mile below, flows the Rio Grande — the waterway that enabled a city to spring up in the vast desert ... and continues to be at the center of Albuquerque’s growth. At the western edge of the city, homes and roads have replaced farms in the once pastoral valley.

Albuquerque lies at the crossroads of I25 north-south and I40 east-west. To the west, are lava-crested mesas; to the east; the steep alluvial slopes of the Sandia Mountains. In the southwest quadrant created by the interstate crossroads, you’ll find the central business district. Downtown is a vibrant business community, built around the original Route 66. At night, it boasts a hip nightlife scene, known for both live music and dance clubs. Not far from there is Old Town, the historical and spiritual heart of the city. Also the most touristy area, it is a unique Southwestern village complete with an intact plaza.

If the Rio Grande is the lifeblood of Albuquerque, Central Avenue is the city’s

soul. The vestige of historic Route 66, it divides the city into east and west. For years after I40 started diverting travelers from the old route in the mid 1960's, much of it fell out of favor and into decay. While there are still several sections of Central Avenue that are rundown, the revitalization of some stretches — such as along the University of New Mexico campus, through Downtown, and in the Knob Hill area (which recreates that old Route 66 ambience) — is now home to some of the city's best restaurants and shops.

Albuquerque is the largest city in New Mexico, and, thanks to its thriving business environment, has enjoyed the majority of the state's massive growth.

There's plenty of beautiful hiking and biking trails, with the picturesque foothills lining the city and the 1.5 million acre Cibola National Forest on the edge of town.

With its strong, tradition-based Native American and Hispanic communities, New Mexico offers an interesting cultural mix. At the same time, Albuquerque is becoming increasingly cosmopolitan as more and more companies move to the area and new-home construction flourishes.

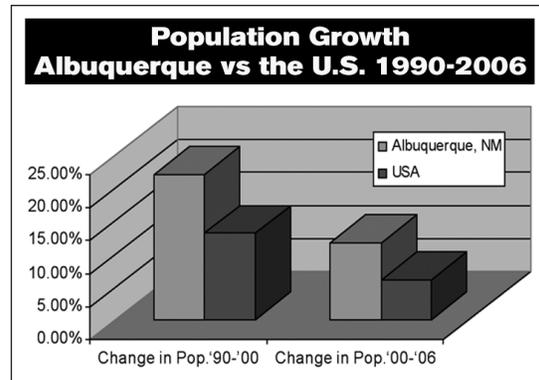
A distinguishing feature of Albuquerque is its physical barriers to growth. The Sandia Mountains to the east, reservation land, and city-owned land all prohibit unfettered urban sprawl. The city of Albuquerque established an Open Space fund in 1983 that provides the ability to acquire and manage open land. (Over 28,000 acres are in the program so far.) The program, which limits development in many areas, also protects natural landmarks and the scenic beauty that helps to promote economic development and attract new residents and visitors to the city.

The southern edge of town is defined by the Kirtland Airforce Base (the largest civilian employer in the city) and the Albuquerque Airport. Open land south of there is currently held in trust by the state, but has recently opened itself to the groundbreaking Mesa Del Sol Development, which will change the skyline forever.

Rio Rancho

Rio Rancho is a planned community in the northwest of Albuquerque that is known for its phenomenal growth and economic development. Attractive housing prices make it popular with first-time homebuyers, retirees ... and investors.

Financial incentives have also been successful in luring several major corporations to set up shop in the area, including Intel, Gateway 2000, Sprint, and Victoria's Secret. Projects currently underway include a new Super Wal Mart and



the relocation of the Rio Rancho City Hall to new facilities that will include an events center.

Corrales

Corrales, a village within the city to the east of Rio Rancho, has an abundance of small arts and crafts shops and excellent restaurants lining the main road winding through town. Many of its residences sit on large lots, and there are even some small, still-productive farms and orchards.

West Side

West Side, as the name indicates, begins at the Rio Grande and heads west. More and more new development, both residential and commercial, defines this area. Prices are generally affordable.

The redevelopment of the Cottonwood Mall area is one of the larger West Side retail projects currently underway.

North Valley

North Valley, nestled between I25 and the Rio Grande just north of downtown, is an area of interest. In particular, the “North I25” section is home to some recent new-office construction that — because of its convenient mid-city location and accessibility — is proving to be very popular, with rental rates as much as 20% above those of comparable properties in other areas.

South Valley

South Valley. Primarily an agricultural area, Albuquerque’s South Valley offers residents rural living at an affordable price. Many homes are southwestern in style and often include barns for livestock. As you head east toward downtown, you’ll find the prestigious Old Country Club neighborhood. Lushly landscaped and quiet, it is a highly desirable section.

One of the largest planned projects in South Valley is the Silver Tree Shopping Commons, a 240,000-square-foot center with several well-known national anchors.

Northeast Heights

Northeast Heights, an established area located east of I25 that stretches east to the Sandias, is just north of the University of New Mexico. There are several major roads with commercial development here, some newer, some in need of revitalization. Homes and multifamily units are available in a range of prices and desirability.

Albuquerque Uptown

The Uptown neighborhood is experiencing some strong retail growth. “Albuquerque Uptown” is a 200,000-square-foot lifestyle center (with national

retailers and restaurants). In addition, nearby Winrock Center, an enclosed regional mall, will be redeveloped as an outdoor shopping area.

University of New Mexico

The quaint older homes and multifamily residences near the University of New Mexico are popular with students and young professionals. Prices, though still modest in some of these neighborhoods, are on the rise. With its close proximity to the flourishing downtown business district, prices are sure to continue their upward trend.

Southeast Heights

Southeast Heights stretches from the Kirtland Airforce Base and Albuquerque Airport on the south to the UNM on the north.

Downtown Albuquerque

Downtown Albuquerque is in the midst of a strong resurgence. Along Central Avenue (the original Route 66), large old buildings, including a bank and a high school, are being converted into luxury condos. New retail shops and restaurants are under construction ... but the area still has a way to go before it is truly a 24-hour-a-day, bustling city center. For now, there is the weekday office crowd and an onslaught on weekend evenings for the many local bars and nightclubs. But every day brings new businesses and residences, so it surely won't be long. Right now, there are deals to be had in the residential neighborhoods. And commercial office space is relatively inexpensive, as vacancy rates have been relatively high in recent years.

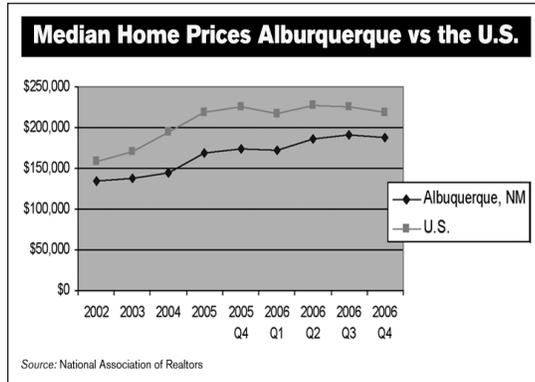
Mesa Del Sol

Mesa Del Sol, a 12,900-acre planned development in the southwest section of Albuquerque, is among the largest master planned developments in the nation. Currently a wide-open expanse of land, the majority of the property is held by the State Land Office in trust for the University of New Mexico and public schools. In a public/private joint venture between UNM, Forest City Enterprises, and Covington Capital, the land will be developed into residential, commercial, school, and park space.

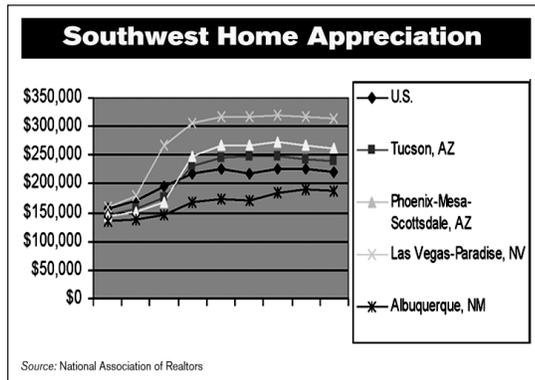
Leaders of the development tout job creation as its cornerstone, and are using "smart growth" and "new urbanism" concepts for an innovative and environmentally sustainable project. Economic incentives and planning contributions from state, county, and city entities are playing a major role.

Local Real Estate

The local Albuquerque real estate market is a thing of beauty to investors. After an extended period of modest growth that left median home prices at 15%-20% below the national average, the year 2006 saw the market begin an unmistakable upswing. Median home prices saw huge 7.7% gains between Q4 2005 and Q4 2006, following two years of appreciation from 5%-16.6%. Even after this dramatic increase, the median home price of \$187,500 is still 14.5% below the U.S. median price.



Compare this with the activity of home prices in other Southwestern markets.



Look What's Cookin' in Hot ABQ: Current and Announced Development

About \$4 billion of new development or renovation is underway in Albuquerque, including a \$272 million bond levy to provide new schools and improvement for Albuquerque Public Schools; a revitalization of Downtown worth more than \$100 million; and \$320 million worth of shopping center projects.

Blue Cross Blue Shield of New Mexico recently announced it will build a \$28 million, 100,000-square-foot headquarters facility. Tempur-Pedic International Inc. is constructing a \$90 million, 750,000-square-foot manufacturing facility, and Merillat Industries will build a \$36 million, 260,000-square-foot manufacturing plant.

In addition, \$1.6 billion has been allotted for infrastructure changes in the state.

Source: Albuquerque Economic Development Newsletter

The Commercial Markets

In the commercial real estate market, conditions are favorable for landlords across all sectors, with vacancies decreasing and rents stabilized or rising in most areas.

Of particular note are the office trends in North I25 and Uptown, where new construction is a popular choice for tenants. Prices are higher than average. The downtown office market has seen prolonged vacancies, and while there should be substantial absorption in 2006, it is more than likely going to be in a state of recovery rather than moving on into expansion. Concessions to tenants are more common among downtown facilities today.

*Source: www.genewmexico.com Grubb and Ellis Property Solutions Worldwide
[multifamily housing vacancy rates for Q5 2005 — Q4 2006 not available]*

For an excellent breakdown of all the submarkets and activities in the Albuquerque commercial real estate market, visit www.genewmexico.com under “Resources” you’ll see Market Trend Reports since 2004.

Getting Down to It — What’s Really on the Albuquerque Market?

Albuquerque holds a special position among our Top 5 City selections: It is the only one in the Southwest. And since this region has seen some of the hottest appreciation in the entire nation for the past several years, it seems logical that if Albuquerque is as attractive in person as it is on paper ... well, it’s only a matter of time before it catches up to the rest of the region.

Albuquerque lived up to all of my expectations ... and more. Many investors, particularly those coming from the Phoenix and Las Vegas markets, have chosen to focus on new-home builders in the sprawling subdivisions in the northwest part of town.

Another area to consider is the downtown and UNM campus areas. As with many urban centers, this area did experience a period of decline — but revitalization is being encouraged by city programs.

Let’s look at a few examples of some of the most exciting listings our team saw in these areas while visiting.

- Downtown — about one block off of bustling, evolving Central Avenue — we found a commercial building, fully occupied, asking \$415,900. With two street-front retail spaces and five residential units upstairs and in the back, annual gross income is \$42,300. While this property definitely could use some updating, the location is superb and the potential is outstanding. Whether you consider dividing the residential

units into individual condos, converting the units into office space, or just leaving them as is, national trends in downtown prices (including those in the immediate area) signal that the rents and value have plenty of room for growth.

- Just a few blocks west of the commercial downtown area is a quaint little residential neighborhood. Our team found several interesting multifamily listings, including a triplex for \$219,900. Each of the units has 2 bedrooms, 1 bath, and a garage — plus parking space (which is a huge bonus). Current rents are low for the area, contributing to the low asking price. Initial research indicates you should be able to get about \$650 per unit, with the possibility of renting out the garage spaces separately for an additional \$25-\$50 per unit per month. And at the just over \$107-per-square-foot asking price, this prime location is worth further investigation.
- Closer to UNM, we came across a largely multifamily area, surrounded by some of the most desirable single-family neighborhoods in town.

Top 50 Best Places to Live and Play

(*National Geographic Adventure* magazine, September 2007)

Top 25 Memorable Summer Vacations is Ballooning

in Albuquerque (*Woman's Day*, July 2007)

#1 for Open Space

by a study of the Trust for Public Land indicates Albuquerque devotes the most land area by percentage to parks and preserves of any large city in the country. (July, 2007)

USA Today Picks Albuquerque as One of the Top 6 Destinations to Travel for 2006

(*USA Today*, January 2006)

Albuquerque Named as the 13th Fittest City in Nation

(*Men's Fitness*, January 2006)

Top 5 Outstanding Locations that should be on everyone's must see list

by Orbitz "Insider Staff Picks," July 2006

Top 6 Travel Destinations to keep on your radar for 2006

by SmarterTravel.com and reported inUSAToday.com, January 2006

USA Today Picks Albuquerque as One of the Top 6 Destinations to Travel for 2006

(*USA Today*, January 2006)

#1 of the Best Places for Business and Careers Survey

by *Forbes Magazine*, May 2006

Albuquerque Named 5th Best Real Estate Market and 4th Lowest City for Purchase Costs

(*Expansion Management*, August 2005)

Again, I was intrigued by a number of listings. I saw a nice fourplex asking \$239,900, fully occupied with annual rents of \$23,412. Nearby, across from a golf course, was a vacant double-lot with multifamily zoning for just \$70,000. While a land purchase in this particular neighborhood is probably a bit more speculative than I might usually consider ... it was indeed appealing, especially for anyone with an interest in development.

The Local Economy "One to Watch" for Creative and Technological Force

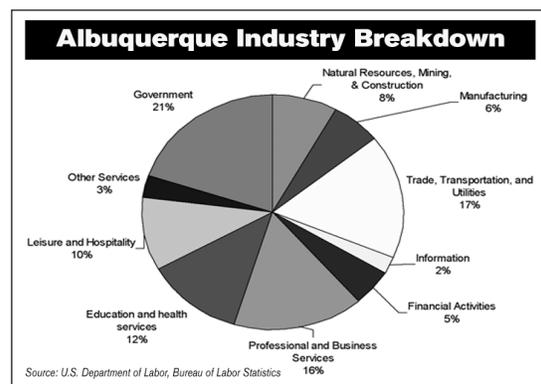
The city of Albuquerque continues to grow its infrastructure, enhance its business policies, and expand its outlook for current and future business prospects. With its relatively low cost to do business, ideal location from a logistics standpoint, and talented labor pool, it is a major commercial and transportation hub within the Southwest.

Albuquerque has managed to maintain a strong level of job growth: 1.78% in 2005 and 3.65% in 2006, both years well above national growth levels. And the future looks bright.

Diversified Economic Base

While the largest employer in Albuquerque is Kirtland Airforce Base, it is important to note that of the nearly 25,000 employees, 17,892 are civilians engaged in research. The Sandia National Laboratories employ an additional 7,700 people — 20% of whom hold Ph.D.s.

It is this type of public employment that has been a large contributing factor in Albuquerque's ability to put itself on the map as a high-tech hotbed.



Innovation

Venture capital and growth industries are on the rise here, with aerospace, biotechnology, and nanotechnology companies thriving. It is also the financial center of New Mexico.

Third best city in the nation for dogs
(*Men's Health Magazine*, June 2007)

No. 1 Most Affordable Vacation Spot
(AAA, June 2007)

No. 1 Healthiest Cities for Latinas
(*Latina* magazine, May 2007)

**No. 6 Best Place for Business
and Careers**
(*Forbes Magazine*, April 2007)

**No. 19 among mid-sized
cities for doing business**
(*Inc.* magazine)

**Among top 25 Best Places to
Get a Job**
(*Forbes.com*, March 2007)

**Albuquerque One of
America's 50 Hottest Cities**
(*Expansion Management*, January 2006)

**One of "America's
75 Best Golf Resorts"**
is the Hyatt Regency Tamaya Resort's Twin
Warriors' Golf Club by *GOLF Magazine*,
March 2006

Third-best place to bike in the U.S.
by *Bicycling Magazine*, January 2006

**#3 on Kiplinger's Personal
Finance's 50 Smart Cities:
Great, Affordable Places to Live**
Kiplinger's Personal Finance Magazine,
May 2006

**Top five pet-friendly
travel destinations**
according to "Traveling with your Pet:
The AAA PetBook", September 2006

**Top 25 bargain destinations
for hotels and meal rates,**
Expo Magazine, July/August 2006

**New Mexico Ranks 3rd on
Top 10 Small-Tech Hot Spots List
for the Third Consecutive Year**
(*Small Times Magazine*, March 2005)

**Albuquerque One of Top MSAs
in the Nation That Saw Its Count
of Businesses Grow**
(*infoUSA*, March 2005)

**New Mexico 6th in Nation for
Generation of Wind Power**
(American Wind Energy Association,
March 2005)

**Albuquerque International Sunport
Voted One of the Top Five U.S.
Airports for Wireless Access**
(Microsoft Small Business Center,
February 2005)

**Albuquerque Ranks 20th on
List of Top Metro Areas for Job
Growth and High-Tech Output**
(*Business Development Magazine*,
February 2005)

**New Mexico Ranked 5th in
Nation for Economic Development
from Nanotechnology**
(Lux Research, January 2005)

Albuquerque Ranks 7th on America's 50 Hottest Cities List
(*Expansion Management*, January 2005)

Ranked as the "Most Creative Mid-Size City" by Professor Richard Florida, author of *The Rise of the Creative Class*

Albuquerque ranked No. 30 in Intel's 3rd annual Most Unwired Cities survey, based on Intel's

growing wi-fi networks in coffee shops, schools, public parks, airports, and other locations

26 New Mexico businesses made *Hispanic Business Magazine's* 2005 directory of the 500 largest Hispanic-owned companies in the nation. That number is expected to increase.
(Albuquerque Hispano Chamber of Commerce, www.ahcnm.org)

Magical Santa Fe — the Turquoise Trail to Profits With This "Sister City" Opportunity

Follow NM14, known as "The Turquoise Trail," and it will take you all the way to Santa Fe. The trail begins just east of Albuquerque, and runs 46 miles along the east side of the Sandia Mountains. For a quicker trip, jump on I25 for an easy 50-mile jog into another world.

A different kind of city — and different kind of opportunity — is brought by the more natural, rugged, yet exclusive feel of Santa Fe. It is here that the splendor of diverse cultures really shines. The beauty of this town is unsurpassed, with old adobes set against the gorgeous blue mountains. An artists' haven, the local government attempts to control growth and tourism so as not to spoil the local treasures.

You need to have deeper pockets in this market, but it is a healthy player in the luxury field. Check out some of the fixer-uppers off of Agua Fria, or new construction that is growing the city's boundaries. Bottom line: There is a tight supply of homes in the mid-range prices, quickly driving up their values. The most movement recently has been in the southwest part of town — where the median price, according to the Santa Fe Association of Realtors, is \$286,000.

When you look at this median home price, please note that we found several different estimates from varying sources ... and while this one is probably fairly accurate, there are opportunities in several price ranges. For example,

there were 149 homes sold in the fourth quarter alone 2006 at an average price of 275,000 last year.

	Sante Fe, NM	USA	Bubble Index
Median Home Price*	\$442,000	\$221,900	\$525,871
Median Annual Rent**	\$13,692	\$10,303	\$18,414
Median Income***	\$58,200	\$53,942	\$72,388
Price to Income Ratio	7.59	4.11	7.26
Price to Rent Ratio	32.28	21.54	28.56
Change in Pop:90-'00	23.48%	13.10%	
Change in Pop:00-'06	9.68%	6.04%	
Job Growth 2005-2006^	0.96%	1.85%	
Job Growth 2004-2005	2.26%	1.73%	

**Source for Median Home Price: Santa Fe Board of Realtors, 2006.*

***Source for Median Annual Rent: HUD Fair Market Rents for 2006. For USA and "Bubble Index," median rents of all available and/or defined cities were averaged.*

****Source for Median Income: HUD Median Income for 2006. For USA and "Bubble Index," numbers were averaged.*

^Source for Job Growth: U.S. Department of Labor, Bureau of Labor Statistics, employment numbers through 2006. and annual numbers averaged.

^^Source for Population: U.S. Bureau of the Census.

Regional Rolodex

So ... are you ready to hop the next plane to Albuquerque? Then let's not waste any time. Following are some of our personal contacts, or those personally recommended to us by trusted professionals in the region. As always, we make no guarantees, and always suggest that you do your own due diligence when selecting the right service professional for you.

Real Estate Agents

Craig Langille
Coldwell Banker
Phone 505.321.1403
E-mail albhomes@aol.com

Property Management

Ammre Property Management
Phone 505.765.5800
www.ammre.com

County Tax Assessor

<http://www.bernco.gov/property/>

Jacksonville, Florida's River City by the Sea ...

	Jacksonville, FL	USA	Bubble Index
Median Home Price*	\$192,525	\$221,900	\$525,871
Median Annual Rent**	\$11,736	\$10,303	\$18,414
Median Income***	\$60,300	\$53,942	\$72,388
Price to Income Ratio	3.19	4.11	7.26
Price to Rent Ratio	16.4	21.54	28.56
Change in Pop:'90-'00	21.00%	13.10%	
Change in Pop:'00-'06	13.47%	6.04%	
Climate – Winter	52-70		
Climate – Summer	67-82		
Job Growth 2004-2005	3.19%	1.85%	
Job Growth 2004-2005	2.71%	1.73%	

*Source for Median Home Price: National Association of Realtors, Q4 2006.

**Source for Median Annual Rent: HUD Fair Market Rents for 2006. For USA and "Bubble Index," median rents of all available and/or defined cities were averaged.

***Source for Median Income: HUD Median Income for 2006. For USA and "Bubble Index," numbers were averaged.

^Source for Job Growth: U.S. Department of Labor, Bureau of Labor Statistics, employment numbers through 2006. Numbers for December 2005 were projected and annual numbers averaged.

^^Source for Population: U.S. Bureau of the Census.

Jacksonville could quite possibly be the last affordable coastal city in Florida.

But that will not last for long. Already, home prices are seeing **huge gains in value**, over 18% in 2005. And the median home price is still hovering at a reasonable \$192,525 in Q4 2006, which is 13.2% below the national average. And that discount is even more significant, given that Jacksonville is a major water city. Rents are increasing, but there is definitely **room for growth**, with rates lagging well behind other major Florida coastal cities.

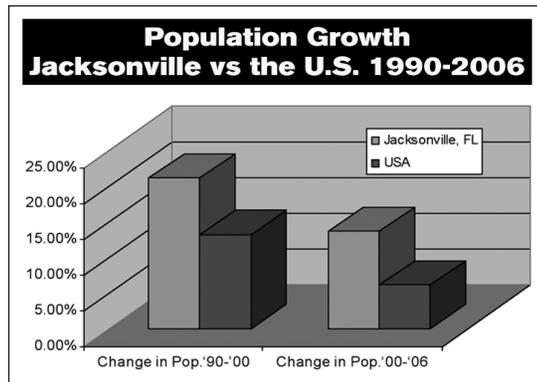
And while proximity to the endless miles of beach and sparkling blue ocean would be enough to make an argument for investing in Jacksonville, it's a city that is **creating jobs** and growing industry at an impressive rate. In 2004, Jacksonville's job growth more than *doubled* the national average at 2.92%. In 2005, they kept up the impressive clip ... coming in at 2.71% growth. And 2006 saw an increase of 3.19%.

The **population growth** has also outpaced national averages, which is not surprising considering the draws for both businesses and baby boomer retirees. The endless golf courses, forests, and water attractions ... an enviable transportation infrastructure, low cost of business, and talented workforce ... all make Jacksonville a place to watch.

Jacksonville Neighborhoods

The city is located at the intersection of two major highways, I95 running north-south, and I10 running east-west all the way to California. Jacksonville, “Florida’s River City by the Sea,” is bordered on the east by miles of beautiful Atlantic Ocean coastline, and is home to major seaport facilities. Running through the center of town is the majestic St. Johns River and the Intracoastal Waterway, making for miles of breathtaking scenic, waterfront communities. Home to many distinct neighborhoods, you will find several points of historical interest.

All of this has contributed to the astounding population growth in Jacksonville over the past 15 years. Check out its growth, as compared to the nation as a whole, below. Jacksonville saw a 21% increase in population between 1990 and 2000, while the U.S. saw only 13.1%. Between 2000 and 2005, Jacksonville grew a massive 10.85%, leaving the national gain of only 3.36% for the same period in the dust.



Downtown Jacksonville

Situated along the stunning St. Johns riverfront, a burgeoning arts community infuses the revitalizing downtown with sophisticated style. Modern glass towers share city blocks with carefully preserved gothic structures. A lively late-night entertainment scene and recent expansion of the Riverwalk are part of an increasingly pedestrian-friendly environment.

The city is actively promoting downtown growth, with the past few years seeing over half a billion dollars in investment, according to local figures. Another \$2.2 billion in construction is proposed, including over 2,800 residential units. Currently, there are over 7 million square feet of commercial space, which play host to some of the city’s largest employers, including the Fortune 500 companies Winn-Dixie, CSX Corp., and Fidelity National Financial Inc.

Springfield

Springfield is a historic district about a mile north of downtown. After experiencing a swift decline, a resurgence was sparked here with the city-sponsored “Springfield Initiative” in 1998, and continues to be fueled by both public and private development projects. It has become an emerging arts district, attracting a new generation of residents. As a result, appraised property values

have increased from \$32 per square foot in 1998 to over \$135 per square foot on new-construction homes. Still a lot of room for growth, with home prices as low as \$55,000 for small rundown houses and as high as the mid \$300's for renovated turn-of-the-century buildings.

Westside — Jacksonville

A large community west of 295, much of the area is wooded and used for hunting and outdoor activities. Homes come in all styles and prices.

Riverside-Avondale

Southwest of downtown, along the west bank of the St. Johns, is the **Riverside-Avondale** Historic District. In addition to well-kept parks, beautiful live oak trees, and easy access to the river, the area boasts a wide variety of architectural styles, including Queen Anne, charming bungalows, shingle, Tudor, Revival, and even Art Deco. Home to the popular Five Points district, it boasts an eclectic mix of dining, shopping, and bars. Just to the south is the river peninsula area of **Ortega**.

Bordering this area to the west is **Murray Hill**, an active and emerging area known for affordable bungalows from the 1920's and 1930's set along tree-lined streets. Running through the area is Edgewood Avenue, with eateries and shopping. Near downtown is a Navy base and Orange Park.

Eastside — Jacksonville

To the east of downtown, on the other side of the St. Johns river, is **Arlington**, a community with abundant waterfront property surrounded by the St. Johns to the west and north and the Intracoastal on the east. Ft. Caroline National Park, Jacksonville University, Jones College, and a small airfield are all located here. There are many multifamily units, including apartment complexes, and the single-family homes come in all styles and price ranges. The area has easy access to downtown.

To the south of Arlington is **San Marco** — an area popular for young professionals with predominantly Spanish architecture. Close to the river and downtown, San Marco Square offers boutique shopping and entertainment. Private country clubs and schools run along San Marco Boulevard.

The **Southside** is another area, home to large apartment complexes, many quite new. There are also single-family homes and condos in the area. Commuting, shopping, and beach access are all convenient.

North JAX is an area of new home development and vast waterways. The recent influx of development became possible with the opening of Dames Point Bridge in 1989 and the expansion of the airport.

The Beaches

East of the Intracoastal begins Jacksonville’s prized possession — miles and miles of sand and sea. Prices here are at a premium, due to the prime location nestled between the ocean and the Intracoastal.

Atlantic Beach and Neptune Beach are both primarily residential areas with single-family homes and public beach access. There is a commercial section — with dining, shopping, and entertainment — along the main road A1A.

Jacksonville Beach is further to the south. A mix of residential, commercial, retail, and industrial. Properties start in the \$200’s.

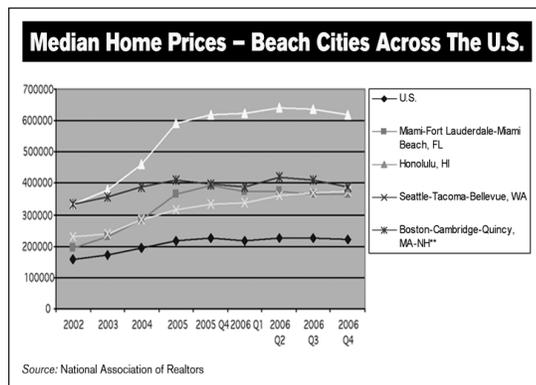
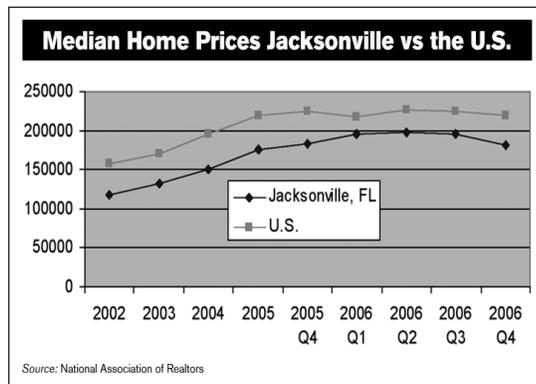
The Local Real Estate Market

Let’s take a moment to consider the prices of several coastal cities across America.

All of these cities are well above the national average median home price. In contrast, take a look at Jacksonville.

Jacksonville is still sitting well below the national average. Jacksonville has suffered from a negative image for years. But efforts of city officials, private developers, and residents have more than turned it around.

Revitalization and careful restoration of invaluable historic homes has created several urban neighborhoods that are desirable alternatives to the expensive beachfront areas. And with the abundance of water and parks throughout the city, there is no lack of natural appeal. The vibrant business community also creates a need for “in town” living that is improving daily.



Commercial Real Estate Market

Jacksonville's commercial real estate market is strong and improving. For a detailed review of specific neighborhoods, check out commercial real estate broker CB Richard Ellis' site www.cbre.com. Choose "Research." Then select "Local Reports Worldwide." From there, select "Jacksonville," and several reports will be produced. Here is a brief summary of what you'll find:

- **Retail** space occupancy rate remains strong at around 95% due to strong residential growth. Retail lease rates are steadily on the rise, with current average price per square foot at \$18.9. Approximately 1.3 million square feet of retail center space is currently under construction.
- The **Office** market is seeing signs of improvement, with vacancy rates at the lowest they've been since 1999, at 12%. Lease rates also show growth — climbing to nearly \$18, at \$17.70.
- **Industrial** space picked up the pace in Q4 2006 at a rate of 6.2%, due to Jacksonville's strong industrial market. Jacksonville is poised for one of the largest industrial booms in decades — with development of a \$200 million container terminal by Mitsui O.S.K. at Jax Port. There is moderate construction activity, with 680,000 square feet in the works.

Let's Get Real — a Property Shopping Spree in Jacksonville

So the numbers look great, and the neighborhoods sound intriguing ... but what's Jacksonville really like? When we took a trip to find out, the answer came as a pleasant surprise: It really is *that good*.

While researching our Hottest Picks, we came across a couple of particularly interesting properties here.

"Infill in Demand" said an article in the *Jacksonville Business Journal* in early 2006. The article described the recent interest of some big-name residential developers in purchasing properties for redevelopment in the San Marco area — a neighborhood close to downtown's redevelopment.

The article sighted a growing trend among developers in the Jacksonville area — redeveloping commercial properties, particularly waterfront spots, into upscale condominium buildings. Current projects of this nature include the planned redevelopment of River Road Apartments and the Lighthouse Grille restaurant, situated along the Intracoastal Waterway.

About four blocks from the trendy Five Points area and four blocks from the river, a 6-unit property on a quiet tree-lined street across from a church was for sale, asking just \$400,000. Four of the six units were in a brick house, each unit with hardwood floors. The rear two units were in a converted garage — done well. All six had approximately \$33,000 in annual rents, and a few were rented under market. Once leases come due, you could probably up those rents a bit to bring annual income to about \$36,000. This would mean buying at essentially 11 times rent. If the buyer has a little flexibility on price, you may come in near 10 times rent. For a very good area (B+/A-), that's an excellent price.

In another prime historic area (A/A+), we found a totally renovated duplex with gross annual rents of \$16,800. With an asking price of \$239,000, that puts it at about 14 times rent. For a renovated property, fully leased and in an excellent area, that's a ratio that's very hard to find.

The Local Economy Ideally Positioned for Growth

Jacksonville has an enviable setup — with a major deepwater seaport and several important interstate highways running through town. Low cost of doing business, no state income tax, and a talented workforce combine with the unbeatable quality of life Jacksonville offers to attract a constant stream of new and expanding businesses. This is also why Jacksonville is always on the “short list” of rankings by respected publication for the best places to do business.

Jacksonville Named Top Up & Coming Area for 2006

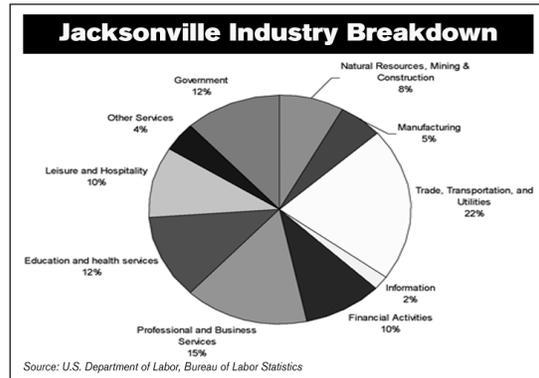
Jacksonville was selected as one of the Top Up & Coming Areas for 2006 by New York real estate mogul Barbara Corcoran. Corcoran's picks aired during a special segment of ABC's *Good Morning America* on Wednesday, January 11.

“From the beach to the river, from golf to football, and from libraries and museums to theaters and concert halls, Jacksonville has something to offer everyone,” said Jacksonville Mayor John Peyton. “We are thrilled with this recognition and delighted that others are noticing what a treasure we have here in Northeast Florida.”

The top areas were chosen based on nine months of intensive research, said Corcoran. Locations were researched and compared based on desirability, new developments, average home prices, and percentage of increase over the past two years. Corcoran then looked at what made these areas so special, focusing on their potential for growth and overall popularity.

You can see the results in the city's strong job growth: Jacksonville saw 2.92% job growth in 2003 and 2.71% in 2004. Those two years, the nation grew at only 1.14% and 1.64%, respectively, according to the U.S. Department of Labor. 2006 saw a population growth of 2.01%...1.11% above the national average.

So what are the strongest sectors? The Florida Agency for Workforce Innovation projects the strongest growth to be in Finance, Insurance, and Real Estate at 3.45% per year through 2012. Close behind will be Construction at 3.03% annually and Wholesale/Retail Trade at 2.82%.



Jacksonville was named one of the **Top 5 “Up and Coming”** Areas of 2006 by *Good Morning America*.

Inc. magazine ranked Jacksonville as the **12th Best Large City for Business** in its April 2007 issue

In October 2006, *Logistics Today* named Jacksonville one of the **Top 50 Logistics Cities in the U.S.**

In April 2006, Jacksonville was recognized as **one of the Top 3 U.S. organizations for “Leadership and Innovation”** in economic development by CoreNet, the world's premier association for corporate real estate and related professionals.

Southern Business & Development magazine recognized Jacksonville as **the leading market for business growth in the South** during 2006.

In the May 2006 issue of *Business 2.0*, Jacksonville was ranked in **the Top 10 “Hottest Cities” that will lead job growth through 2015.**

Jacksonville has ranked **8th in the Top 40 Hottest Real Estate Markets for Business** three years in a row by *Expansion Management* magazine.

Jacksonville was ranked in the Top 10 of *Mobility Magazine’s Best Cities for Relocating Families* for large markets or metro areas with populations over 500,000 in July 2004.

Jacksonville was selected as one of America's **“Best Places to Live and Work,”** by *Expansion Management* and rated as a **“Four-Star Community”** in 2003.

Local leaders have been working hard with resident industries and outside prospects to promote business growth. “The workforce here is topnotch,” said a local Chamber of Commerce member. “Because our quality of life is so good, people are moving here from all over the country, building our workforce. Plus, our proximity to universities and the fact that thousands of Navy retirees choose to live in Jacksonville every year means that companies can find the skills they need.” (*Expansion Management* magazine)

The top employer in Jacksonville? The **U.S. Navy**, with over 19,000 employees at the Naval Air Station, another 15,000 at Naval Station Mayport, and 3,700 at the Naval Air Depot. Other major employers are in the health insurance, grocery, railroad, financial, banking, and telecommunications industries.

Jacksonville is also home to a **full-service, international deepwater port** with four seaport facilities, including America’s newest cruise port, which only adds to an already strong tourism economy.

Jacksonville was **one of only three of the nation’s urban areas of one million people or more where at least 75% of the local road surfaces are in good condition**, according to an April 2004 report released by The Road Information Group (TRIP).

According to a 2003 study by *Money Magazine* and data provider OnBoard, the City of Jacksonville was ranked as the **14th of “America’s Safest Cities”** for all cities with over half a million in population.

Two of Jacksonville’s beaches – Jacksonville Beach and Katherine Abbey Hanna Park – were named to the Clean Beaches Council List of **Clean and Healthy Beaches**. (June 2004)

Jacksonville ranked **23rd in the national ranking of America’s Best Cities & States: The Annual Gold Guide to Leading Rankings 2004**. Jacksonville was the top-ranked city in Florida. For individual rankings, Jacksonville was 6th in public safety and 10th in infrastructure.

U.S. News & World Report ranked the St. Vincent’s Health System heart program **1st in Florida and 35th in the nation**. (July 2003)

In the February 2005 issue of *Men’s Fitness Magazine*, Jacksonville was ranked in the **Top 20 Fittest Cities in the U.S.**

The cardiovascular program at Shands Jacksonville was named one of the **top 100 benchmark hospitals** in the nation by Solucient, a national quality benchmark organization. (October 2002)

Jacksonville is consistently rated as one of the **“Hottest Cities in America”** for business expansions and relocations by site consultants in an annual poll for *Expansion Management* magazine. Ranked #8 in 2006, Jacksonville has been in the **Top Ten for eight straight years** and is the **only city to be ranked 1ST three times**.

In September 2005, *Expansion Management* magazine named Jacksonville one of the **Top 50 “America’s Five-Star Logistics Metros” for the fourth year in a row**.

In June 2005, Jacksonville made the **Top 50 of Intel’s 3rd annual “Most Unwired Cities”** survey of the U.S. cities and regions with the greatest wireless Internet accessibility.

Jacksonville ranked **26th on *Entrepreneur* magazine’s list of Best Cities for Entrepreneurs** in its January 2005 edition.

Jacksonville ranked **8th of the Top 25 Large Metropolitan Cities for Doing Business in America** in the March 2004 issue of *Inc. Magazine*.

Jacksonville is home to three **Fortune 500 companies**, and leads the way in terms of Florida cities with the most Fortune 500 headquarters.

Kiplinger’s Personal Finance magazine ranked Jacksonville **3rd best city in the nation for state and local personal tax burden** in June 2004.

Florida ranked **2nd among the 50 states** on a Tax Foundation study of **business-friendly tax climates** in October of 2004.

Jacksonville ranked **1st for Best Business Environment for Medical Equipment Manufacturing**, according to a survey of site consultants published in the February 2004 edition of *Area Development* magazine.

Business Development Outlook ranked Jacksonville **43rd** on its list of **“Global Cities 2004.”** Jacksonville was one of only 50 cities chosen for the list.

In the April 2003 *Business Facilities Location Guide*, Jacksonville ranked **12th on a list of the Top 15 Cities for Corporate Headquarters**.

For the second year in a row, *Expansion Management* magazine ranked Jacksonville **2nd in the “Top 15 Southeastern Cities for Logistics”** in June 2003.

In their annual study of “America’s Most Logistics-Friendly Cities,” *Expansion Management* and *Transportation & Distribution* magazines **ranked Jacksonville 2nd out of 328 cities** in September 2002.

Regional Rolodex

Pack your bathing suit and hit the road to profits while you enjoy beautiful Jacksonville! Following are some professionals we've personally found to be very knowledgeable and helpful, or who have been recommended to us by trusted sources. We're happy to pass along their contact information to you, but please remember ... we make no guarantees. Always perform your own due diligence and to choose the right person for your needs.

Real Estate Agents

Rebecca Kitkowski
Re/Max Atlantic
Mobile Phone 904.887.9626
Office Phone 904.220.4747
E-mail rebeccaremax@atlantic.net

JAXPORT surpassed the Port of New York and New Jersey as the **#1 vehicle-handling port in the U.S.** in 2002. (Association of Port Authorities)

Jacksonville was ranked **8th in the "Top 10 Southern Major Markets"** by *Southern Business & Development* magazine in its Summer 2002 issue.

According to the results of a survey generated by *GetThere*, a Sabre online meeting-planning tool, **Jacksonville ranked 1st for the second straight year as the most cost-effective location for corporate meetings.** (October 2002 and 2003)

Jacksonville was ranked **48th on *Forbes* magazine's "Best Places for Businesses and Careers"** list in May 2003.

In September 2005, America's Promise, an alliance formed by former Secretary of State Colin Powell, named Jacksonville **"One of the 100 Best communities in the U.S. for Young People."**

According to the May 16, 2005 *Newsweek* cover story **"America's Best High Schools,"** Stanton College Prep and Paxon High School were **ranked the 3rd and 7th best high schools in the nation.** Seven area schools made the list, and Duval County was the only school district to have two schools ranked in the Top Ten.

Expansion Management magazine gave St. Johns County School District a **"Blue Ribbon,"** rating it in the **Top 33% of all school districts nationwide** in its December 2004 Education Quotient Rankings.

Water, Water Everywhere! “Sister Cities” for Ocean Lovers

While the majority of U.S. coastal cities have already seen an outrageous leap in prices, there are a handful that still remain viable options for the average American. The question is: “For how much longer?” Logic dictates that if you want to get in while the gettin’s good, look no further than these Atlantic seaboard cities. You may also want to consider Gulf properties in areas such as Corpus Christi, Texas.

Wilmington, North Carolina. Historic Wilmington & NC’s Cape Fear Coast encompass the city of Wilmington and the island communities of Carolina Beach, Kure Beach, and Wrightsville Beach. The area’s beautiful, uncrowded beaches and nearby estuarine reserves provide a true haven for sunseekers, beachcombers, and nature lovers, and a sportsman’s paradise for anglers, mariners, and watersports enthusiasts. Also home to the University of North Carolina at Wilmington, with over 11,000 students.

Savannah, Georgia, with her grand old architecture set amid the old live oaks dripping with Spanish moss, is a coastal charmer. The Tybee Islands are right off the coast, with miles of beautiful beach.

	Wilmington, NC	Savannah, GA	USA	Bubble Index
Median Home Price*	\$274,700	N/A	\$221,900	\$525,871
Median Annual Rent**	\$12,768	\$11,196	\$10,303	\$18,414
Median Income***	\$71,700	\$54,800	\$53,942	\$72,388
Price to Income Ratio	3.83	N/A	4.11	7.26
Price to Rent Ratio	18.60	N/A	21.54	28.56
Change in Pop:’90-’00	27.10%	11.92%	13.10%	
Change in Pop:’00-’06	18.30%	8.99%	6.04%	
Job Growth 2005-2006^	5.09%	3.77%	1.85%	
Job Growth 2004-2005	3.22%	2.04%	1.73%	

*Source for Median Home Price: National Association of Realtors, Q4 2006.

**Source for Median Annual Rent: HUD Fair Market Rents for 2006, 3-Bedroom Existing Unit. For USA and “Bubble Index,” median rents of all available and/or defined cities were averaged.

***Source for Median Income: HUD Median Income for 2006. For USA and “Bubble Index,” numbers were averaged.

^Source for Job Growth: U.S. Department of Labor, Bureau of Labor Statistics, employment numbers through 2006.

^^Source for Population: U.S. Bureau of the Census.

Property Management

San Marco Properties

Beth Griffin

Phone 904.396.1324

Lenders

First American Home Mortgage

Jay Pearson or Will Thompson

Phone 888.882.5270

County Tax Assessor

www.coj.net

Or for a direct link to the Property Assessor's search page, try the following:

<http://apps2.coj.net/pao/>

Raleigh: Trees, Trees, and Ph.Ds ...

	Raleigh	USA	Bubble Index
Median Home Price*	\$211,775	\$221,900	\$525,871
Median Annual Rent**	\$12,816	\$10,303	\$18,414
Median Income***	\$71,600	\$53,942	\$72,388
Price to Income Ratio	3.16	4.11	7.26
Price to Rent Ratio	17.66	21.54	28.56
Change in Pop:'90-'00	21.00%	13.10%	
Change in Pop:'00-'06	23.66%	6.04%	
Climate – Winter	39-60		
Climate – Summer	59-78		
Job Growth 2005-2006^	4.57%	1.85%	
Job Growth 2004-2005	2.56%	1.73%	

*Source for Median Home Price: National Association of Realtors, Q4 2006.

**Source for Median Annual Rent: HUD Fair Market Rents for 2006. For USA and "Bubble Index," median rents of all available and/or defined cities were averaged.

***Source for Median Income: HUD Median Income for 2006. For USA and "Bubble Index," numbers were averaged.

^Source for Job Growth: U.S. Department of Labor, Bureau of Labor Statistics, employment numbers through 2006.

^^Source for Population: U.S. Bureau of the Census.

Raleigh, North Carolina is a gorgeous southern city, rich in education, talent, and history.

Home prices in Raleigh are at about 4.6% below the national average as of the fourth quarter of 2006. But prices have been steadily but cautiously rising over the past four years, with **14.4% appreciation** in the last year alone. **Rents are also on the rise**, with rates currently well above the U.S. average.

Raleigh is internationally recognized for **Research Triangle Park**, established over 40 years ago in a successful effort to keep highly educated professionals from the city's world renowned research universities in the area, as well as to attract and stimulate new business. As a result, the city is a hotbed for innovation and cutting-edge business. **Job growth is incredibly strong**, 2.71% in 2005 and 4.57% in 2006 ... well over same-period growth for the U.S. as a whole.

The strong economy, as well as the natural beauty and cultural attractions of the area, has lead to continued **swelling of the population**. Raleigh grew an **astounding 47%** between 1990 and 2000, compared to just 13.1% overall U.S. growth. From 2000 to 2006, growth carried on at an impressive 23.66%, more than three times the national rate for the same period.

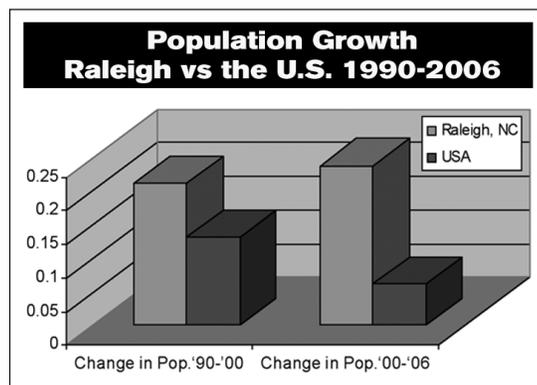
The wonderful thing about Raleigh is that it truly represents the best of everything. Not only is it a highly intelligent community, one of the most well-educated in the nation, it is filled with all of the elements conducive to sustained growth.

- ... Unparalleled beauty, with 430 acres of gorgeous park land, dotted with sparkling lakes and acclaimed gardens. Raleigh is a gateway to the popular Blue Ridge Mountain hiking and skiing areas, as well as a short drive to the beautiful Atlantic coastline.
- ... A bustling downtown redevelopment, supported by the city's Livable Streets Partnership, which promotes residential, retail, and commercial projects.
- ... Raleigh is Old South and New South, down-home and upscale, all in one. Home to historical sights, museums, the symphony, and world-class dining.
- ... On the average, residents are smart and enjoy a broad range of activities. But they're also quirky and folksy. They're just as likely to turn out for the National Hollerin' Contest as they are for the American Dance Festival.

Raleigh Neighborhoods

Known as "The City of Oaks" and "The Park With a City in It," Raleigh boasts being one of only three state capital cities planned out on paper before the cornerstone was ever laid. As a result, it is very grid-like and aesthetically pleasing. Four large parks were designed into it. For the most part, industrial and commercial development has been kept away from neighborhoods and cultural centers.

Raleigh is the largest of the cities that compose North Carolina's Research Triangle (Raleigh, Durham, and Chapel Hill). Its most fundamental geographic distinction is "outside the Beltline" versus "inside the Beltline." The Beltline is the I440 loop that circles the city's center. Outside the Beltline you'll find newer parts of town; inside is the historical district.



Downtown

Downtown is home to several historic districts and government buildings. Prominent areas include Blount Street, Capital Square, Moore Square, and Depot.

Residential options are more exciting than ever due to increased dining and entertainment options. Apartments, condominiums, and single-family homes are within walking distance of everything from City Market to the state government complex. Many trendy condominiums, including the Cotton Mill (a former warehouse off Capital Boulevard) and the Glenwood South area, range from \$130,000 to more than \$500,000.

More traditional homes are available in the surrounding neighborhoods. Mordecai is a historic area with homes for \$130,000 to \$500,000. In Boylan Heights, they start at \$140,000. And in Historic Oakwood, they range from \$130,000 to \$700,000.

East Raleigh

East Raleigh stretches from Capital Boulevard near the Interstate 440 Beltline to Rock Quarry Road. Homes in established neighborhoods, such as the golf course community of Hedingham off U.S. 64, are priced from about \$100,000 to \$250,000. The New Bern Avenue area offers convenient access to the Raleigh Country Club. New development is mainly around Buffalo and New Hope Roads and off Poole Road. Home prices in Cobblestone range from \$94,000 to \$130,000, while houses in New Hope Crossing cost \$110,000 to \$160,000. The widening of the U.S. 401 corridor has spurred new development as well.

Inside the Beltline — Five Points

Old Raleigh, renowned for its classic Southern homes along tree-lined streets, is a premier address. Smaller homes and bungalows built in the 1930's generally start around \$200,000. The older homes of Country Club Hills surround the exclusive Carolina Country Club and its golf course, and range from \$450,000 to more than \$2 million. The new Gardens on Glenwood condos are priced from \$375,000 to \$800,000.

Houses in the popular Five Points area range from \$130,000 to more than \$2,000,000. Five Points is a conglomeration of neighborhoods, defined by its center point, the intersection of Fairview, Glenwood, and Whitaker Mill Roads. Here you will find popular dining, shopping, and entertainment. The surrounding neighborhoods include the grand old Hays Barton area, Roanoke Park, and Vanguard Park.

North Raleigh

As one of Raleigh's fastest-growing areas, North Raleigh features a mix of well-established subdivisions and new developments. North Ridge, an older neighborhood close to the Beltline, offers houses from \$200,000 to more than \$1 million. North Hills, an established subdivision, has homes on generous lots beginning at about \$225,000. New homes cost \$200,000 to \$400,000 in Falls River, off Durant Road, with some condos available in the \$100,000 range. Homes in the

adjoining Bedford community range up to \$600,000. Other upscale neighborhoods in North Raleigh include Olde Creedmoor, Crossmoor, Chatsworth, and Traemoor, with homes from \$500,000 to \$800,000. Homes in Devon range from \$900,000 to \$2 million.

Wakefield Plantation, a premier country club community off Falls of Neuse Road, is one of the hottest developments in Wake County's history. More than 3,500 homes and apartment units are planned for the 2,200-acre tract, which includes one of two Tournament Players Club golf courses in North Carolina; swimming, tennis, and dining facilities; a YMCA; greenways; and an elementary, middle, and high school complex. Townhomes start at \$130,000, while houses range from \$185,000 to nearly \$4 million.

University Park/West Raleigh

University Park (also known as West Raleigh) is a union of neighborhoods just north of North Carolina State University. The area has a diverse collection of older and newer homes, with a network of greenways and parks running through it. Hillsborough Street boasts student-filled shops and restaurants, as well as older homes that stretch to Cameron Village. Home sales in the area ranged from \$130,000 to \$530,000 in 2005.

Durham

Nearby city and anchor of the Research Triangle, Durham is a commercial center, known for the medical and pharmaceutical research conducted there.

Chapel Hill

The third point of the Triangle, Chapel Hill is defined by its historic school, the University of North Carolina at Chapel Hill. This is a college town if there ever was one. It's also a happening place for innovative music.

“29-Story Mixed-Use Tower Will Soar Above Downtown Raleigh”

Announced in December of 2005, RBC Centura Bank will be developing a 29-story, 710,000-square-foot building, where they will be relocating their corporate headquarters. Also included in the office plans are 14,000 square feet of street-level retail space and approximately 140 residential condominiums.

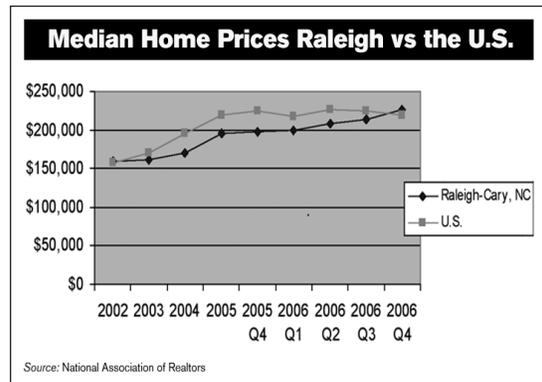
“We're excited about this partnership to develop our headquarters complex and the opportunity to contribute to the revitalization of downtown and take Raleigh's skyline to new heights,” said Scott Custer, CEO of RBC Centura.

Source: www.rbccentura.com

Smaller neighboring towns have their own special appeal as well. The heavy concentration of artists and writers in **Carrboro** has prompted some to call this former mill town “The Paris of North Carolina.” **Hillsborough**, home of the new Triangle Sportsplex, is known for its grand old houses. It boasts amazing architecture.

Local Raleigh Real Estate Market

Raleigh, like all of our Top 5 Cities, has managed to escape the bubble-esque inflation much of the nation has suffered. Since 2002, it has followed a similar growth pattern, just at a more reasonable rate. Given the fact that incomes are well above the national average, there is room for growth.



Commercial Real Estate Market

Office vacancy rates have been steadily falling in Raleigh since 2003. At 15.6% in the third quarter of 2006, that is well below the same time in 2005, when it was at 16.1%. When the area was affected by the tech-recession, local economic development officials went on the prowl, looking to attract more corporate headquarters to the area. In the third quarter of 2005 alone, four companies moved their headquarters to the Triangle or announced plans to do so.

The Glenwood Avenue/Creedmore Road area posted particularly strong gains in the office market, with vacancy dropping nearly four percentage points to 8.6% in Q3 2005. It's currently sitting at 10.2% in Q3 2006.

Developers are showing signs of increasing confidence in the sector, with plans starting to emerge.

While the **industrial market** has suffered high vacancy rates in recent years, experts at Grubb and Ellis commercial real estate have a long-term positive outlook, sighting the recent turnaround in the warehouse sector and positive economic news for the region.

For a more detailed look at the area's commercial market, go to www.grubb-ellis.com.

Positive Outlook for Raleigh's Commercial Real Estate

In 2005, investors spent a record \$1.5 billion on Triangle commercial real estate, according to CB Richard Ellis in Raleigh. That was 60% more than the previous record of \$936 million, set in 2004. At least \$384 million in Triangle commercial real estate has sold this year. And there's at least \$75 million in the pipeline.

These high-dollar deals signal faith that the Triangle economy will create jobs to boost demand for commercial property.

"You've got well-educated buyers putting a lot of money forth, banking that this market is about to see some really positive things happen," said Stephen Porterfield, a partner at Capital Associates.

It's an important turning point in the commercial real estate market, which struggled in the early 2000's after scores of tech companies downsized or shut down.

As competition for property in major U.S. markets heats up, spillover to secondary markets such as the Triangle has increased. For example, the average cap rate for offices in Washington, D.C. dropped to 6% from 8% in the past two years, according to Real Capital. Houston's rate dropped to 6.7%, Los Angeles' fell to 6.9%, and Manhattan's to 5.8%.

"[Investors] think they can garner better returns in the smaller markets," said Ben Kilgore, a CB Richard Ellis senior vice president.

That's why investors are turning to the Triangle, where the average office cap rate is 7.1%, according to Real Capital.

Also attractive is the regional office market, which tightened more in 2005 than in any other year in the past decade. It is expected to improve further this year. The industrial market is tightening slowly. And developers aren't exactly racing to build.

The Triangle "seems to be in a position to see a three-year run of rent growth, especially where they've been beaten down," said Porterfield, whose company took a share in the ownership of the Keystone buildings.

What's encouraging to analysts and brokers is that sellers aren't running from real estate. Rather, they're using investment conditions to unload property they weren't able to sell a few years ago. And they're putting proceeds back into real estate.

"Demand still outstrips the amount of product for sale," Rex Thomas, president of Grubb & Ellis/Thomas Linderman Graham, said last week at a market forecast event. "And Raleigh-Durham is on everybody's radar screen."

Source: www.newdobserver.com, Feb 1, 2006

Real-World Deals — What We Want to Buy in Raleigh

Where and what to buy right now? That is the question. While certain neighborhoods are priced quite dearly, there are still plenty of opportunities to get in on the exciting future of the city's growth, and make stellar profits while you do.

While visiting Raleigh, we found some interesting prospects, including one 5-unit building with professional management onsite. Situated on a half-acre lot just 10 minutes from downtown (outside the Beltline), each unit has 3 bedrooms, 2.5 baths. Gross rents are approximately \$36,000 annually, and the seller was asking just \$335,000 (which is well below the tax valuation of \$370,000).

#7 Business Boomtown
(Raleigh-Cary, NC)
Inc., May 2007

Top 10 Metro Areas for Job Growth
Business 2.0, May 2007

**#4 Hottest Job Market
for Young Adults** (Raleigh, NC)
Bizjournals, April 2007

**#1 Best Place for Business
and Careers** (Raleigh, NC)
Forbes, April 2007

**#8 Fastest Growing Metro
in the Nation** (Raleigh, NC)
US Census Bureau, April 2007

#3 Most Educated City
(U.S. Census Bureau – CNN survey for
Top 25 brainest cities in the United States,
August 2006)

**#1 Best City for Women
Entrepreneurs** (Raleigh-Cary, NC)
(AllBusiness.com, November 2006)

#8 Safest City (Cary, NC)
(*Morgan Quitno Press*, October 2006)

#9 Health Ranking
(Raleigh-Durham, NC)
Business Development Outlook,
September/October 2006

#13 Overall Quality of Life
(Raleigh-Durham, NC)
Business Development Outlook,
September/October 2006

#15 Climate Ranking
(Raleigh-Durham, NC)
Business Development Outlook,
September/October 2006

#1 Area Overall (Raleigh-Durham, NC)
Tampa Bay Partnership Regional Economic
Scorecard, September 2006

#6 Area for Relocating Singles
(Raleigh-Durham-Chapel Hill, NC)
Primacy Relocation, October 2006

#1 Area for Tech Business
(Raleigh-Durham, NC)
Silicon Valley Leadership Group,
September 2006

#3 Best City for Entrepreneurs
(Raleigh-Durham-Chapel Hill, NC)
Entrepreneur.com, August 2006

#10 Fastest Growing MSA
(Raleigh-Cary, NC)
US Census Bureau, July 2000 – July 2005
(Released August 2006)

#3 Top Metro Overall
(Raleigh-Cary, NC)
Expansion Management Mayor's Challenge,
August 2006

#12 Best Sports City
(Raleigh-Durham-Chapel Hill, NC)
The Sporting News, August 2006

**#4 Greatest Home Price
Appreciation Market**
(Raleigh-Durham, NC)
Veros, July 2006

#6 Best City for Singles
(Raleigh-Durham, NC) Forbes.com,
July 2006 **Top "Seven Cool Cities"
for Young Professionals**
(*Kiplinger's Personal Finance*,
October 2005)

Top Ten Best Budget Weekend City
(Raleigh-Durham, NC)
(*MSN City Guides*, August 2005)

**Top 50 5-Star City for
Quality of Life** (Raleigh-Cary, NC)
(*Expansion Management's Quality of Life
Quotient*, March 2005)

#12 Top Real Estate Market
(Raleigh-Durham, NC)
(*Expansion Management*, August 2005)

**Top 20 Best Places to Live,
Work, and Play**
(Raleigh-Durham-Chapel Hill, NC)
(Homebuilder.com, November 2005)

#4 Best City for Singles
(Raleigh-Durham, NC)
(*Forbes*, July 2005)

#4 City That Rocks
(*Esquire*, April 2004)

Hottest Town in the East
(Cary, NC)
(*Money* magazine, January 2004)

#6 Most Fun City
(Cranium, January 2004)

#13 Hottest Cities
(Raleigh-Durham, NC)
Expansion Management, January 2004

#1 Best Place to Live
(*MSN House & Home*, July 2003)

#1 Best Place to Live & Work
(*Employment Review*, June 2003)

**#3 Best Place to
Reinvent Your Life**
(*AARP* magazine, May/June 2003)

#17 Healthiest City
(Raleigh-Durham-Chapel Hill, NC)
(*Sperling's Best Places*, June 2005)

#17 Best City for Runners
(Raleigh, NC)
(*Runner's World*, June 2005)

We also ran across an interesting new-construction proposition. A developer of luxury condos in the Research Triangle was offering to lease back from buyers for 8% of the purchase price — which ranged from \$289,000 to \$368,000.

These are just a couple of examples — and for now the potential is unlimited. But you'll want to make your move quickly to see maximum returns.

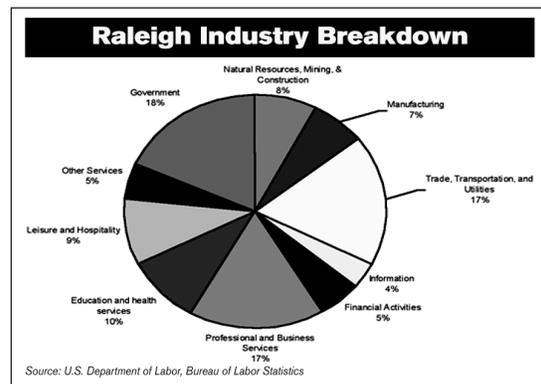
The Local Economy Intelligence-Based Growth

The city has roots in both farming and mining, but today Raleigh thrives on high-tech industries, government (it's the state capital), education, service industries, research, and medicine. In addition to North Carolina State, there are six other universities and colleges in town.

Consistently among the nation's strongest economies, industry giants in pharmaceuticals, computer software, telecommunications, and biotechnology dot the landscape.

The area's economic success is perhaps best exemplified by the constantly rising incomes of its populations. As of 2006, **the median household income was over 19% above the national median.**

Major employers in the Raleigh area include the many universities and school systems and the state government. Over 125 biotech companies call the area home. IBM employs 14,000 residents, and medical/health care also accounts for a large number. With the high-wage industries predominant in the area, retail is another strong sector.



Carolina Charm, Big City Sophistication ... Charlotte, NC

Oozing traditional southern hospitality is lovely Charlotte, North Carolina. A banking hub complete with futuristic high-rises and elevated walkways, Charlotte is a southern Big Apple, with lakes and parks to boot.

#1 Best US City for Jobs

(Raleigh-Cary, NC)

Forbes.com, February 2007

Top 50 Hottest Cities for Expanding and Relocating Companies (Raleigh-Cary, NC)

Expansion Management, February 2007

5-Star Business Metro for Business Expansion (Raleigh, NC)

Expansion Management, July/August 2006

#13 Fastest Growing Cities

(Raleigh, NC)

US Census Bureau, June 2006

#6 Brainiest Mid-sized Metro

(Raleigh, NC)

Bizjournal, June 2006

5-Star Quality of Life Metro

(Raleigh, NC)

Expansion Management "Quality of Life Quotient," May/June 2006

#2 Best Place for Business & Careers (Raleigh, NC)

Forbes, May 2006

#13 Boom Town (Raleigh, NC)

Inc. Magazine, May 2006

Top 10 Projected Home Appreciation Market (Raleigh, NC)

MSN.com, April 2006

Top 20 Business Schools (Duke University #11, UNC-CH #20)

US News and World Report, 2006

#2 Best Value Public Colleges

(North Carolina State University)

Princeton Review, March 2006

#1 Highest Growth County in NC (Wake County, NC)

US Census Bureau, March 2006

#1 City for Federally Funded Economic Development Incentives (Raleigh, NC)

Public Policy Forum, March 2006

#10 Best Walking City (Raleigh, NC)

Prevention, March 2006

#16 Hottest City for Business Relocation & Expansion

(Raleigh-Cary, NC)

Expansion Management, February 2006

#3 Most Educated City (Raleigh, NC)

American Community Survey, US Census Bureau, 2004 (Released January 2006)

#3 Best US City for Bargains (Raleigh-Durham, NC)

Hotwire Travel Value Index, January 2006

#7 Richest City (Raleigh, NC)

(*Forbes*, November 2005)

#5 Best Inner City for Small Businesses (Raleigh, NC)

(Small Business Administration, November 2005)

Top Ten Fast Cities/Hubs for Creative Class Talent

(Raleigh-Durham, NC)

(*Fast Company*, October 2005)

**#3 Best Large Metro Areas for
New Businesses and Entrepreneurs**
(Raleigh-Durham, NC)

(National Policy Research Council,
October 2005)

#3 Hottest City for Entrepreneurs
(Raleigh-Durham, NC)

(*Expansion Management*, August 2005)

#1 Area for Tech Business

(Raleigh-Durham, NC)

(Silicon Valley Leadership Group,
September 2005)

**Five-Star Business Opportunity
Metro (Raleigh-Cary, NC)**

(*Expansion Management*, July 2005)

**Top 20 Business
Opportunity Metro**

(Raleigh-Cary, NC)

(*Expansion Management*, July 2005)

**Top Five Most Innovation-
Entrepreneurial Regions**

(Raleigh, NC)

(U.S. Small Business Administration,
April 2005)

**#2 Best Place for
Business and Careers**

(Raleigh-Durham, NC)

(*Forbes*, May 2005)

#5 Overall Life Science Cluster

(Milken Institute, June 2005)

#8 Most Wired City

(Raleigh-Durham-Chapel Hill, NC)

(Intel Annual Survey, 2005)

#8 High-Tech City (Raleigh, NC)

(*Popular Science*, February 2005)

#2 Best Place for Business

(Raleigh-Durham, NC)

(*Forbes*, May 2004)

**#4 Best City for
Entrepreneurs and Small Business**

(*Gold Guide*, May 2004)

#1 Hottest Job Market

(Raleigh-Durham-Chapel Hill, NC)

(*Business 2.0*, March 2004)

**#1 City With the
Happiest Workers (Raleigh, NC)**

(*Hudson Employment Index*, March 2004)

**#3 High Value
Labor Market Quotient**

(*Expansion Management*, March 2004)

**#4 Top State for New
Business Sites and Facilities**

(*Plants, Sites & Parks*, January 2004)

**#6 Least Expensive Midsize Metro
Area for Businesses (Raleigh, NC)**

(*KPMG LLP*, February 2004)

**#9 Best City for
Corporate Headquarters**

(*Business Facilities*, April 2003)

With its strong population growth and positive job creation, it is a market on the move. There are all types of neighborhoods and opportunities in Charlotte, depending on your investment goals.

	Charlotte, NC	USA	Bubble Index
Median Home Price*	\$198,200	\$221,900	\$525,871
Median Annual Rent**	\$10,692	\$10,303	\$18,414
Median Income***	\$64,400	\$53,942	\$72,388
Price to Income Ratio	3.08	4.11	7.26
Price to Rent Ratio	18.54	21.54	28.56
Change in Pop:'90-'00	22.99%	13.10%	
Change in Pop:'00-'06	18.13%	6.04%	
Job Growth 2005-2006^	3.75%	1.85%	
Job Growth 2004-2005	3.24%	1.73%	

*Source for Median Home Price: National Association of Realtors, Q4 2006.

**Source for Median Annual Rent: HUD Fair Market Rents for 2006, 3-Bedroom Existing Unit. For USA and "Bubble Index," median rents of all available and/or defined cities were averaged.

***Source for Median Income: HUD Median Income for 2006. For USA and "Bubble Index," numbers were averaged.

^Source for Job Growth: U.S. Department of Labor, Bureau of Labor Statistics, employment numbers through 2006.

^^Source for Population: U.S. Bureau of the Census, based on Austin MSA.

<p>Five-Star Knowledge-Worker Metro</p> <p>#7 Best Educated Workforce</p> <p>#10 Top Metro for University R&D Spending</p> <p>#7 Top Metro-Scientists and Engineers Per Capita (Raleigh-Cary, NC) (<i>Expansion Management</i>, May 2005)</p> <p>#5 Knowledgeable Workforce (Raleigh-Cary, NC) (<i>Expansion Management</i>, July 2005)</p> <p>#2 Most Educated City (Raleigh, NC) (U.S. Census Bureau – 2003 American Community Survey [released April 2005])</p> <p>#2 Schools That Rock (Raleigh-Durham-Chapel Hill, NC) (<i>Rolling Stone</i>, July 2005)</p>	<p>#2 Best Public Education System (Raleigh-Cary, NC) (<i>Expansion Management</i>, April 2005)</p> <p>2004 National Superintendent of the Year (Bill McNeal, Wake County Public Schools) (American Association of School Administrators)</p> <p>#3 Best Education in the Biggest Cities (Wake County Schools) (<i>Forbes</i>, February 2004)</p> <p>#6 Best Public School System (Raleigh-Durham-Chapel Hill MSA) (<i>Expansion Management's</i> MSA Education Quotient Rankings, April 2004)</p> <p>#1 Best City for Education (<i>Places Rated Almanac</i>, Millennium Edition)</p>
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Regional Rolodex

Following are professionals in the Raleigh area that we found to be informative and helpful. However, you should always do your own due diligence to find the right fit for your personal needs.

Real Estate Agent

Kristi Sortino

Mobile Phone 919.880.7617

Office Phone 919.518.8147

Lender

Schwartz Brothers

Phone 919.878.5860

Local Tax Assessor

www.wakegov.com/tax/default.htm

Atlanta ... Shining Star of the South

	Atlanta	USA	Bubble Index
Median Home Price*	\$166,800	\$221,900	\$525,871
Median Annual Rent**	\$11,376	\$10,303	\$18,414
Median Income***	\$68,100	\$53,942	\$72,388
Price to Income Ratio	2.45	4.11	7.26
Price to Rent Ratio	14.66	21.54	28.56
Change in Pop:'90-'00	38.00%	13.10%	
Change in Pop:'00-'06	20.00%	6.04%	
Climate – Winter	34-62		
Climate – Summer	61-89		
Job Growth 2005-2006 [^]	2.57%	1.85%	
Job Growth 2004-2005	0.97%	1.73%	

*Source for Median Home Price: National Association of Realtors, Q4 2006.

**Source for Median Annual Rent: HUD Fair Market Rents for 2006. For USA and "Bubble Index," median rents of all available and/or defined cities were averaged.

***Source for Median Income: HUD Median Income for 2006. For USA and "Bubble Index," numbers were averaged.

[^]Source for Job Growth: U.S. Department of Labor, Bureau of Labor Statistics, employment numbers through 2006 and annual numbers averaged.

^{^^}Source for Population: U.S. Bureau of the Census.

Atlanta is the corporate powerhouse of the south.

The **population growth rate** is phenomenal. Its 38% growth between 1990 and 2000 nearly *tripled* the overall U.S. rate for the same period. This decade is set to see similar explosive expansion, with a 20% increase through 2000 and 2006.

And the **median income** of local residents is one of the highest in the nation, at \$68,100. High incomes are largely thanks to high-wage industries that flourish here, as well as a very high concentration of corporate headquarters for such companies as CNN, Home Depot, and Coca-Cola. All said, Atlanta boasts nearly 1,400 headquartered companies, each with more than 100 employees.

Meanwhile, **home prices** have remained attractively low. At just \$166,800 median sales prices as of Q4 2006, Atlanta's prices are a **25% below the average U.S. home**.

And it's all even more attractive when you consider that Atlanta is an elegantly cosmopolitan city, a vibrant state capital with a lovely year-round climate.

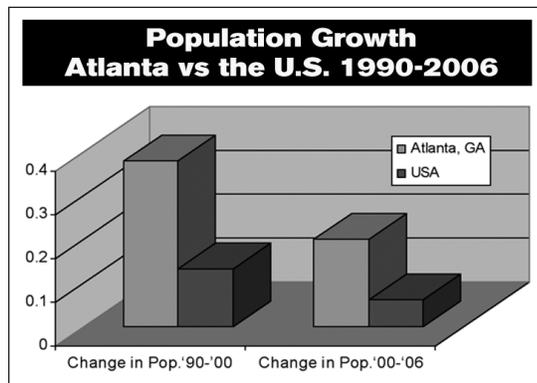
- ... An urban oasis of culture and sophistication amidst a more traditional southern backdrop. Atlanta is host to world-class art, opera, and cuisine. A thriving nightlife, with an emerging music scene that will please the most discriminating listener.
- ... But as modern as Atlanta is, it will always be drenched in southern history. It is the birthplace of Martin Luther King Jr., and was a strategic point for Confederate forces during the Civil War. It is considered a mecca for black academia, with the nation's largest consortium of African-American colleges.
- ... Nestled in the foothills of the Appalachian Mountains, Atlanta's active residents can choose from hiking, fishing, spelunking, and over 100 golf courses.
- ... Since hosting the Summer Olympics in 1996, Atlanta has also established itself as a sports capital. Home of the Braves baseball team, as well as NFL, NBA, and NHL teams, the city will excite the most avid sports fans.

So let's get to know this city a little bit better!.

Atlanta Neighborhoods

A lively, sprawling urban center surrounded by suburban development, Atlanta has experienced tremendous growth and development in recent history. The past few decades have seen Atlanta emerge as a corporate boomtown, attracting a largely white-collar workforce.

With Atlanta, it is perhaps easiest to orient yourself by starting at the crossroads of the north-south Interstate 75/85 and the east-west Interstate 20. The area is surrounded by a perimeter highway, 285 that circles the entire city. The north-south artery is the city's central corridor, with Buckhead at its northern point and the airport at the southern end.



Downtown

At the intersection of the two major interstate highways is Downtown, which includes several parks and business districts. After seeing historically high vacancies, the area posted notable gains in the absorption of its office space in 2005.

Midtown

Midtown is a vast district stretching along Peachtree Street (the central road running through Atlanta) from North Avenue to where Peachtree heads across the freeway. The neighborhood has been increasingly popular, with the rehabilitation of its aging bungalows. The neighborhood has spread east to the borders of Virginia Highland and west across the freeway, at the periphery of the Georgia Tech campus. In West Midtown, an old warehouse and railyard district was revitalized from a seedy and dangerous area to one of the city's trendiest.

One major project that's underway in the area is Atlantic Station, a 138-acre environmental redevelopment of the former Atlantic Steel Mill. This mixed-use development is ultimately projected to include 12 million square feet of retail, office, residential, and hotel space. Another major project includes a new 295,000-square-foot office tower (Two Peachtree Pointe), scheduled for completion in 2007.

Midtown is among the neighborhoods experiencing the strongest growth in the office market. Analysts predict the growth and popularity to continue.

Buckhead

Buckhead is the poshest part of Atlanta, just three miles north of Downtown. It is large and independent enough to be a city in itself. An exclusive area, replete with manicured southern mansions, deluxe hotels, haute cuisine, swank nightclubs, and up-market galleries, boutiques, and shopping malls, it has been called the "Beverly Hills of the East."

New mixed-use projects, including Regent Partners' 3344 Peachtree and Cousins' Terminus, are underway to transform Buckhead into a live-work-play destination for local business leaders.

West End

West End. Dominating this area is Atlanta University Center, which encompasses the campuses of Morehouse College, Spelman College, Morris Brown College, and Clark-Atlanta University. Although much of the district is rundown, there are many handsome buildings dating back as far as 1869. The campus area is surrounded by a residential neighborhood of bungalows and shady lanes that historically housed the city's African-American elite and remains home to many local academicians.

Sweet Auburn and Vicinity

Sweet Auburn and Vicinity, home to Martin Luther King Jr., was an early African-American commercial center known at the turn of the 20th century as "the richest Negro street in the world."

Virginia Highland

Virginia Highland. This sophisticated little village has a European charm — with cafes, neighborhood pubs, arty boutiques, and used-book stores. Interesting opportunities for residential investments.

Emory/Druid Hills

Emory/Druid Hills. An exclusive neighborhood with large homes set back on expansive landscaped lawns. Home to Emory University, the Ivy League of the South.

Little Five Points and Inman Park

Little Five Points and Inman Park, home to Atlanta's bohemian crowd.

East Atlanta

East Atlanta. Centered at Flat Shoals and McPherson Avenues, just south of I20, this is largely a residential district inhabited by old-timers and more recent refugees from increasingly high-priced Midtown and other closer-in neighborhoods. New restaurants, bars, cafes, and shops have sprung up.

Ranked #3 in Top Cities with the Most Fortune 500 headquarters

(*Fortune* magazine, April 2007)

Atlanta ranked 3rd Top Ten Metro

(*Selection Magazine*, March 2007)

Atlanta's Voted Third Hottest City In America

(*Expansion Management Magazine* 2006)

Atlanta #4 50 Smart Places to Live

(*Kiplinger/Personal Finance* magazine, June 2006)

Atlanta ranked among the Top 10 Metros

(*Site Selection* magazine, March 2006)

Atlanta ranked among Top 10 Places for Relocating Singles

(*Sperling's Best Places*, 2005)

Forbes names Atlanta 4th Best City for Singles in 2005

Atlanta included in "Best Places for Business & Careers"

(*Forbes* magazine, 2005)

Intel ranks Atlanta as one of the "Most Unwired Cities" in 2005

Atlanta named as one of the "Most Livable Cities"

(Harris interactive online survey, 2005)

Atlanta #4 Most Literate City

(Ranking based on the culture and resources for reading, 2005)

Atlanta Mayor Shirley Franklin among Top Ten Mayors of the World

(One of only two U.S. mayors included in 2005 results)

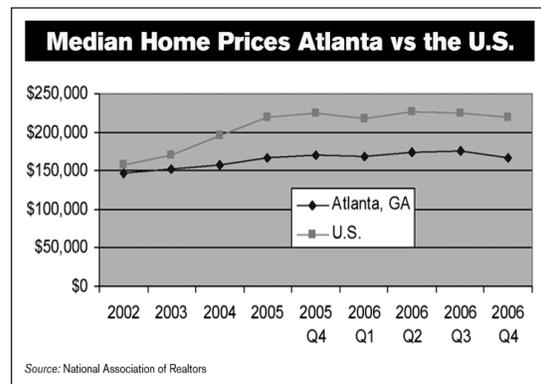
Roswell/Alpharetta

Roswell/Alpharetta is a popular suburb community with stately new developments. It saw the strongest office absorption of any submarket in Q3 2005.

The Local Real Estate Market

Local real estate prices in Atlanta are in a favorable position for investors. Prices are reasonable, with the potential for cash flow. Because Atlanta did not see the major increases that other markets in the U.S. experienced over the past five years, the median home price is at 25% below the national median. Meanwhile, jobs and incomes are above average, growing, and able to support real estate appreciation.

Recent residential sales data from the National Association of Realtors indicates acceleration in the growth rate. After appreciating just 3.9% in 2003 and 2.9% in 2004, Q3 2004 to — Q3 2005 has posted 7.2% gains. And Q4 2005 to Q4 2006 posted a drop of 2.0% but the average gain between 2005 and 2006 was 2.7%. Now is the ideal time to position your investments for cash flow and equity buildup. Particularly considering the strong local rents — a huge **60% higher than the national average**, according to HUD.



Commercial Real Estate Market

2005 was a marked year of improvement for Atlanta's office market. Each quarter posted positive absorption, and the city is projected to *double* its absorption levels in 2006, according to local commercial real estate brokerage Grubb & Ellis. Atlanta is on track to move through its recovery stage, into expansion.



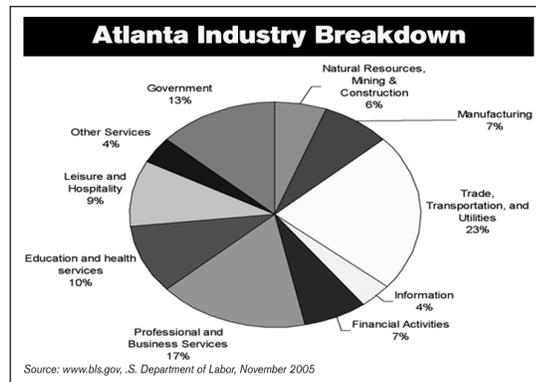
In Q4 2006 office vacancy rates dropped to 19.1%, that's a 1% drop from Q4 2005.

For more information on Atlanta's commercial market, visit www.grubbellis.com and click on "Market Trends", click on "Southeast" and select "Office" for Atlanta.

The Local Economy Corporate Powerhouse of the South

Atlanta has led the nation in net new jobs in the last decade, adding nearly 685,000 new jobs, according to the local Chamber of Commerce. *Newsweek* magazine ranked Atlanta as the **projected leader in job creation**, expecting to create 1,800,000 net new jobs from 1998 to 2025.

With the busiest airport in the *world*, and enviable transportation systems in place, logistically speaking, Atlanta is a highly desirable location. Metro Atlanta registered the **second-lowest cost of business** among major metropolitan areas with populations exceeding 1.5 million, according to a KPMG "Competitive Alternatives" study. Lower cost of business and living are primary reasons that Atlanta has established itself as a headquarters-location giant.



All told, there are nearly 120,000 business establishments employing 2.2 million people across a diverse industry base. Metro Atlanta is home to the headquarters of 24 Fortune 1000 companies, including United Parcel Service, BellSouth, Coca-Cola Company, Georgia-Pacific, The Home Depot, Delta Air Lines, The Southern Company, and Equifax.

"Envision 6+"

Atlanta's Regional Commission has implemented a proactive effort called "Envision 6+" to accommodate the **2.3 million new residents** projected to live in the region over the next 25 years. This astounding growth, which would put the area's population at over 6 million by 2030, considers transportation options, the 1.7 million jobs to be created, and the approximately 1 million new households. Planners are determining where new development should go and what type of development will be best. Suggestions have included the creation of a new city in Cherokee County between I575 and Ga. 400.

- **High-Technology.** There are over 11,000 hi-tech firms employing more than 190,000 people, or just over 8% of the area's workforce. One of the more innovative areas in which Atlanta has a strong and growing presence is biotechnology.
- **Telecommunications.** In 2004, metro Atlanta had the second-largest telecommunications employment, with nearly 45,000 employees. It has been the second-fastest-growing metro area in telecommunications in the nation, experiencing a compound annual growth rate of 5.75% since 1984.

Metro Atlanta has experienced greater economic growth than most of the nation's major metropolitan areas due to the technology that is being developed and implemented here.

- **International Business.** More than 1,200 foreign-based companies operate out of the metro area, employing 80,000 people. Atlanta is home to 45 foreign consulates, 32 foreign-American Chambers of Commerce, and 27 trade and tourism offices. More than 30 international banks have local offices.
- **Transportation.** The Atlanta Logistics Innovation Council was created to increase the region's competitive advantage and attract new logistics firms to the area ... and it has been quite successful. Hartsfield Atlanta International Airport is the busiest airport in the world, serving over 75 million passengers per year. In addition, three major highways converge near the central business district. CSX Transportation and Norfolk Southern each operate more than 100 freight trains in and out of Atlanta daily. Overnight "piggy-back" freight service is available from the ports of Savannah and Brunswick, GA; Jacksonville, FL; New Orleans, LA; and Charleston, SC.

Education

Atlanta has a **highly educated workforce**, ranking 9th in the nation for percentage of population having completed college - 31.4%, according to the 2000 U.S. Census. More than 40 degree-granting colleges and universities and seven junior colleges offer nearly 500 programs of study to more than **190,000 students**. These institutions provide businesses with a continuing supply of skilled graduates.

Combined, metro Atlanta's two largest public universities, Georgia State University (GSU) and the Georgia Institute of Technology, enroll nearly 40,000 students each year and are nationally recognized for excellence. Georgia Tech now requires the highest test scores of any public university in the country.

Atlanta ranked #3 for Top Cities with the Most Fortune 500 Headquarters
(*Fortune* magazine, April 2006 Issue)

Atlanta Ranked #1 for Least Expensive City
(KPMG 2006)

Atlanta ranked #2 10 Blooming U.S. Cities for Tech
(*EWeek* magazine, June 2006)

Ranked #1 "Most Friendly Logistics City in the Southeast"
(*Expansion Management* and *Logistics Today* magazines, 2005)

Ranked 2nd in "America's 50 Hottest Cities" for Business Expansion and Relocation
(*Expansion Management*, 2005)

Fortune magazine names Atlanta 3rd in **"Top Cities With the Most Fortune 500 Headquartered Firms"**
(2004 and 2005)

Newsweek magazine ranks Atlanta as the **projected leader in job creation** from 1998 to 2025, expecting to create 1,800,000 net new jobs

"Where High-Growth Companies Are Born," Atlanta comes in at #2 for the **"Top 20 Large Metro Areas for Entrepreneurs"**
(*Site Selection* Magazine)

Atlanta ranks **2nd Largest Telecom Center**
(Economy.com, McKinsey & Co., 2004)

Georgia ranks **8th Largest Biotechnology Center**
(Ernst & Young, "*Resurgence, the Americas Perspective, Global Biotechnology Report*" 2004 [ranked 9th in 2003])

Atlanta named #1 **"Top Cities for Black Americans"**
(*Black Enterprise* magazine, 2004)

Cost of Business Study Ranks Atlanta Lowest in the South
(The Boyd Company)

Atlanta placed 1st in *Inc. Magazine's* **"Best Places for Entrepreneurs/Business"**
(Large Metros, 2004)

Named as the 2nd **"Top Metro" for Expanding and Relocating Business**
(*Plants, Sites & Parks* magazine, 2004)

Forbes magazine names Atlanta the 5th **"Best Place for Business"**
(2004)

Atlanta ranked **2nd Lowest Business Operating Costs**
(KPMG 2004 Competitive Alternatives Study)

Atlanta #1 "Picture Perfect Metro"
(*Plants, Sites & Parks* magazine)

The Atlanta University System (which includes Clark Atlanta University, the Interdenominational Theological Center, Morehouse School of Medicine, Morehouse College, Morris Brown College, and Spelman College) is the nation's largest consortium of private African-American colleges. Its schools win national honors and enroll more than 13,000 students each year.

Metro Atlanta is also home to Emory University, with graduate programs in medicine, law, engineering, and business that consistently rank among the nation's best. Other top private schools include Agnes Scott College, Mercer University, and Oglethorpe University.

Nine post-secondary technical institutes offer studies in more than 50 disciplines and are a vital workforce training and retooling resource for Atlanta's local business communities.

Overview

All things considered, Atlanta has solid potential for stellar real estate investment returns. The attractive business climate bodes well for positive job growth well into the future. Above-average rental rates and particularly high incomes translate into both cash-flow potential and room for appreciation.

Atlanta is a rapidly growing city, with opportunity around every corner. Take some time to explore its money-making potential.

Check Out This Peach of an Opportunity: Our "Sister City" Pick — Athens, Georgia

Nearby Athens is a quaint, attractive city. Known as a college town with an established live-music scene, there are some solid real estate opportunities here that are worth checking out. Named as one of the Best Places to Retire by *Money* magazine, Athens is just below the foothills of the Blue Ridge Mountains and home to just over 100,000 residents. The revitalized downtown, historic districts, art, and award-winning dining make it a sophisticated southern charmer.

	Athens, GA	USA	Bubble Index
Median Home Price*	\$161,100	\$221,900	\$525,871
Median Annual Rent**	\$10,632	\$10,303	\$18,414
Median Income***	\$52,900	\$53,942	\$72,388
Price to Income Ratio	3.05	4.11	7.26
Price to Rent Ratio	15.15	21.54	28.56
Change in Pop:'90-'00	22.10%	13.10%	
Change in Pop:'00-'06	11.26%	6.04%	
Job Growth 2005-2006^	2.78%	1.85%	
Job Growth 2004-2005	0.78%	1.73%	

**Source for Median Home Price: National Association of Realtors, Q4 2006.*

***Source for Median Annual Rent: HUD Fair Market Rents for 2006. For USA and "Bubble Index," median rents of all available and/or defined cities were averaged.*

****Source for Median Income: HUD Median Income for 2006. For USA and "Bubble Index," numbers were averaged.*

^Source for Job Growth: U.S. Department of Labor, Bureau of Labor Statistics, employment numbers through 2006 and annual numbers averaged.

^^Source for Population: U.S. Bureau of the Census.

Regional Rolodex

Ready to make a move in Atlanta? Please feel free to take advantage of our local contacts. As always, conduct your own due diligence. (We make no specific guarantees of performance.) Names included below are either people we found to be particularly professional and helpful or were recommended to us by personally trusted sources.

Real Estate Agents

Private Realty
 Tracey or Luis Morales
 Phone 404.597.9539

Lenders

Optiem Financial Services
 Gabriella Villafranco
 Phone 678.413.4389

Local Tax Assessor

http://www.fultoncountytaxes.org/fultoniwr/11_depts_property_taxes.asp

Introduction to the Secret Sunbelt Cities — The Next Eight to Pop

In the **Secret Sunbelt Cities** report, we named our Top 5 picks for the hottest up-and-coming real estate markets in the US.

But we also gave data profiles on over one hundred cities across the nation. And you may have noticed among those profiles that there were *many, many* cities whose numbers look very promising. We felt the same way, which is why we decided to take a deeper look into our “Sister Cities.”

These are eight *additional Secret Sunbelt Cities* that offer fantastic outlook for real estate investors. We named names in our initial report, but didn’t really get into the meat of the cities. So today, I’d like to share some of the intriguing details about...

- **Wilmington, North Carolina**
- **Savannah, Georgia**
- **San Antonio, Texas**
- **Dallas — Fort Worth, Texas**
- **Charlotte, North Carolina**
- **Athens, Georgia**
- **Las Cruces, New Mexico**
- **Knoxville, Tennessee**

I think you’ll agree that each of these beautiful cities has a great deal going for it...

...A swelling population drawing in baby boomer retirees, immigrants, and companies and individuals fleeing bubble-markets in favor of more reasonably priced, temperate climate areas.

...Strong, growing and diversified economies, thanks to educated and skilled workforces.

...Affordable real estate with strong rental markets that favor investors

So, without further ado, let’s take a look at these eight **Secret Sunbelt Cities**.

Don't Be Afraid to Invest In the Cape Fear Coastal City of Wilmington, NC

While the majority of US coastal cities have already seen an outrageous leap in prices, there are a handful that still remain viable options for the average American. Wilmington, North Carolina is one of these.

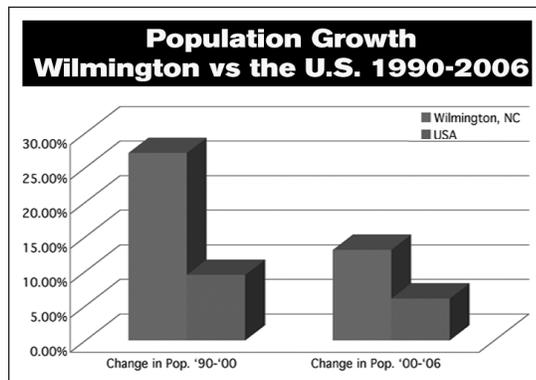
	Wilmington, NC	USA	Bubble Index
Median Home Price*	\$222,300	\$221,900	\$525,871
Median Annual Rent**	\$11,952	\$10,303	\$18,414
Median Income***	\$53,900	\$53,942	\$72,388
Price to Income Ratio	4.12	4.11	7.26
Price to Rent Ratio	18.60	21.54	28.56
Change in Pop. '90-'00	27.10%	13.10%	
Change in Pop. '00-'06	9.47%	6.04%	
Job Growth 2005-2006	5.09%	1.64%	
Job Growth 2004-2005	3.32%	1.14%	

*Source for Median Home Price: National Association of Realtors, Q4 2006.
 **Source for Median Annual Rent: HUD Fair Market Rents for 2006. For USA and "Bubble Index," median rents of all available and/or defined cities were averaged.
 ***Source for Median Income: HUD Median Income for 2006. For USA and "Bubble Index," numbers were averaged.
 ^Source for Job Growth: U.S. Department of Labor, Bureau of Labor Statistics, employment numbers through 2006. Numbers for December 2005 were projected and annual numbers averaged.
 ^^Source for Population: U.S. Bureau of the Census.

Historic Wilmington & North Carolina's Cape Fear Coast encompasses the city of Wilmington and the island communities including Carolina Beach, Kure Beach and Wrightsville Beach. Its beautiful, uncrowded beaches and nearby estuarine reserves are perfect for sunseekers, beachcombers and nature lovers, and a sportsman's paradise for anglers, mariners and watersports enthusiasts. Also home to the University of North Carolina at Wilmington, with over 11,000 students.

Population Growth

The Wilmington area and its adjacent counties have experienced substantial growth in recent years. Since 1990, the rate of growth has been more than double the national rate.



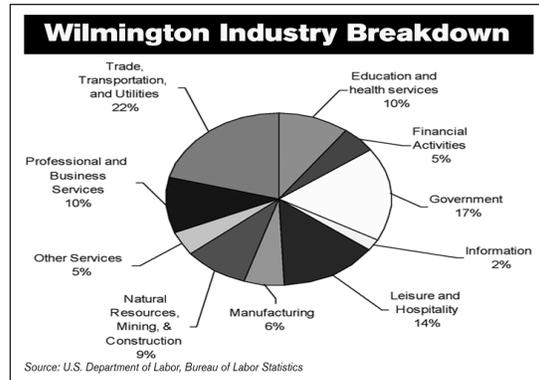
A large influx of retirees, many from northern states, has made up a good portion of this growth, and has helped to make Wilmington far more cosmopolitan than one might expect. In addition, young professional families have chose to call Wilmington home.

While the beaches and suburbs are enjoying growth, so is the historic downtown area. With its beautifully renovated homes and a bustling entertainment district, the area is quite popular. New condominiums and townhouses continue to pop-up, keeping growth on an upturn.

Economy

The largest industrial employer in the county is General Electric, with nearly 1,800 employees making nuclear fuel assemblies and aircraft engine parts. Corning, producing optical fibers, and International Paper, which produces pulp and paperboard, are two other major industrial employers. Recent years have seen an influx of pharmaceutical companies as well, and in 2004 Verizon Wireless opened a 1,200-employee call center here.

By workforce, the largest is Trade, Transport and Utilities at 22 percent, followed by Leisure and Hospitality trade at 14 percent, reflecting the influence of tourism in the area. The total workforce is roughly 140,000, of which well over 19,000 are directly attributable to travel and tourism, while about 6 percent of the workforce is in manufacturing. New Hanover County enjoys a 3.6 per cent unemployment rate.



Education

Because of the Wilmington area's popularity and recent growth, educational facilities have been growing in number and reputation. Wilmington remains the educational hub of the southeastern North Carolina coast, with the University of North Carolina at Wilmington and Cape Fear Community College within its boundaries. Miller-Motte Business College and a branch of Mount Olive College are also in Wilmington.

Real Estate

Prices in this charming and historic coastal city have remained relatively low. With a median home price of just \$222,300, that's less than four times the relatively high median income of \$53,900.

In the same breath, rents are strong, making this an attractive market for investors.

Downtown Wilmington

Downtown Wilmington is quaint and charming, easily walkable to its many dance clubs, jazz bars and music venues found in the 55-block area. The Riverwalk, with its view of the Battleship *North Carolina* is a great place to stroll and watch the river traffic that ranges from freighters to yachts to ski boats.

The zipcode encompassing downtown is 28401, and within those search parameters, you'll find single family homes priced from \$50,000 to over one million. Condos and townhomes start around \$100,000 and also reach prices around a million.

South of Wilmington

South of Wilmington is currently the fastest growing part of New Hanover County. With significantly increased residential development farther to the south down to Pleasure Island, commercial development has been following at a rapid pace.

Wrightsville Beach and Vicinity

Wrightsville Beach and Vicinity is a high dollar, densely residentially developed town. This is a pretty beach town with a year-round population of slightly less than 3,000 residents. There are 5 miles of beach.

The Wrightsville Beach real estate market is a premium. Expect to pay between \$700,000 and \$4 million for any single-family home. As high-rises are limited to 96 feet, most of the opportunities for purchase are either replacement of older houses with new ones or, more likely, in condominiums. Condominiums in Wrightsville Beach start at around \$150,000 — though most are priced at \$300,000 or above, with those on the lower end of the range far from the beach. There are however, a few comparatively more affordable residential developments springing up near Wrightsville Beach.

Carolina Beach and Kure Beach

Carolina Beach and Kure Beach island communities represent some very interesting prospects in the Cape Fear region. Although Carolina Beach has been a community since 1857, the whole island has been experiencing substantial residential growth during recent years as an affordable place to locate by or near the ocean. The assortment of ownership opportunities range from condominiums to cottages to upscale homes. There are several high-rises, many multi-story condominium buildings on the northern end, an abundance of small residences and — particularly toward the central and southern parts of the island — quite a few larger homes.

Currently, the island is experiencing considerable commercial growth, and revitalization is underway. A new shopping center has a Food Lion as its anchor store. Two major chain hotels have recently been opened in the area, increasing the number of visitors to downtown Carolina Beach and the Boardwalk.

Single-family homes along Carolina Beach and Kure Beach range between \$200,000 to \$500,000 and up, with townhomes and condominiums priced in the low \$100,000s to upwards of \$400,000. Not surprisingly, oceanfront properties in both markets fall into the upper range of price quotes.

Other Beach Communities

Other Beach Communities include Bald Head Island, Oak Island, Holden Beach and Sunset Beach stretch between Wilmington and the popular Myrtle Beach to the south.

Savannah, Georgia

With her grand old architecture set amongst the old live oaks dripping with Spanish Moss, Savannah is a coastal charmer. The Tybee islands are right off the coast, with miles of beautiful beach.

	Savannah, GA	USA	Bubble Index
Median Home Price*	\$222,300	\$221,900	\$525,871
Median Annual Rent**	\$11,196	\$10,303	\$18,414
Median Income***	\$54,800	\$53,942	\$72,388
Price to Income Ratio	4.12	4.11	7.26
Price to Rent Ratio	18.60	21.54	28.56
Change in Pop. '90-'00	11.92%	13.10%	
Change in Pop. '00-'06	8.99%	6.04%	
Job Growth 2005-2006	3.77%	1.64%	
Job Growth 2004-2005	2.08%	1.14%	

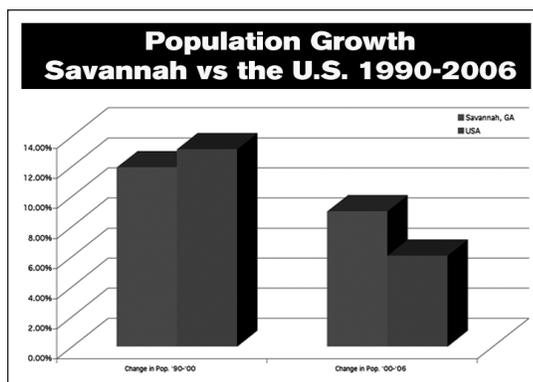
*Source for Median Home Price: National Association of Realtors, Q4 2006.
 **Source for Median Annual Rent: HUD Fair Market Rents for 2006. For USA and "Bubble Index," median rents of all available and/or defined cities were averaged.
 ***Source for Median Income: HUD Median Income for 2006. For USA and "Bubble Index," numbers were averaged.
 ^Source for Job Growth: U.S. Department of Labor, Bureau of Labor Statistics, employment numbers through 2006. Numbers for December 2005 were projected and annual numbers averaged.
 ^^Source for Population: U.S. Bureau of the Census.

Population

Population growth has been on the increase, as this once “off the radar” quiet spot gains recognition and popularity among tourists, retirees and businesses.

Education

The area is home to seven universities, two colleges and a technical college.



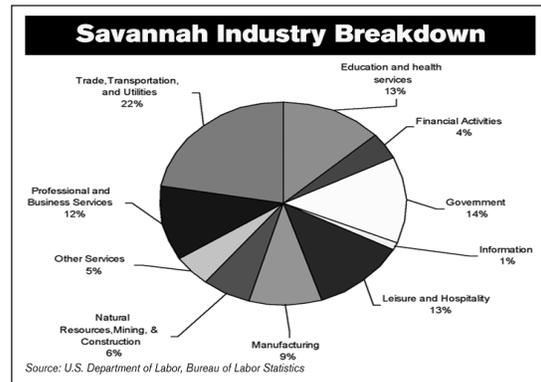
Economy

A diversified economy, Savannah is home to manufacturing, distribution, port operations, tourism, retail and health care. The Hunter Army Airfield and Fort Stewart military bases combined employ over 42,000. Other large employers

include Gulfstream Aerospace Corp, Georgia-Pacific and International Paper.

Named by *Forbes* as One of the Best Places for Business and Careers in 2006 and one of the Top 10 Hot Spots for Entrepreneurs by Area Development Magazine, Savannah is an evolving city.

Substantial job creation over the past several years has also seen positive indicators in the fact that the median income is quite strong. Sitting at \$54,800 — as compared to the national median of just \$53,942 — the ability of residents to afford homes is strong.



Real Estate

Real estate in the area is at a median price of \$222,300. There are many different neighborhoods and price ranges to attract residents and investors alike.

Historic District

Historic District. Many residents of the 2.5-square-mile Historic Landmark District can claim the city's famous green squares as their front yards. Although the north end of the District is commercial in character, numerous blocks of the area are solidly residential. Historic homes in need of restoration are still available. You will also find a good selection of restored homes, the result of 50 years of preservation efforts, and new construction in the form of townhouse condominiums crafted to blend into the historic atmosphere of the District. A recent trend in downtown housing involves the conversion of space above retail establishments into apartments and lofts, a situation that's developed along with the city's revitalization of commercial buildings.

Adjacent to the Historic District, is the Victorian District. This first southward expansion of the city is attracting more and more folks interested in restoring two and three-story frame houses in need of repair. The area becomes more popular in this regard as the number of restorable houses in the Historic District declines. Prices in the Historic and Victorian Districts range from \$100,000 to \$500,000, with the majority at the higher end of the spectrum.

Ardsley Park and Gordonston

Ardsley Park and Gordonston. Ardsley Park is Savannah's first suburb, laid out in 1911. It is a mixture of prestigious four and five-bedroom mansions and quaint, craftsman-style bungalows situated on tree-lined streets. The Ardsley Park

area located in Midtown and loosely bounded by Victory Drive on the north, Waters Avenue on the east, 55th Street on the south and Bull Street on the west has become one of the city's "hottest" neighborhoods favored by young professionals and families.

Gordonston is a secluded neighborhood in eastside Savannah similar to Ardsley Park in character, but it's considerably smaller and hasn't been "discovered" to the extent that its "big brother" to the southwest has.

Homes here go from \$60,000 to over \$500,000.

Southside

Southside is a shopping and recreation haven — the site of both of Savannah's malls, a multitude of smaller shopping centers and Bacon Park, whose 500 acres hosts activities ranging from soccer to golf and from swimming to weight training. The Southside is also residential in character, with neighborhoods featuring everything from ranch-style homes to patio homes and an abundance of apartment complexes and condominiums. Two significant neighborhoods are Windsor Forest and Georgetown.

The Islands

The Islands. Savannah's series of coastal islands offer a beach style and character different to the historic city. Eastern islands include Tybee, Oatlan, Talahi, Whitemarsh, and Wilmington — which is the largest inshore island with properties ranging from \$100,000 to over \$500,000. Southeastern islands include Dutch Island, the lovely Isle of Hope, and the retiree paradise Skidaway Island.

West Chatham County

West Chatham County is traditionally where the area's industry is concentrated, but it has also experienced a residential boom, with national homebuilders and golf courses abounding.

Richmond Hill in Bryan County

Richmond Hill in Bryan County, twenty miles south of Savannah has been one of the fastest-growing communities in the nation. Richmond Hill offers a number of housing developments, schools and opportunities for recreation and shopping. Its proximity to I-95 and I-16 makes it a popular choice for commuters.

A Corridor to Opportunity In A Big Texas Way

The entire “I35 Corridor” running north/south through Texas is projected to see substantial growth for the next 30 years. Our favorite city along this corridor is Austin, for the reasons we’ve stated, but there are other very intriguing markets you may want to consider.

San Antonio. To the south is San Antonio. Home of the Alamo, the famous “River Walk” and the NBA Spurs. San Antonio has a distinct flavor all it’s own — it draws visitors and conventioners year round.

	San Antonio, TX	USA	Bubble Index
Median Home Price*	\$140,600	\$221,900	\$525,871
Median Annual Rent**	\$11,064	\$10,303	\$18,414
Median Income***	\$53,100	\$53,942	\$72,388
Price to Income Ratio	2.65	4.11	7.26
Price to Rent Ratio	12.71	21.54	28.56
Change in Pop. '90-'00	17.76%	13.10%	
Change in Pop. '00-'06	12.95%	6.04%	
Job Growth 2005-2006	3.75%	1.64%	
Job Growth 2004-2005	1.66%	1.14%	

*Source for Median Home Price: National Association of Realtors, Q4 2006.

**Source for Median Annual Rent: HUD Fair Market Rents for 2006. For USA and “Bubble Index,” median rents of all available and/or defined cities were averaged.

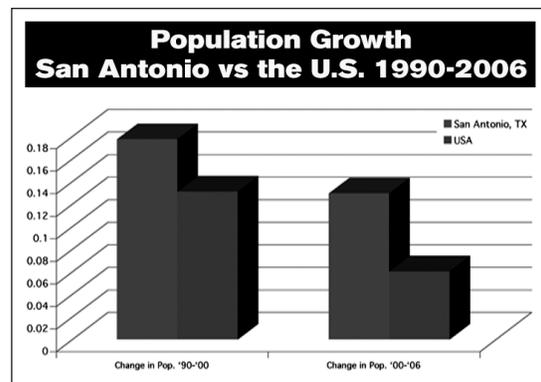
***Source for Median Income: HUD Median Income for 2006. For USA and “Bubble Index,” numbers were averaged.

^Source for Job Growth: U.S. Department of Labor, Bureau of Labor Statistics, employment numbers through 2006. Numbers for December 2005 were projected and annual numbers averaged.

^^Source for Population: U.S. Bureau of the Census.

Population

San Antonio surpassed Dallas and came in as the eighth largest city in the US three years ago, and the population continues to swell. In fact, the Alamo City had the second largest population increase in the nation from July 1 2005 — July 1 2006, according to the US Census. If the city continues to grow at this rate, it should pass San Diego and become the nation’s seventh largest city by 2010.



It is this explosive growth that provides part of the solid fundamental value for the region's expanding real estate market.

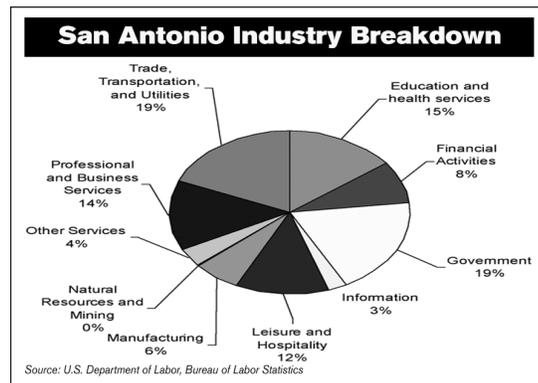
Economy

San Antonio's economy, historically anchored in military and tourism, is increasingly diversified, with strong job creation in higher wage positions. Medical and Biomedical jobs now account for the largest part of San Antonio's economy, 14% of all jobs.

Other major sectors include business and tourism services, manufacturing and the government. There are four military bases in San Antonio; Brooks, Lackland, Randolph and Fort Sam Houston, collectively employing about 74,500 people.

The city continues to attract new businesses, including a very important decision by Toyota to place a manufacturing plant there. The related and component businesses will only add to growth. The National Security Agency and Washington Mutual are also growing San Antonio.

Hispanic Magazine ranked San Antonio as one of the top 10 Best Places to live in America for Hispanics. The city's population is about 61% Hispanic (nearby Austin, at 30% Hispanic, ranked number 1 on the magazine's list).



Real Estate

With a median home price of just \$140,600, San Antonio is one of the most affordable cities in the nation. Still, income levels and rental rates both remain solidly above national averages. The local real estate market, while experiencing a good deal of the new building growth seen in many major markets, could be described as more of a "steady pace" than a "boom".

A staggering economic hit in the 1980's brought many developers and S&L's to their knees. As a result, builders found the 1990's brought them tracts of land already equipped with water and roads, selling at discounted foreclosure prices.

Traditionally, the North side of town is the most desirable for growth. With land becoming harder to come by, the Western flank is poised to experience the next surge in growth.

Not Just For Cowboys Anymore, the Dallas — Fort Worth Metroplex

Along the I35 Corridor to the north is the Dallas — Fort Worth metroplex. A 9,469 square mile area encompassing 12 counties, this is one of the largest and fastest growing metroplexes in the nation.

Dallas is the larger and more metropolitan of the two cities, but Fort Worth has a certain urban-cowboy charm and appeal that shouldn't be ignored. In fact, Fort Worth (Tarrant County) has seen a higher rate of population growth recently. The two major cities are "joined" by a series of suburb towns, including Arlington, and surrounded by growing markets such as Denton and McKinney.

The Hispanic population is over 40% and growing, with the number of Hispanic-owned businesses exploding.

There are abundant educational opportunities, nightlife, culture and entertainment. Home to the Dallas Cowboys, Mavericks, Stars and Texas Rangers, this is a sports fan's paradise.

	Dallas-Fort Worth, TX	USA	Bubble Index
Median Home Price*	\$144,300	\$221,900	\$525,871
Median Annual Rent**	\$12,708	\$10,303	\$18,414
Median Income***	\$65,500	\$53,942	\$72,388
Price to Income Ratio	2.20	4.11	7.26
Price to Rent Ratio	11.36	21.54	28.56
Change in Pop. '90-'00	22.71%	13.10%	
Change in Pop. '00-'06	15.64%	6.04%	
Job Growth 2005-2006	3.73%	1.64%	
Job Growth 2004-2005	1.40%	1.14%	

*Source for Median Home Price: National Association of Realtors, Q4 2006.

**Source for Median Annual Rent: HUD Fair Market Rents for 2006. For USA and "Bubble Index," median rents of all available and/or defined cities were averaged.

***Source for Median Income: HUD Median Income for 2006. For USA and "Bubble Index," numbers were averaged.

^Source for Job Growth: U.S. Department of Labor, Bureau of Labor Statistics, employment numbers through 2006. Numbers for December 2005 were projected and annual numbers averaged.

^^Source for Population: U.S. Bureau of the Census.

Population

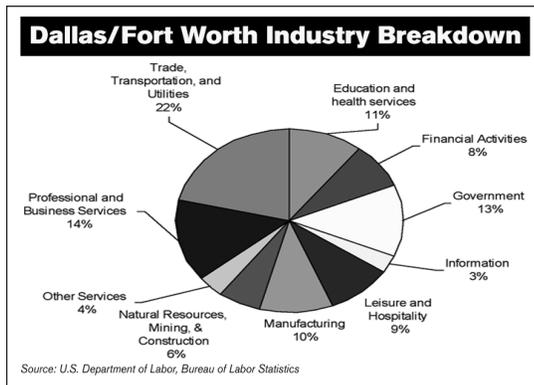
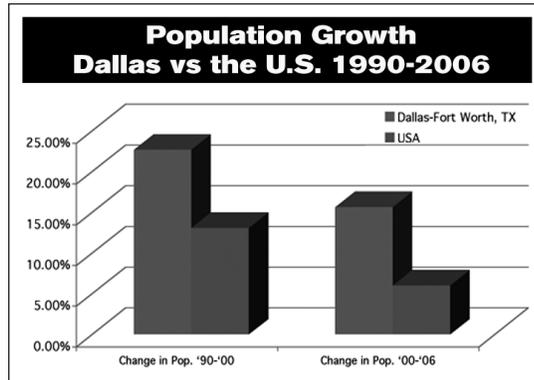
The population is projected to grow 11.8% over the next five years — well above national averages. This comes as no surprise considering the historically fast pace of growth.

Economy

DFW ranks fifth in the nation for the number of Fortune 500 Companies that call the area home — currently at 18 and counting. The DFW airport is the third busiest airport in the world, and is just part of an efficient transportation system.

The population is highly educated, and the diversified industry base provides high paying jobs. The median income is \$65,500.

The area is consistently ranked as a top spot for business expansion and relocation.



Real Estate

The median home price is \$144,300 — a modest amount in comparison to the high incomes the region boasts.

In Fort Worth, more than half of the growth has been along the “Alliance Corridor” between Loop 820 and the Texas Motor Speedway. The downtown has also been beautifully renovated, with central city neighborhoods rejuvenated right along with it.

Dallas has also seen the revitalization of central neighborhoods like the “Uptown” market just north of downtown. Redevelopment of obsolete office property in the downtown area is another important phenomenon adding residential units and alluring further growth in the central business district.

North Dallas is experiencing a frenzy of new office building construction that is expected to continue. The industrial commercial property market is attractive to investors and seeing steady growth.

Carolina Charm, Big City Sophistication... Charlotte, NC

Oozing traditional southern hospitality is the beautiful Charlotte, North Carolina. A banking hub complete with futuristic high-rises and elevated walkways, Charlotte is a southern Big Apple, with lakes and parks to boot.

With its strong population growth and positive job creation, it is a market on the move. There are all types of neighborhoods and opportunities in Charlotte, depending on your investment goals.

Charlotte ranked as the Number One Moving Destination in 2004, based on the American Movers and Storage Association (AMSA). Charlotte has been rated as one of the top places to live in America based on many quality of life factors, the variety of housing options and affordability.

	Charlotte, NC	USA	Bubble Index
Median Home Price*	\$198,200	\$221,900	\$525,871
Median Annual Rent**	\$10,692	\$10,303	\$18,414
Median Income***	\$64,400	\$53,942	\$72,388
Price to Income Ratio	3.08	4.11	7.26
Price to Rent Ratio	18.54	21.54	28.56
Change in Pop. '90-'00	22.99%	13.10%	
Change in Pop. '00-'06	18.13%	6.04%	
Job Growth 2005-2006	3.75%	1.64%	
Job Growth 2004-2005	3.24%	1.14%	

*Source for Median Home Price: National Association of Realtors, Q4 2006.

**Source for Median Annual Rent: HUD Fair Market Rents for 2006. For USA and "Bubble Index," median rents of all available and/or defined cities were averaged.

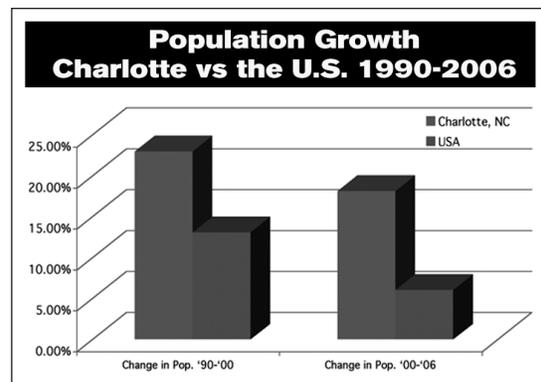
***Source for Median Income: HUD Median Income for 2006. For USA and "Bubble Index," numbers were averaged.

^Source for Job Growth: U.S. Department of Labor, Bureau of Labor Statistics, employment numbers through 2006. Numbers for December 2005 were projected and annual numbers averaged.

^^Source for Population: U.S. Bureau of the Census.

Population

Increasing relocations and attractiveness to retirees are among the driving forces for Charlotte's explosive population growth. At nearly double the national rate, Charlotte grew 22.99% between 1990 and 2000, and 18.13% between 2000 and 2006.

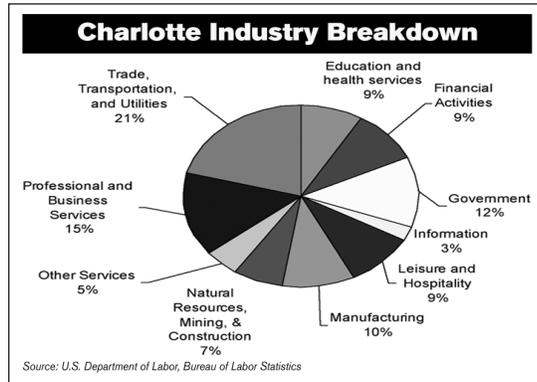


Economy

Charlotte is first and foremost a banking city. The second largest financial center in the nation, it is only outranked by New York.

Charlotte ranks 6th in the nation for number of Fortune 500 Companies headquartered in the city. Among the largest employers are Wachovia, Bank of America, Lowes, US Airways and Duke Energy. Healthcare, government services, education, telecommunications and retail are also large employment sectors.

The highly educated workforce commands impressive incomes. The median for Charlotte is \$64,400. Job growth is projected to continue steady and strong.



Real Estate

There are a variety of housing options in Charlotte. The downtown area offers sleek high-rise condos or historic Victorian homes amidst the high-end restaurants and shopping. The Dilworth and Myers Park neighborhoods of the “Old South” area average about \$326,000.

The “New South” has become akin to a second downtown, with the influx of commercial office business. Homes in this area average \$252,000.

New development along the light rail, in particular mixed-use projects, continues to pick up steam.

Other neighborhoods include the Northeast — developed over the past 15 years and offering affordable housing averaging \$155,000. To the East, homes average just \$135,000.

A short commute from the city center (about 20-30 minutes) can get you to several waterfront communities including Catawba River, Lake Norman and Lake Wylie.

It is worth noting that the office market is also showing consistent growth. Vacancy rates in the central business district are just below 6%, with overall vacancy rates running at 16%.

Check Out This Peach of An Opportunity: Our “Sister City” Pick - Athens, Georgia

Near to Atlanta is Athens, a quaint, attractive city. Known as a college town with an established live music scene, there are some solid real estate opportunities worth checking out.

Named as one of the Best Places to Retire by *Money* magazine, Athens is just below the foothills of the Blue Ridge Mountains and home to just over 100,000 residents. The revitalized downtown, historic districts, art and award-winning dining make it a sophisticated southern charmer.

Athens was named One of Seven Cool Cities by *Kiplingers Personal Finance*, One of Five Best Places to Retire 2005 by *Money Magazine*, and is consistently recognized as one of the nation’s top art destinations, among other accolades.

Athens’ contributions to rock, country music and bluegrass earned it the nicknames “the Liverpool of the South”, the “mother of modern music” and the “birthplace of New Wave music”.

	Athens, GA	USA	Bubble Index
Median Home Price*	\$161,100	\$221,900	\$525,871
Median Annual Rent**	\$10,632	\$10,303	\$18,414
Median Income***	\$52,900	\$53,942	\$72,388
Price to Income Ratio	3.05	4.11	7.26
Price to Rent Ratio	15.15	21.54	28.56
Change in Pop. '90-'00	22.10%	13.10%	
Change in Pop. '00-'06	11.26%	6.04%	
Job Growth 2005-2006	2.78%	1.64%	
Job Growth 2004-2005	0.78%	1.14%	

*Source for Median Home Price: National Association of Realtors, Q4 2006.

**Source for Median Annual Rent: HUD Fair Market Rents for 2006. For USA and “Bubble Index,” median rents of all available and/or defined cities were averaged.

***Source for Median Income: HUD Median Income for 2006. For USA and “Bubble Index,” numbers were averaged.

^Source for Job Growth: U.S. Department of Labor, Bureau of Labor Statistics, employment numbers through 2006. Numbers for December 2005 were projected and annual numbers averaged.

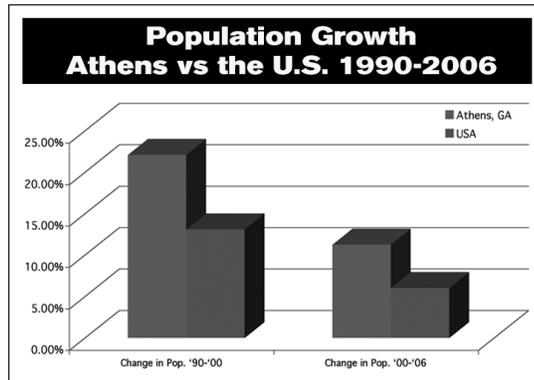
^^Source for Population: U.S. Bureau of the Census.

Population

Athens has seen considerable population growth, due in part to an influx of retirees. The population grew 22.10% between 1990 and 2000, and 11.26% between 2000 and 2006.

Economy

The University of Georgia (UGA) is the largest employer in Athens–Clarke County, and its presence is still the largest single factor in the city’s increasingly diversified economy. Other top employers include the Athens Regional Medical Center, Gold Kist, Seaboard Farms, and St. Mary’s Health Care System. Major industries in Athens–Clarke County include poultry and timber.



Real Estate

With a median home price of \$161,100, and homes ranging from \$60,000 to over a million, Athens provides several investment options.

In 1980 Athens became a Main Street City, one of the first to embrace a program for downtown revitalization through the National Trust for Historic Preservation. The National Register of Historic Places lists the entire downtown as a historic district. The infill development that accompanied this revitalization has recently expanded to the east.

In the University/Five Points area, homes will range anywhere from \$100,000 to \$550,000, with condo and townhome opportunities starting under \$100,000.

Ruggedly Gorgeous Las Cruces, New Mexico, the City of Crosses and Hot Peppers

Las Cruces, Spanish for “city of crosses,” is located in the Mesilla Valley, a wonderfully varied area of forests, river valley, and vast desert. The city’s spectacular setting boasts the Organ Mountains to the east and the surrounding Chihuahuah Desert, with the Rio Grande running through the middle.

The Forbes/Milken Institute named Las Cruces among the top three small metro areas for business and careers, and *Money* magazine placed it among the top places to retire, based on factors such as weather, crime, and economy.

Las Cruces enjoys 350 days of sunshine annually, with less than 9 inches of average annual rainfall, which happens mostly at night, and only 3.2 inches of snowfall. Because it is situated over a natural underground aquifer, it does not suffer the water problems of a number of southwestern cities.

Like many other sunbelt communities, Las Cruces’ economy is booming.

Las Cruces is definitely a land of peppers. Chile, cayenne, jalepeno, and bell peppers in every color imaginable are all raised locally.

	La Cruces, NM	USA	Bubble Index
Median Home Price*	\$159,820	\$221,900	\$525,871
Median Annual Rent**	\$8,628	\$10,303	\$18,414
Median Income***	\$39,000	\$53,942	\$72,388
Price to Income Ratio	4.12	4.11	7.26
Price to Rent Ratio	19.82	21.54	28.56
Change in Pop. '90-'00	28.91%	13.10%	
Change in Pop. '00-'06	10.78%	6.04%	
Job Growth 2005-2006	2.92%	1.64%	
Job Growth 2004-2005	2.80%	1.14%	

*Source for Median Home Price: National Association of Realtors, Q4 2006.

**Source for Median Annual Rent: HUD Fair Market Rents for 2006. For USA and “Bubble Index,” median rents of all available and/or defined cities were averaged.

***Source for Median Income: HUD Median Income for 2006. For USA and “Bubble Index,” numbers were averaged.

^Source for Job Growth: U.S. Department of Labor, Bureau of Labor Statistics, employment numbers through 2006. Numbers for December 2005 were projected and annual numbers averaged.

^^Source for Population: U.S. Bureau of the Census.

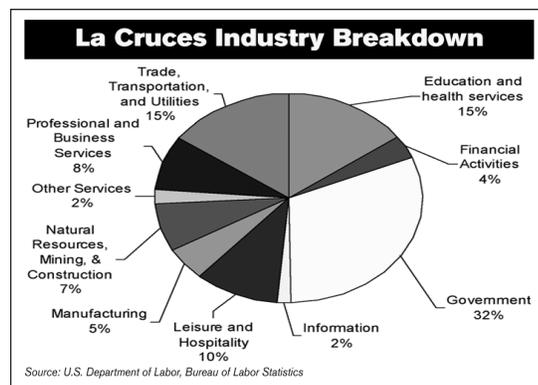
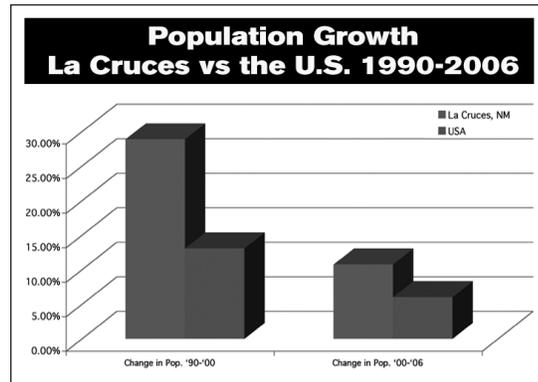
Population

An enormous influx of retirees, students, and tourists has boosted the economy and has led to a building boom, including many senior citizen residences. In fact, Las Cruces was recently named Top-5 Place to Retire by AARP.

Economy

The pillars of the local economy are agriculture, commerce, education, and defense/aerospace. Federal, state, and local government have become the main source of jobs in the area, due to the proximity of New Mexico State University (NMSU) and White Sands Missile Range. NMSU is the city's largest employer, and it also provides training and education for research facilities at White Sands. White Sands Missile Range is the largest military installation in the Western Hemisphere covering more than 2.2 million acres. It is used by the Navy, Air Force, and NASA. Other government agencies, universities, private industries, and even foreign militaries conduct research there as well.

Manufacturing and commerce has been growing in importance since The North American Free Trade Agreement, along with the opening in 1991 of the border crossing at Santa Teresa, just 40 miles south of Las Cruces. Many are relocating to the area in order to do business with factories in Mexico. Molded plastics and electronic components are the top materials purchased by the Mexican factories.



Real Estate

Unlike many cities its size, Las Cruces lacks a true central business district.

Most Las Crucesians would agree that the modern “heart” of the city, where most stores and restaurants are located, is the area running down Telshor Boulevard and Lohman Avenue. Las Cruces’ only shopping mall and a variety of retail stores and restaurants are located in this area.

Historic Downtown

However, the historic downtown of the city is the area around Main Street, a six-block stretch of which was closed off in 1973 to form the “Downtown Mall”, a pedestrianized shopping area. The downtown mall has a farmers market each weekend where many different foods and cultural items can be purchased from small stands that are set up by locals. It also contains many different businesses, churches and theaters, which add a great deal of character to Las Cruces by continuing to exist in the historic downtown.

In August 2005, a master plan was adopted, the centerpiece of which is the restoration of two-way traffic to Main Street.

The historical downtown and surrounding neighborhoods of Las Cruces offer properties in an affordable price range.

High Range

The homes in the High Range Subdivision are up to 23 years old, but new homes are under construction at all times. The older resale homes are priced from \$170,000 to \$350,000, while new homes range in price from \$240,000 to \$750,000, with the majority priced between \$250,000 and \$350,000.

Picacho Hills Subdivision

Picacho Hills Subdivision is located in west Las Cruces and has fantastic views of the Mesilla Valley and the mountains on the east side of the city. The subdivision’s newly-constructed homes are priced from \$350,000 to over \$1 million, but the majority of new homes are in the \$450,000 to \$700,000 price range. There are three gated communities within Picacho Hills Subdivisions.

Sonoma Ranch Subdivision

Sonoma Ranch Subdivision is approximately five years old and is located on the east side of Las Cruces. The subdivision, which has two gated communities, contains homes ranging in price from \$250,000 to \$750,000. Because the subdivision is relatively new, there are homes under construction at all times. Sonoma Ranch is close to White Sands Missile Range and Johnson Space Center, two of the largest employers in Las Cruces.

Summit Chase

Just outside the city limits of Las Cruces, with lots averaging one acre in size, Summit Chase is located just south of the New Mexico State University Golf Course. Homes are typically in the \$350,000 to \$850,000 price range.

Las Colinas and Dos Suenos

Las Colinas and Dos Suenos provide homes in a moderate price range. Both of these subdivisions are on the northeast side of Las Cruces. Each of the subdivisions is within a 15 to 25 minute drive from Johnson Space Center and White Sands Missile Range. Las Colinas Subdivision, which was started in 1986, is completely built out. Prices in Las Colinas range from \$130,000 to \$175,000. Dos Suenos Subdivision is only still under construction, with prices ranging from \$130,000 to \$200,000 plus.

The Village of Mesilla

Mesilla, the original Dona Ana County Seat, provides Las Cruces with the rustic feeling of Santa Fe. The homes are Pueblo style, with flat roofs, adobe construction and thick walls.

Knoxville: The Best of Both Worlds At An American Crossroads

	Knoxville, TN	USA	Bubble Index
Median Home Price*	\$153,600	\$221,900	\$472,600
Median Annual Rent**	\$9,516	\$10,303	\$18,975
Median Income***	\$54,800	\$53,942	\$72,400
Price to Income Ratio	2.80	4.11	6.53
Price to Rent Ratio	16.14	21.54	24.91
Change in Pop:'90-'00	15.17%	13.10%	
Change in Pop:'00-'06	8.08%	6.04%	
Climate – Winter	28-49		
Climate – Summer	64-86		
Job Growth 2005-2006^	1.84%	1.85%	
Job Growth 2004-2005	1.62%	1.73%	

*Source for Median Home Price: National Association of Realtors, Q4 2006.

**Source for Median Annual Rent: HUD Fair Market Rents for 2006. For USA and "Bubble Index," median rents of all available and/or defined cities were averaged.

***Source for Median Income: HUD Median Income for 2006. For USA and "Bubble Index," numbers were averaged.

^Source for Job Growth: U.S. Department of Labor, Bureau of Labor Statistics, employment numbers through 2006. Numbers for December 2005 were projected and annual numbers averaged.

^^Source for Population: U.S. Bureau of the Census.

Knoxville is a city in the right place at the right time...not just for general investors, but for families as well.

With a cost of living that's just 88% of the national average and no state income taxes (apart from income from stock dividends or mutual funds), Knoxville is one of the most affordable places to live in the U.S. **Home prices**, while rising modestly, remain a stunning 44% below the national median, giving you nearly twice as much bang for your investing buck!

What's more, these bargains are among the most attractive buildings in the country. You'll find everything from elegant Victorian-era houses to Art Deco office buildings to Appalachian-style log homes. And while the city is large enough to have a thriving urban culture, there are plenty of rural areas nearby to satisfy the greenest nature lover.

Today, **population growth** is just ahead of the national norm and job growth is keeping pace. Knoxville is home to about a million people, with a stable

workforce of around 550,000 and more than 75,000 university students. Long-term prospects are even better as a growing number of retirees are drawn to the area. In particular, Knoxville's location mid-way between the home towns of northern retirees and their favorite watering holes in Florida and along the Gulf Coast make Knoxville highly attractive to aging Baby Boomers.

But those aren't the only reasons the Cradle of Country Music was named the "best place to live in the United States and Canada" among cities with a population of fewer than 1 million. You'll also find:

- **Beautiful surroundings**, graced by two mountain ranges, numerous lakes, reservoirs, parks, and rivers. The city also boasts more than 40 miles of "Greenways", corridors of open space reserved for land and water conservation and recreation. Great Smoky Mountains National Park, which draws more than 9 million visitors each year (double the attendance of any other national park), is just 45 miles away.
- **A newly-revitalized downtown area.** Investors and city government leaders are pumping millions of dollars into development projects in Knoxville's central business district, hoping to make the area an active 24-hour neighborhood. New initiatives include luxury condo conversions, the first major downtown retail developments in nearly a decade, and a 2,000-seat multi-screen movie theater complex. And here's another plus for folks who enjoy city life: Knoxville is consistently rated as one of the nation's safest cities.
- **A diverse and robust economy** driven by innovative leaders in technology, electrical power, healthcare, education, government, tourism, film production, and entertainment. And with an **average commute of just 20 minutes**, many residents opt to work downtown and live in the country.
- **A mild and temperate climate** where spring arrives early and stays late.
- **One of the nation's top universities**, the University of Tennessee, with highly-ranked programs in Business, Law, Engineering, and Education, Health, and Human Science. In addition, seventeen other colleges and training programs in the region provide a highly-educated workforce with entrepreneurial spirit and a pragmatic, no-nonsense work ethic.
- **Cutting-edge scientific research**, notably at the Oak Ridge National Laboratory, one of just five national laboratories and the city's largest employer. Originally created to produce plutonium for the Manhattan Project during World War II, the lab now pioneers new advances in energy, biology, computing, neutron science, and materials.
- The region's signature Appalachian and Bluegrass scene is just the tip of the iceberg when it comes to Knoxville's **thriving arts community**. In

addition to the recently-renovated Tennessee Theatre and Bijou Theater, you'll find a fine arts museum, jazz and symphony orchestras, professional opera, modern dance and more. There's a free concert downtown every Thursday night from April through July, and live music somewhere almost every night of the year. And don't forget "Boomsday", the largest Labor Day weekend fireworks show in the country.

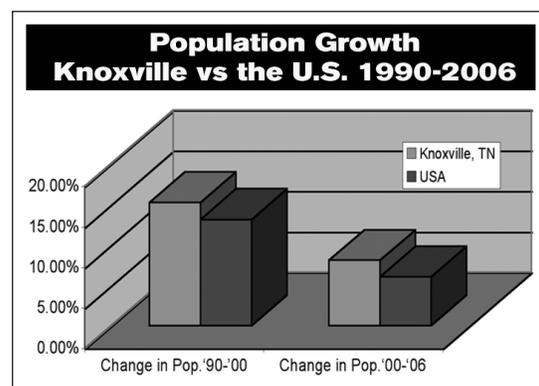
- Plus **some of the most enthusiastic sports fans** you'll find anywhere in America — especially for the University teams, known as the "Volunteers" or "Vols." How popular are they? Here's a hint: it's no accident that the local area code for Knox County and the eight surrounding counties is 865 (VOL)! Knoxville is also known worldwide for women's basketball, and is home to the Women's Basketball Hall of Fame.

Knoxville Neighborhoods

Knoxville is located in a wide mountain valley, framed by the Cumberland Mountains to the northwest and the Great Smoky Mountains to the southeast. It was founded in 1791 at the point where the French Broad River and the Holston River converge to form the Tennessee River. The high elevation (936 feet above sea level) keeps the climate mild, with the temperature averaging about 58 degrees year-round.

In addition to its port on the Tennessee River, Knoxville sits at the crossroads of three "asphalt rivers" — the major east/west artery I-40, the north/south I-75 corridor (popular with northerners heading to southern vacation spots), and I-81, which runs northeast from Eastern Tennessee all the way to the Canadian border.

Together, these three roads can reach more than two-thirds of the major cities in America in just one day's drive. This convenience propelled Knoxville's last economic boom, solidifying its position as a manufacturing and distribution powerhouse, an era that peaked with the city's hosting of the 1982 World's Fair. Today the local economy is shifting toward technology-based businesses, led by the University of Tennessee and Oak Ridge National Laboratories.



Knoxville is the third largest city in Tennessee (after Memphis and Nashville). Its business-friendly government has some of the lowest property taxes in the

country...you even get a 1% discount if you pay them in full by the end of October each year.

From our perspective, the historic Old North Knoxville and 4th and Gill neighborhoods are the most interesting areas for investing, but many other parts of Greater Knoxville are also attractive. Here's a quick rundown on the areas that show strong signs of improvement and good prospects for sustained appreciation.

Downtown Knoxville

Knoxville's central business district is in the midst of a full-scale renaissance. Since 1993, more than 400 city blocks within a square mile area have been designated as a special assessment district slated for ongoing improvement and renewal. Business and government leaders work with volunteers to promote new initiatives in development, marketing and events, security and parking/transportation in this area. After years of planning, the program is just starting to bear fruit, adding new vibrancy and excitement in the city's core. The heart of downtown is Market Square, site of regular live music events and community gatherings.

The 2002 opening of a \$165 million convention center and the World's Fair Park has given the city a high-end venue that allows the area to compete for a wider range of tourist and convention business. New developments such as Sterchi Lofts and Promontory Point waterfront development are drawing an eclectic mix of students, young professionals, and empty nesters. According to the director of the Central Business Improvement District, the downtown area has grown by 40 percent over the last couple of years.

Old North Knoxville

Just north of downtown is Old North Knoxville, a residential and business district built from the 1880s to the 1940s. It includes the triangle formed by Central Street, Broadway, and Woodland Avenue, as well as the area east of Broadway bounded by Cecil Avenue, Sixth Avenue, Glenwood Avenue and Broadway.

This area was declared a historic district in 1992, prompting widespread restoration and an increase in property values (up 157% since 1990). Condo conversions are popular here among investors who are able to purchase on a presale basis. Many of these homes were designed for the rich by leading architects including George Barber, Charles Barber, and David Getaz. The district features numerous shops and boutiques selling gifts, crafts, art, and antiques. It's also home to popular coffee shops, restaurants, and nightlife.

4th and Gill

Like Old North Knoxville, the historic Fourth and Gill neighborhood is a formerly affluent neighborhood that has been restored to much of its former glory in the last two decades. The district covers about 72 acres and includes buildings centered on the 700 block of Morgan Street, Deery Street, Luttrell Street to three parcels south of the old Brownlow Elementary School, Eleanor Street (beginning at East Fourth Avenue), and the cross streets of Third Avenue, Lovenia Avenue, Gill Avenue, Caswell Avenue, Haynes Place, Wells Avenue and Camp Avenue. There is also a cluster of seven buildings north of Gill Avenue on North Fourth Avenue.

The original residents were a diverse group, which is reflected in the variety of architecture here, though the majority is Queen Anne or Craftsman style. While most properties in this area were originally single-family homes, many were converted to multiple units to supplement incomes during the Great Depression or to meet growing demands for student housing after World War II. The district's name comes from the address of a converted house that serves as the neighborhood center.

Sequoyah Hills

Developed in the 1920s, Sequoyah Hills is located on a bend of the Tennessee River between Kingston Pike and Cherokee Boulevard. Most homes in this area are valued at \$1 million and up, and the neighborhood is known for its view of the river. The first housing development in the area, known as Talahi, is listed on the National Register of Historic Places.

Westmoreland

Similar to nearby Sequoyah Hills but less diverse, Westmoreland was first developed in the 1920s. Like its neighbor, it is expensive, stable, and home to many wealthy families.

Fountain City

Named for the large fountain at its center, Fountain City is a moderately-priced historic neighborhood located just inside the northern city limits. Prior to its annexation by Knoxville in 1962, Fountain City was said to be the largest unincorporated city in the United States. The area has a reputation for beautiful homes and parks, with numerous dogwood trees that burst into white flowers in the spring. While there is some new construction, a portion of the undeveloped property in Fountain City is being preserved as green space.

Halls/Gibbs

The Halls community is an up-and-coming rural area in North Knox County. Originally developed in the 1950s, it's one of the busiest areas for new home

construction in the region. Emory Road, the primary route between Halls and Knoxville, is currently being widened to accommodate the growing traffic between this peaceful countryside and I-75. Nearby Gibbs is a similar community that is also doing very well.

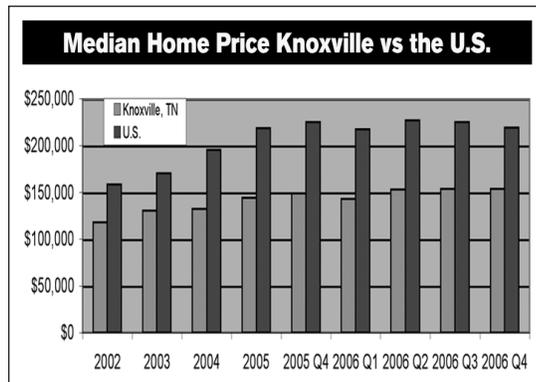
Island Home Park

Located on the south side of the Tennessee River, Island Home Park is a former streetcar subdivision that saw its first major development in 1910. The district includes properties along Island Home Boulevard (divided by a median where the streetcar tracks formerly ran), Spence Place, Fisher Place and Maplewood Drive. The area is said to contain some of the best examples of Bungalow and Craftsman architecture in Knoxville. Newer properties on the north side of the neighborhood near the river and along the wooded ridge line to the south were developed later.

Local Real Estate Market

Knoxville’s real estate market is one of the most attractive in the country, with median home prices around 44% lower than the national average. And while the median family income is only a little bit higher than the rest of the country, those dollars go a whole lot further when buying real estate in the Marble city. That’s just one reason why Salary.com rated Knoxville #3 among the “Best Metro Areas for Building Personal Wealth” in 2006.

Bubble-like inflation simply hasn’t reared its ugly head in Knoxville. Between 2004-2006, values gained just over 14% — compared to a national average of 13.68% and appreciation in some of the worst bubble areas of 30% to 43%. Affordable prices still allow the average family to buy and sell homes at retail.



Part of Knoxville’s appeal is its diversity. You’ll find two- and three-bedroom starter homes, loft-style condominiums in converted historic buildings, rustic log cabins, and even luxury subdivisions with equestrian facilities and concierge service for residents.

Commercial Real Estate Market

Knoxville’s commercial real estate map is shifting as historic office buildings downtown are converted into residential units. Most **new office space** is going up in western suburbs where cheap, undeveloped land is widely available. All of the

new office space built in 2006 — 684,573 new square feet — was in the suburbs, although several new developments are in the works in the downtown central business district. Some investors see opportunity in north Knoxville as well — anticipating that business development will follow growing residential and retail construction there. Parkway Properties, Inc. reports that Knoxville's office vacancy rate is around 13.2%, keeping pace with national and regional markets, with an average rental rate of \$14.44 per square foot.

Retail property is growing fast as an influx of retirees and surging residential development drives strong demand for big box stores, shopping centers, and smaller neighborhood retail centers. Wal-Mart, Target, Home Depot, Marshall's, Bed Bath & Beyond, Books-A-Million and others are building new anchors throughout the region. New retail units are asking rents of \$25-\$30 per square foot — nearly double the average rate of just a few years ago. Even downtown developers are looking to increase retail spaces. One consultant predicts that downtown shoppers could more than double the \$45 million they're already spending if more retail properties could be carved out from existing street-level spaces. Vacancy rates are down in recent years, dropping from 6.9 percent in 2004 to 6.5 percent in 2006.

Industrial construction has been largely flat in recent years as the local economy shifts away from manufacturing.

Knoxville ahead in real estate race

Regional property values on the rise despite nationwide drop in housing market

From: *Knoxville News Sentinel*, Sunday, March 25, 2007

When it comes to housing, the Knoxville region isn't your average real estate market. Unlike much of the country, Knoxville housing is gaining in value.

The median sales price for an existing single-family home in the Knoxville Metropolitan Statistical Area in the fourth quarter of 2006 was \$153,600, a 3.2 percent gain from the same period the year before, according to the National Association of Realtors.

In contrast, nationwide the median sales price slipped 2.7 percent at the end of 2006. The Knoxville market actually outperformed nearly half of the metro areas surveyed by the Realtors.

Rock-Solid Profit Opportunities in the Marble City

Even when buying a good value market like Knoxville, it pays to try to be one of the best buyers in the market. Buy under value in an undervalued market, in other words, and you get instant equity at the close plus cash flow and very good prospects for continued leveraged appreciation.

As an example, *Main Street Millionaire* editor Justin Ford recently bought a duplex in a small city just outside of Knoxville with a turn-of-the-century downtown that is steadily revitalizing. He bought the roughly 2300 square foot home at just over \$32 a square foot while other homes in the area were averaging \$45 a square foot. With the property producing just over \$10,000 in gross rental income a year, the \$75,000 purchase price was just over seven times rent and

Knoxville was named the #1 Best Place to Live for cities under 1 million population – beating 353 other metropolitan areas – by the *Places Rated Almanac Millenium Edition* in 2004. It's #13 on the list of overall best cities in the US and Canada

The Economic Research Institute (ERI) ranked Knoxville **#1 in the U.S. as the best place for college graduates** in July, 2006

Knoxville and the Oak Ridge Innovation Valley were ranked the **5th best place in the nation to do business and have a career** by the *Forbes Business and Career Survey* of May 2006, outperforming all other Tennessee cities in overall rankings.

In 2007, Knoxville's University of Tennessee was named **one of top 25 top MBA programs in the U.S.** by *Forbes*.

Salary.com ranked Knoxville the **#3 "Best Metro Area for Building Personal Wealth"** in 2006

CNNMoney.com called Knoxville the **7th Most Affordable Vacation Destination** in 2006.

Knoxville's **"Boomsday" was named a "Top 20 Event"** for the month of September 2006 by the Southeast Tourism Society.

Knoxville **scored 9th in the 2006 "America's 50 Hottest Cities"** list of the best American cities to do business. *Expansion Management*, Jan.-Feb. 2006.

Inc. Magazine ranked **Knoxville 18th on its list of the "Best Places for Doing Business in America"** in 2005.

provides plenty of cash flow for a property already bought under market on a dollar-per-square-foot basis.

The property sits on a quarter acre on a quiet side street and the structure itself is a two-story Southern Colonial with hard wood floors and front porches on the first and second floor. As the neighborhood continues to improve and experience rising demand, ultimately the highest and best use for this property — generating the highest resale price — will probably be to convert it back to a single-family residence.

As we go to press, he and a partner are negotiating on a 10-unit building close to the downtown. Eight of the units of the B-class 35-year-old building have two bedrooms and one bath; the other two are 1-1's. It is fully rented with gross potential rents of \$3800 per month or \$45,600 per year. At an asking price of just \$260,000 the property is trading at less than six times annual rent for a property that is 100% occupied... and in an area where rental demand is very strong.

That opportunity is a special under-market value deal. Other small multi-families on the market that are more representative of market values include a 35 year-old, brick eight plex in the heart of Knoxville, consisting of all 2-1's, and asking \$950,000 or just over nine times annual rent.

On the larger property side, current offerings include a 38-year old brick building with 48 3-bedroom and 48 2-bedroom units that is in need of an estimated \$1 million in repairs. It is in a working class neighborhood, with gross potential rents of \$618,000 and an asking price is \$2.7 million. That price is “in quotes,” as the seller is flexible, given the needed repairs.

If the representations prove out, the gist of it is that a buyer interested in a high yield along with appreciation potential could end up owning a newly renovated building at a price (including purchase and repairs) of about five times gross rents and a little more than \$30,000 per multi-bedroom unit.

For an upper scale example, a 186-unit, wood-frame, multi-building complex built in 1968 is currently on sale with an asking price of \$12.1 million, or \$65,000 per unit and about 6.5 times gross rents. The difference is in the fact that this property is close to the West Town Mall, perhaps the most prominent shopping center in Eastern Tennessee.

The Local Economy From Industrial Crossroads to Technological Powerhouse

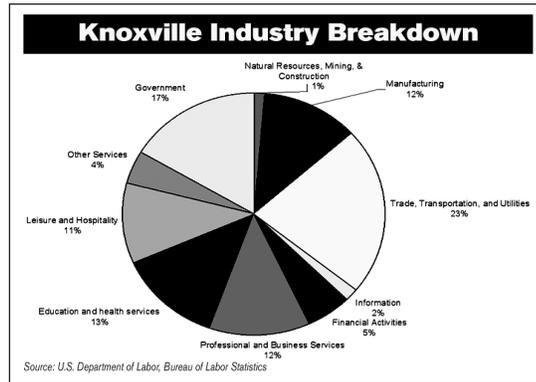
In the mid-1900s, Knoxville's prime location made it an ideal distribution and manufacturing sector. More recently the area has been moving away from its manufacturing roots to embrace technology-based businesses.

To that end, a variety of efforts are underway to combine the technology

resources of two of Knoxville's largest employers, the Oak Ridge National Laboratory (ORNL) and the University of Tennessee. One goal of this program is to speed up commercial production of technologies developed by ORNL by creating ten new companies around them each year.

According to the Central Improvement Business District, "Downtown Knoxville is where business gets done in East Tennessee." National companies in the downtown area include Kimberly-Clark, H.T. Hackney, Brunswick Boat Group, ImagePoint, and 21st Mortgage.

A number of leading companies have established corporate headquarters in the Knoxville metro region in recent years, including Brinks Home Security, SYSCO Corporation, Exedy America, Reily Foods, Ruby Tuesday, Tennessee Steel, and National Partitions.



The film production and entertainment industries are also growing here. In addition to Scripps Networks' headquarters, which includes its Home & Garden Television (HGTV) division, Knoxville is the home of Regal Entertainment Group, Bandit Lites, RIVR Media, Jupiter Entertainment and Atmosphere Pictures. And more growth is coming...in late 2007, Scripps Networks announced a \$30 million plan to double the size of its Knoxville-based headquarters, adding a new building to its campus on Sherrill Boulevard.

"Straight Into Ca\$hville" — Follow the Music to Nashville, A "Sister City" With Grand Ol' Profit Opportunities!

Just a few hours west on I-40 is Tennessee's capital city of **Nashville**, the largest and fastest-growing metropolitan area in the state.

Known as "Music City", Nashville is the **second-largest music-production center in the country** (after New York). All of the "big four" music producers (EMI, Sony BMG, Universal, and Warner) have offices here, and many independent labels can also be found in the "Music Row" district centered around 16th and 17th Avenues South.

Less well-known outside the region, however, is Nashville's largest industry: healthcare. With **more than 250 healthcare companies** located here, the industry employs more than 94,000 people and generates an estimated \$18.3 billion for the region each year.

Nashville is also home to many insurance, financial, and publishing

companies, and is the headquarters for Dell, Nissan, Sprint PCS and Saturn.

Occupancy rates in Nashville apartments are strong as of Q3 2007, with a vacancy rate of just 5.6% for the quarter. Effective average rents are around \$664 per month.

Office space saw more vacancies in the same period because of new construction — up to 11.7% — **but average rents are rising**. Nashville enjoyed the region's largest second-quarter gain: up 6.1% to an average of \$19.20 per square foot. Warehousing is also strong, posting triple-digit growth according to recent data released by Real Capital Analytics.

As an example of values in the apartment house arena, a 185-unit complex with 12 buildings sitting on 16.5 acres in Southeast Nashville was being offered for \$10.5 million at the time of publication. The complex included a clubhouse, swimming pool, playground, tennis and volleyball courts, was within walking distance of Piercy Priest Lake, and close to Nashville International Airport and other amenities.

Built in 1974 and renovated in 2006 with a unit mix of 58 1-bedroom units, 107 2-bedroom units, and 20 3-bedroom units (a mix of apartments and town homes), the complex claimed a gross potential income of \$112,745 per month, which put its sale price at just under 8 times annual gross rents. The cap rate (net operating income divided by asking price) represented by the sellers was 6.5%.

These numbers look very respectable when you consider the location's good potential for overall gains — market conditions have improved in the immediate area, and a future retail site is planned for development adjacent to the complex. When you do a little extra work to pick undervalued properties, you can turn a solid hit into a home run.

	Nashville, TN	USA	Bubble Index
Median Home Price*	\$182,150	\$221,900	\$472,600
Median Annual Rent**	\$10,788	\$10,303	\$18,975
Median Income***	\$60,900	\$53,942	\$72,400
Price to Income Ratio	2.99	4.11	6.53
Price to Rent Ratio	16.88	21.54	24.91
Change in Pop:'90-'00	25.14%	13.10%	
Change in Pop:'00-'06	10.46%	6.04%	
Climate – Winter	30-49		
Climate – Summer	67-89		
Job Growth 2005-2006^	2.23%	1.85%	
Job Growth 2004-2005	1.70%	1.73%	

*Source for Median Home Price: National Association of Realtors, Q4 2006.

**Source for Median Annual Rent: HUD Fair Market Rents for 2006. For USA and "Bubble Index," median rents of all available and/or defined cities were averaged.

***Source for Median Income: HUD Median Income for 2006. For USA and "Bubble Index," numbers were averaged.

^Source for Job Growth: U.S. Department of Labor, Bureau of Labor Statistics, employment numbers through 2006. Numbers for December 2005 were projected and annual numbers averaged.

^^Source for Population: U.S. Bureau of the Census.

Regional Rolodex

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County Tax Assessor

To search the City of Knoxville only, visit the following:
http://www.ci.knoxville.tn.us/Tax_Search/

To search all of Knox County, visit:
http://www.knoxcounty.org/trustee/tax_search/index.php

Taking the Next Steps

The coming years represent the biggest wave of development and population increase this country has ever seen. **With population projections and demographic shifts...there are areas in America poised for take off.**

Please take special notice that I am not making a blanket statement about every market in the US.

...Some markets are overpriced and it is time to either cash out, or just sit tight for a while if you're collecting good income on cash-flow-positive properties.

...Other markets are inexpensive, but don't offer the best prospects for growth. Although, even in these areas, you may be able to make substantial returns. After all a market that goes up 5% a year produces close to 100% returns for you every two years if you're putting just 10% down.

...Then there are the special markets — the new superstars. Places where prices are still reasonable, rents are strong, population trends are positive, and job growth is enviable. Sprinkle a little warm climate and rich culture, and you've got the recipe for incredible gains.

Along with that comes unprecedented opportunity for investors with the vision to see beyond the bubble markets, and into the future growth areas. Undervalued markets poised for serious appreciation are already in clear sight, and it's a prime opportunity to put your investment dollars in the *right place*, at the *right time*, starting *right now*.

The fact is, you will *multiply* your real estate profits by purchasing properties **Under-Market-Value in Under-Valued-Markets**. And your *Insider's Guide to the Best Value Markets in America* provides you with a strong base for evaluating the strength and potential of *any* market you consider investing in.

Pair that with the techniques in the full *Main Street Millionaire*, and you will be accumulating the best value properties possible.

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