



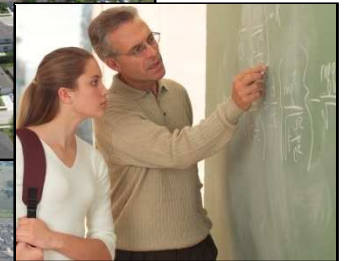
# Denton Independent School District

## Residential Growth Report 4th Quarter 2008

February 10, 2010



Paloma Creek North



Cross Oak Ranch  
Elementary



Cross Oak Ranch





# Current DFW Market Conditions

- 4Q08 saw another significant ratcheting down in market conditions
- Tougher mortgage qualification standards had already eliminated a large segment of potential buyers, but...
- Fall credit crunch, decline in equities market disrupts sales, further erodes consumer confidence
  - Consumer confidence plummets, buyers unwilling to make commitments on 'big ticket' purchases
  - National events overshadow DFW market
  - Media makes buyer nervous; steady diet of negative news
- November was the low point for the quarter
  - Backlog of orders prior to Sept. hit especially hard
  - Net numbers down due to cancellations
  - Builders enter 2009 with little to no backlog
- Signs of improved traffic and sales in early January
  - Traffic and sales better than 4Q08, but still below 1Q08
- Conventional wisdom is that layoffs will be pronounced in 1Q09
- Question is—when will the turn around begin?





## DFW Housing Vital Signs 2008

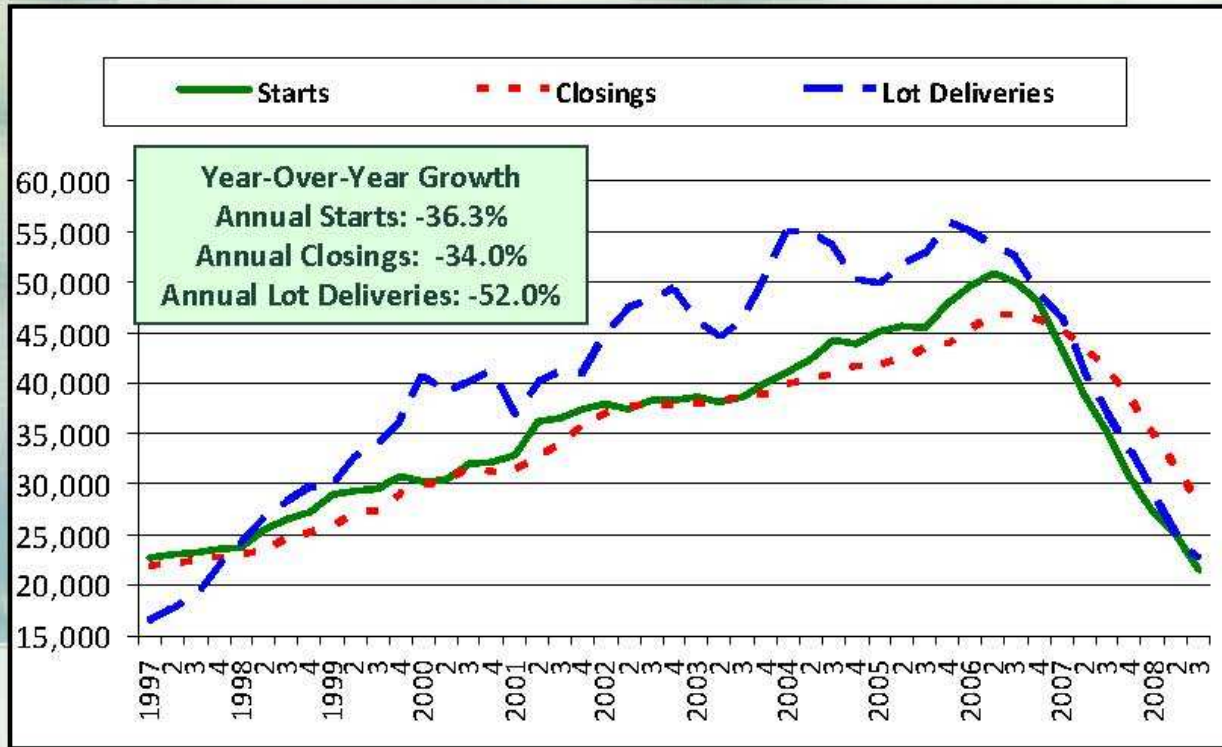
	<u>Dallas</u>	<u>Ft. Worth</u>	<u>DFW</u>
\$ Vol. Starts (Billions)	\$3.31	\$1.86	\$5.16
Median Home Price	\$226K	\$187K	\$208K
Annual Starts	12,010	7,510	19,520
Annual Closings	15,895	9,389	25,284
U/C Home Inventory	3,001	1,728	4,729
Month Supply	2.27	2.21	2.24
FV Home Inventory	4,765	2,427	7,192
Month Supply (1)	3.60	3.10	3.41
Vacant Lots	60,420	33,822	94,242
Month Supply (2)	60.4	54.0	57.9
Lots Under Development	6,179	2,952	9,131



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



## DFW Activity



# DFW Annual Starts, Closings & Lot Deliveries

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

**<\$150K**  
 4Q07 6,062  
 4Q08 3,608  
 Change -2,454  
 % Change -40.5%

**\$151-200K**  
 4Q07 9,014  
 4Q08 5,631  
 Change -3,380  
 % Change -37.5%

**\$201-300K**  
 4Q07 7,849  
 4Q08 5,586  
 Change -2,263  
 % Change -28.8%

**\$301K+**  
 4Q07 7,741  
 4Q08 4,695  
 Change -3,046  
 % Change -39.3%

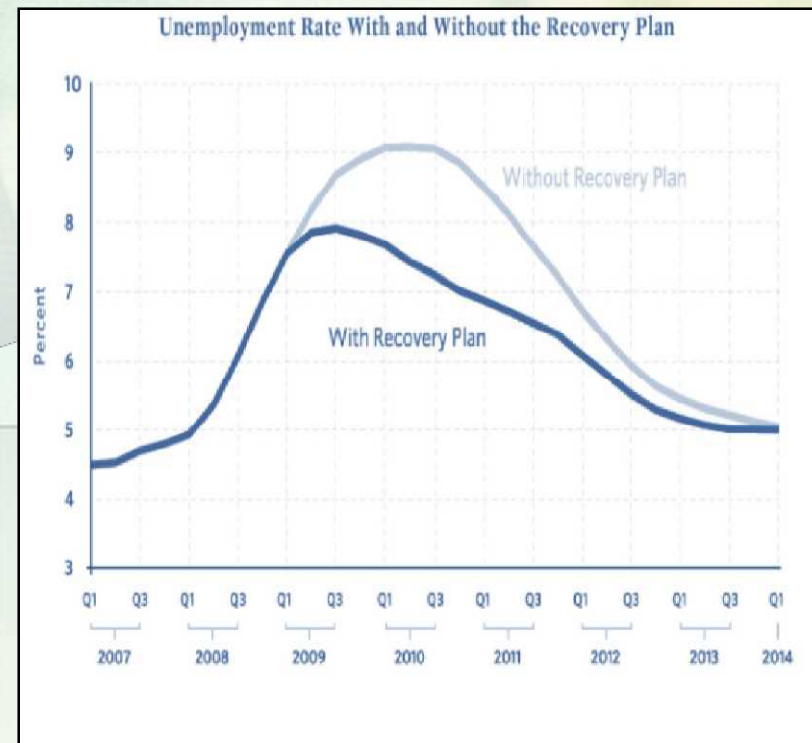


# Is There Any Positive News?



- Mortgage rates at historic lows:
  - Declining from 6.4% on October 30<sup>th</sup> to 5.10% on December 31<sup>st</sup> (30-year conforming rate, Freddie Mac)
- Wave of refinancing applications flood the market
  - Will this spill over into the new home market?
- Consumers are saving again
- Credit spreads returning to more normal levels
- Builders indicate that traffic and sales have improved during the first 3 weeks of 2009
- DFW housing inventories in good shape
- DFW's job market, while weakening, is stronger than vast majority of the U.S.
  - DFW added 43,300 jobs in 2008

- Current trends are deflationary, but will mounting national debt ultimately lead to inflation?





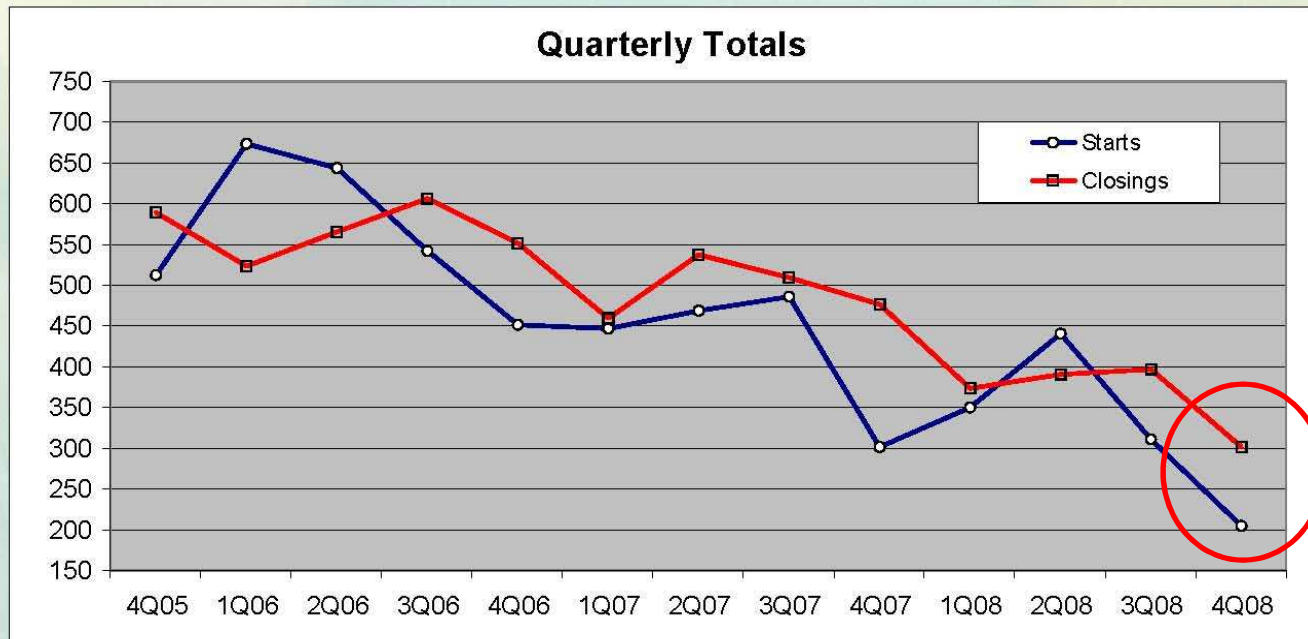
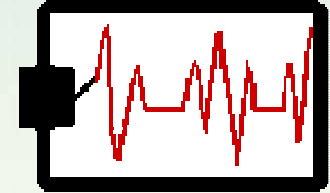
# 2009 Outlook

- Spring market likely to be muted due to very weak consumer confidence
- Don't expect sales to improve much until the prospects for the economy get better
- Annual start rate will continue to drop during first half of 2009
- Will 17,000 be the bottom, or will it go further?
- Fed and Treasury have used most of their bullets for fiscal stimulus
  - Interest rates effectively at 0%
  - Ample money supply
  - Willingness to bail out the big players through TARP
- Up to Obama administration to implement policy changes to stimulate economy
  - Infrastructure investment
  - Tax cuts
- Understanding is that economic recovery starts by fixing housing
  - New administration will focus on our industry
- Unfortunate reality was that from 2000 to 2006, 12mm houses were built when only 6mm were needed
  - Drip from the foreclosures will offset any quick turnaround
  - Basic demographics-the creation of new households that are credit worthy-is the only long term solution for housing
- National recovery will be longer and more tedious than thought
- Good news is that Texas and DFW will continue to fare better than rest of nation



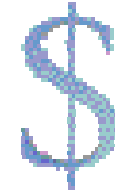


# Denton ISD New Housing Activity

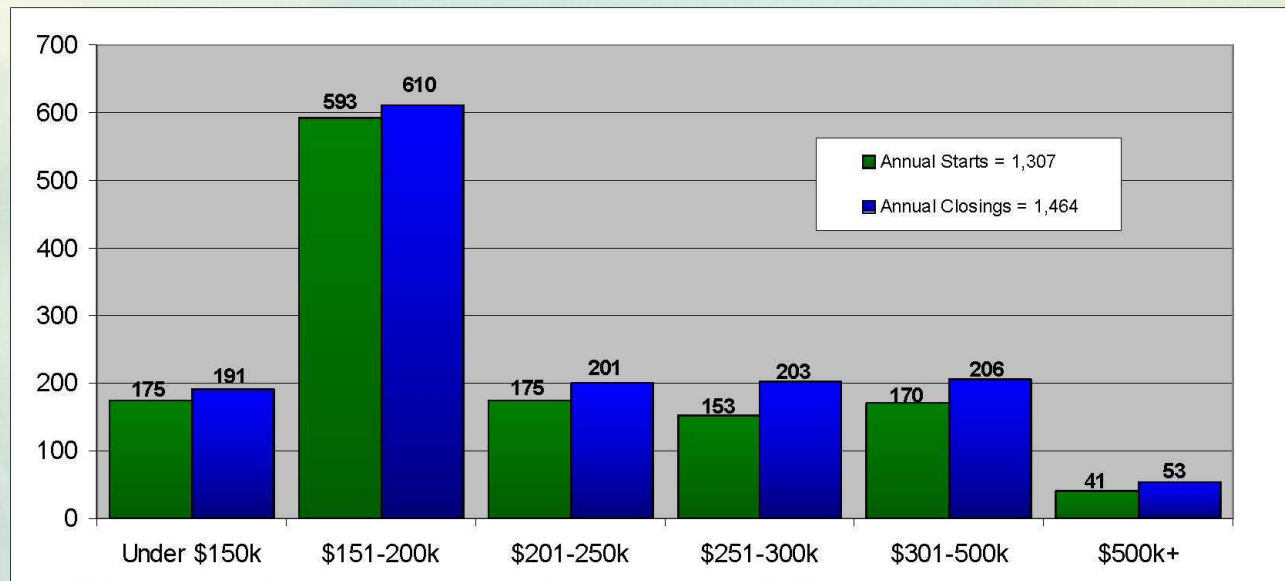


Starts	2003	2004	2005	2006	2007	2008
1Q	404	609	479	674	447	350
2Q	648	805	639	644	468	441
3Q	572	782	712	542	486	311
4Q	680	387	512	451	302	205
<b>Total</b>	<b>2,304</b>	<b>2,583</b>	<b>2,342</b>	<b>2,311</b>	<b>1,703</b>	<b>1,307</b>

Closings	2003	2004	2005	2006	2007	2008
1Q	356	510	520	523	459	374
2Q	497	639	551	565	537	391
3Q	589	751	746	606	510	397
4Q	580	616	589	552	476	302
<b>Total</b>	<b>2,022</b>	<b>2,516</b>	<b>2,406</b>	<b>2,246</b>	<b>1,982</b>	<b>1,464</b>



# DISD Price Range Analysis & Lot Supply



- Annual Average Start Price                   \$232,884
- Annual Median Start Price                   \$190,539
- 4Q08 Average Start Price                   \$221,598
- Vacant Lot Supply                           4,309 lots (39.6 months)
- Future Lot Supply                           4,227 lots (38.8 months)





# Top Performing Subdivisions



	Annual Closings	1-year Forecast	<u>Starts</u> 2-year Forecast
1. Lantana (All sections)	277	157	93
2. Paloma Creek (All sections)	270	202	202
3. Savannah (All sections)	145	120	120
4. Robson Ranch	112	92	92
5. Preserve at Pecan Creek	84	57	43
6. Wheeler Ridge	83	0	0
7. Villages of Carmel	76	77	57



# Glenbrooke Estates

US-380 Corridor

- First 36 occupied homes in 2008
- 147 vacant lots
- 190 future lots planned
- 39 starts projected for 2009



Servicing Campuses

- Savannah Elementary
- Navo Middle School
- Denton High School





# Savannah

**US-380 Corridor**

- All sections combine for 145 closings in 2008
- 254 vacant lots
- 120 starts expected in 2009
- Majority of activity currently in Sea Pines Village
- Activity expected to shift to Continental Congress Village over the next two years



**Servicing Campuses**

- Savannah Elementary
- Navo Middle School
- Denton & Ryan High School





# Maple Leaf

East McKinney - Denton

- New subdivision
- 96 total lots
- 1 occupied home
- 4 starts expected in 2009



Servicing Campuses

- Lee Elementary
- Calhoun Middle School
- Denton High School





# Longhorn Cove

US-380 Corridor  
Cross Oak Ranch

- Future subdivision
- 33 total lots under development
- 3 starts projected for 2009



Servicing Campuses

- Lee Elementary
- Calhoun Middle School
- Denton High School





# Denton Independent School District

## 4th Qtr 2008 Summary

- The meltdown of the new home industry, higher fuel prices, and a worse than expected national recession took a toll on Denton ISD's new home activity in 2008.
  - Starts declined 23% to an annual total of 1,307 units (vs. 1,703 in 2007)
  - Annual closings fell 26% to 1,464 units (vs. 1,982 in 2007)
- Denton ISD's market fared better than the overall DFW market which dropped 35%
- Lantana and Paloma Creek both produced 270+ new homes.
- 319 finished vacant units are available (2.6 months supply)
- No new lots delivered
- 48,392 potential lots remaining in the district
  - 4,309 vacant developed lots (down 4%)
  - 4,227 future lots (up 4%)
  - 39,856 preliminary lots (down 0.4%)
    - Majority of prelim lots are in Cole Ranch and Inspiration/Harbor Ranch
- New home forecast for 2009 = 1,181 starts

**DFW Starts: -36.3%**

**DFW Closings: -34.0%**

