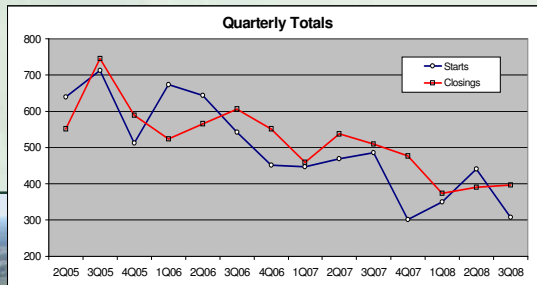




# Denton Independent School District

## Residential Growth Report 3rd Quarter 2008

November 11, 2008



*New Construction*





# Current DFW Market Conditions

- Builders experience weak July, some strengthening of sales in August
- Credit crisis and economic turmoil curb activity in late-September, October
  - Traffic still present, but no urgency to buy
  - Many potential buyers on sidelines waiting out period of uncertainty, elections
  - Those willing to buy demanding excessive discounts
- Annual starts now down 29,476 units (-58%) since 2Q06 peak to 21,454
- Annual closings down 18,896 units (-41%) to 27,760 units (outpacing starts by 6,306 units)
- Builders continue to downsize, pare operations to mirror sales
  - Most budgeting for a leaner 2009
  - Big reluctance to start specs or takedown lots unless there is a build-job
- Appraisals continue to be a big issue—many instances of houses not appraising at closing requiring further discounts and weakening margins
  - Pay attention to foreclosures in neighborhood; noticeable difference between conservative and aggressive appraisers
- Independent builders focus on remaining profitable, making sure lines of credit remain committed
- Housing inventory in good shape, but builders hesitate on taking down lots except for build jobs
- Month supply of lots continues to climb with reduction of starts-53 mos.
  - Very modest amount of new development; total supply drops slightly







# DFW Housing Vital Signs

(4<sup>th</sup> Qtr 2007 – 3<sup>rd</sup> Qtr 2008)

	<u>Dallas</u>	<u>Ft. Worth</u>	<u>DFW</u>
\$ Vol. Starts (Billions)	\$3.70	\$2.02	\$5.72
Median Home Price	\$223K	\$187K	\$207K
Annual Starts	13,232	8,222	21,454
Annual Closings	17,600	10,160	27,760
U/C Home Inventory	4,251	2,486	6,737
Month Supply	2.90	2.94	(1) 2.91
FV Home Inventory	4,782	2,465	7,247
Month Supply (1)	3.26	2.91	3.13
Vacant Lots	60,875	33,428	94,303
Month Supply (2)	55.2	48.8	(2) 52.7
Lots Under Development	7,926	5,627	13,553

(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: -39.1%**  
**Annual Closings: -32.9%**  
**Annual Lot Deliveries: -39.5%**

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

**<\$150K**  
 3Q07 6,889  
 3Q08 3,987  
 Change -2,902  
 % Change -42.1%

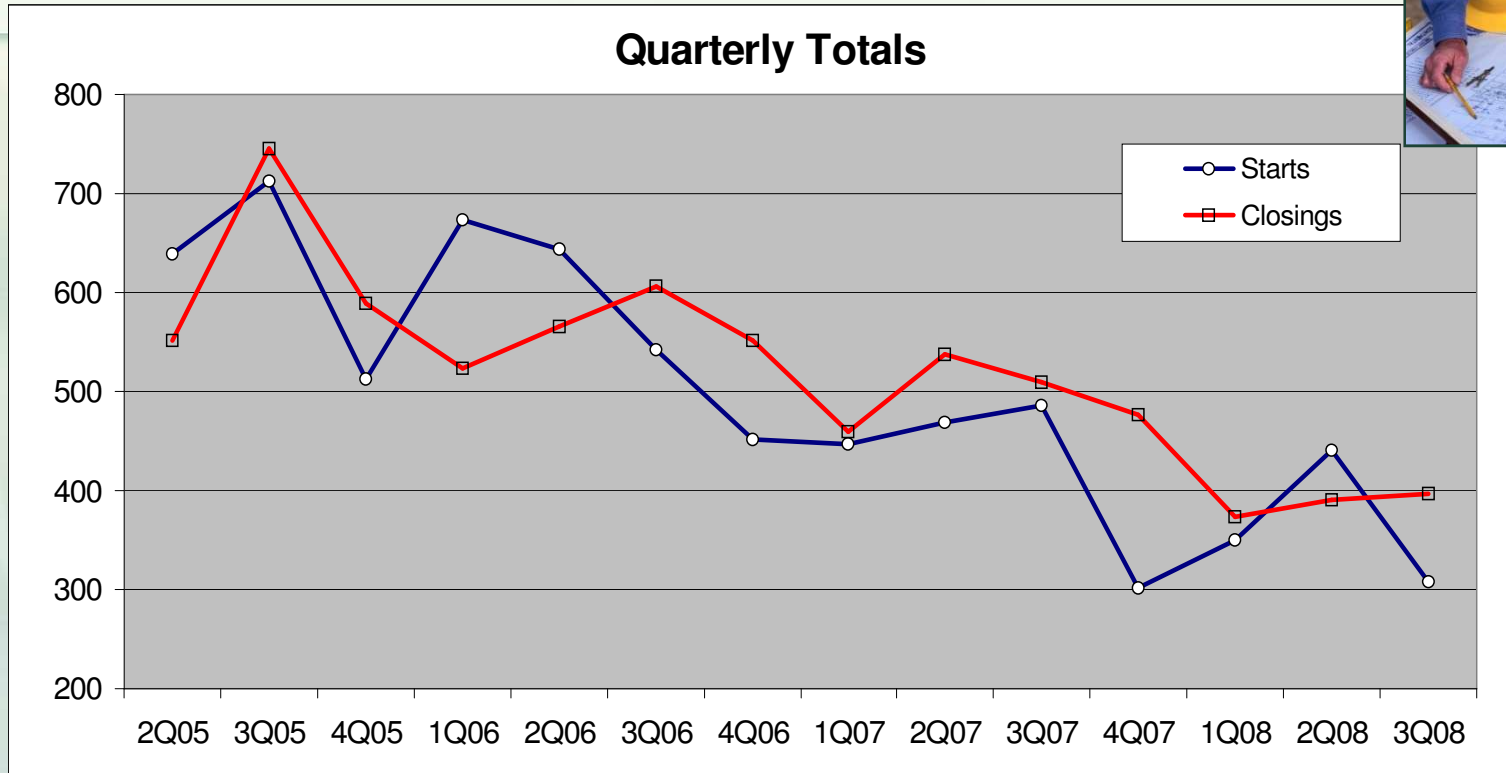
**\$151-200K**  
 3Q07 10,734  
 3Q08 6,238  
 Change -4,496  
 % Change -41.9%

**\$201-300K**  
 3Q07 8,934  
 3Q08 5,919  
 Change -3,015  
 % Change -33.7%

**\$301K+**  
 3Q07 8,663  
 3Q08 5,310  
 Change -3,353  
 % Change -38.7%



# Denton ISD New Housing Activity



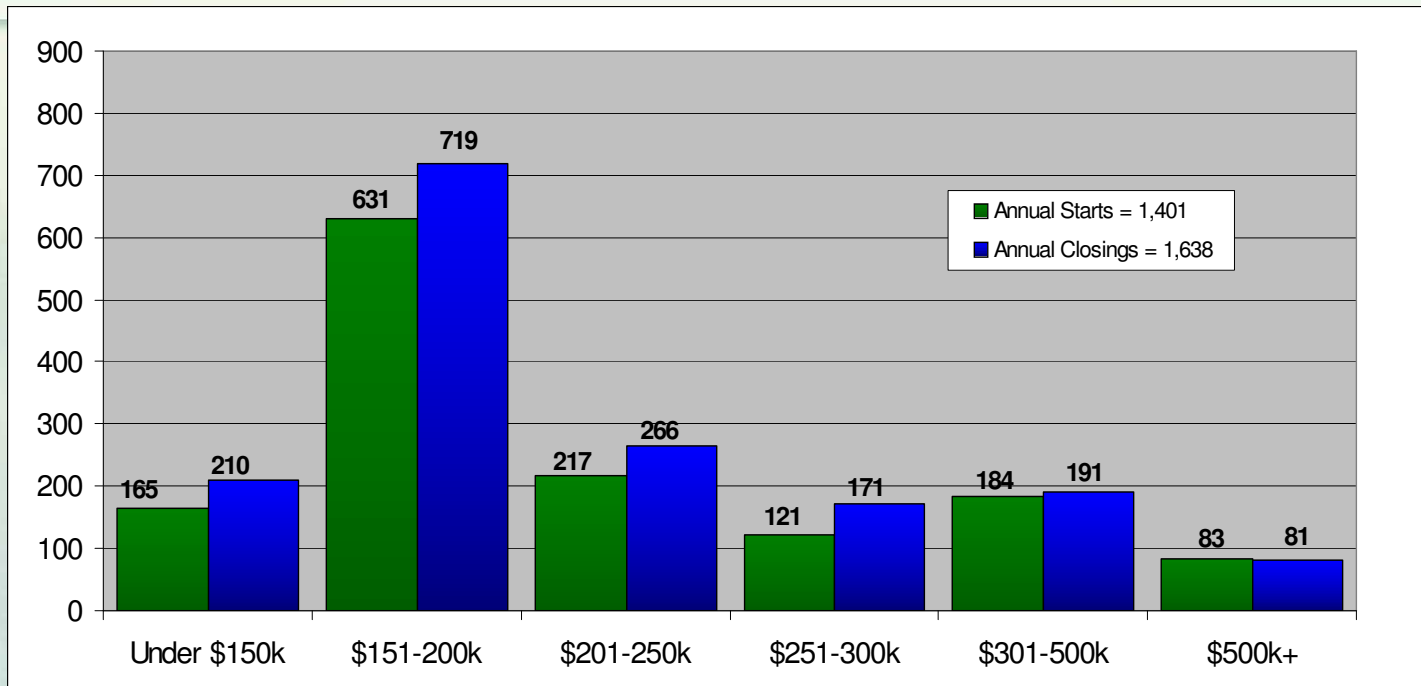
Starts	2003	2004	2005	2006	2007	2008
1Q	404	609	479	674	447	350
2Q	648	805	639	644	468	441
3Q	572	782	712	542	486	308
4Q	680	387	512	451	302	
<b>Total</b>	<b>2,304</b>	<b>2,583</b>	<b>2,342</b>	<b>2,311</b>	<b>1,703</b>	<b>1,099</b>

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	
<b>Total</b>	<b>2,022</b>	<b>2,516</b>	<b>2,406</b>	<b>2,246</b>	<b>1,982</b>	<b>1,162</b>





# Price Range Analysis & Lot Supply



- Annual Average Start Price                   \$244,755
- Annual Median Start Price                 \$192,584
- 3Q08 Average Start Price                 \$237,578
- Vacant Lot Supply                           4,468 lots (38.3 months)
- Future Lot Supply                           4,054 lots (34.7 months)



# Top Performing Subdivisions



		Starts			
District Location		Annual Closings	1-Year Forecast	2-Year Forecast	
1.	Paloma Creek (All sections)	US-380 Corridor	288	228	228
2.	Savannah (All sections)	US-380 Corridor	163	92	42
3.	Wheeler Ridge	Corinth	153	0	0
4.	Robson Ranch	I-35W Corridor	124	103	103
5.	Preserve at Pecan Creek	Shady Shores	90	73	73
6.	Cross Oak Ranch	US-380 Corridor	89	50	50
7.	Villages of Carmel	Shady Shores	88	75	59





# Paloma Creek South

- 641 occupied homes
- 649 lots remaining to close
- 181 starts projected for the next 12 months

**Servicing Campuses**

- Paloma Creek Elementary
- Navo Middle School
- Ryan & Denton High School







# Cross Oaks Ranch

- 875 total occupied homes as of 3Q08
- 183 vacant lots on the ground
- 141 future lots
- 727 prelim lots planned
- 50 starts expected in next 12 months



- Servicing Campuses**
- Providence Elementary
  - Navo Middle School
  - Ryan & Denton High School



# Villages of Carmel

- 162 occupied homes
- 181 vacant developed lots
- 246 future lots platted
- 73 starts expected over the next 12 months

## Servicing Campuses

- Pecan Creek Elementary
- Crownover Middle School
- Guyer High School







# The Preserve at Pecan Creek

- 486 occupied homes
- 200 vacant developed lots
- 402 prelim lots planned
- 73 starts expected over the next 12 months

## Servicing Campuses

- Pecan Creek Elementary
- Crownover Middle School
- Guyer High School





# Denton ISD – 3<sup>rd</sup> Qtr 2008 Summary

DFW Starts: -39.1%

DFW Closings: -32.9%

- DISD starts decline 24% to an annual total of 1,401 units (vs. 1,852 in 3Q07)
- Annual closings fall 20% to 1,638 units (vs. 2,058 in 3Q07)
- 332 finished vacant units on the ground (2.4 months supply)
- 8 lots delivered in Ryan Road Estates (170x200)
- 48,552 potential lots remaining in the district
  - 4,468 vacant developed lots (down 6%)
  - 4,054 future lots (up 6%)
  - 40,030 preliminary lots (up .7%)

Majority of prelim lots are in Cole Ranch - 11,015  
& Inspiration/Harbor Ranch - 12,206



New home forecast for 4<sup>th</sup> Qtr 2008-3<sup>rd</sup> Qtr 2009

1,309 starts