

Denton Independent School District Residential Growth Report 4th Quarter 2007

February 26, 2008





Current DFW Market Conditions

- Builders report that Fall credit crunch disrupts sales
- Direct fallout due to finance issues; harder to qualify
- Media makes buyer nervous; steady diet of negative news
- Signs of improved traffic in January
- Builders remain disciplined on new construction
- Annual starts lowest level since 2000
- Annual rate approaches 30K units
- Since peak in 2Q06 at 51K units, starts have fallen 20,300 units(-40%)
- Closings decline 18% from peak in 3Q06 to 38K units.
- Outpacing starts by 7,500 units annually
- Over-supply of finished houses to decline
- 9,588 units represent 3.0 month supply
- Lowest level of U/C in over 10 years
- Most new specs are result of cancelled build jobs
- Consumer needs to understand that once the inventory is worked down, deep discounts are gone
- Lot supply will begin to get worked down in 2008





DFW Housing Vital Signs

1st Qtr 2007 – 4th Qtr 2007

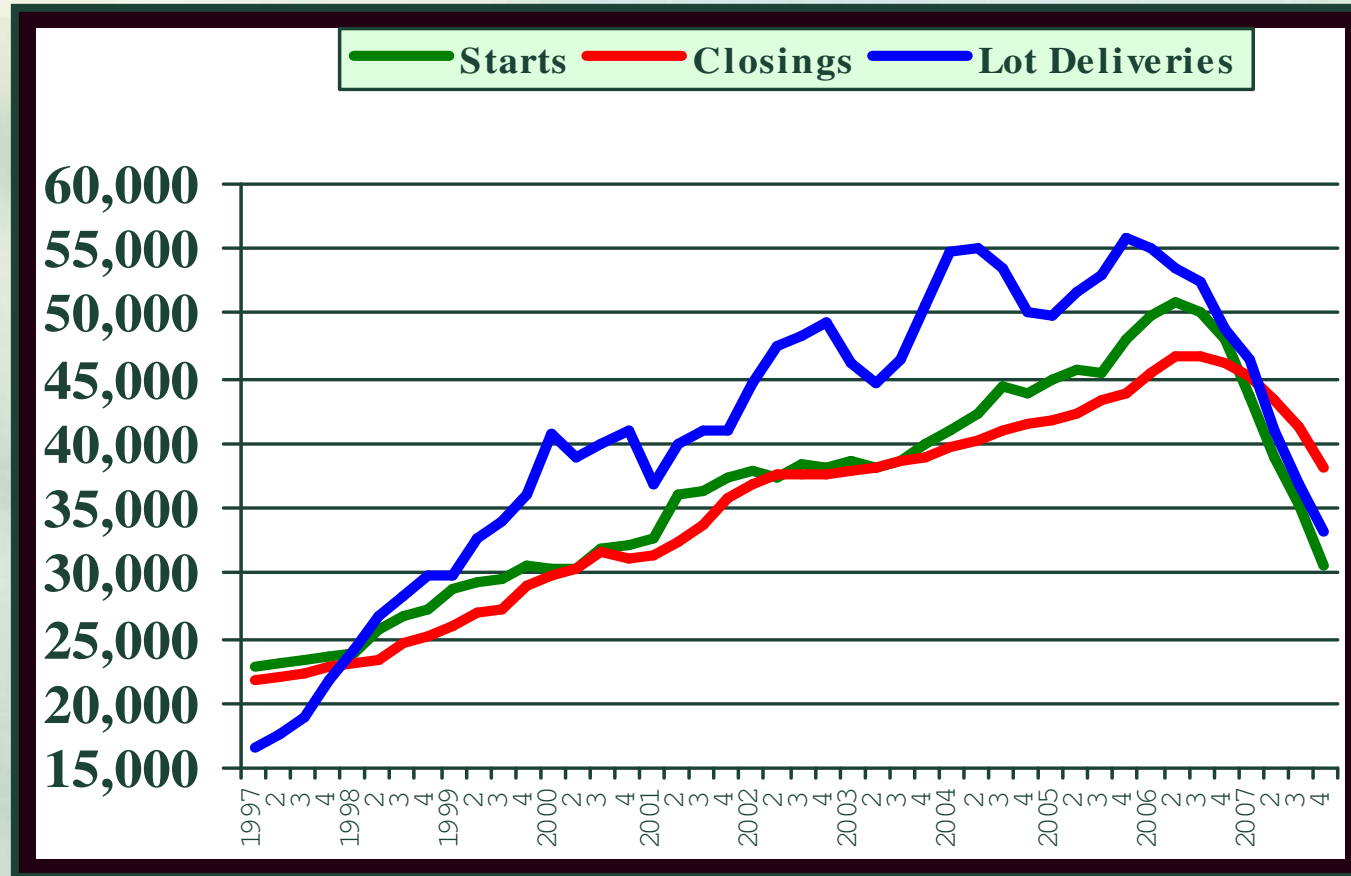
	<u>Dallas</u>	<u>Ft. Worth</u>	<u>DFW</u>
\$ Vol. Starts (Billions)	\$5.45	\$2.57	\$8.02
Median Home Price	\$223K	\$179K	\$203K
Annual Starts	19,633	10,973	30,606
Annual Closings	23,972	14,177	38,149
U/C Home Inventory	5,092	2,729	7,821
Month Supply	2.55	2.31	2.46
FV Home Inventory	6,391	3,197	9,588
Month Supply (1)	3.12	2.71	3.02
Vacant Lots	62,678	35,897	98,575
Month Supply (2)	38.3	39.3	38.6
Lots Under Development	13,609	6,728	20,337

(1) 2.5 mos. is considered equilibrium (2) 24 mos. is considered equilibrium



DFW

Annual Starts, Closings & Lot Deliveries



Year-Over-Year Growth
 Annual Starts -36.4%
 Annual Closings -17.4%
 Annual Lot Deliveries -32.0%

Year-Over-Year Change In Annual Starts By Price Point

<\$150K
 4Q06 11,183
 4Q07 6,068
 Change -5,726
 % Change -45.7%

\$151-200K
 4Q06 15,830
 4Q07 9,066
 Change -6,764
 % Change -42.7%

\$201-300K
 4Q06 12,113
 4Q07 7,820
 Change -4,293
 % Change -35.4%

\$301K+
 4Q06 9,002
 4Q07 7,652
 Change -1,350
 % Change -15.0%



DFW Forecast - Market Considerations

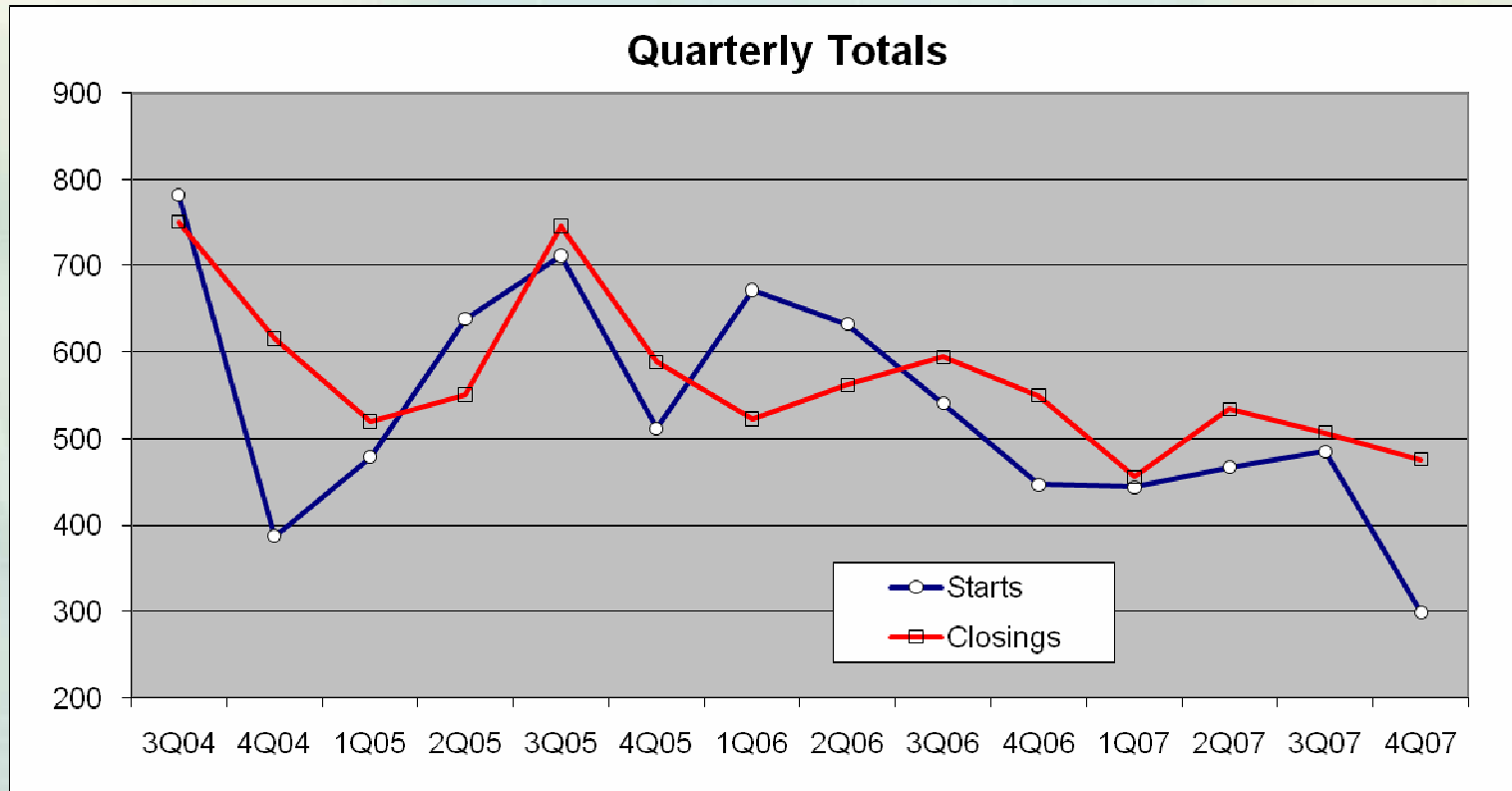
Forecast

- Annual Starts
 - 2006 48,128
 - 2007 30,606
 - 2008E 34,350
- Annual Closings
 - 2006 46,207
 - 2007E 38,149
 - 2008E 35,500
- Starts bottom out in 2Q08 below 30,000, pick back up in Second Half
- Closings find bottom in 3Q08
- Finished Housing Inventory
 - Should return to more normal levels after Spring market
- Lot Supply
 - Reduced by 10,000 units in 2008
- Job Growth
 - 60-70,000 would help immensely
 - Handicapping impact of a recession
- Foreclosures likely peak in 1Q08 (ARM rests crested in 4Q07)
- Resale Market
 - Listing inventory peaks in Spring '08, begins to improve as foreclosures lessen
 - Mopping up excess listings will help builders raise prices
- Custom Markets
 - Interim lenders become more restrictive in spec construction to small builders
- Road to Recover
 - Working down housing inventory
 - Working down lot inventory
 - Becoming profitable in a market with low yields per neighborhood





Denton ISD New Housing Activity



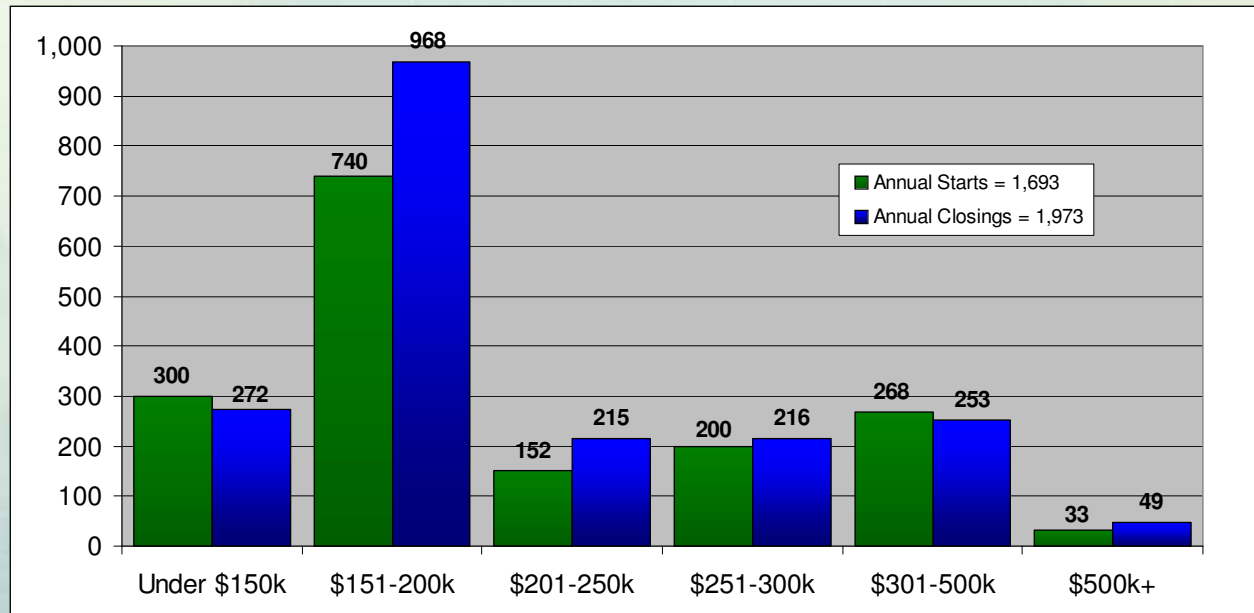
Starts	2003	2004	2005	2006	2007
1Q	404	609	479	672	444
2Q	648	805	639	633	467
3Q	572	782	712	541	485
4Q	680	387	512	447	299
Total	2,304	2,583	2,342	2,293	1,695

Closings	2003	2004	2005	2006	2007
1Q	356	510	520	523	456
2Q	497	639	551	562	534
3Q	589	751	746	595	507
4Q	580	616	589	550	476
Total	2,022	2,516	2,406	2,230	1,973





Price Range Analysis & Lot Supply



- Annual Average Start Price \$228,808
- Annual Median Start Price \$187,187
- 4Q07 Average Start Price \$223,010
- Vacant Lot Supply 5,163 lots (36.6 months)
- Future Lot Supply 4,118 lots (29.2 months)





Top Performing Subdivisions

		Annual Closings	Starts 1-year Forecast	2-year Forecast
1.	Paloma Creek South (US-380)	240	74	160
2.	Wheeler Ridge (Denton/Corinth)	198	34	0
3.	Robson Ranch (Argyle)	153	92	92
4.	Cross Oak Ranch (US-380)	130	111	140
5.	Sea Pines Village at Savannah (US-380)	129	23	70





Country Lakes - Argyle

- 355 occupied homes in Denton ISD sections
- 950 lots remaining to close
- 53 starts expected in 2008





Azalea at Lantana

- 18 occupied homes
- 55 lots remaining to close
- 23 starts projected for the next 12 months





Rayzor Ranch

- **Future subdivision**
- **1,029 total lots**
- **First lots expected to be delivered in mid 2008.**





Denton ISD – 4Qtr 2007 Summary

- Annual starts are down 26.1% to 1,693 units (vs. 2,292 in 4Qtr 06)
- Annual closings decline 11.5% to 1,973 units (vs. 2,230 in 4Qtr 06)
- Finished vacant inventory decreases from 2.4 months 2.2 months
- 564 new lots delivered
 - Lakes of Cross Oak Ranch (69); Paloma Creek So. (417); Belle Cote (17); Audra Oaks (20); TH at Pecan Creek (14); Carlisle Addition (27)
- 5,163 vacant developed lots on the ground (up 5.4%)
- 4,118 future lots under development (down 11.9%)
- 17,213 preliminary lots planned (up 0.4%)
- New home forecast for 1Qtr 08 - 4Qtr 08 = 1,673 starts
- Student Growth = 1,100 – 1,200_± students

