

North Los Angeles County 2007 Real Estate & Economic Outlook Conference

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Antelope Valley: Leading L.A. County in 2007?

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Market Intelligence
BUILDER InsightSM

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The Current Strange Situation

- ◀ **Housing starts and sales have fallen dramatically from last year's levels, even though...**
- ◀ **Corporate profits are high**
- ◀ **Job growth continues to improve**
- ◀ **Interest rates aren't that bad by historical standards**
- ◀ **And demographic demand appears strong**



So What Happened?



- ◀ Investors bid up prices
- ◀ Cheap mortgage money made everyone a home buyer
- ◀ We built up too much speculative inventory
- ◀ Builders couldn't react fast enough with lower-priced homes

What's Going on In the Mortgage Market?

- ◀ We made loans to people who couldn't afford them
- ◀ They banked on being able to refinance to make higher payments
- ◀ The subprime mortgage market is being wiped out; more than two dozen lenders have shut down in recent months
- ◀ Terms for Alt A loans, often used by speculators, are getting much tighter
- ◀ Lenders are tightening mortgage credit for all types of loans
- ◀ Builders report cancellations due to buyers who can't qualify for mortgages
- ◀ The housing recovery gets put off to 2008

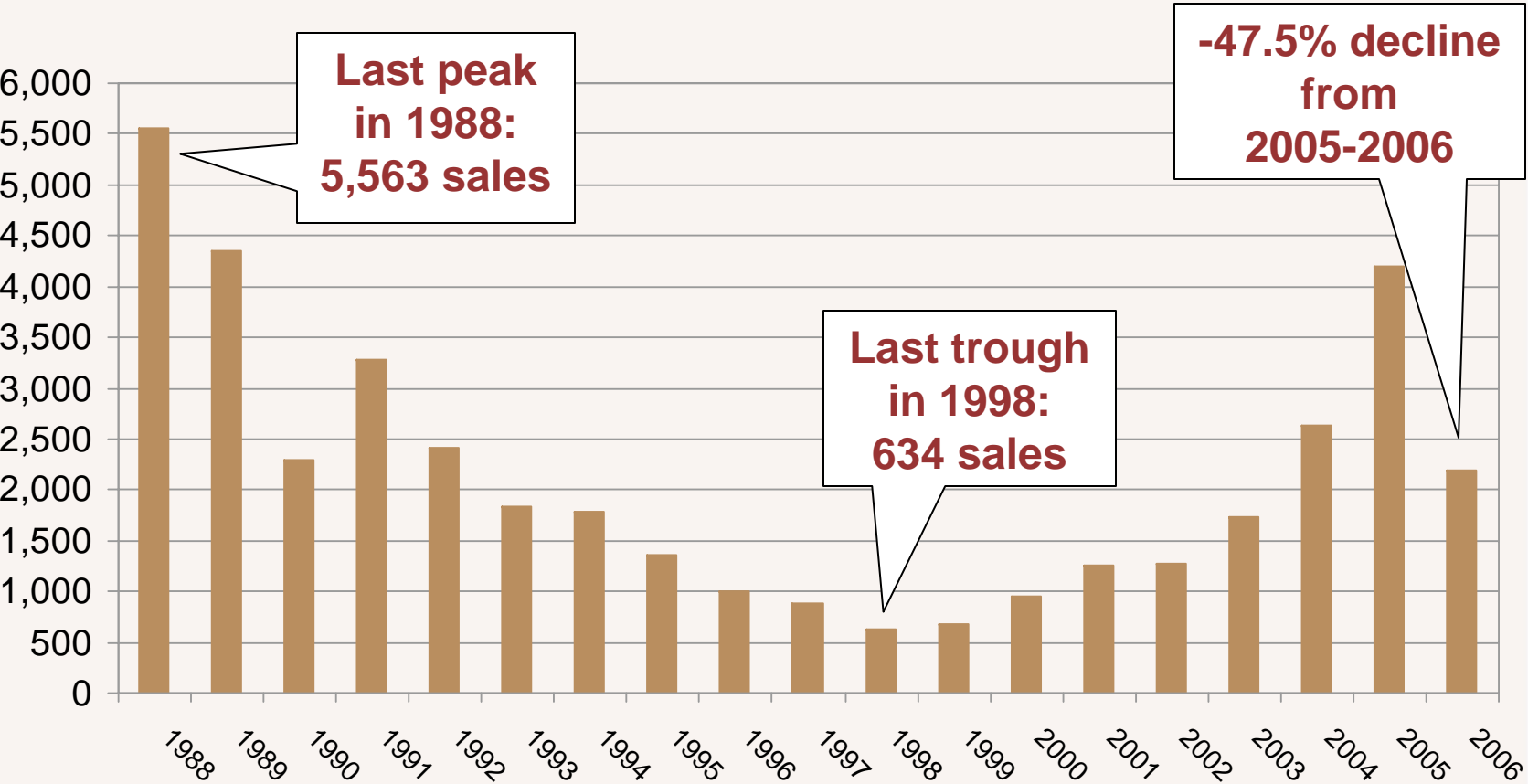


Annual Sales Trends

1988 - 2006

Antelope Valley

Average of 2,122
Sales Per Year from
1988-2006



Source: Hanley Wood Market Intelligence

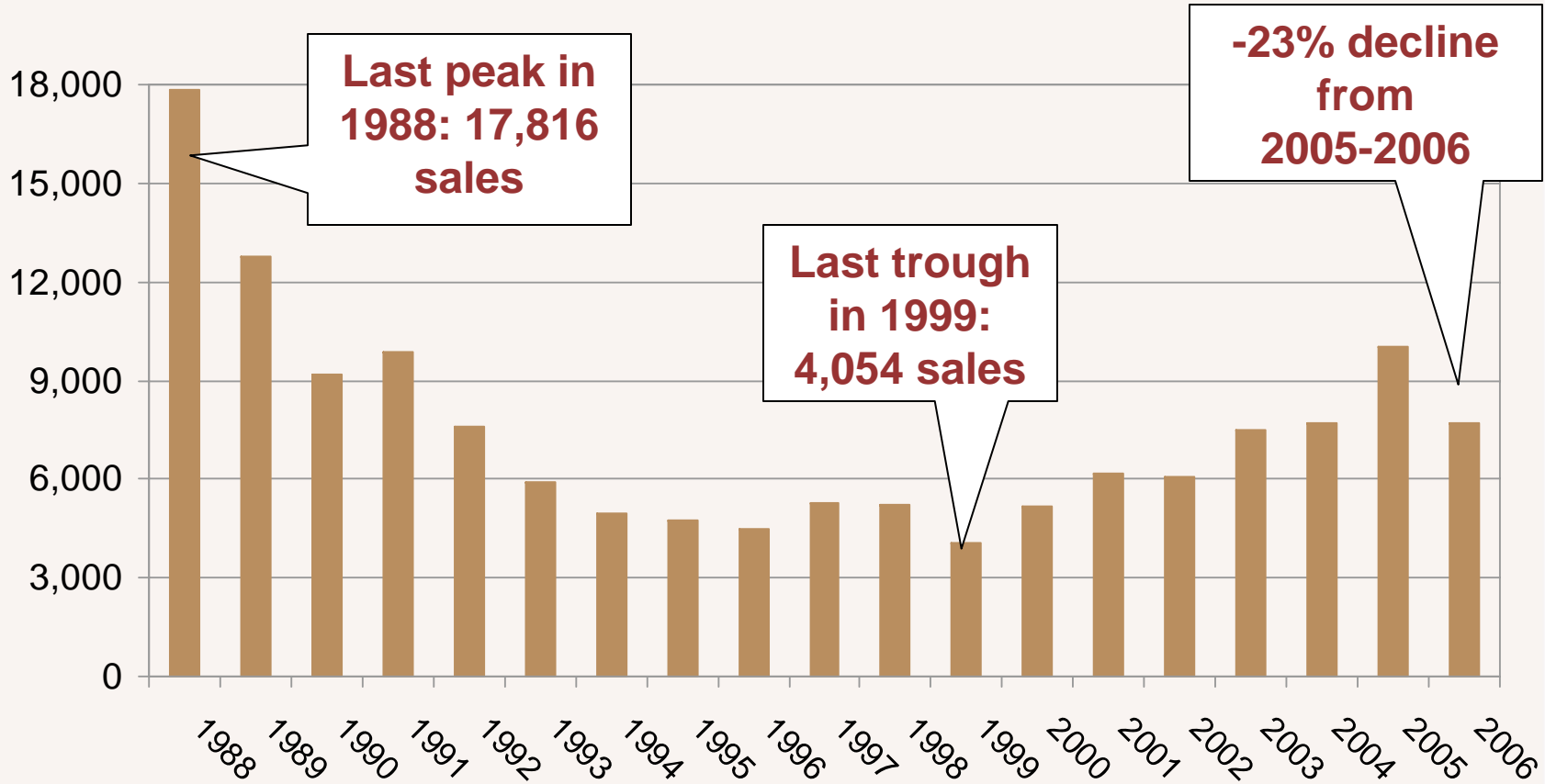
Annual Sales Trends

1988 - 2006

Los Angeles County

Average of 7,490
Sales Per Year from
1988-2006

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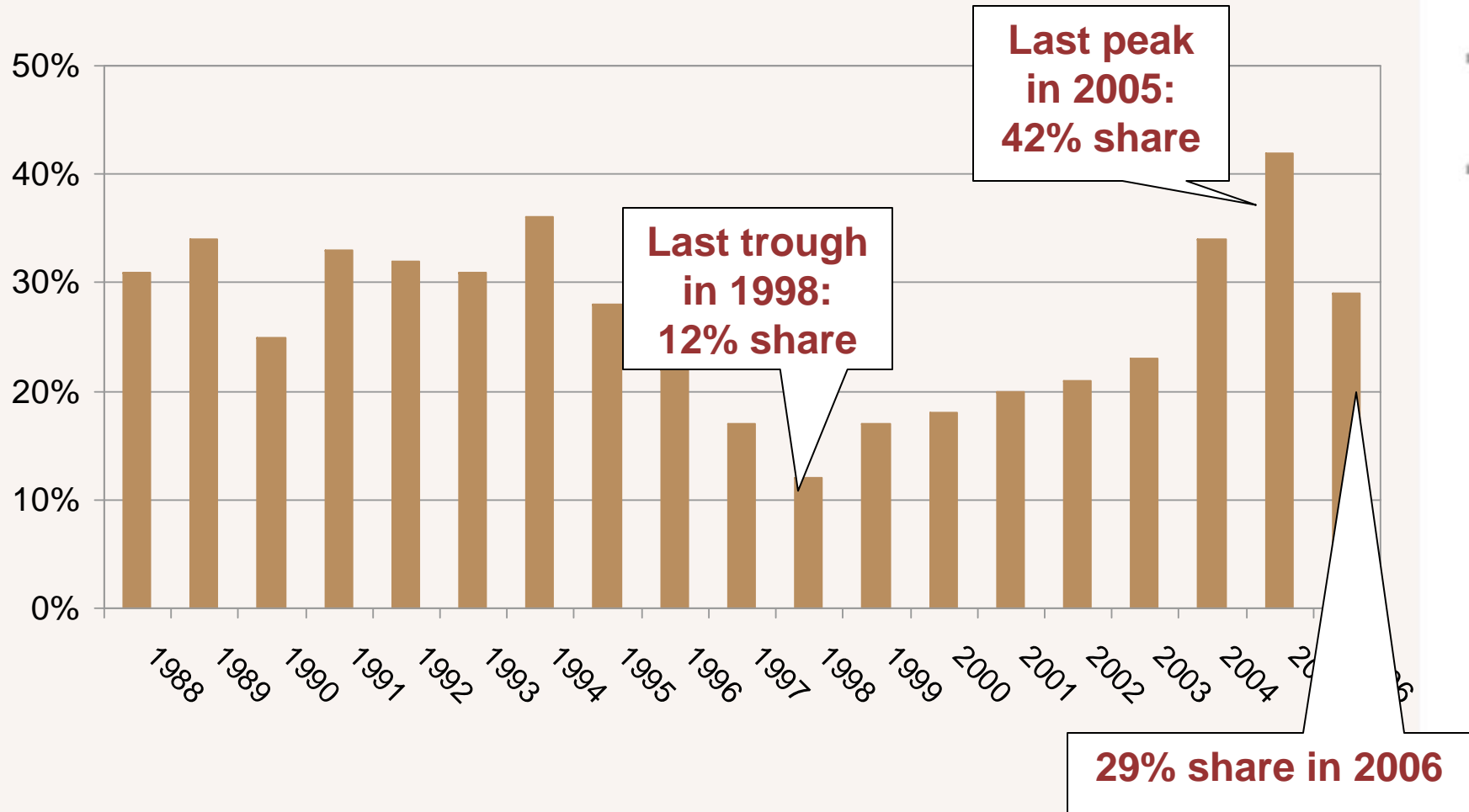
Source: Hanley Wood Market Intelligence

Annual Market Share 1988 - 2006

AV vs. Los Angeles County

Average of 26.6%
Share Per Year from
1988-2006

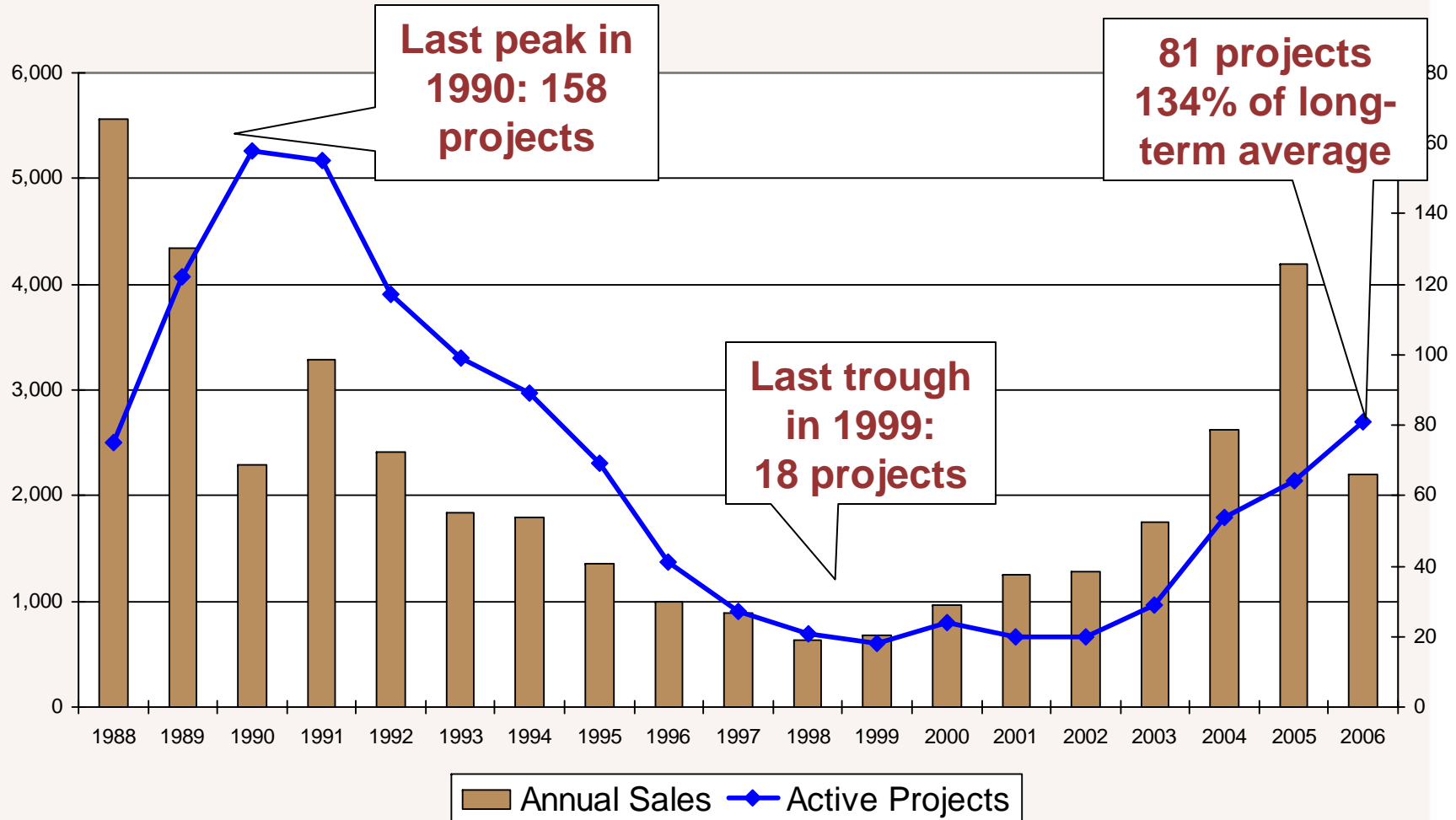
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Source: Hanley Wood Market Intelligence

Active Developments 1988 - 2006 Antelope Valley

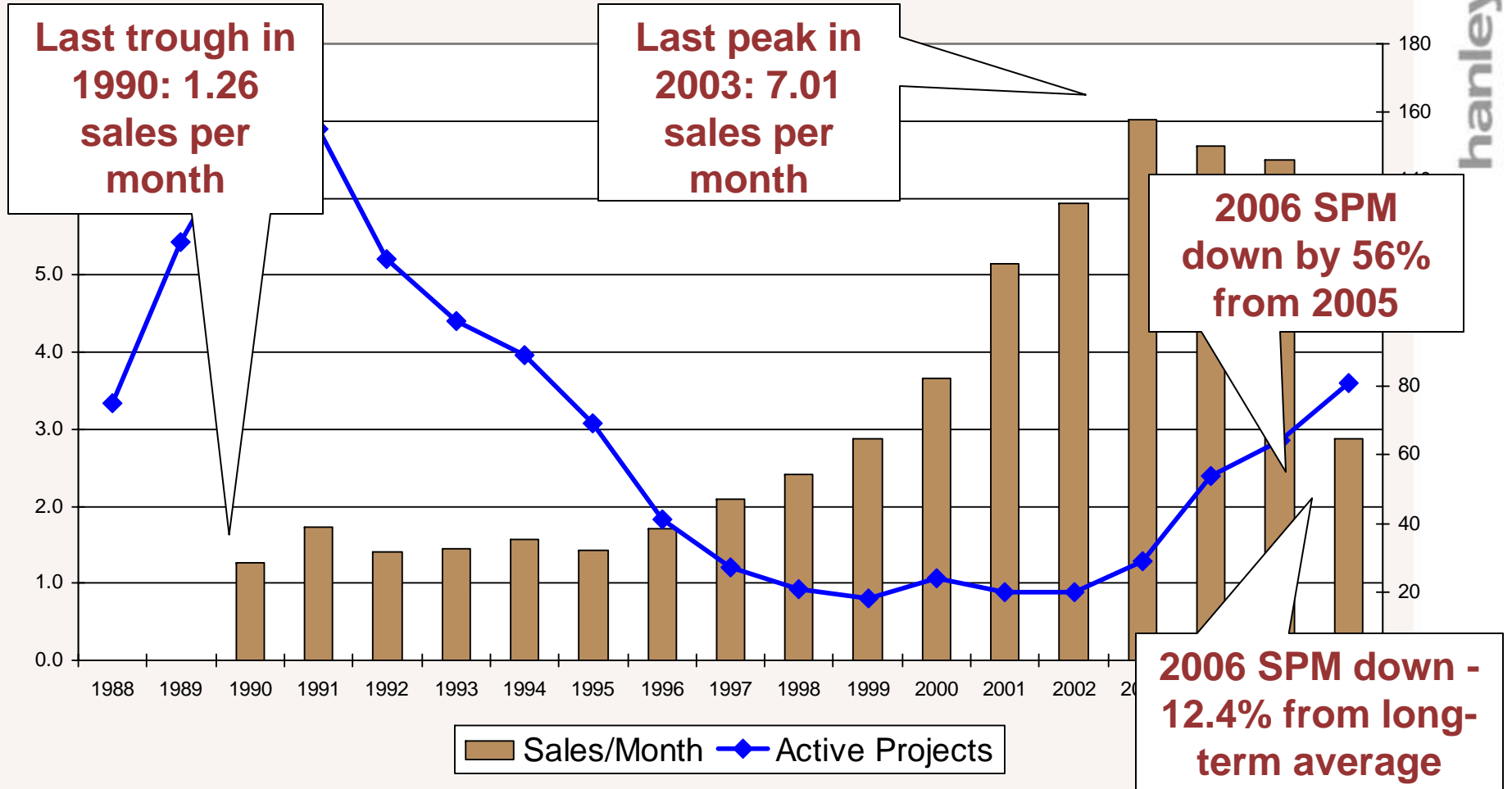
Average of 68 Active
Developments from
1988-2006



Source: Hanley Wood Market Intelligence

Avg. Sales Per Month 1988 - 2006 Antelope Valley

Average of 3.27
Sales Per Month Per
Project from 1988-2006



Source: Hanley Wood Market Intelligence

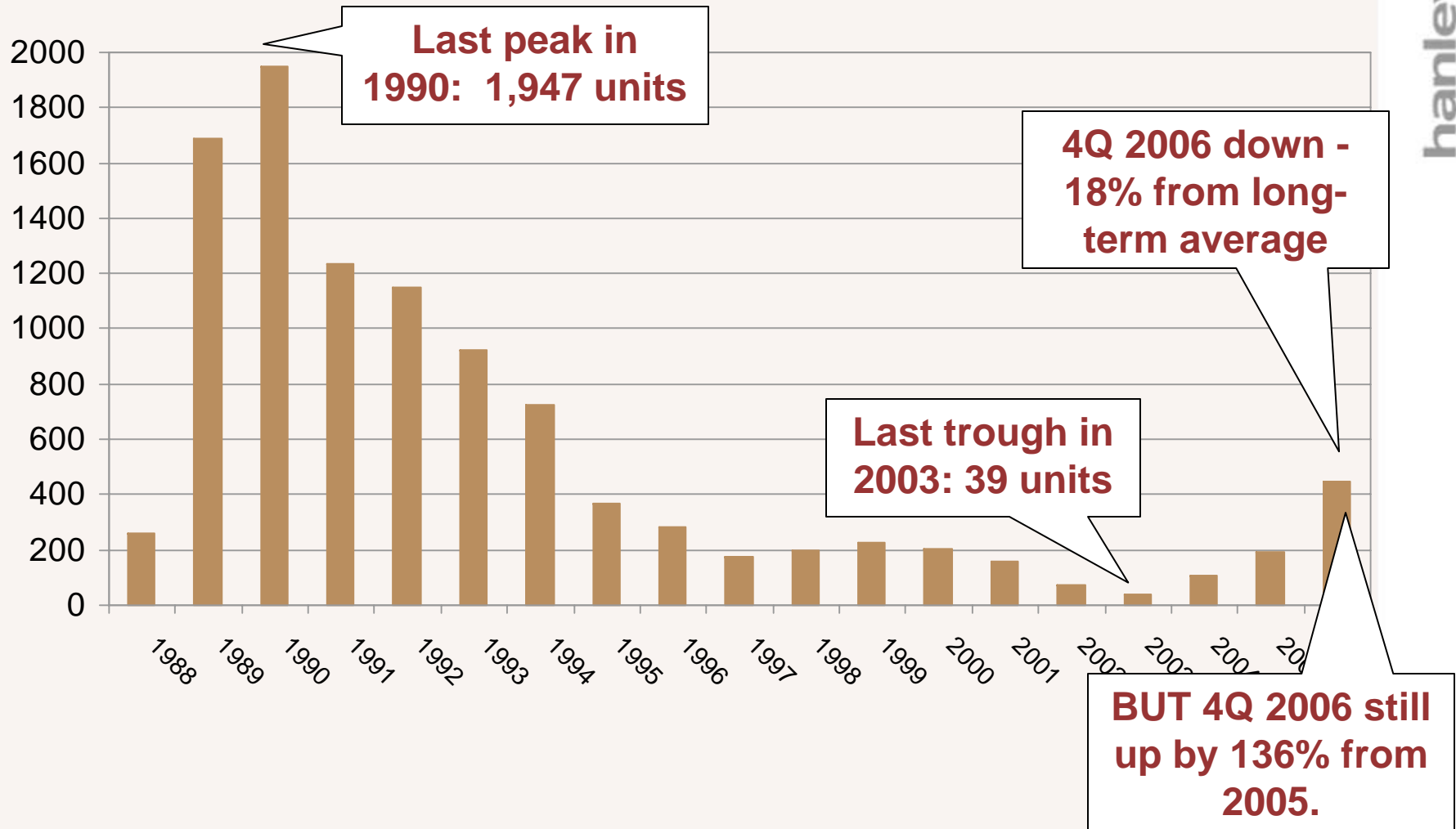
Spec. Inventory

4Q 1988 - 2006

Antelope Valley

Average of 548
Unsold Units from 4Q
1988-2006

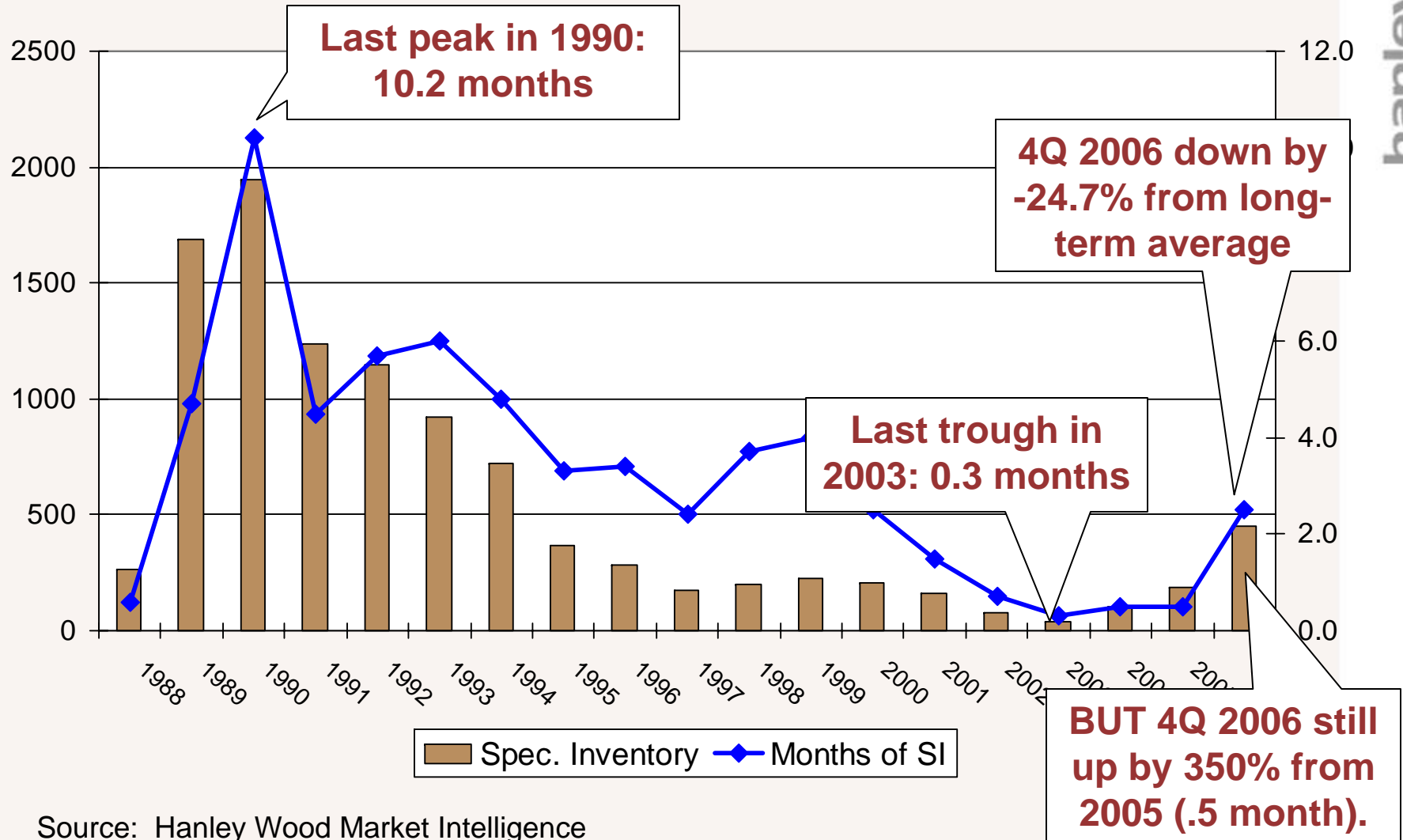
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Source: Hanley Wood Market Intelligence

Months of Spec. Inv. 4Q 1988 - 2006 Antelope Valley

Average of 3.3 Months
from 4Q 1988-2006



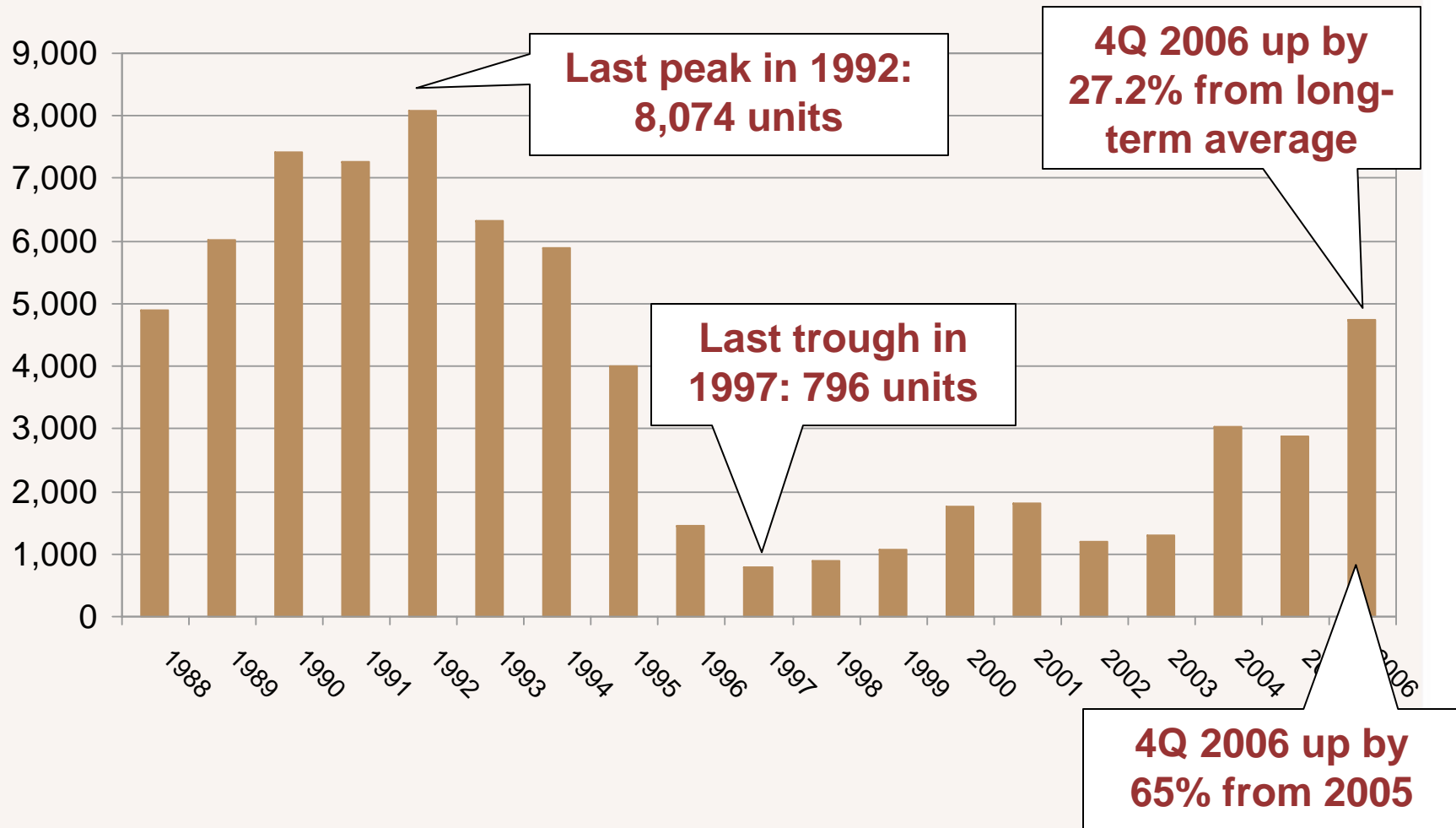
Active Inventory

4Q 1988 - 2006

Antelope Valley

Average of 3,728 Units
from 4Q 1988-2006

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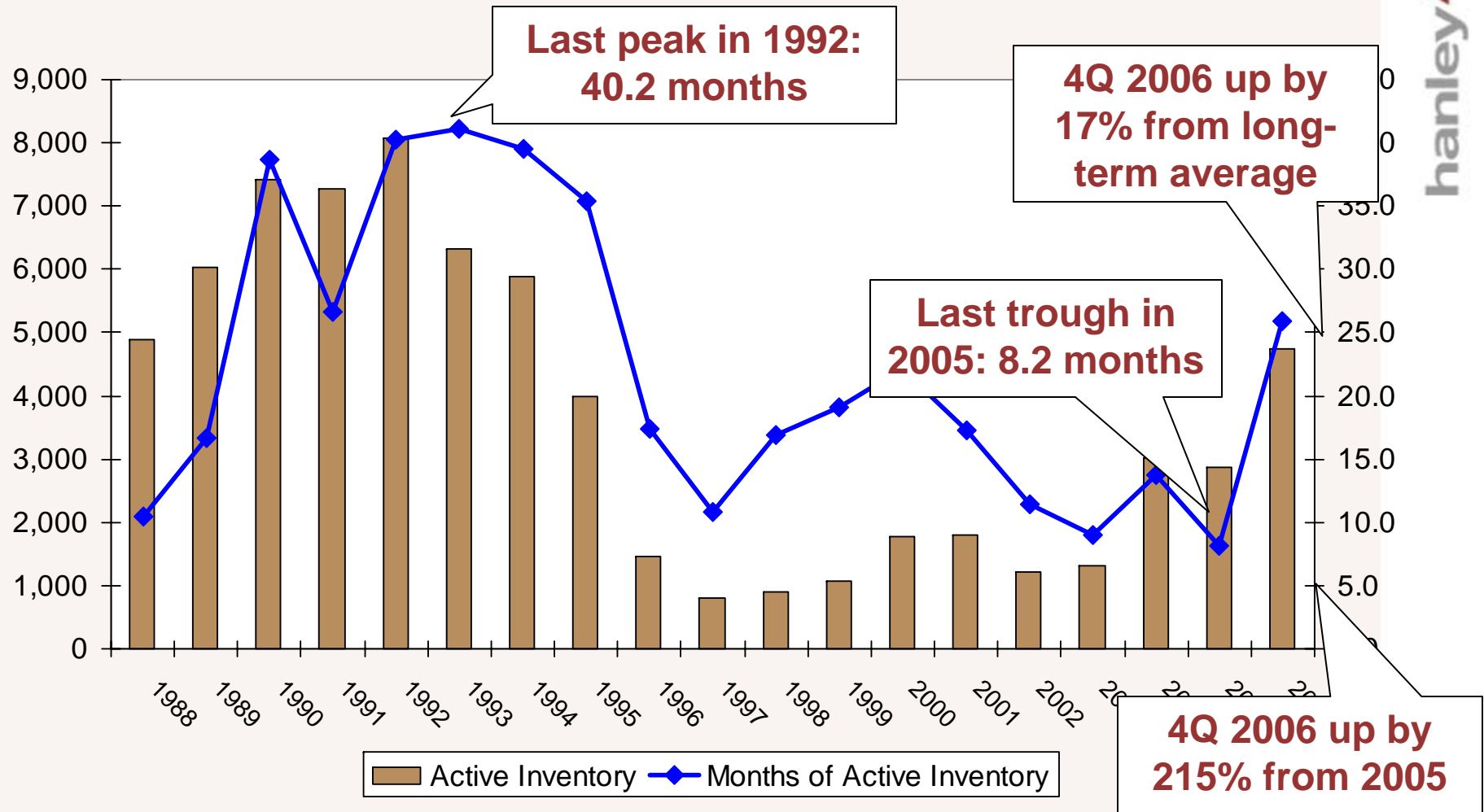
Source: Hanley Wood Market Intelligence

Months of Active Inv.

4Q 1988 - 2006

Antelope Valley

Average of 22.1 Months
from 4Q 1988-2006

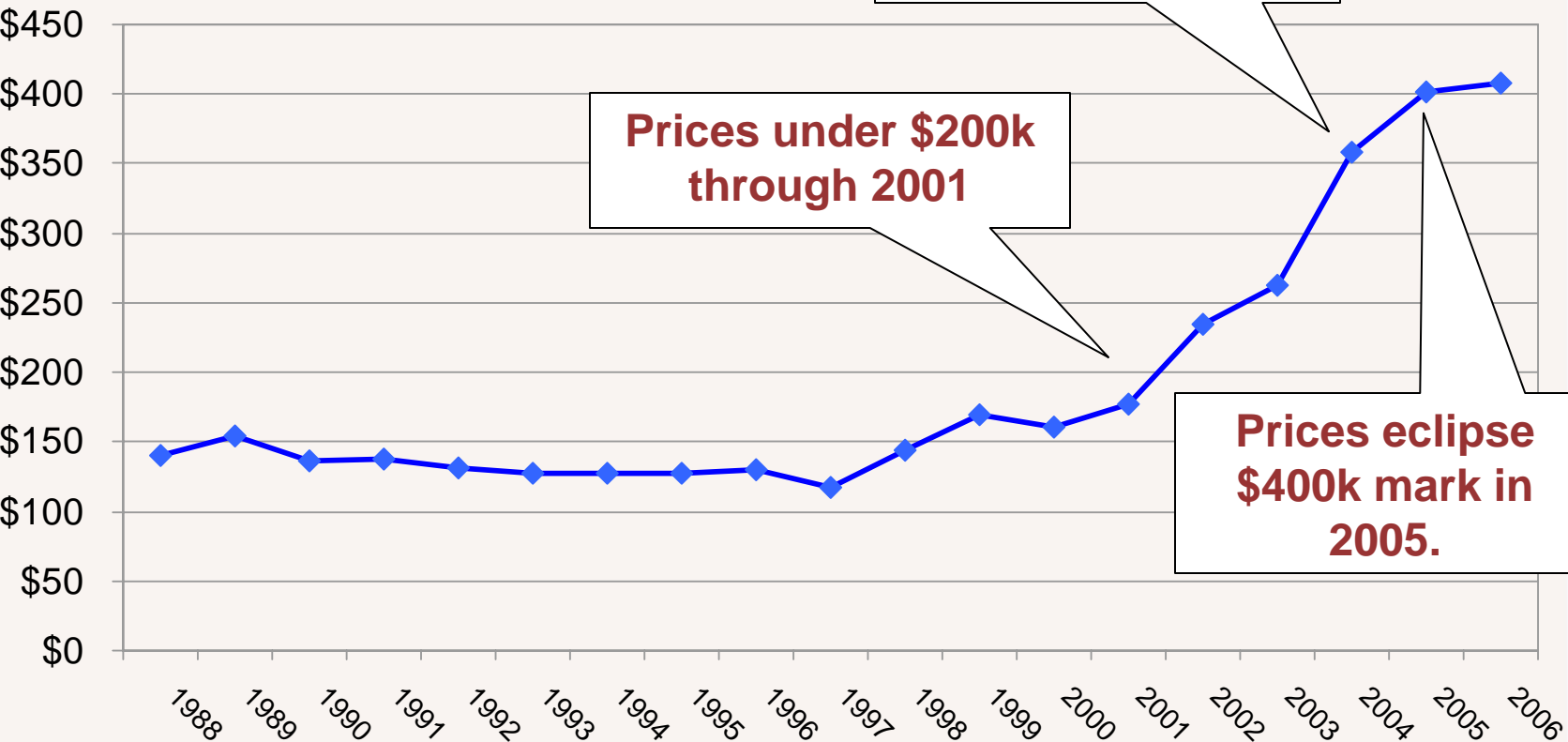


Source: Hanley Wood Market Intelligence

Median Sales Price

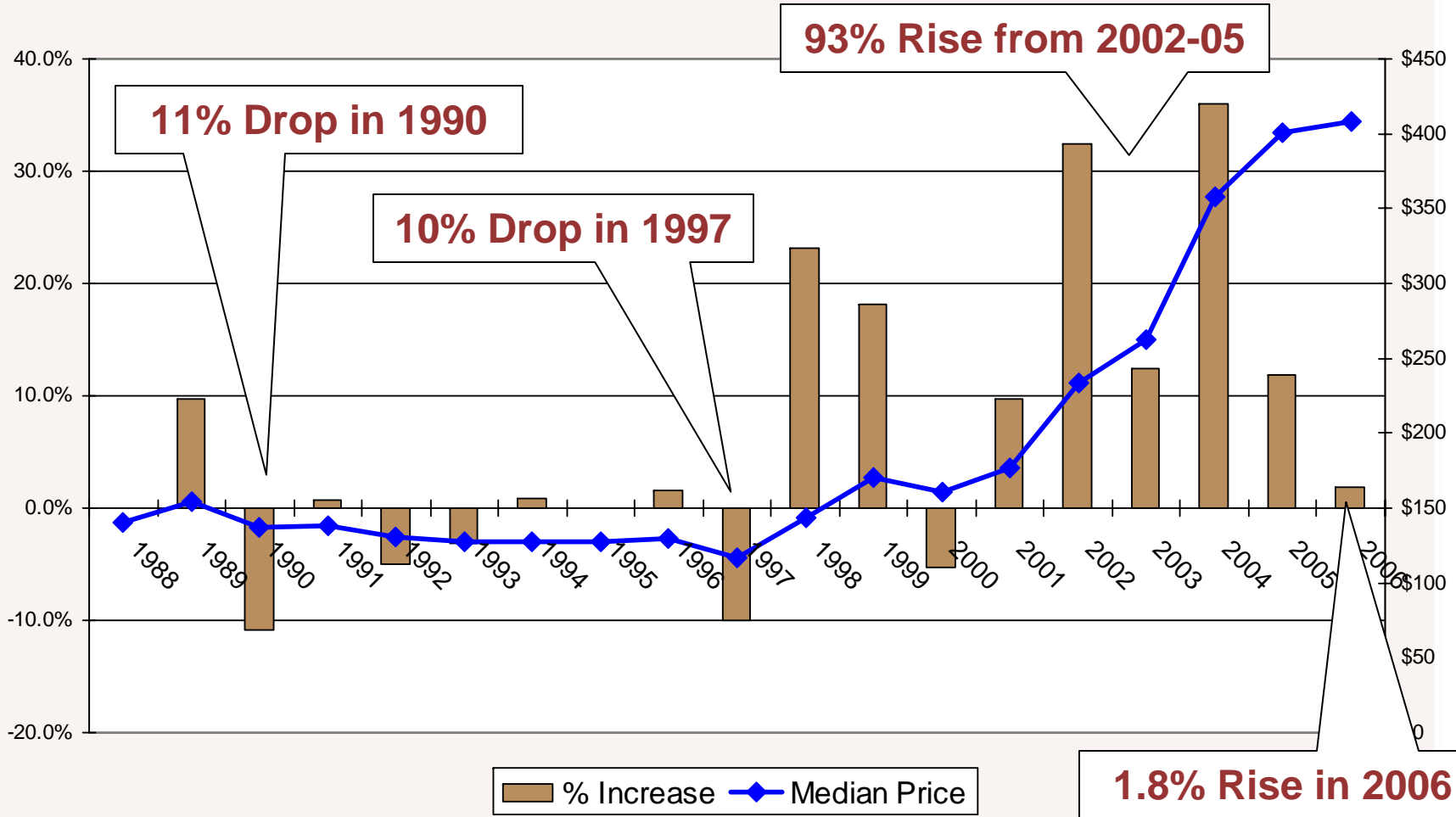
1988 - 2006

Antelope Valley



Annual Price Change 1988 - 2006 Antelope Valley

Average of 6.9% Annual Increase from 1988-2006

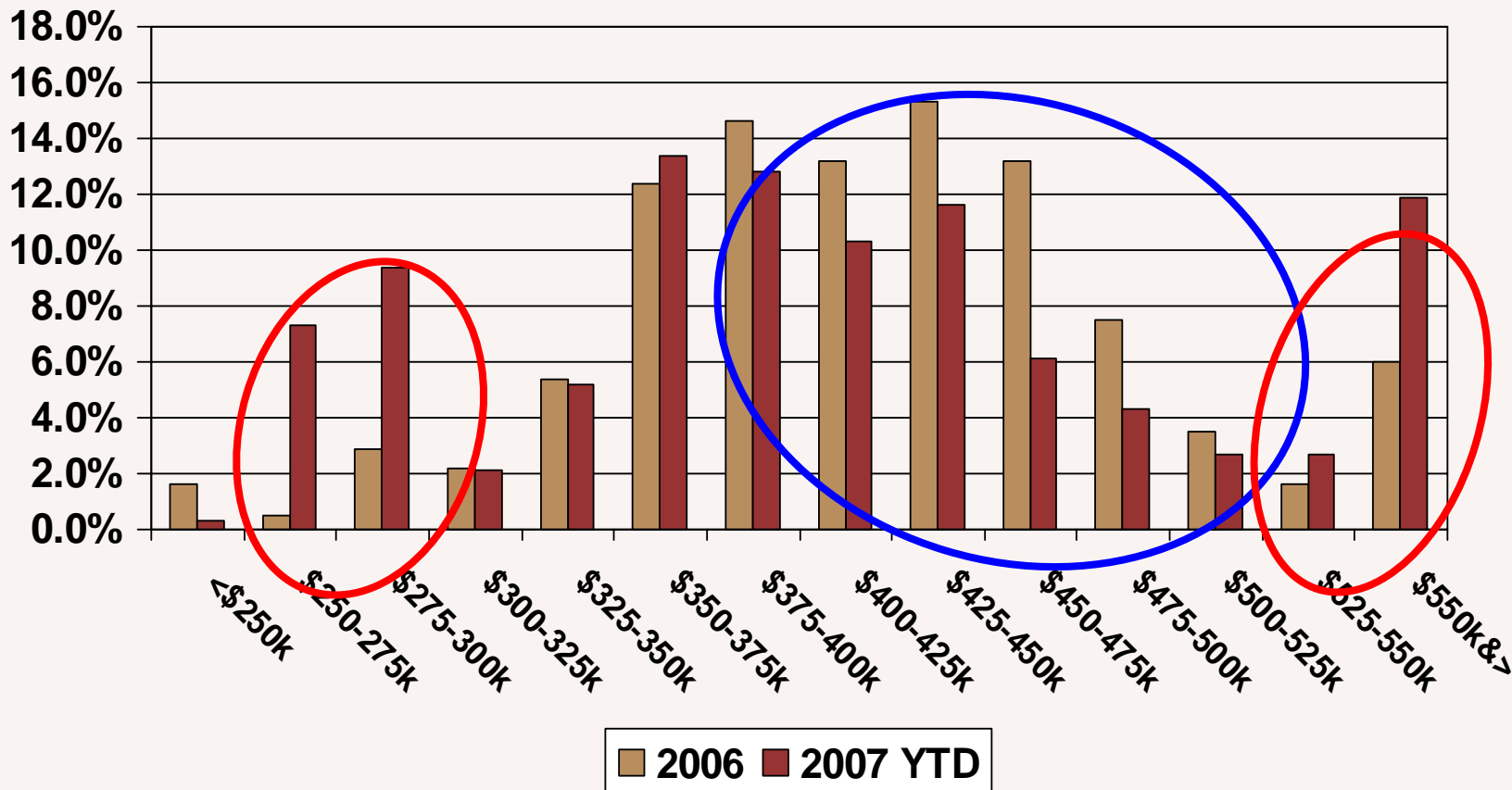


Source: Hanley Wood Market Intelligence

Sales by Price Range

% Share: 2006 & YTD 2007

Antelope Valley

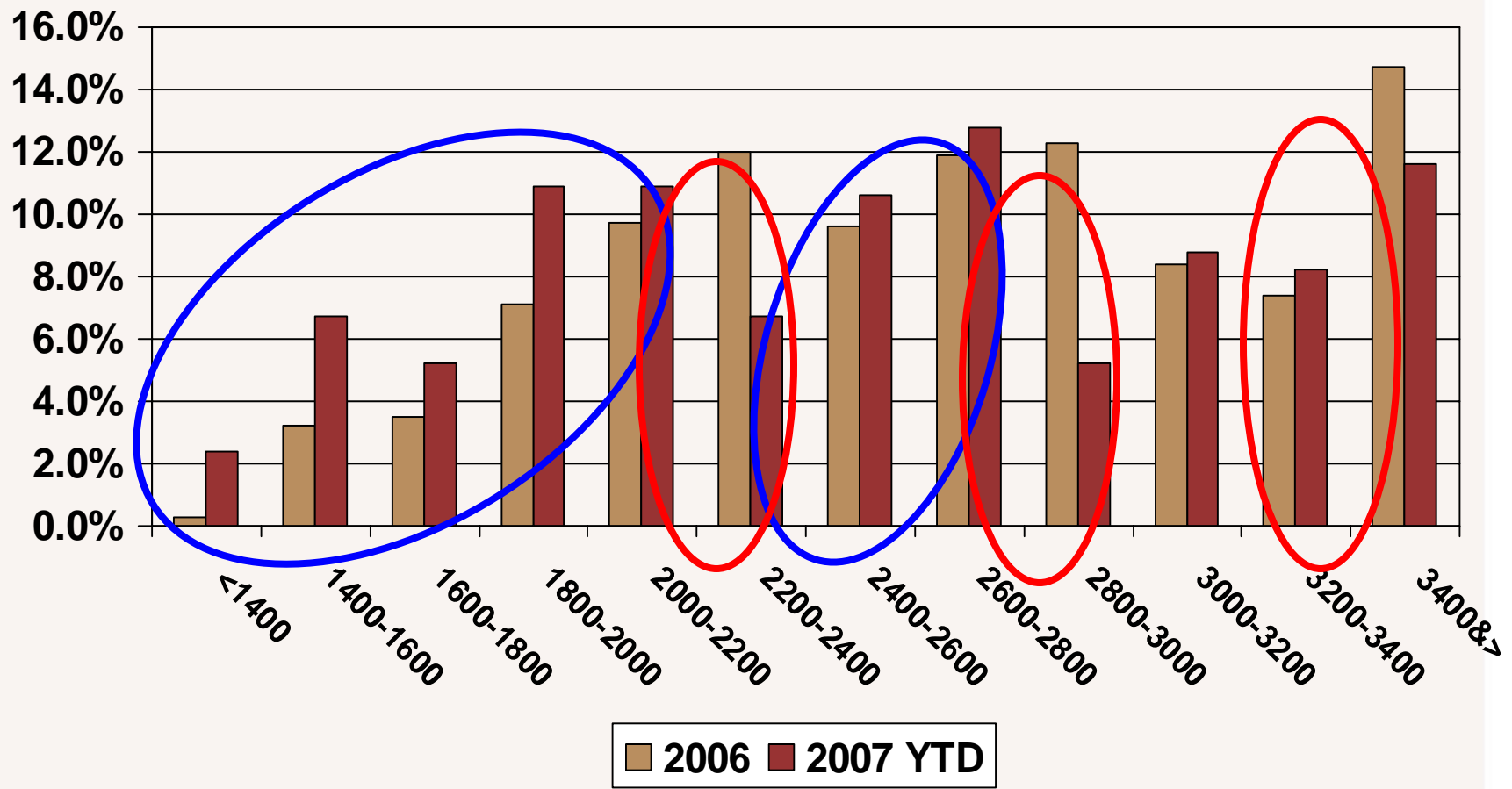


Source: Hanley Wood Market Intelligence

Sales by Size Range

% Share: 2006 & YTD 2007

Antelope Valley



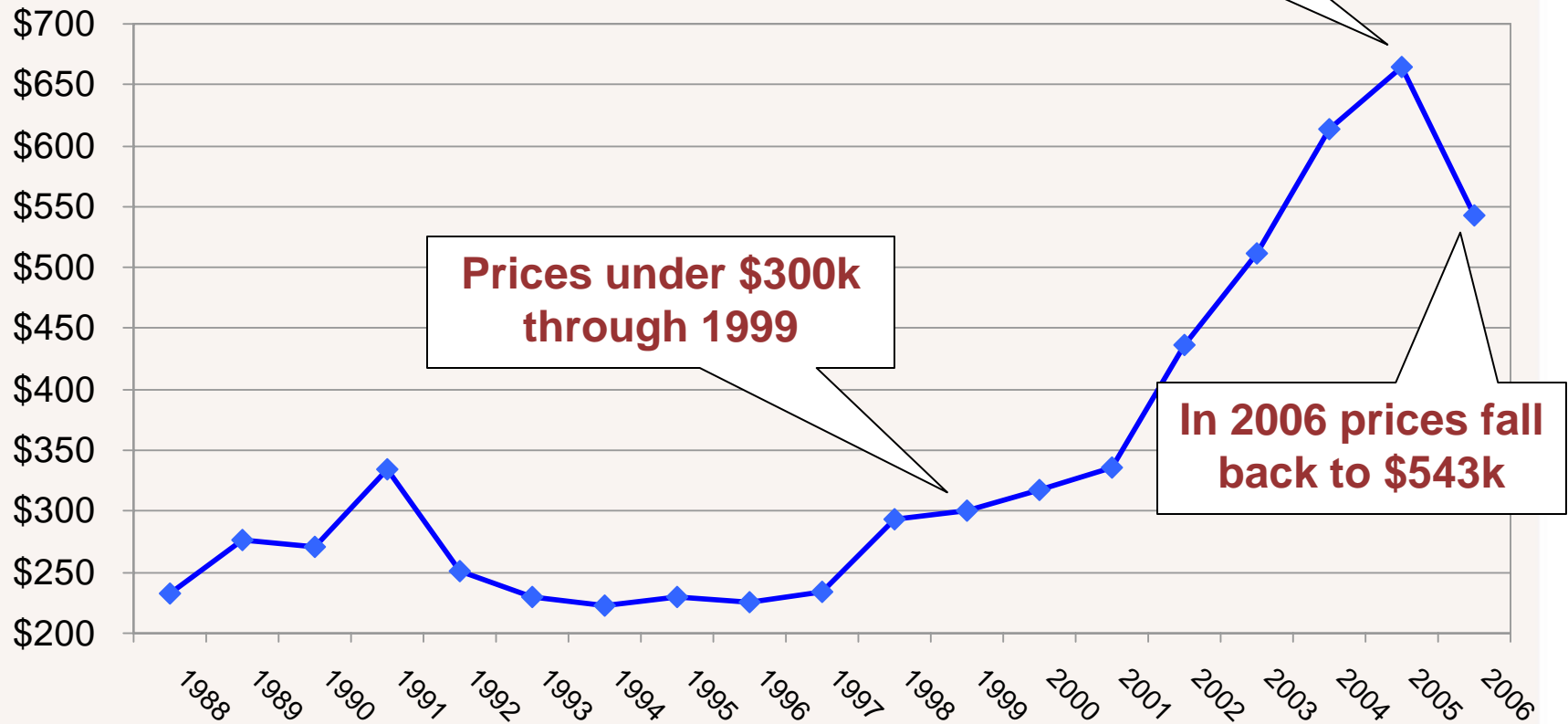
Source: Hanley Wood Market Intelligence

Median Sales Price

1988 - 2006

Santa Clarita Valley

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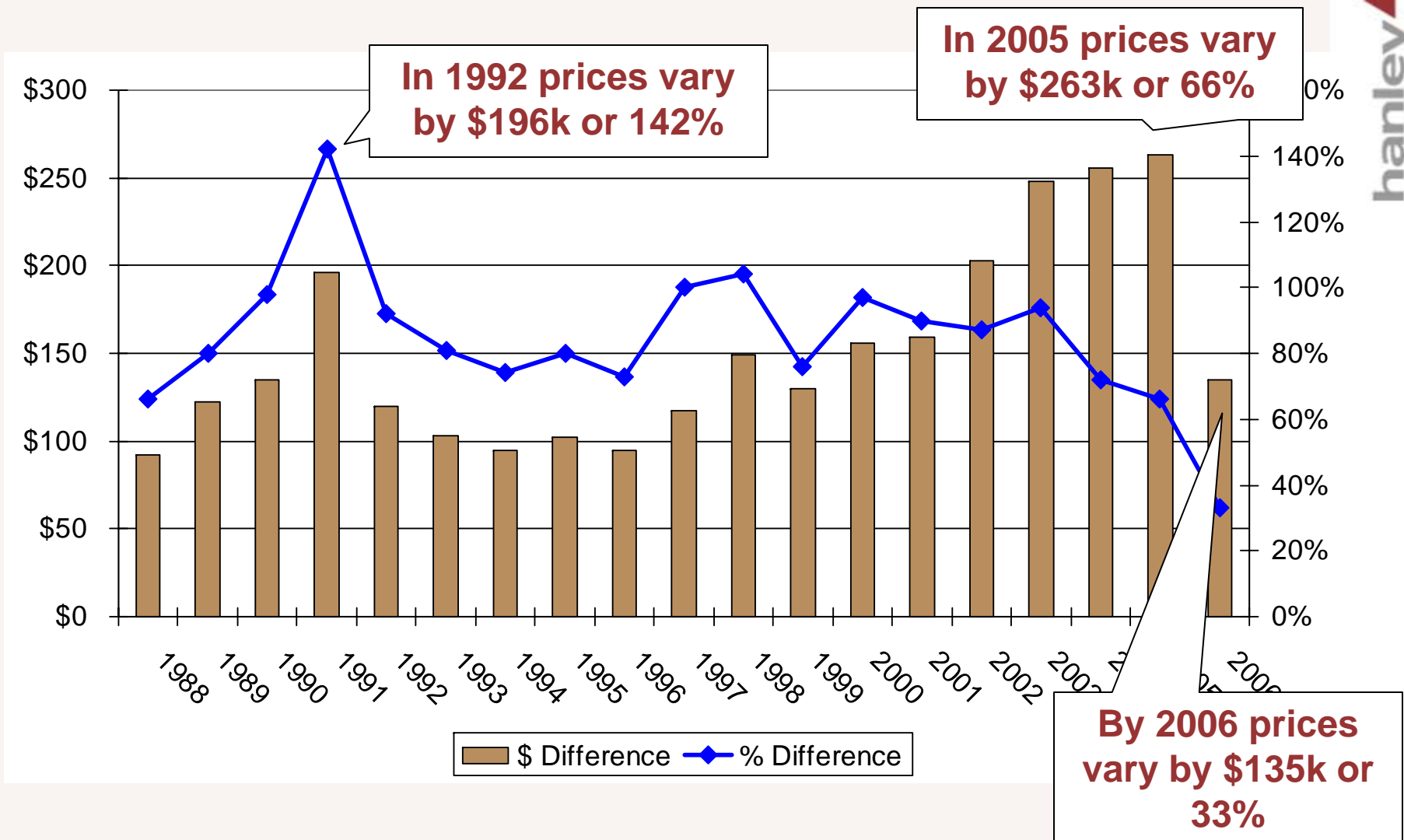
Source: Hanley Wood Market Intelligence

Price Differential

1988 - 2006

AV vs. Santa Clarita Valley

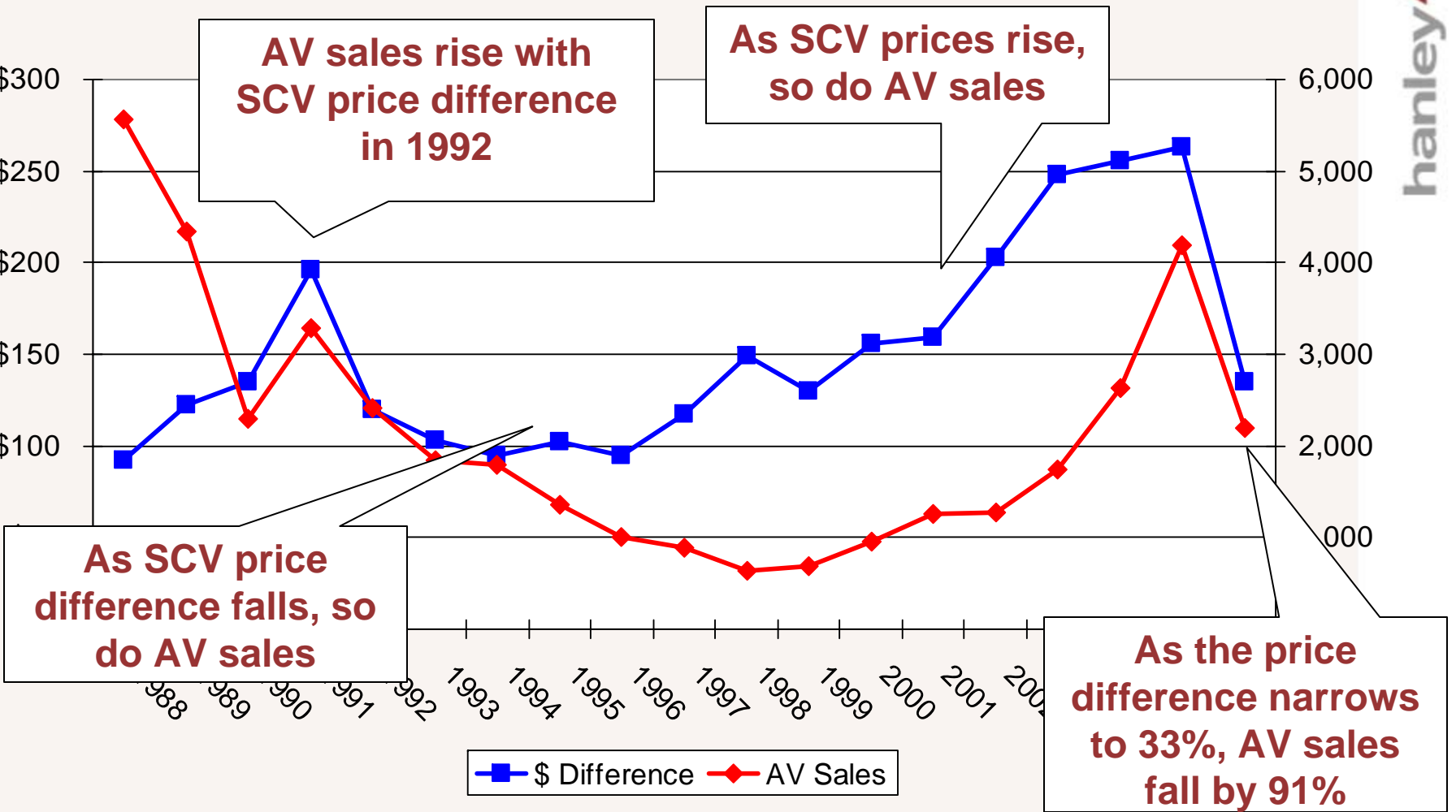
Average of 84%
difference (\$151k) from
1988-2006



Impact on AV Sales

1988 - 2006

AV vs. SCV Price Difference



Source: Hanley Wood Market Intelligence

Top Homebuilders

January – February 2007

Antelope Valley

	Builder Name	Sales	% of Total
1	KBHome	88	26.7%
2	D.R. Horton	84	25.5%
3	Pulte Homes	30	9.1%
4	Pinnacle Communities	19	5.8%
5	Richmond American Homes	15	4.6%
6	Beazer Homes	14	4.3%
7	Larwin Company	12	3.6%
8	Forecast Homes (Khov)	11	3.3%
9	Capital Pacific Homes	9	2.7%
10 (T)	K. Hovnanian Homes	8	2.4%
10 (T)	Matthews Homes	8	2.4%
	Total Top 10 Builders	290	90.4%
	Total Antelope Valley	329	100.0%

Top Homebuilders

January – December 2006

Antelope Valley

	Builder Name	Sales	% of Total
1	KBHome	329	15.1%
2	D.R. Horton	306	14.0%
3	Beazer Homes	169	7.7%
4	Lennar Homes	165	7.6%
5	Richmond American	164	7.5%
6	Pacific Communities	133	6.1%
7	Frontier Homes	126	5.8%
8	Forecast Homes (KHov)	122	5.6%
9	Trimark Pacific Homes	117	5.4%
10	Pulte Homes	97	4.4%
	Total Top 10 Builders	1,728	79.2%
	Total Antelope Valley	2,194	100.0%

Source: Hanley Wood Market Intelligence Web Report

Top 10 Best-Selling Projects: 2007 YTD Antelope Valley

PROJECT	BUILDER	YTD SOLD	LOCATION	STARTING PRICE
Tierra del Sol	KBHome	39	Lancaster	\$261,990
Silverwood at 65th	DR Horton	30	E. Palmdale	\$338,990
Palmilla	DR Horton	17	E. Palmdale	\$354,990
The Vineyards*	KBHome	16	E. Palmdale	\$269,990
Sonoma Ranch	Pulte Homes	15	W. Palmdale	\$576,000
Winchester at 40 th	DR Horton	14	Palmdale	\$426,990
Bella Vista	KBHome	14	Palmdale	\$479,990
Dorado Skies	DR Horton	14	Lancaster	\$347,990
Crestview	KBHome	12	Palmdale	\$409,990
Pinnacle @ Sierra Vista	Pinnacle Comm.	12	Lancaster	\$419,390

* Detached condominiums.

Source: Hanley Wood Market Intelligence Builder InfoTools

Tierra Del Sol
KBHome
East Lancaster

30th St. East & Avenue J

\$261,990 to \$292,990

1350 to 1945 square feet

3- and 4-bedroom plans

Attached 2-car garages

6,000 min. square-foot lots

3 of 4 plans one story

Opened Jan. 26, 2007

39 units sold

32.68 sales/mo overall



125 units planned

39 sales Jan/Feb

32.68 sales/mo Jan/Feb

Tierra Del Sol
KBHome
East Lancaster

Reasons for success:

- ◀ Priced under \$300,000
- ◀ Lots ranging from 6,000 to 13,000 square feet
- ◀ Single-story plans!
- ◀ Open floor plans
- ◀ Customization options



Silverwood at 65th
D.R. Horton
East Palmdale

65th Street West & Avenue R

\$338,990 to \$373,990

3- and 4-bedroom plans

Attached 2-car garages

7,000 min. square-foot lots

1 of 3 plans one story

Opened Jan. 27, 2007

30 units sold

25.83 sales/mo overall



162 units planned

30 sales Jan/Feb

25.83 sales/mo Jan/Feb

Silverwood at 65th
D.R. Horton
East Palmdale

Reasons for success:

- ◀ Priced under \$400,000
- ◀ Lots ranging from 7,000 to 11,000 square feet
- ◀ Plan 2 front patio
- ◀ Lowered prices by \$20-25k
- ◀ Incentives of \$15k
- ◀ Great merchandising



Palmilla
D.R. Horton
East Palmdale

70th St. East & Avenue S
\$354,990 to \$392,990
4- and 5-bedroom plans
Attached 2- and 3-car garages
7,500 min. square-foot lots
1 of 4 plans one story
Opened Nov. 11, 2006
23 units sold
6.27 sales/mo overall

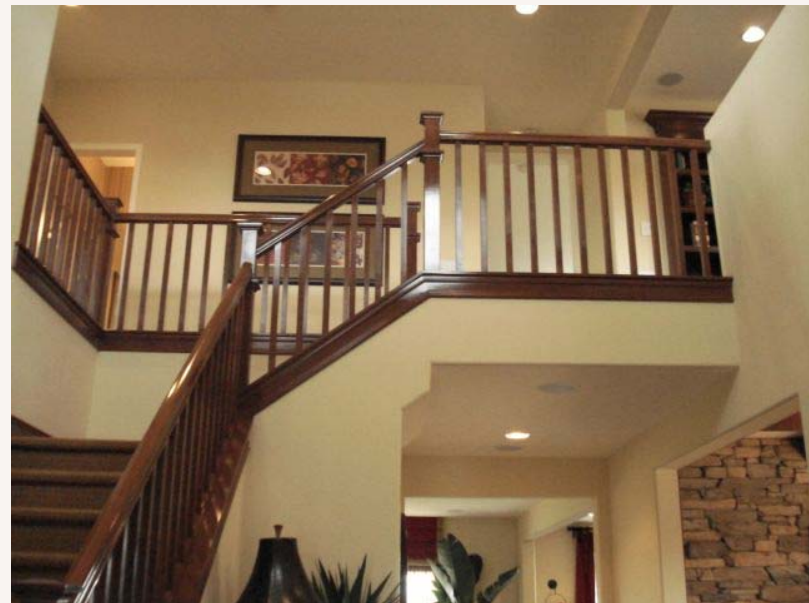


108 units planned
17 sales Jan/Feb
8.50 sales/mo Jan/Feb

Palmilla
D.R. Horton
East Palmdale

Reasons for success:

- ◀ Priced under \$400,000
- ◀ Lots ranging from 7,500 to 12,000 square feet
- ◀ Standard features
- ◀ Incentives of \$7,500
- ◀ Great merchandising



The Vineyards
KBHome
E. Palmdale

25th St. East & Avenue

1516 to 2044 square feet

2- to 4-bedroom plans

Attached 2-car garages

Detached condominiums

All 2-story plans

Opened Oct. 28, 2006

52 units sold

12.59 sales/mo overall



\$183 HOA

204 units planned

16 sales Jan/Feb

8.00 sales/mo Jan/Feb

The Vineyards
KBHome
E. Palmdale

Reasons for success:

- ◀ Priced under \$300,000
- ◀ Palmdale location
- ◀ Clustered land plan
- ◀ Gated
- ◀ Upgradeable side patios
- ◀ Customization options



Sonoma Ranch
Pulte Homes
W. Palmdale

70th Street West & Ave. M-8

\$557,000 to \$597,100

3096 to 3604 square feet

4- to 6-bedroom plans

Attached 2- and 3-car garages

13,000 min. square-foot lots

All 2-story plans

Opened June 24, 2006

22 units sold

2.67 sales/mo overall



No annual CFD

90 units planned

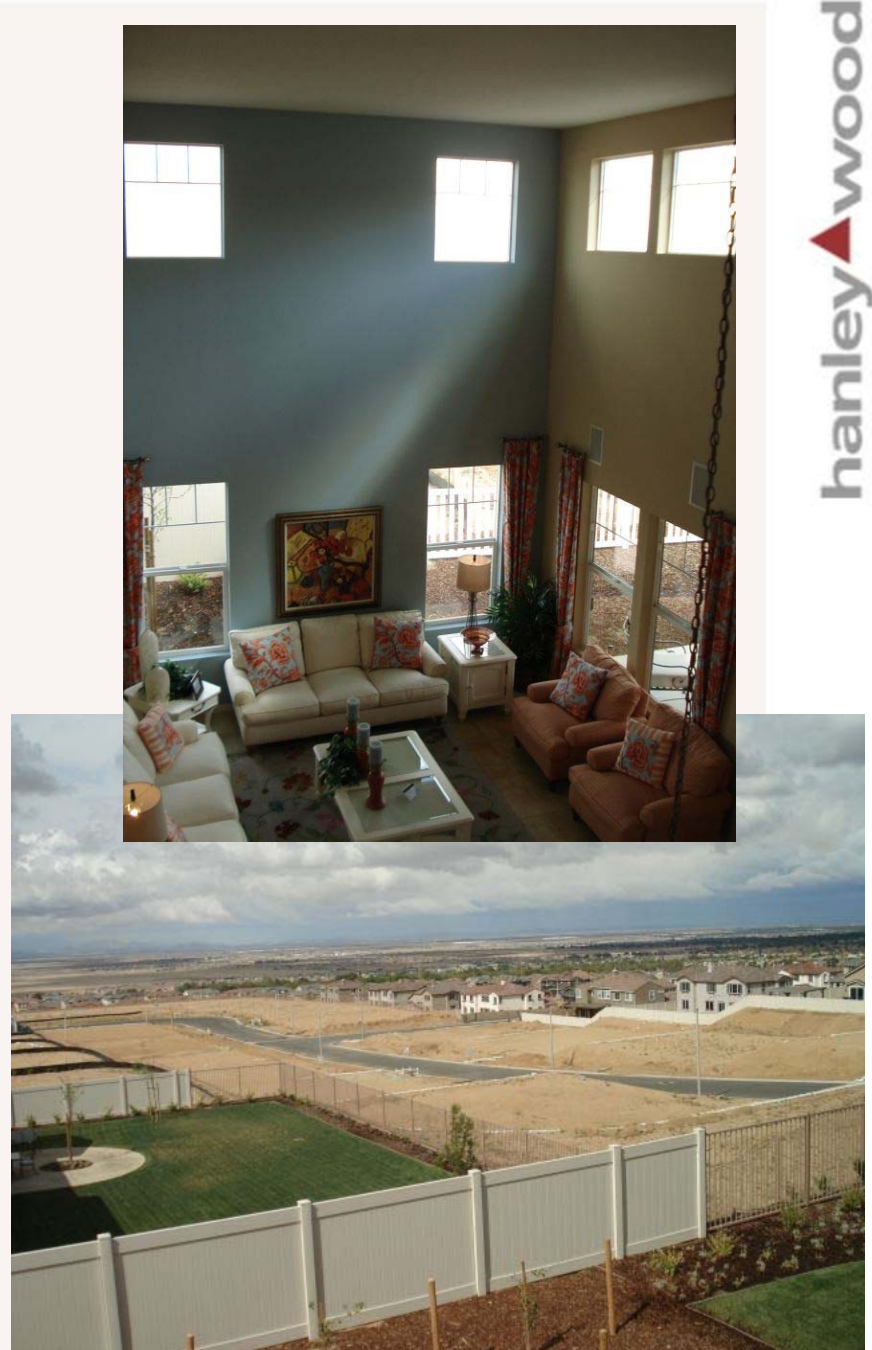
15 sales Jan/Feb

7.50 sales/mo Jan/Feb

Sonoma Ranch Pulte Homes W. Palmdale

Reasons for success:

- ◀ Upgraded features included
- ◀ Lots ranging from 13,000 to 18,000 square feet
- ◀ Plan 1 downstairs master
- ◀ High & open spaces
- ◀ Views
- ◀ Quartz Hill-adjacent location
- ◀ No CFDs vs. north of Avenue M



What Can You Do About Cancellations?

- ◀ Stop increasing discounts every week.
- ◀ Take bigger deposits, if you can.
- ◀ Provide continual positive reinforcement to buyers.
- ◀ Schedule as many meetings as you can.
- ◀ Work with your lender to provide interim financing, if necessary.
- ◀ Watch to see if the buyer stops coming in the sales office.
- ◀ Check to make sure option selections are proceeding in an orderly fashion.
- ◀ Check periodically on the status of the sale of their existing home.
- ◀ Take fewer contingencies, and don't take one on a FISBO.
- ◀ Uncover hidden potential hidden objections.
- ◀ Resell the ready-to-move-in home as quickly as possible, taking out objectionable options.

How Do You Compete With Existing Homes?

- ◀ Offer floor plans that suit today's lifestyle, not yesterday's.
- ◀ Provide low-maintenance materials; they equal free weekends.
- ◀ Look at digital technology, which is cheaper to put in new homes and offers the promise of a better, more convenient life.
- ◀ Promote proximity to schools, shopping, and community amenities—the chief reasons people buy existing homes.
- ◀ Sweat small design details that you can't find in existing homes—functioning home offices, mudrooms, message centers, bill-paying niches.



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