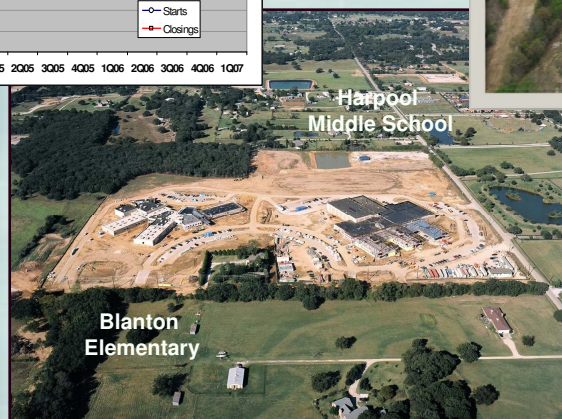
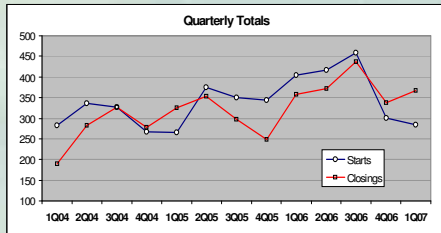




Denton Independent School District Residential Growth Report 1st Quarter 2008

May 27, 2008





Current DFW Market Conditions

- Builders find mixed results for sales, traffic in 1Q08
 - Solid Jan, Feb, slower during first part of March
 - Better than 4Q07, but generally below 1Q07
- Cancellations still challenging, generally running 20-40%
 - Contingency sales, qualifications are primary culprits
- Builders very cautious with specs
 - Most production builders limit neighborhoods to just 1-2 specs
 - Finished vacant inventory still high
 - Operational problems persist-too many competitors
- Starts continue to fall as builders focus on working down housing inventory
 - Starts off 3,433 (-41%) compared to 1Q07
 - Annual rate falls to 27,267 (-11% vs. YE 07)
 - Once FV inventory is worked down starts will begin to climb again-approach closings
- Closings fall 3,311 for quarter to annual rate of 34,979
 - 3Q08 will be anniversary of last major changes in mortgage qualification standards
- Housing inventory improving from 'bottom up'
 - Entry level housing inventory overhang has been worked down
 - Excess supplies most prevalent at higher price points
- Lot inventory remains high at 99,279 VDLs
 - Now a 43.7 month supply
 - Development pipeline has been dramatically reduced, but last wave of lots still being delivered
 - Expect reduction to begin next quarter
 - Still at least 2.5 years until global supplies dictate normal need for new development





DFW Housing Vital Signs

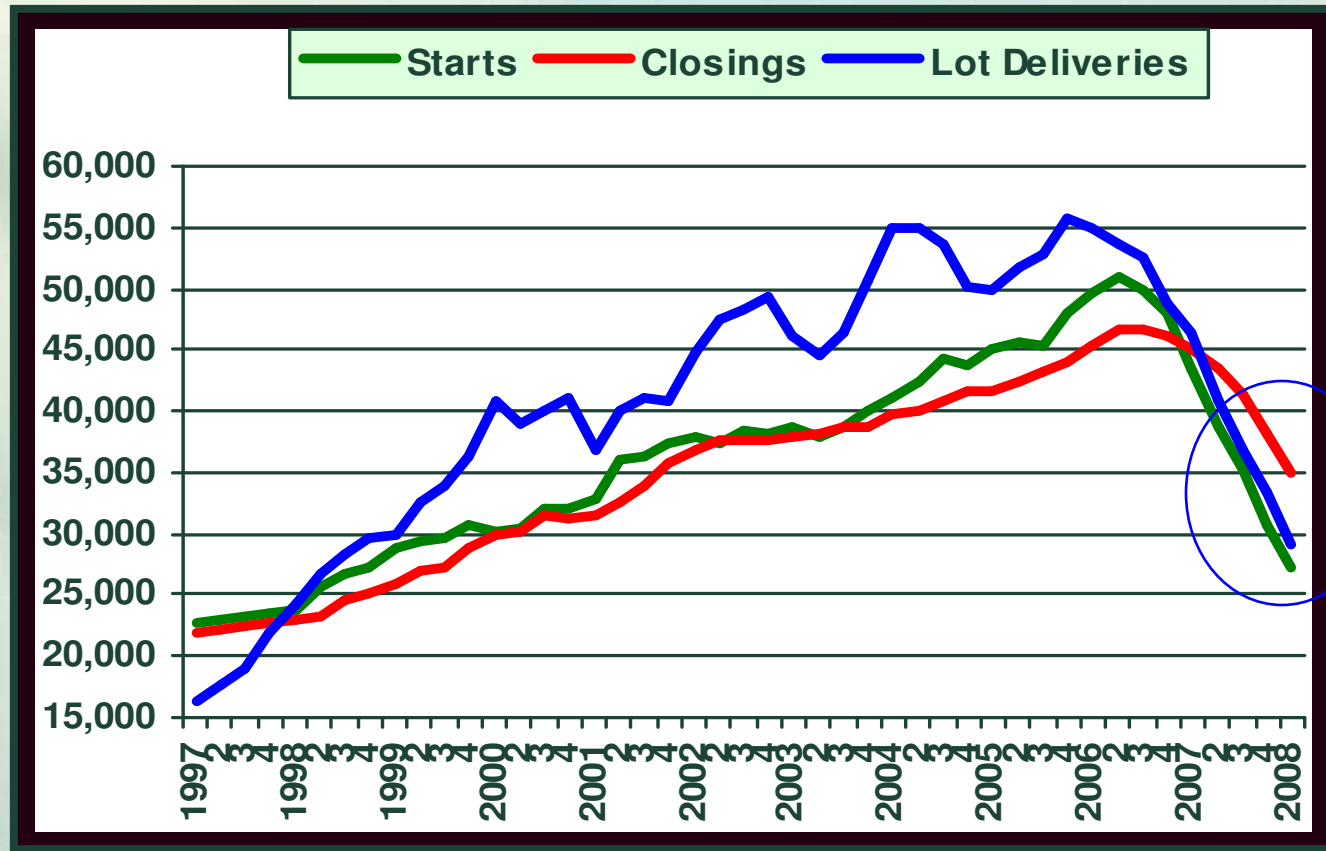
2nd Qtr 2007 – 1st Qtr 2008

	<u>Dallas</u>	<u>Ft. Worth</u>	<u>DFW</u>
\$ Vol. Starts (Billions)	\$4.83	\$2.42	\$7.25
Median Home Price	\$223K	\$182K	\$205K
Annual Starts	17,208	10,059	27,267
Annual Closings	21,971	13,008	34,979
U/C Home Inventory	4,520	2,360	6,880
Month Supply	2.5	2.2	2.4
FV Home Inventory	5,694	2,988	8,682
Month Supply ⁽¹⁾	3.1	2.8	3.0
Vacant Lots	63,229	36,050	99,279
Month Supply ⁽²⁾	44.1	43.0	43.7
Lots Under Dev.	11,316	5,563	16,879

(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: -37.5%
 Annual Closings: -22.7%
 Annual Lot Deliveries: -37.7%

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

<\$150K
 1Q07 10,218
 1Q08 5,487
 Change -5,089
 % Change -46.3%

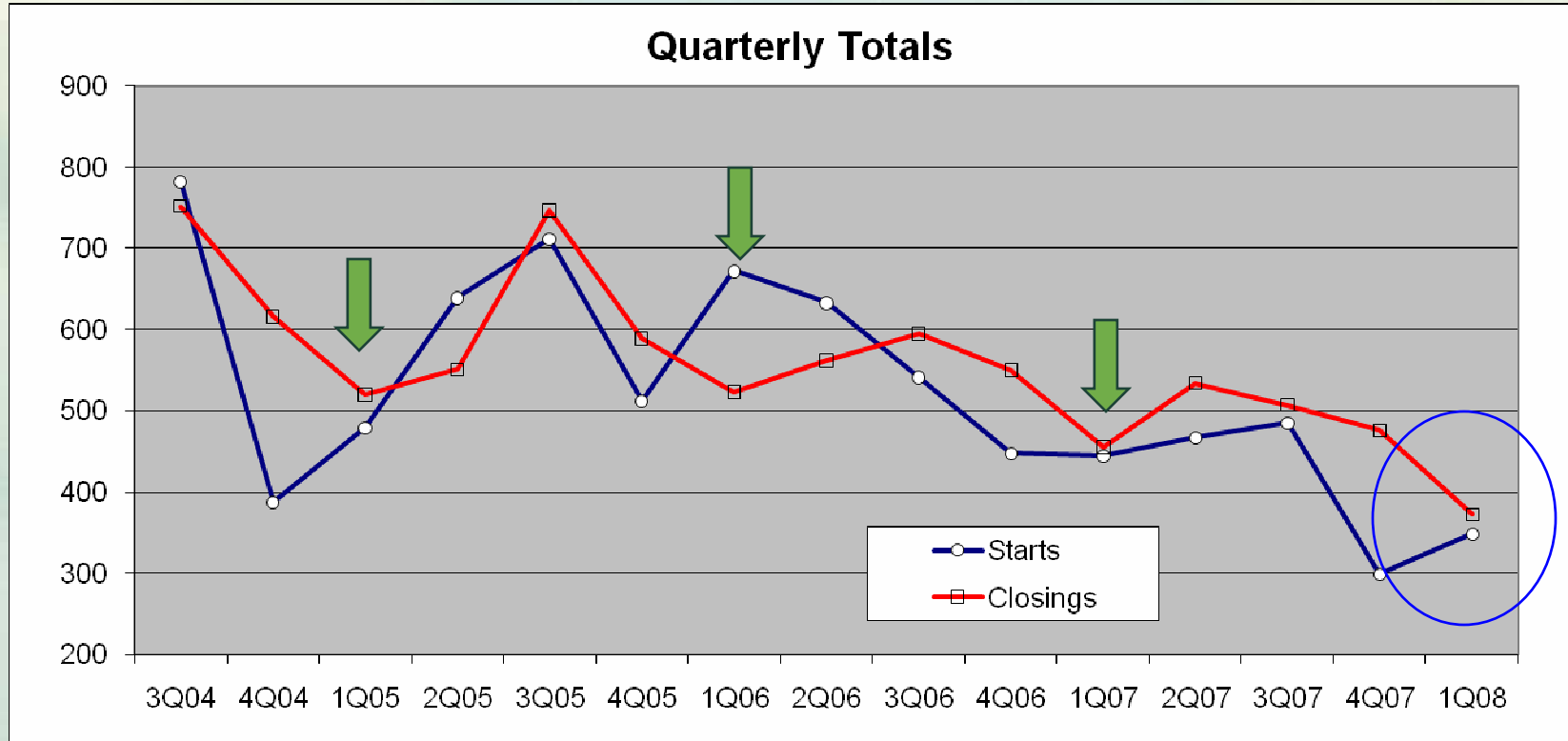
\$151-200K
 1Q07 13,249
 1Q08 7,752
 Change -5,497
 % Change -41.5%

\$201-300K
 1Q07 11,072
 1Q08 6,944
 Change -4,128
 % Change -37.3%

\$301K+
 1Q07 9,056
 1Q08 7,084
 Change -1,972
 % Change -21.8%



Denton ISD New Housing Activity



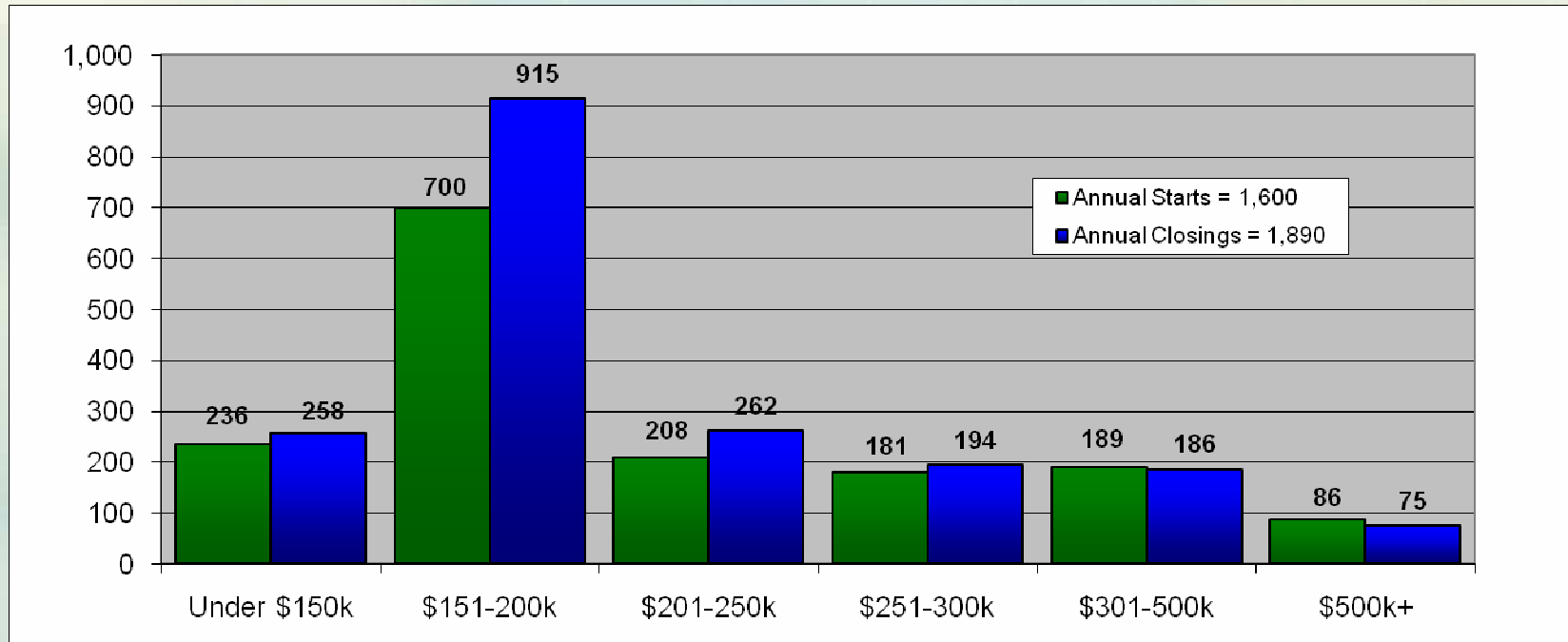
Starts	2003	2004	2005	2006	2007	2008
1Q	404	609	479	672	444	348
2Q	648	805	639	633	467	
3Q	572	782	712	541	485	
4Q	680	387	512	447	299	
Total	2,304	2,583	2,342	2,293	1,695	348

Closings	2003	2004	2005	2006	2007	2008
1Q	356	510	520	523	456	373
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	373





Price Range Analysis & Lot Supply



- Annual Average Start Price \$240,488
- Annual Median Start Price \$190,480
- 1Q08 Average Start Price \$256,795
- Vacant Lot Supply 4,964 lots (37.2 months)
- Future Lot Supply 3,825 lots (28.7 months)

5 Year Supply for Growth





DISD Top Performing Subdivisions



		Annual Closings	1-year Forecast	Starts 2-year Forecast
1.	✓ Paloma Creek (All sections)	317	241	261
2.	Wheeler Ridge	207	9	0
3.	✓ Savannah (All sections)	182	61	91
4.	✓ Cross Oak Ranch	126	86	86
5.	Robson Ranch	114	89	89
6.	Villages of Carmel	101	93	62





Bandera at Lantana

- 214 total lots
- First starts 1Q08 (5)
- 53 starts expected in next 12 months

Bartonville - Lantana





Villages of Carmel

- 393 total lots
- 130 occupied homes
- 239 lots remaining to close
- 93 starts projected for the next 12 months

Shady Shores





Glenbrooke Estates

- 399 total lots
- 192 vacant developed lots
- 190 future lots
- 24 starts expected over the next 12 months

US 380 East





Denton ISD – 4Qtr 2007 Summary

- Annual starts are down 22.5% to 1,600 units (vs. 2,064 in 1Q07)
- Annual closings decline 12.6% to 1,890 units (vs. 2,163 in 1Q07)
 - 373 closings in 1Q08 are lowest quarterly total in five years
- 🔴 Finished vacant inventory decreases from 2.2 months 2.0 months
- Wheeler Ridge expected to close-out over next 6 months
- 167 new lots delivered
 - Provence Addition (53); Central Village Estates (69); Magnolia Addition (45)
- 4,964 vacant developed lots on the ground (down 3.5%)
- 3,825 future lots under development (down 4.2%)
- 🔴 27,079 preliminary lots planned (up 57.3%)
- 🔴 New home forecast for 2Q08-1Q09 = 1,483 starts

Additional 15 Year Supply for Growth

