



Denton Independent School District

Residential Growth Report 2nd Quarter 2010

August 10, 2010



Paloma Creek South



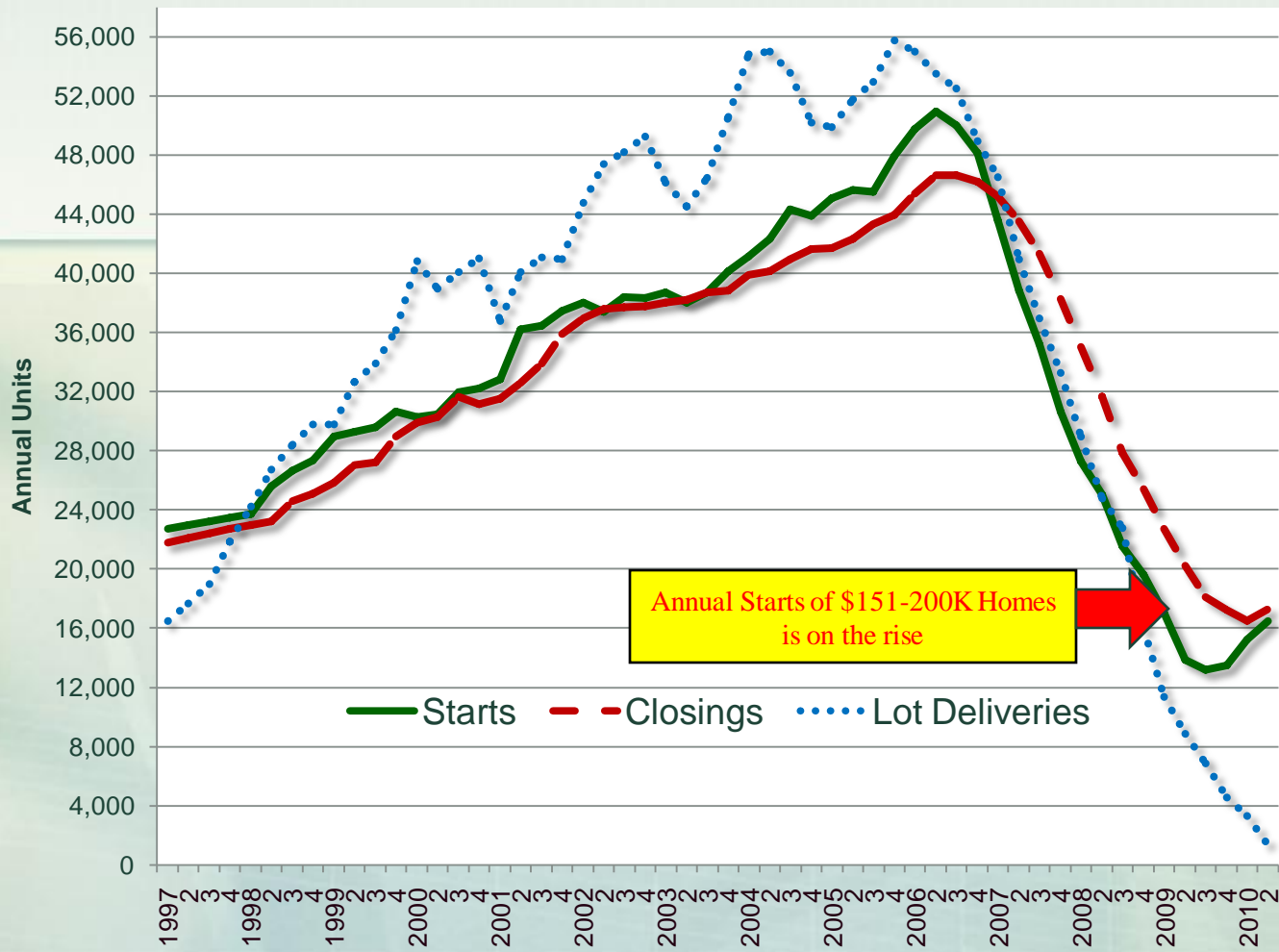
Lantana - Bellaire



New Cross Oaks
Elementary

| | Dallas | Ft. Worth | DFW |
|--------------------------|-----------|-----------|-----------|
| Median New Home Price | \$219,586 | \$183,527 | \$202,381 |
| Annual Starts | 10,625 | 5,853 | 16,478 |
| Annual Closings | 11,095 | 6,197 | 17,292 |
| Finished Vacant Homes | 2,784 | 1,620 | 4,404 |
| Month Supply | 3.0 | 3.1 | 3.1 |
| Homes Under Construction | 2,855 | 1,421 | 4,276 |
| Month Supply | 3.1 | 2.8 | 3.0 |
| Vacant Developed Lots | 50,399 | 26,804 | 77,203 |
| Month Supply | 56.9 | 55.0 | 56.2 |
| Lots Under Development* | 2,261 | 978 | 3,239 |

Dallas-Ft. Worth Housing Vital Signs (3Q09 – 2Q10)



Year-over-year Change

Annual Starts: +18.67%, Annual Closings: -14.39%, Lot Deliveries: -84.8%

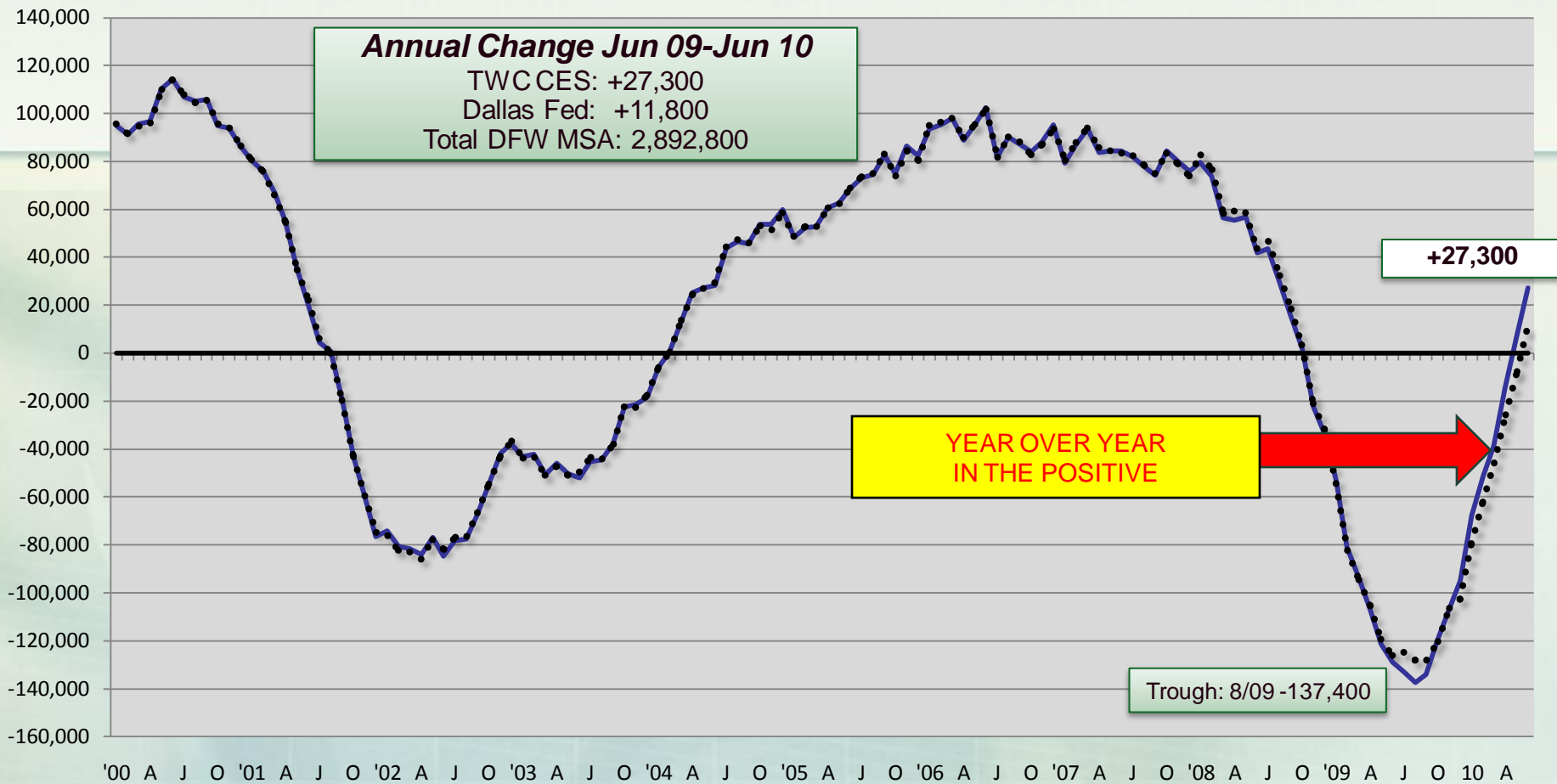
Year-over-year growth
Annual Starts by Price Point

| | | | | |
|------------|-------------|-------------|--------------|-----------------|
| <\$150K | 2Q09: 2,770 | 2Q10: 2,781 | Change +11 | % Change +0.4% |
| \$151-200K | 2Q09: 3,804 | 2Q10: 5,366 | Change +1562 | % Change +41% |
| \$201-300K | 2Q09: 4,303 | 2Q10: 5,277 | Change +974 | % Change +22% |
| \$301K+ | 2Q09: 3,009 | 2Q10: 3,104 | Change +95 | % Change +3.16% |

Starts, Closings & Lot Deliveries

Current DFW Market Conditions

- ✓ Start and sales activity was elevated during the first quarter and first few weeks of 2Q10, however after the tax credit deadline, traffic and sales trailed off for many builders
- Summer 2010 has provided mixed results for most homebuilders
- Buyers are torn as interest rates remain at historic, attractive levels while the national economic conditions lack any substantial improvement; qualification standards remain conservative
- Despite mixed results, overall housing conditions in DFW in terms of new home inventory and resale inventory remain healthy
- Vacant lot supply is overall still above equilibrium. However, supply in the best submarkets/communities is approaching very tight levels
- The credit crisis continues to limit access to the financing needed by developers, builders and home buyers
- Small and regional builders are especially challenged in finding new replacement locations, as much of the desired supply is now spoken for, requiring the initiation of new lot development, which smaller builders are often unable or unwilling to do
- ✓ Remainder of 2010 likely to be characterized by slower pace of home starts and sales as compared to Spring levels, however, employment gains should help to solidify 2011 market performance.



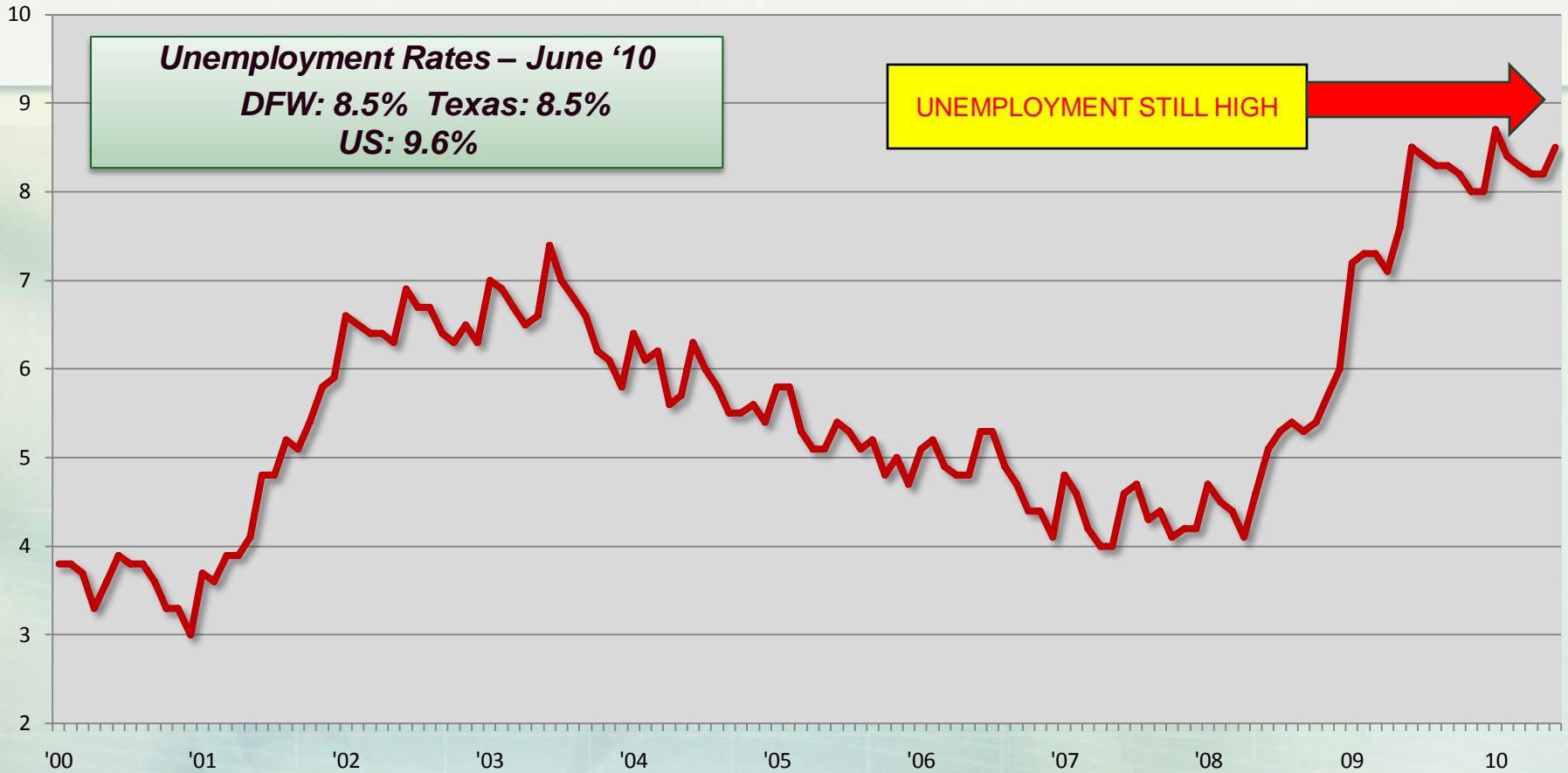
Source: TWC – CES, Dallas Federal Reserve

Current TWC Growth Rate is +0.95%

DFW Current Employment Survey

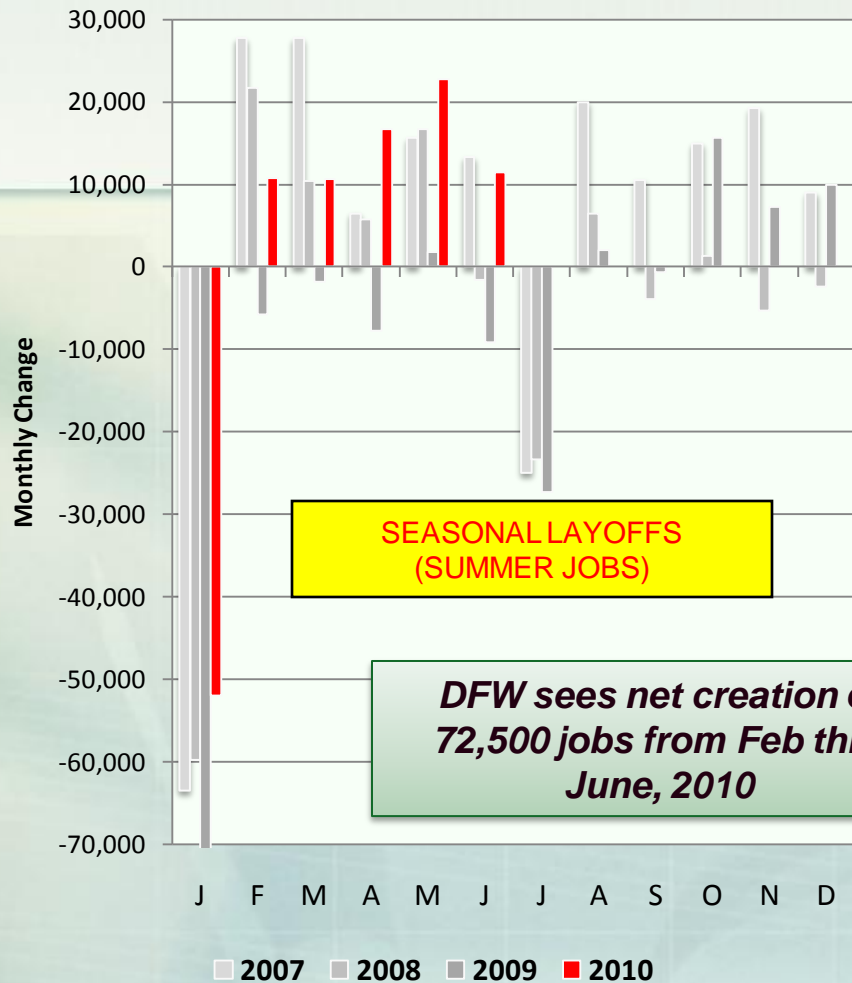
Current Trends Indicate Dallas Federal Reserve Accurate With Forecast of 1-2% Employment Growth for 2010 (+30-60K net new jobs)

DFW Unemployment Rate



Not Seasonally Adjusted
Source: TWC - LAUS

DFW Unemployment Trends



Source: TWC—CES Survey

| | Annual Change | % Change |
|----------------------|---------------|----------|
| Mining, Log, Const | (13,800) | -8.1% |
| Manufacturing | 5,500 | 2.1% |
| Trade, Transp, Util | (9,500) | -1.6% |
| Information | (6,900) | -8.3% |
| Financial Activities | (3,500) | -1.5% |
| Prof & Bus Services | 13,800 | 3.3% |
| Edu. & Hlth Serv. | 21,700 | 6.4% |
| Leisure & Hospital | (1,200) | -0.4% |
| Other Services | (1,300) | -1.2% |
| Government | 22,500 | 5.8% |

Monthly Change in Employment

Market Outlook

| | 2009 | 2010 |
|----|-------|-------|
| 1Q | 2,418 | 4,148 |
| 2Q | 3,201 | 4,460 |
| 3Q | 4,256 | |
| 4Q | 3,613 | |



- Note that 3Q09 was especially pronounced due to surge of homebuyers taking advantage of initial first time homebuyer tax credit
- Current anecdotal reports regarding traffic and sales suggest that it may be difficult to better 2Q10 start pace. Thus it is possible that annual start rate could moderate slightly in 3Q10
- But overall conditions continue to improve, just more slowly than desired
- If annual start rate slows in 3Q10, expect it to pick back up in 4Q10



Denton ISD New Housing Activity

4-Yr History: Quarterly Totals

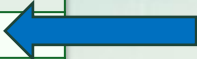


| Starts | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|------------|
| 1Q | 404 | 609 | 479 | 674 | 447 | 350 | 171 | 251 |
| 2Q | 648 | 805 | 639 | 644 | 468 | 441 | 189 | 248 |
| 3Q | 572 | 782 | 712 | 542 | 486 | 311 | 314 | |
| 4Q | 680 | 387 | 512 | 451 | 301 | 205 | 22 | |
| Total | 2,304 | 2,583 | 2,342 | 2,311 | 1,702 | 1,307 | 856 | 499 |

| Closings | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|
| 1Q | 356 | 510 | 520 | 523 | 459 | 374 | 247 | 234 |
| 2Q | 497 | 639 | 551 | 565 | 537 | 391 | 267 | 289 |
| 3Q | 589 | 751 | 746 | 606 | 510 | 397 | 235 | |
| 4Q | 580 | 616 | 589 | 552 | 476 | 301 | 275 | |
| Total | 2,022 | 2,516 | 2,406 | 2,246 | 1,982 | 1,463 | 1,024 | 523 |

DFW School Districts by New Home Activity

| Rank | ISD | 3Q09-2Q10 Starts |
|----------|------------------------|------------------|
| 1 | Frisco | 1982 |
| 2 | Northwest | 1566 |
| 3 | Denton | 1026 |
| 4 | Keller | 902 |
| 5 | Mansfield | 732 |
| 6 | Eagle Mountain-Saginaw | 683 |
| 7 | Lewisville | 653 |
| 8 | Allen | 609 |
| 9 | Crowley | 522 |
| 10 | Wylie | 465 |
| 11 | Prosper | 443 |
| 12 | McKinney | 425 |
| 13 | Royse City | 324 |
| 14 | Burleson | 303 |
| 15 | Little Elm | 294 |
| 16 | Rockwall | 293 |
| 17 | Forney | 292 |
| 18 | Ft. Worth | 272 |
| 19 | Crandall | 258 |
| 20 | Dallas | 252 |



Denton ISD's new home market produced 3rd most annual starts among Dallas-Ft. Worth school districts from 3Q09-2Q10



Activity by City Sector

| | <u>Annual</u> <u>Starts</u> | <u>Annual</u> <u>Closings</u> |
|--------------------|--------------------------------|----------------------------------|
| 1. Denton Co. East | 373 | 380 |
| 2. Denton South | 243 | 251 |
| 3. Denton North | 165 | 144 |
| 4. Prosper | 111 | 95 |
| 5. Lantana | 106 | 129 |
| 6. Corinth | 18 | 10 |
| 7. Shady Shores | 7 | 10 |
| 8. Cross Roads | 1 | 10 |

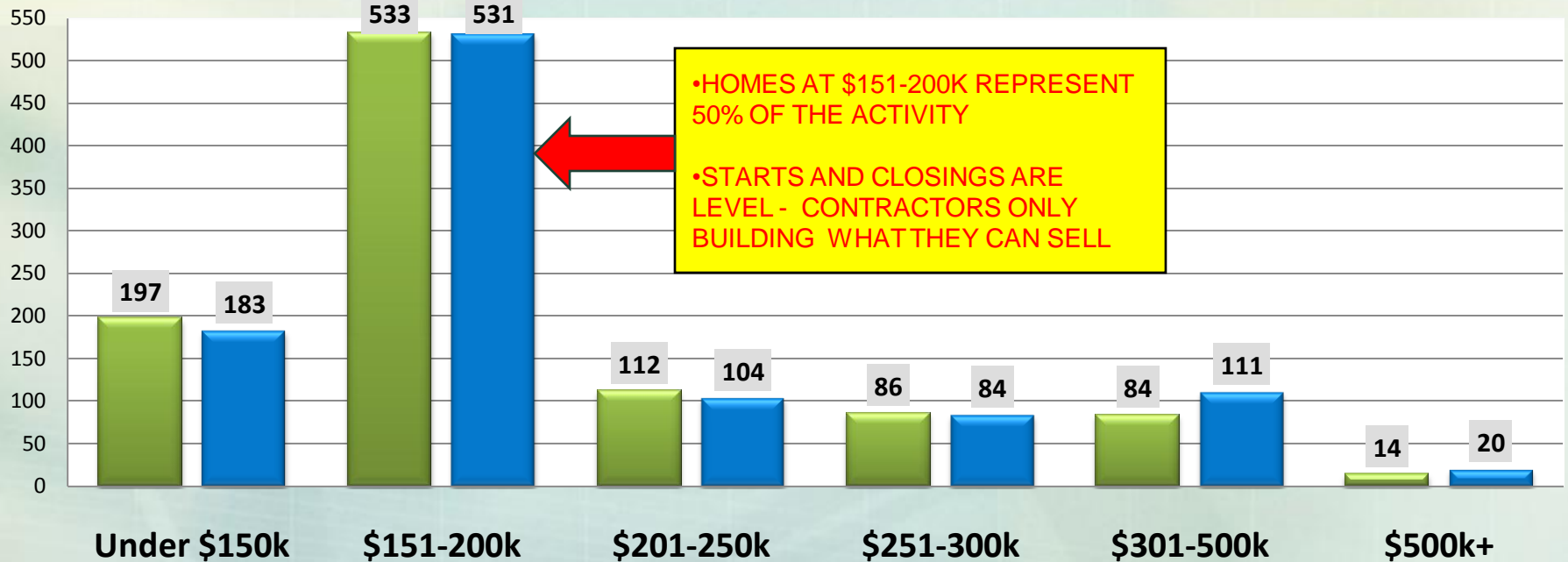


Top Performing Subdivisions



| | Annual Closings | 1-year Forecast | <u>Starts</u> 2-year Forecast |
|----------------------------|-----------------|-----------------|----------------------------------|
| 1. Paloma Creek | 295 | 256 | 256 |
| 2. Lantana | 129 | 79 | 64 |
| 3. Glenbrooke Est. | 95 | 83 | 12 |
| 4. Savannah | 72 | 33 | 33 |
| 5. Preserve at Pecan Creek | 58 | 63 | 63 |
| 6. Longhorn Cove | 53 | 0 | 0 |
| 7. Robson Ranch | 46 | 53 | 53 |
| 8. Forest Meadow | 42 | 23 | 23 |

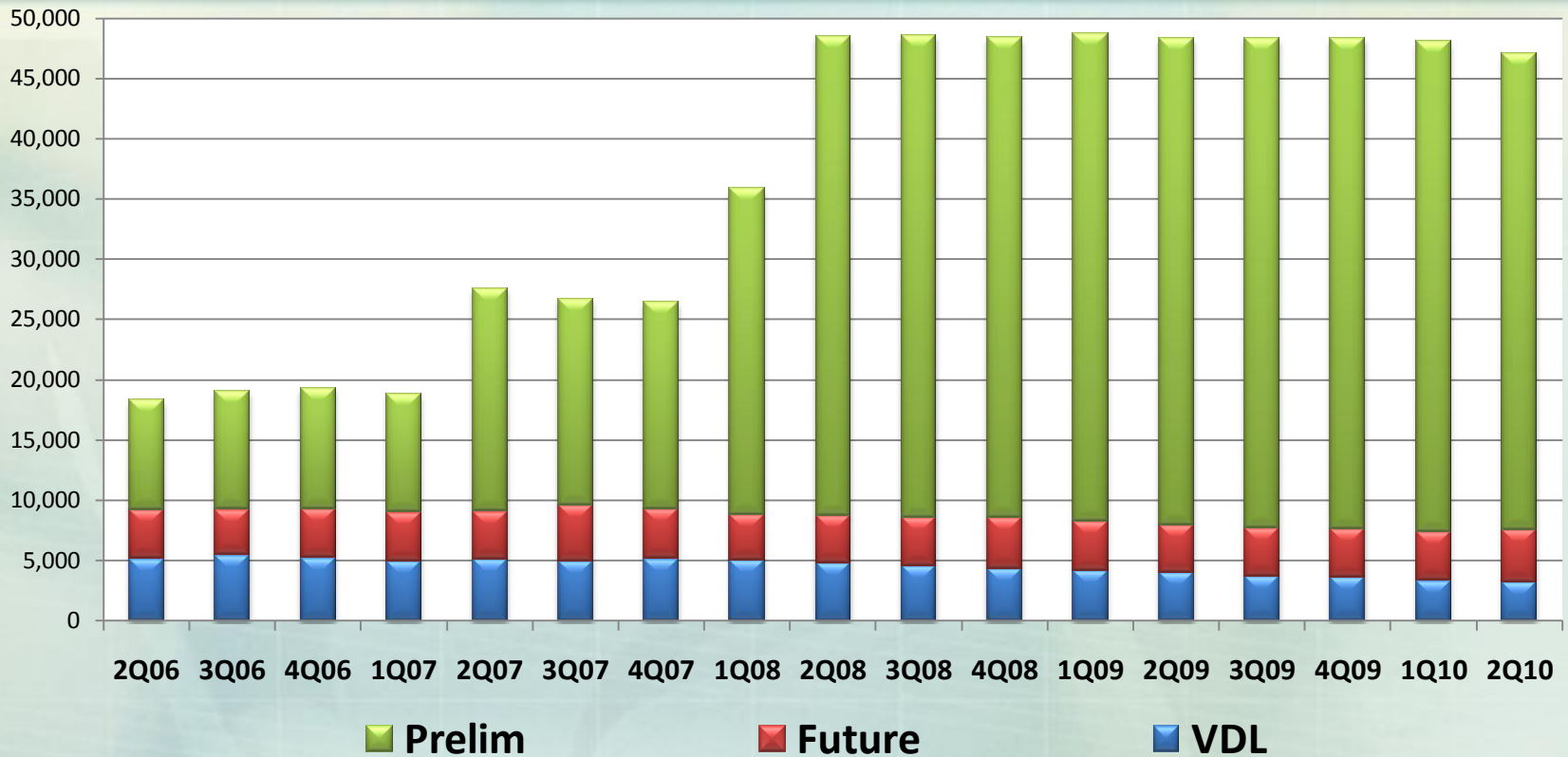
Price Range Analysis



■ Annual Starts = 1026 ■ Annual Closings = 1033

- Annual Average Start Price \$205,505
- Annual Median Start Price \$180,051
- 2Q10 Average Start Price \$228,645

Lot Supply



- Vacant Developed Lots 3,172 lots (37.1 months)
- Approved Future Lots 4,436 lots (51.9 months)
- Prelim. Planned Lots 39,463

Denton ISD Resale Market

(Single-Family Residential Only)

2nd Qtr typically has the highest sales; 2Q10 boosted by tax credits

Denton ISD Resale Data

| SF Residential | 1Q08 | 2Q08 | 3Q08 | 4Q08 | 1Q09 | 2Q09 | 3Q09 | 4Q09 | 1Q10 | 2Q10 |
|---------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Total Sales | 414 | 580 | 573 | 346 | 357 | 507 | 529 | 482 | 321 | 670 |
| Average Sales Price | \$182,976 | \$183,354 | \$179,381 | \$175,630 | \$172,226 | \$176,161 | \$186,968 | \$185,373 | \$184,303 | \$179,678 |
| Days-on-market | 91 | 75 | 78 | 80 | 90 | 84 | 90 | 75 | 80 | 68 |
| Foreclosure Forced Sales | 64 | 93 | 69 | 81 | 90 | 77 | 52 | 80 | 70 | 106 |
| Pending Sales | 29 | 29 | 31 | 33 | 41 | 206 | 203 | 178 | 356 | 208 |
| Active Listings | 119 | 139 | 202 | 281 | 318 | 727 | 984 | | | |
| Months Inventory | | | | 1.8 | 2.1 | 4.9 | 6.7 | | | |
| Annual Total Sales | | | | 1,913 | 1,856 | 1,783 | 1,766 | 1,924 | 1,894 | 2,002 |
| % Change from previous qtr. | | | | n/a | -3.0% | -3.9% | -1.0% | +9% | -1.5% | +5.7% |
| Annual Foreclosure Forced Sales | | | | 307 | 333 | 317 | 292 | 299 | 281 | 308 |
| % Change from previous qtr. | | | | n/a | 8.5% | -4.8% | -7.9% | +2% | -6% | +9.6% |
| Active Listings | | | | 281 | 318 | 727 | 984 | 885 | 989 | 1,148 |
| % Change from previous qtr. | | | | n/a | 13.2% | 128.6% | 35.4% | -10% | +11.8% | +16.1% |

HIGHEST SINCE INFORMATION WAS TRACKED

New Cross Oaks Elementary

US-380 Corridor



- Servicing Campuses
- Cross Oaks Elementary
- Navo Middle School
- Denton & Ryan High School

Glenbrooke Estates

US-380 Corridor

- 399 total lots
- 158 occupied homes
- 62 vacant lots
- 144 future lots planned
- 95 closings over past 12 months
- 46 new lots delivered in 2Q10



- Servicing Campuses
- Savannah Elementary
 - Navo Middle School
 - Denton High School



Paloma Creek South

US-380 Corridor

- 3,043 total lots
- 971 occupied homes
- 305 vacant lots
- 768 approved future lots
- 935 prelim lots planned
- 229 closings over last 12 months



Servicing Campuses
• Paloma Creek Elementary
• Navo Middle School
• Denton High School

Lantana - Bellaire

Bartonville Area

- 62 total lots
- 30 occupied homes
- 26 vacant lots
- 6 homes U/C



- Servicing Campuses
- E.P. Rayzor Elementary
- Harpool Middle School
- Guyer High School

Denton ISD – 2Q10 Summary

- ✓ Starts up 21% vs. 2Q09 with 1,026 annual units (vs. 846)
 - Activity boosted by expiration of federal tax credits on April 30th
- Annual closings declined 15% to 1,033 units (vs. 1,212 in 2Q09)
 - However, 289 closings in 2Q10 is most in 18 months (since 4Q08)
- ✓ DISD ranks 3rd in annual new home starts among DFW school districts [Frisco (1st), Northwest (2nd)]
- Homes under construction down 8% from 1Q10 (220 units currently u/c)
- 165 finished vacant units available
 - Paloma Creek South (26), Glenbrooke Estates (22), Preserve at Pecan Creek (14), Longhorn Cove (13)
- 46 new lots delivered this quarter in Glenbrooke Estates (Prosper)
- 48,058 total potential lots remaining in the district
 - 3,172 vacant developed lots
 - 4,436 future lots
 - 39,463 preliminary lots planned
- New home forecast for 3Q10-2Q11 = 923 starts
- ✓ Highest quarterly resales total in over two years with 670 sales
- 2Q10 sees 106 foreclosure forced sales (70 in 1Q10)
- Annual foreclosure rate down 2% vs. 2Q09 (308 vs. 317)



Questions

