





# Current DFW Market Conditions

- Builders report that August credit crunch disrupts sales
    - Direct fallout due to finance issues
    - Cancellations from contingencies
    - Media makes buyer nervous; steady diet of negative news
  - In many cases net sales running 1/3 to 1/2 of normal over past 10 weeks
    - Getting buyer off of the sidelines key to recovery
  - Builders remain disciplined on new construction
    - Annual starts lowest level since 1Q01
    - Annual rate approaches 35K units
    - Since peak in 2Q06 at 51K units, starts have fallen 15,800 units (31%)
  - Closings decline 12% from peak in 3Q06 to 41K units
    - Outpacing starts by 6,000 units annually
  - Over-supply of finished houses declining
    - 9,652 units represent 2.82 month supply
    - 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
- Market Drivers**
- Job formation still very good
  - Mortgages: harder to qualify buyer, but rates are attractive



# DFW Housing Vital Signs

4Qtr 2006 – 3Qtr 2007

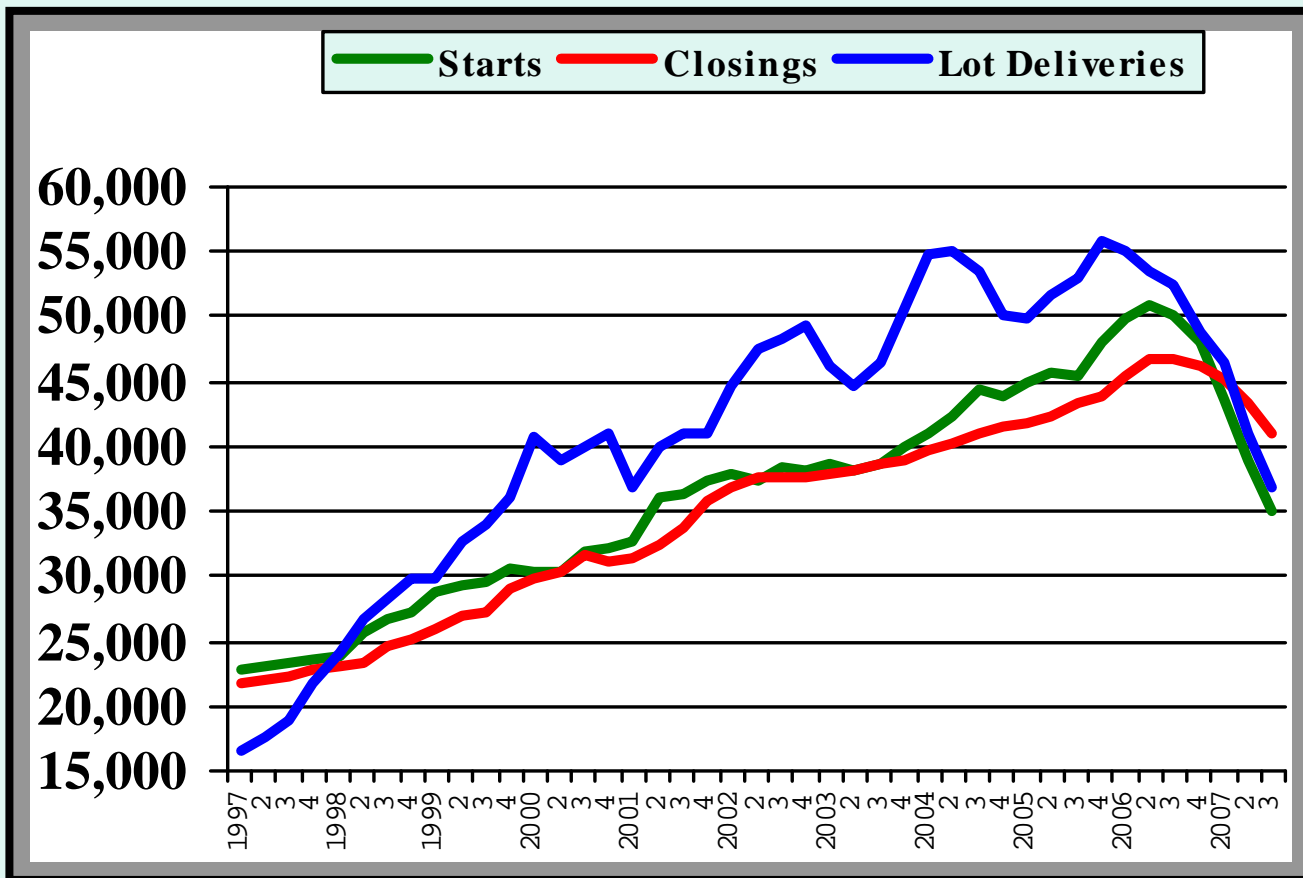
	<u>Dallas</u>	<u>Ft. Worth</u>	<u>DFW</u>
\$ Vol. Starts (Billions)	\$6.15	\$2.91	\$9.06
Median Home Price	\$219K	\$180K	\$200K
Annual Starts	22,698	12,421	35,119
Annual Closings	26,020	15,120	41,140
U/C Home Inventory	6,922	3,530	10,452
Month Supply	3.19	2.80	3.05
FV Home Inventory	6,419	3,233	9,652
*Month Supply (1)	2.96	2.57	2.82
Vacant Lots	61,655	35,427	97,082
*Month Supply (2)	32.6	34.2	33.2
Lots Under Development	17,195	7,588	24,783

\*(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 -29.8%**  
**Annual Closings -11.8%**  
**Annual Lot Deliveries -28.8%**

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

**<\$150K**  
 3Q06 12,602  
 3Q07 6,876  
 Change -5,726  
 % Change -45.4%

**\$151-200K**  
 3Q06 16,395  
 3Q07 10,754  
 Change -5,641  
 % Change -34.4%

**\$201-300K**  
 3Q06 12,231  
 3Q07 8,869  
 Change -3,362  
 % Change -27.5%

**\$301K+**  
 3Q06 8,777  
 3Q07 8,620  
 Change -157  
 % Change -1.8%



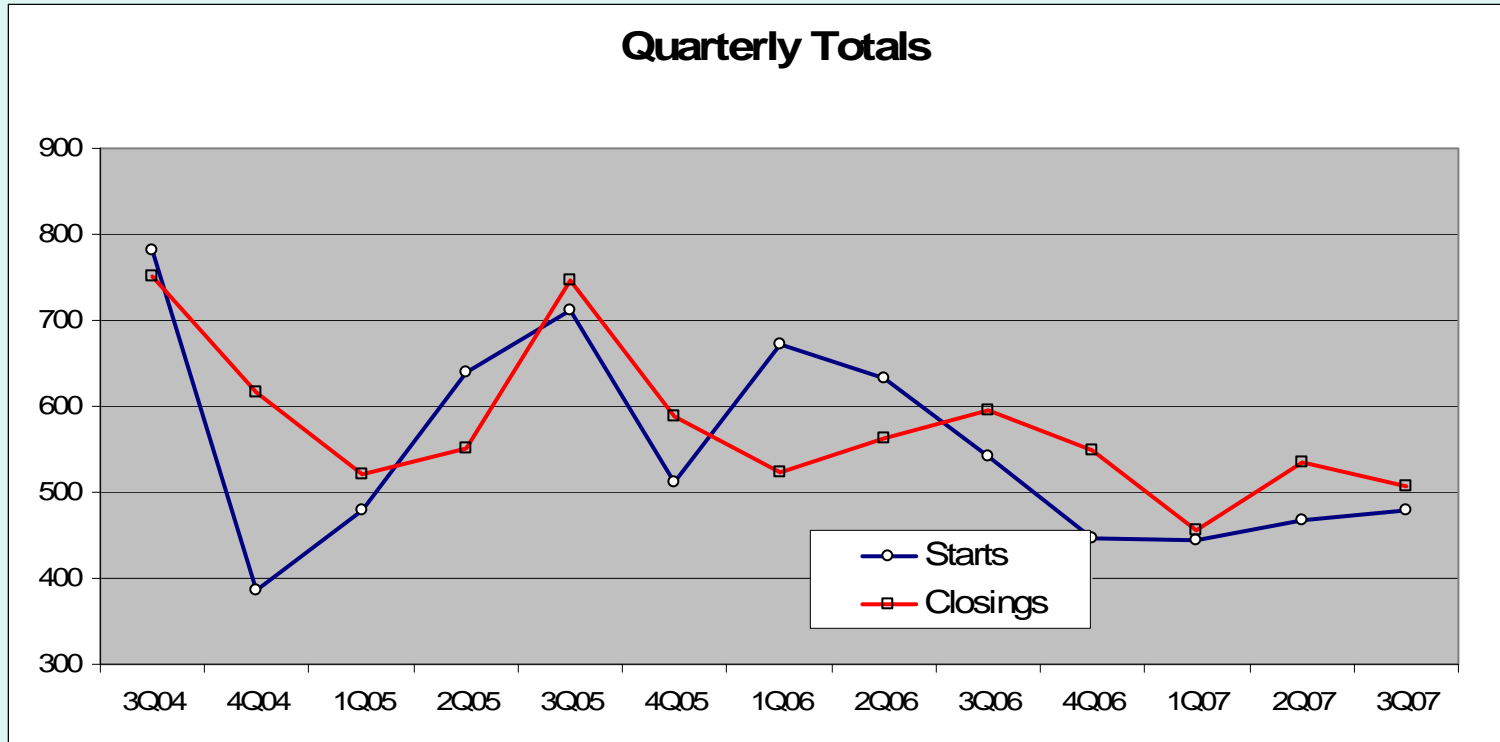
# DFW Forecast

## Market Considerations

- Mortgage Qualification Process will be more restrictive in 2008
  - Nationally 35% of buyers who qualified in 2006 won't today; forecast reflects this erosion for <\$200K
  - \$200-300K price point will decline, but expect add backs from revitalized FHA mortgage market
  - Upper price points have contingency sale issues; will see some decline; but jumbo market should stabilize in Spring 2008
- Demand outlook predicated on belief that nation/DFW will avoid a recession in 2008
  - Job growth to remain in 70-80K range
  - Mortgage rates (for those that qualify) should be healthy
- Lot supply will not hamper capacity other than for a few infill markets that are now reaching build-out



# Denton ISD New Housing Activity

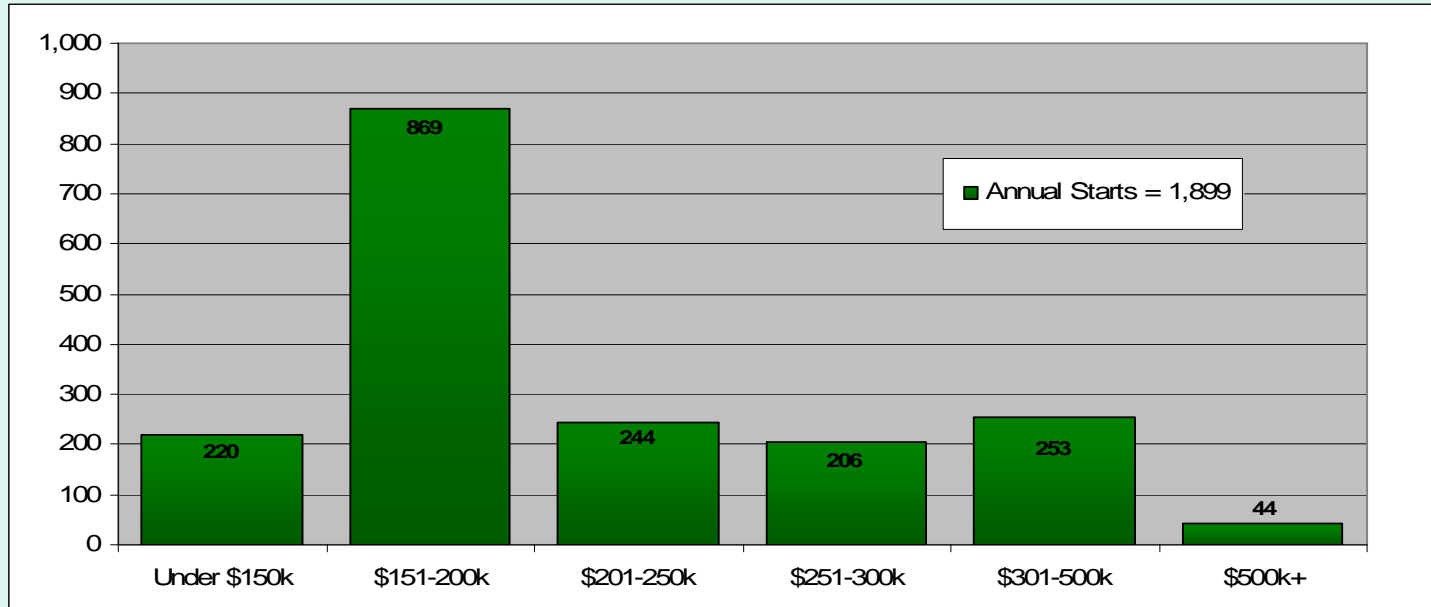


Starts	2003	2004	2005	2006	2007
1Q	404	609	479	672	444
2Q	648	805	639	633	467
3Q	572	782	712	541	479
4Q	680	387	512	447	TBA
<b>Total</b>	<b>2,304</b>	<b>2,583</b>	<b>2,342</b>	<b>2,293</b>	<b>1,390</b>

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	TBA
<b>Total</b>	<b>2,022</b>	<b>2,516</b>	<b>2,406</b>	<b>2,230</b>	<b>1,497</b>



# Price Range Analysis & Lot Supply



- Annual Average Start Price \$ 230,307
- Annual Median Start Price \$ 190,358
- 3Q07 Average Start Price \$ 239,092
- Vacant Lot Supply 4,918 lots (30.5 months)
- Future Lot Supply 4,674 lots ( 2.4 months)



# Denton ISD

## Top Performing Subdivisions

		Starts		
	Annual Closings	1-year Forecast	2-year Forecast	
1.	Paloma Creek South (US-380)	274	132	77
2.	Wheeler Ridge (Teasley/FM2181)	175	86	0
3.	Robson Ranch (I-35W)	168	53	101
4.	Cross Oak Ranch (US-380)	139	54	15
5.	Sea Pines at Savannah (US-380)	133	33	75





# Oaks of Corinth

## Shady Shores Area

- 42 lots remaining to close
- 16 starts projected for the next 12 months
- Servicing Campus
- Pecan Creek
- Crownover
- Guyer





# Lantana

(Bandera and Isabel)

- **330 lots remaining to close**
- **83 starts projected for the next 12 months**
- **Servicing Campus**
  - E.P. Rayzor
  - Crownover
  - Guyer





# Tuscan Hills

## Unicorn Lake Area

- 104 lots remaining to close
- 7 starts projected for the next 12 months
- Servicing Campus
- L.A. Nelson
- Crownover
- Guyer





# Denton ISD – 3<sup>rd</sup> Qtr 2007 Summary

- Annual starts are down 22.1% to 1,836 units (vs. 2,357 in 3Q06)
- Closings decline 9.8% to an annual total of 2047 units (vs. 2,269 in 3Q06)
- Finished vacant inventory decreases from 2.6 months 2.4 months
- 332 new lots delivered
- 4,918 vacant developed lots on the ground (down 2.9%)
- 4,674 future lots under development (up 17.2%)
- 17,141 preliminary lots planned (down 7.4%)
- New home forecast for 4Qtr 2007 - 3Qtr 2008 = 1,825 starts
- Student growth for same period = 1,168 Students
  - 619 – Elementary
  - 246 – Middle School
  - 303 – High School