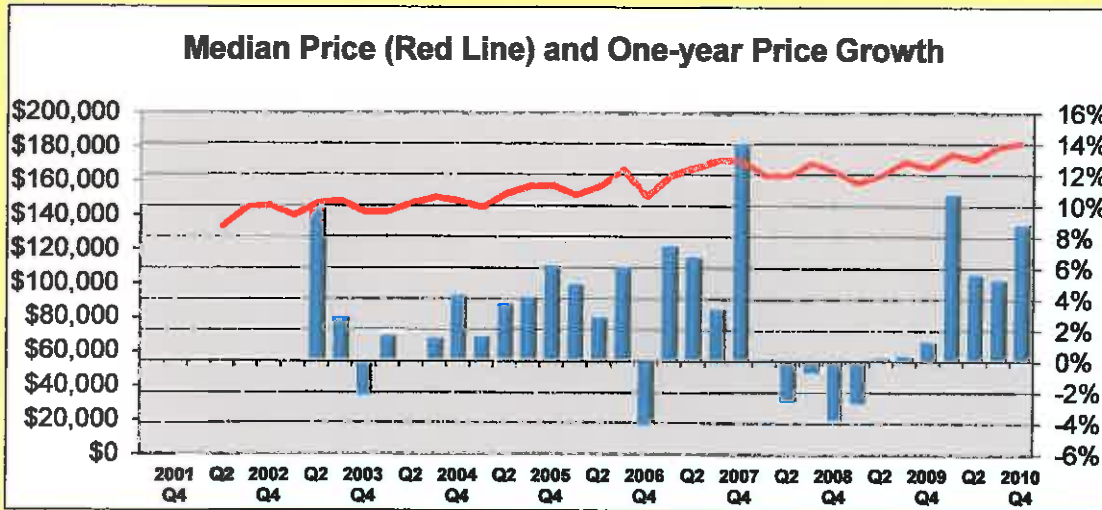


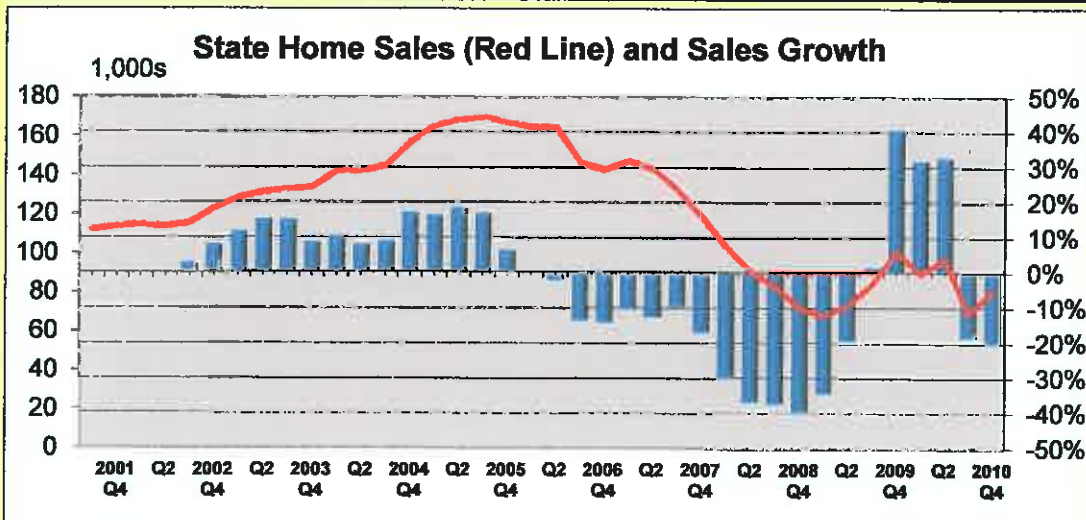
Kennewick-Richland-Pasco Area Local Market Report, Fourth Quarter 2010



Today's Market...



	Kennewick	U.S.	Local Trend
Price Activity			
Current Median Home Price (2010 Q4)	\$183,000	\$169,800	Prices continue to grow relative to last year
1-year (4-quarter) Appreciation (2010 Q4)	8.9%	-0.6%	
3-year (12-quarter) Appreciation (2010 Q4)	6.1%	-18.2%	
3-year (12-quarter) Housing Equity Gain*	\$10,600	-\$37,767	This area has held onto positive equity growth despite the national market decline
7-year (28 quarters) Housing Equity Gain*	\$40,600	-\$11,433	
9-year (36 quarters) Housing Equity Gain*	NA	\$15,933	
*Note: Equity gain reflects price appreciation only			
Conforming Loan Limit**	\$417,000	\$729,250	Most buyers in this market have access to government-backed financing
FHA Loan Limit	\$275,000	\$417,000	
Local Median to Conforming Limit Ratio	44%	not comparable	
**Note: the 2009 loan limits for FHA and the GSEs were extended through 2010			



Home Sales	Washington	U.S.	Local sales growth continues to be weak
State Existing Home Sales (2010 Q4 vs 2009 Q4)	-20.2%	-19.5%	



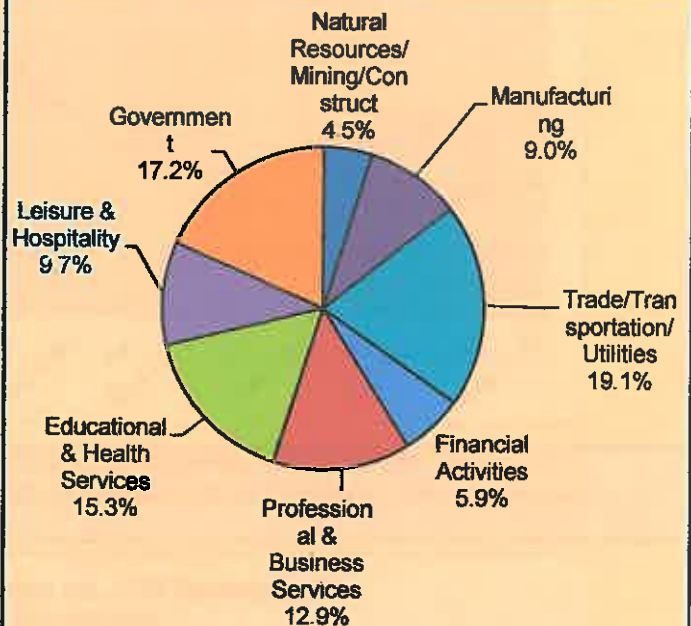
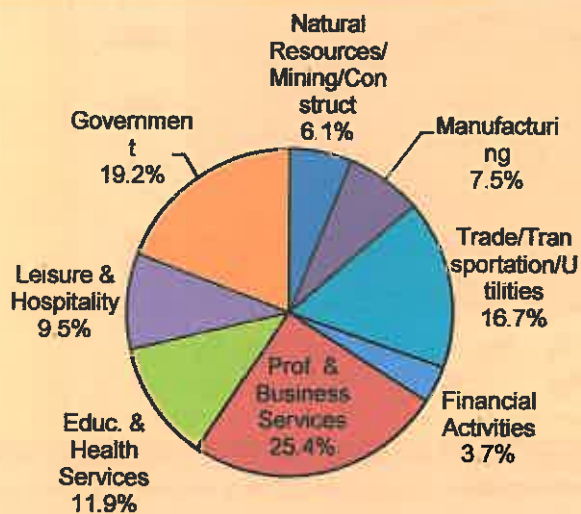
Drivers of Local Supply and Demand...

Local Economic Outlook	Kennewick	U.S.	
12-month Job Change (Dec)	4,700	Not Comparable	Employment has held up and is on an upward trend
12-month Job Change (Nov)	4,500	Not Comparable	
36-month Job Change (Dec)	9,100	Not Comparable	Unemployment in Kennewick is better than the national average and improving
Current Unemployment Rate (Dec)	7.8%	9.4%	
Year-ago Unemployment Rate	8.1%	9.9%	Local employment growth is strong compared to other markets
1-year (12 month) Job Growth Rate	4.9%	-0.8%	

Share of Total Employment by Industry

Kennewick-Richland-Pasco Area

U.S.





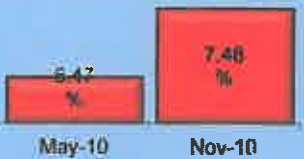
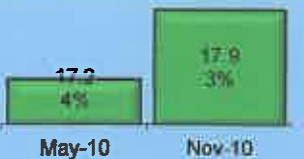

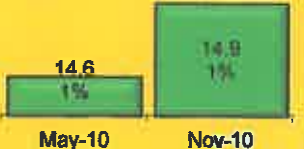


12-month Employment Change by Industry in the Kennewick-Richland-Pasco Area

Goods Producing	NA	Information	NA
Natural Resources/Mining/Construction	-100	Financial Activities	0
Natural Resources and Mining	NA	Prof. & Business Services	1,100
Construction	NA	Educ. & Health Services	400
Manufacturing	0	Leisure & Hospitality	300
Service Providing Excluding Government	NA	Other Services	NA
Trade/Transportation/Utilities	-400	Government	400

State Economic Activity Index	Washington	U.S.	
12-month change (2010 - Dec)	2.5%	2.2%	The economy of Washington has outpaced the rest of the nation and improved modestly from last month's 2.43% change
36-month change (2010 - Dec)	-4.8%	-5.1%	

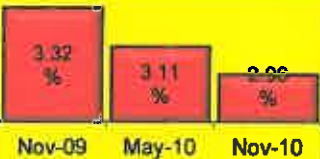

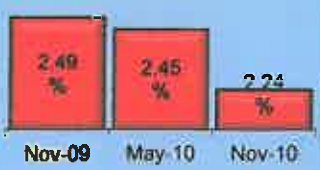


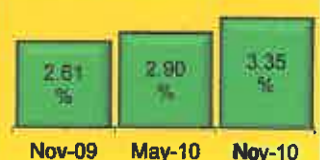
Foreclosures by Type

Monthly Market Data - November 2010	Kennewick	U.S.	
Market Share: Prime (blue), Alt-A (green), and Subprime (red)			Suprime mortgages make up a larger than average share of the Kennewick market, but rising prime foreclosures are also becoming a problem
PRIME: Foreclosure + REO Rate			There was a substantial increase versus May of last year Compared to the national average, today's local prime rate is low
SUBPRIME: Foreclosure + REO Rate			The subprime foreclosure rate jumped compared to May of last year Locally, today's foreclosure rate is low relative to the national average
ALT-A: Foreclosure + REO Rate			The local alt-A rate eased slightly relative to May of last year The November rate for Kennewick is low compared to the national average

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

Prime Foreclosures and Delinquencies in Process

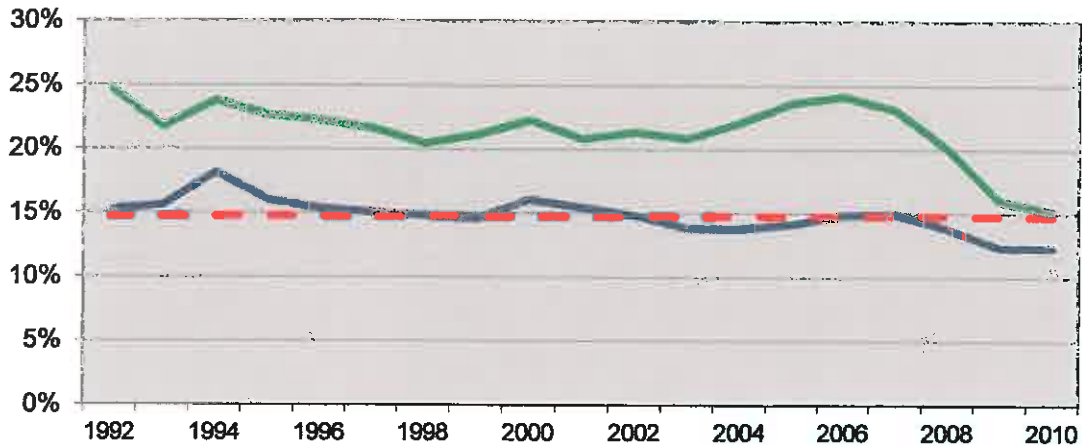
Monthly Market Data - November 2010	Kennewick	U.S.	
Prime: 60-day Delinquent			The local 60-day delinquency rate fell over the 6-month period ending in November suggesting that 90-day delinquencies will decline in the near future
Prime: 90-day Delinquent			The 90-day delinquency rate in Kennewick fell over the 6-month period ending in November
Prime: Foreclosure + REO Rate			The decline of both the 60 and 90-day delinquency rates over the most recent 6-month period suggests a decline in the local foreclosure rate in the near future

Source: First American CoreLogic, LoanPerformance data

Affordability

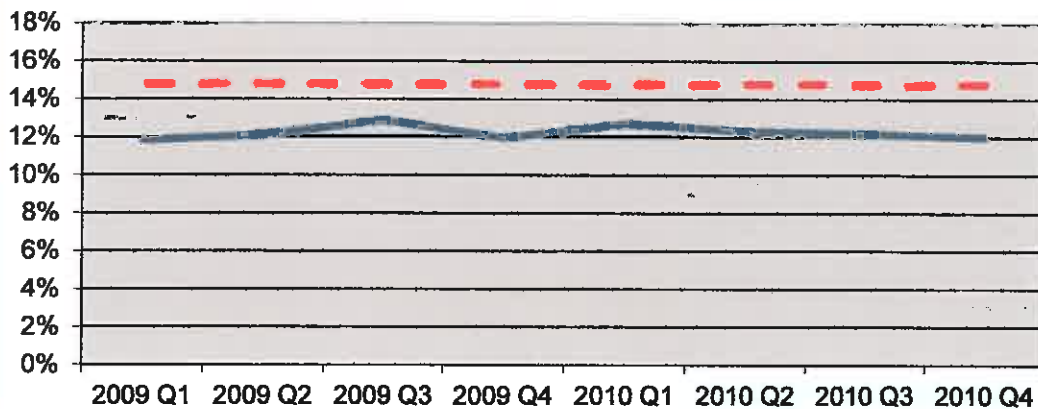


Long-Term Trend: Ratio of Local Mortgage Servicing Cost to Income
(Local Historical Average Shown in Red, U.S. Average in Green)

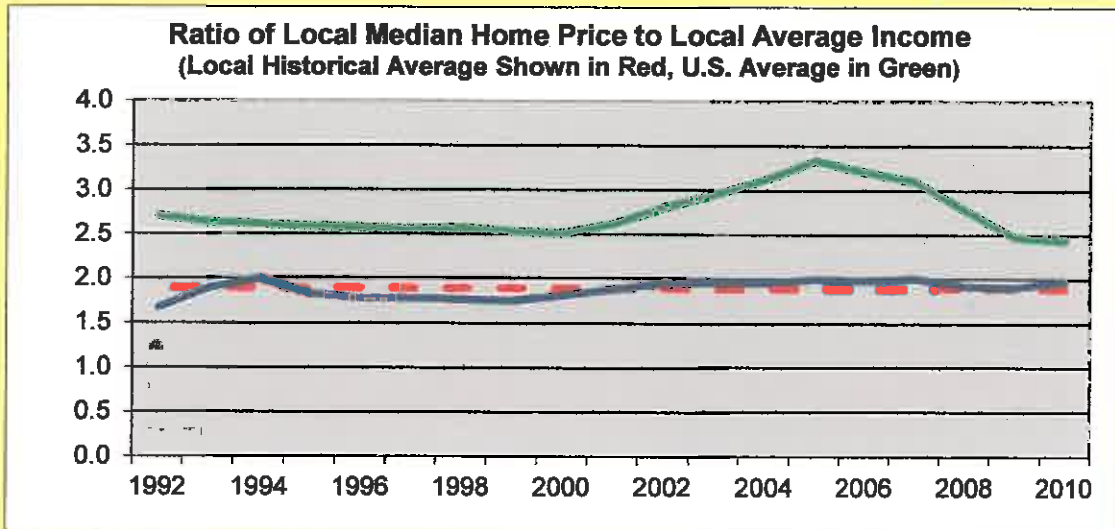


Monthly Mortgage Payment to Income	Kennewick	U.S.	
Ratio for 2009	12.3%	15.1%	Historically strong and an improvement over the third quarter of 2010
Ratio for 2010 Q4	12.0%	14.1%	
Historical Average	14.8%	22.0%	More affordable than most markets

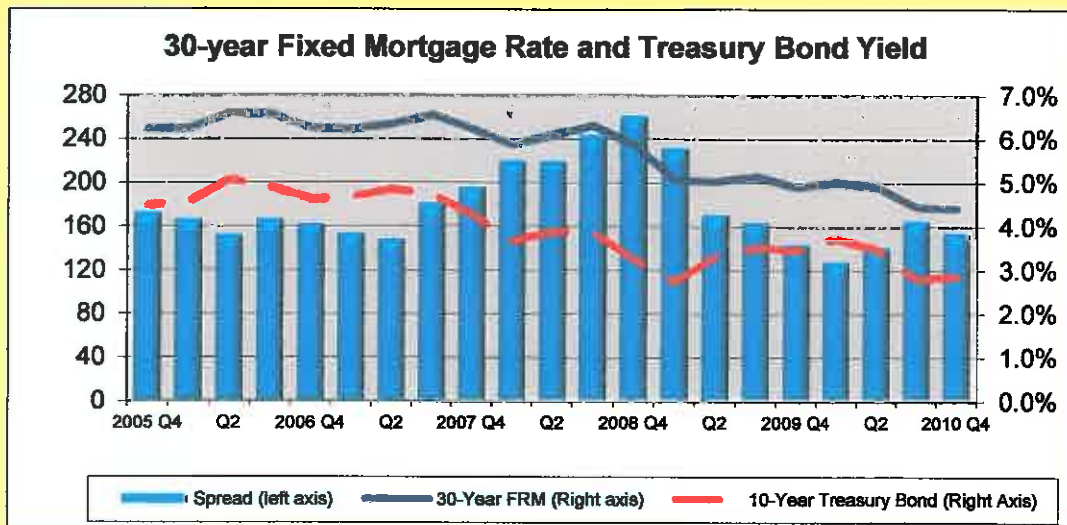
Recent Trend - Local Mortgage Servicing Cost to Income
(Historical Average Shown in Red Dashed Line)



Median Home Price to Income	Kennewick	U.S.	
Ratio for 2010	2.0	2.4	The price-to-income ratio eased, but could be better
Ratio for 2010 Q4	2.0	2.3	
Historical Average	1.9	2.7	Affordable compared to most markets

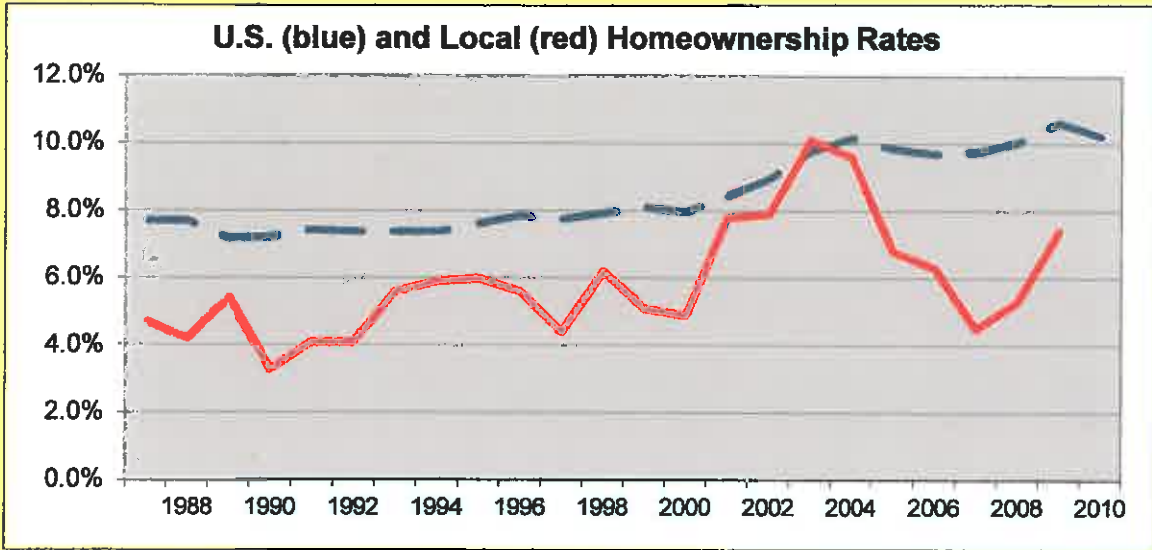


The Mortgage Market



The 10-year Treasury climbed 10 basis points to 2.9% in the 4th quarter of 2010, while the average 30-year fixed rate mortgage held steady at 4.4%. Consequently, the spread eased slightly to 155 basis points. The 4th quarter got off to a bad start with weak economic news and the "robo-signing" scandal, which threatened to slow the pace of foreclosures sales and weigh on home prices. Treasury and mortgage rates slid in October and November as a result. The 30-year fixed rate mortgage reached a record low of 4.17% in the 2nd week of November as measured by Freddie Mac. However, news of resilient consumer spending and improved production figures coupled with modest gains in employment in December and relatively strong news on the pace of home sales caused the 10-year Treasury to climb and mortgage rates followed suit. Mortgage rates remain historically low and are forecast by NAR Research to rise to 5.3% by the end of 2011.

A Closer Look...Rental Vacancy Rates



Homeownership Rate	Washington	U.S.	
Ratio for 2009	7.4%	10.6%	The rental vacancy rate in Washington rose in 2009
Ratio for 2010 Q4	6.5%	9.4%	
Historical Average	5.9%	8.6%	

After hovering around 8.0% for much of the late 1990s, the national rental vacancy rose to 10.2% in 2004 at the height of the real estate boom. However, as the housing market slowed, the rental vacancy rate eased slightly before jumping to 10.6% in 2009. Instead of shifting demand from home buying to renting, the sharp economic recession has forced many would-be renters to move in with parents or extended family causing the rental vacancy rate to remain elevated. Locally, there was an increase in the rental vacancy rate for Washington from its recent peak of 6.8% in 2005 to 7.4% in 2009.

Geographic Coverage for this Report

The Kennewick area referred to in this report covers the geographic area of the Kennewick-Richland-Pasco metro area as officially defined by the Office of Management and Budget of the U.S. Government. The official coverage area includes the following counties:

Benton County and Franklin County

More information on the OMB's geographic definitions can be found at http://www.whitehouse.gov/omb/inforeg_statpolicy/

http://www.realtor.org/files/research/localmarket/wa_kennewick.pdf