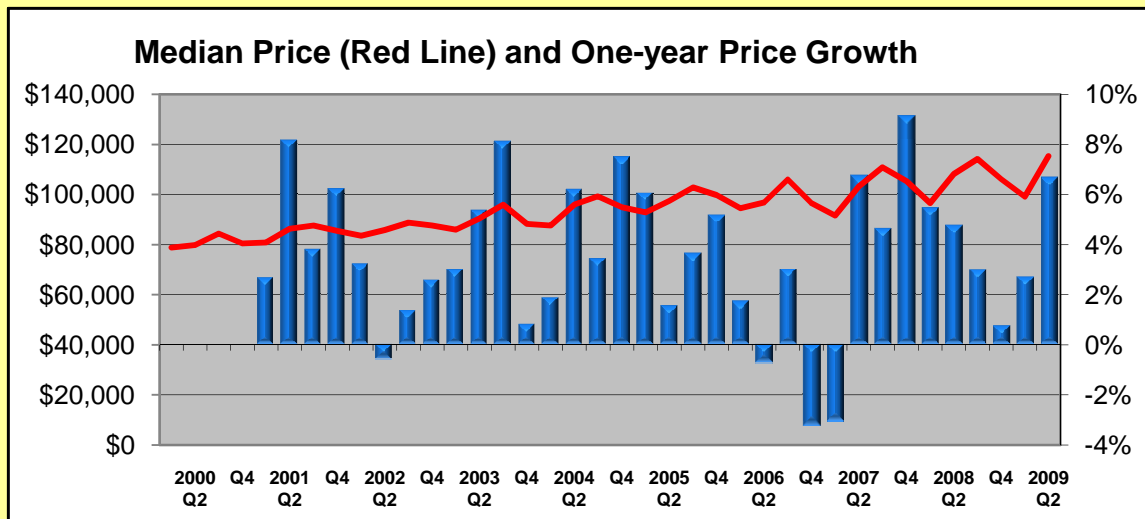
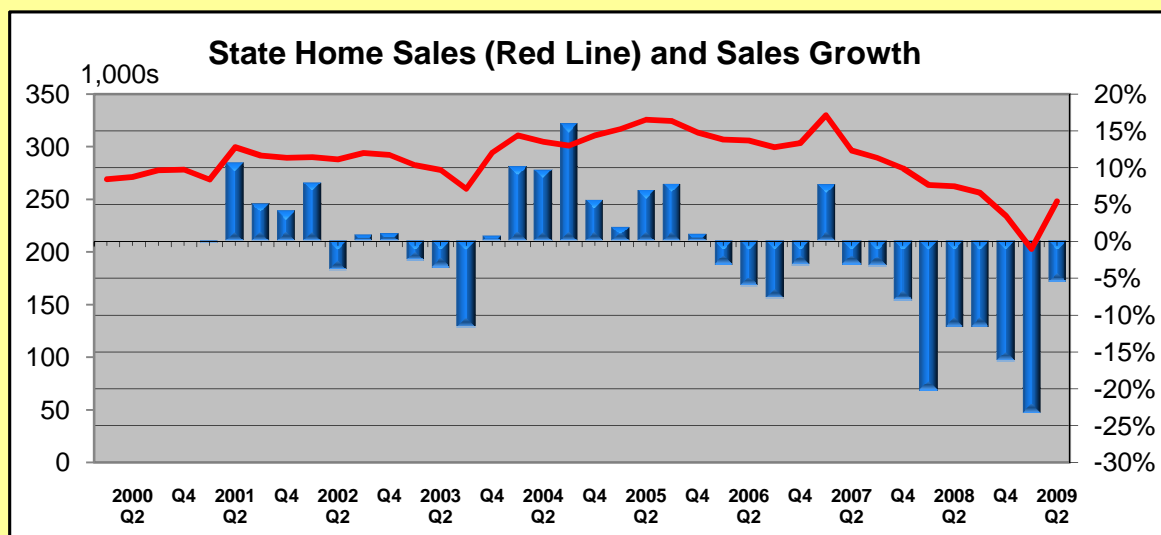


## Buffalo Area Metro Market Report, Second Quarter 2009

### Today's Market...



	Buffalo	U.S.	Local Trend
<b>Price Activity</b>			
Current Median Home Price (2009 Q2)	\$115,400	\$174,433	Prices are above the level from 12 months ago and growing
1-year Appreciation (2009 Q2)	6.7%	-16.2%	
3-year Appreciation (2009 Q2)	19.2%	4.3%	
3-year (12-quarter) Housing Equity Gain	\$18,600	\$7,233	This area has held onto a modest improvement in equity despite the market decline
7-year (28 q) Housing Equity Gain	\$29,600	-\$39,633	
9-year (36 q) Housing Equity Gain	\$35,600	\$6,800	
<b>Conforming Loan Limit</b>	\$417,000	\$729,250	Most buyers in this market have access to government backed financing
<b>Ratio of Conforming to Local Median</b>	28%	not comparable	



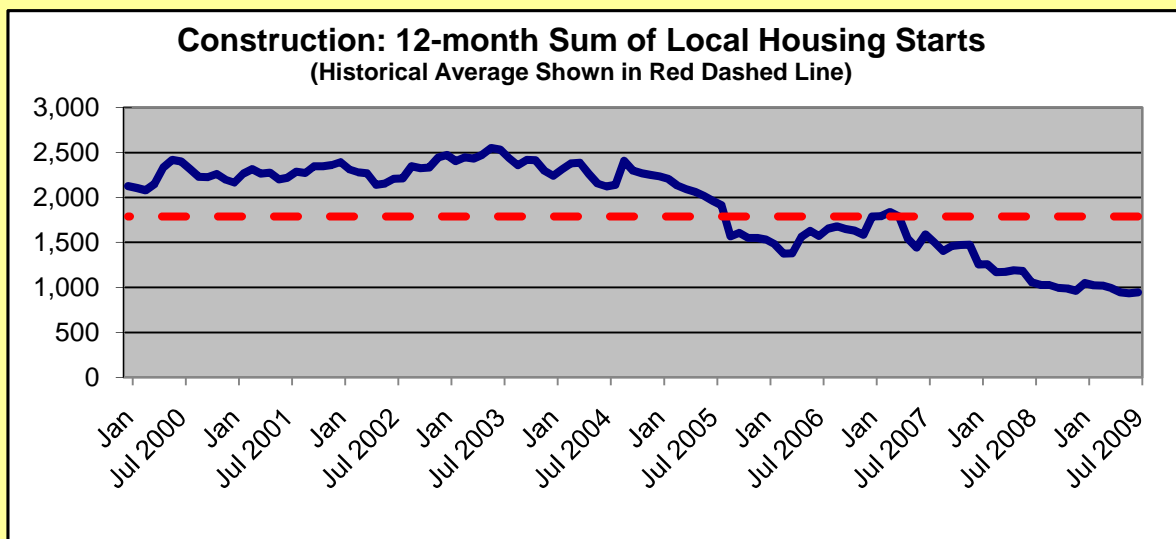
Home Sales and Construction Growth	New York	U.S.	
*State Existing Home Sales (2009 Q2 vs 2008 Q2)	-5.5%	-2.9%	Sales in the second quarter remain sluggish compare to the national average

# Drivers of Local Supply and Demand...

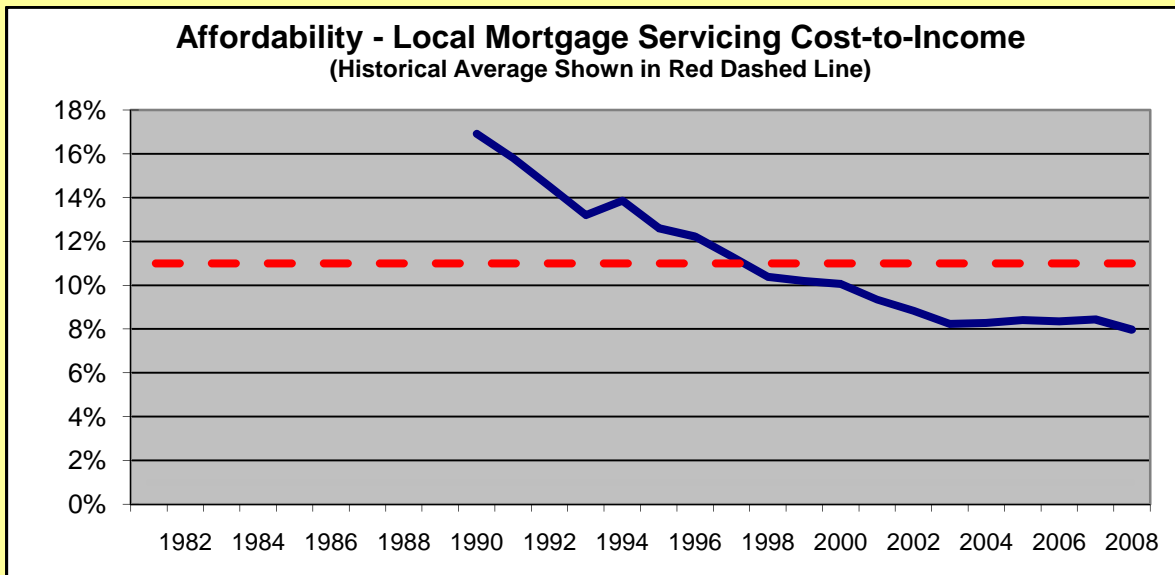
Local Economic Outlook	Buffalo	U.S.	
1-year Job Additions (Jul)	-13,500	Not Comparable	Over the last 12 months, local employment has fallen sharply and will create a drag on demand
3-year Job Additions (Jul)	-5,300	Not Comparable	
1-year (12 month) Job Growth Rate	-2.4%	-2.6%	Respectable compared to other markets
3-year (36 month) Job Growth Rate	-1.0%	-0.9%	The rate of job loss is decelerating

State Economic Activity Index	New York	U.S.	
12-month change (2009 - Jul)	-8.8%	-3.3%	The economy of New York has contracted more than the rest of the nation
36-month change (2009 - Jul)	-7.4%	-0.2%	

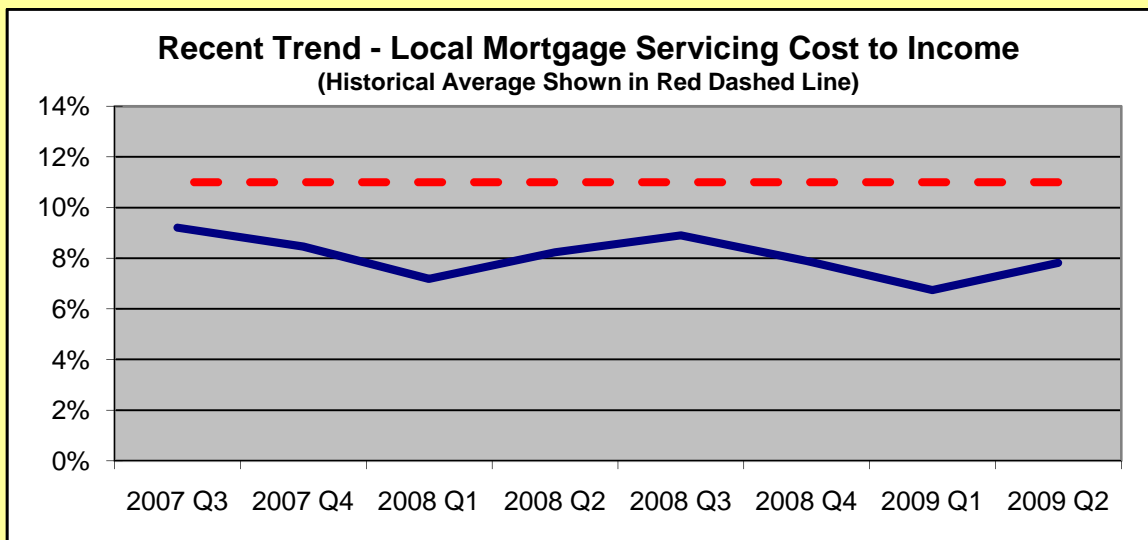
Local Fundamentals	Buffalo	U.S.	
12-month Sum of 1-unit Building Permits through Jul 2009 (1,000s)	665	not comparable	The current level of construction is 62.8% below the long-term average
Long-term average for 12-month Sum of 1-Unit Building Permits (1,000s)	1,786	not comparable	Excess supply reduction could result in price escalation over the longer-term if, in the future, there is rapid and robust increase in demand
** Single-Family Housing Permits (Jul 2009) 12-month sum vs. a year ago	-24.6%	-39.0%	Low construction will help to maintain a tight supply and to stabilize prices



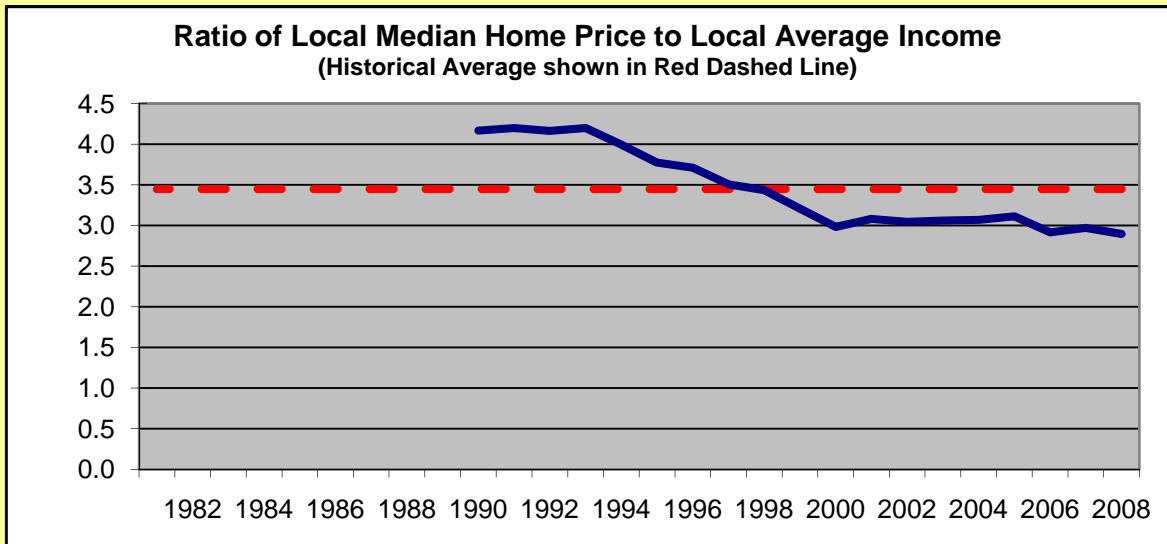
# Affordability



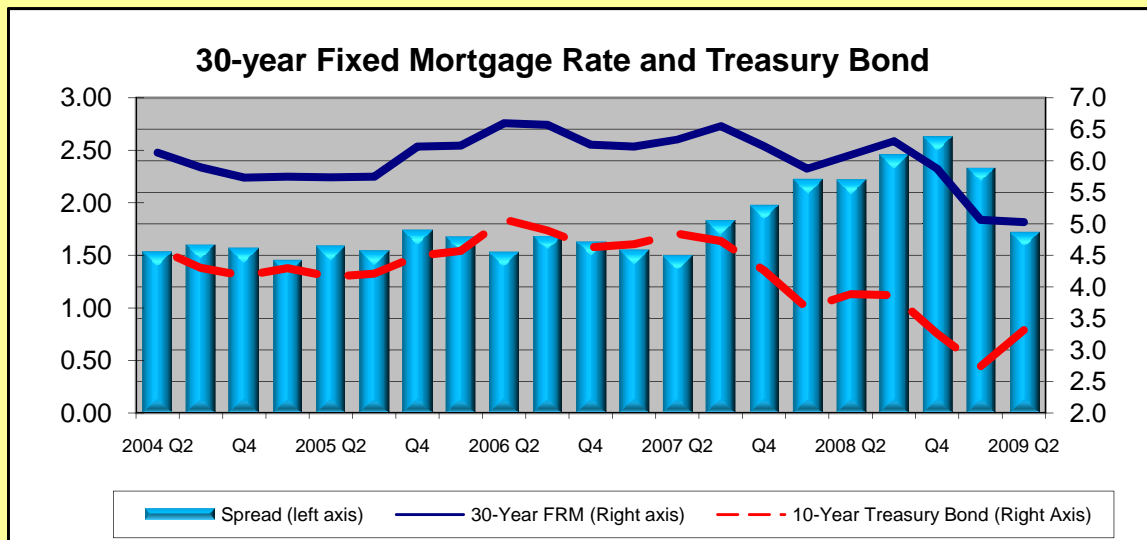
Monthly Mortgage Payment to Income	Buffalo	U.S.	
Ratio for 2008	8.0%	19.5%	Improving and historically strong; should help demand for housing
Ratio for 2009 Q2	7.8%	15.0%	
Historical Average	11.0%	23.2%	Good relative to the nation



Median Home Price to Income	Buffalo	U.S.	
Ratio for 2008	2.9	7.1	Local affordability conditions have weakened relative to local history
Ratio for 2009 Q2	3.2	6.1	
Historical Average	3.4	7.2	Good compared to national average

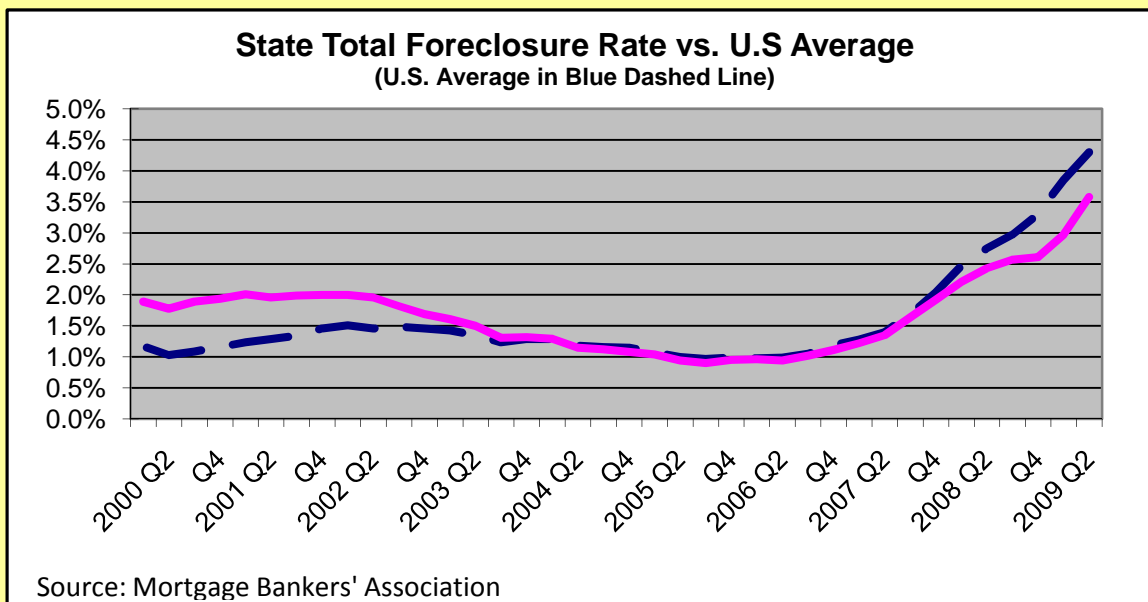


## The Mortgage Market



With the demise of Lehman Brothers in the fall of 2008, risk in the financial markets surged as depicted by the blue bar above. Mortgage rates fell as prospects for growth withered. Recently, rates have flat-lined while the 10-year Treasury bond rate is on the rise. This reduction of the spread between these two rates is a signal that the financial markets view the mortgage industry as less risky.

# Looking Deeper....



Monthly Market Data - June 2009	Buffalo	U.S.	
<b>Market Share:</b> <u>Prime (blue) vs. Subprime + Alt-A</u>			The Buffalo market has a lower share of subprime loans than average
<b>PRIME:</b> Foreclosure + REO Rate			<p>There has been a large local increase versus a year ago</p> <p>Compared to the national average, today's local rate is low</p>
<b>SUBPRIME:</b> Foreclosure + REO Rate			<p>There has been little change locally compare to a year ago</p> <p>Locally, today's foreclosure rate is low relative to the national average</p>
<b>ALT-A:</b> Foreclosure + REO Rate			<p>A large local increase occurred compared to a year ago</p> <p>Today's local rate is low compared to the national average</p>

The "foreclosure + REO rate" is the number of mortgages, by metro area, that are either in the foreclosure process or have completed the foreclosure process and are owned by banks divided by the total number of mortgages for that area.

Source: First American CoreLogic, LoanPerformance data