Metrostudy Research*

- 85 MSA’s in 15 states
- 565 research personnel
- Drive 450,000 miles every 90 days (two weeks)
- Inspect 4,000,000 subdivision lots
- Deliver updated database in Metrosearch within 30 days of the qtr.
- Deliver local economic and housing market briefing in every market
Metrostudy Markets (by state)

West Division
- Salt Lake City
- Boise
- Denver
- Colorado Springs
- Northern California
  - Sacramento/Reno
- East Bay
- Southern California
  - Inland Empire
  - San Diego
  - LA/Coastal
  - Central California
  - Las Vegas-St George-Mesquite
  - Phoenix/Tucson
  - Albuquerque/Santa Fe

Central Division
- Chicago
- Twin Cities
- Dallas/Ft. Worth
- Houston
- Austin
- San Antonio

East Division
- Suburban Maryland
- Baltimore
- Northern Virginia
- Atlanta
- Raleigh/Durham
- Charlotte
- Jacksonville
- Orlando
- Tampa/Sarasota
- South Florida
  - Naples/Ft. Myers
  - Palm Beach
  - Miami
  - Fort Lauderdale
  - Treasure Coast
NATIONAL ECONOMIC OVERVIEW
WEST - Consumer Confidence Index

Source: Conference Board
NATIONAL ECONOMIC OVERVIEW
WEST - Consumer Confidence Index

Source: Conference Board
NATIONAL ECONOMIC OVERVIEW
WEST - Consumer Confidence Index

PRESENT

FUTURE

Source: Conference Board

Dec-04 Mar-05 Jun-05 Sep-05 Dec-05 Mar-06 Jun-06 Sep-06 Dec-06

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NATIONAL ECONOMIC OVERVIEW

Consumer Confidence Index - Home Buying Plans

3.0 Million Home Buying Households

- Intend to Purchase

Source: Conference Board

Dec-04 Mar-05 Jun-05 Sep-05 Dec-05 Mar-06 Jun-06 Sep-06 Dec-06
Consumer Confidence Index - Home Buying Plans

1.7 Million Resale Buying Households

Source: Conference Board

Intend to Purchase

Used Home
Consumer Confidence Index - Home Buying Plans

Source: Conference Board

400,000 New Home Buying Households

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Inland Empire Market
Quarterly Starts & Closings History
All Housing 4,250 Starts and 6,886 Closings

4Q06 © Copyright Metrostudy 2007
Inland Empire Market
Annual Starts & Closings Forecast 2007
22,000 Starts over Next 4 Quarters 24,500 Closings
NATIONAL HOUSING MARKET
ANNUAL STARTS & ANNUAL CLOSINGS BY PRICE RANGE

ANNUAL STARTS

ANNUAL CLOSINGS

52.4%
NATIONAL ECONOMIC OVERVIEW
Affordability & Home buying Power

HOME PRICE
MORTGAGE RATE

4Q06
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HOUSING AFFORDABILITY GAP

4Q06 PRICE GAP FOR 1Q04 HOME PRICED AT $191,000

GAP REPRESENTS THE AMOUNT OF PRICE REDUCTION REQUIRED TO REACH THE 1Q04 QUALIFIED BUYER

<table>
<thead>
<tr>
<th>State</th>
<th>Price Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARIZONA</td>
<td>$127,220.74</td>
</tr>
<tr>
<td>FLORIDA</td>
<td>$115,247.61</td>
</tr>
<tr>
<td>NEVADA</td>
<td>$108,253.69</td>
</tr>
<tr>
<td>CALIFORNIA</td>
<td>$101,951.88</td>
</tr>
<tr>
<td>WASHINGTON DC</td>
<td>$100,699.85</td>
</tr>
<tr>
<td>MARYLAND</td>
<td>$ 96,854.80</td>
</tr>
<tr>
<td>VIRGINIA</td>
<td>$ 84,848.82</td>
</tr>
<tr>
<td>AVERAGE</td>
<td>$ 68,742.00</td>
</tr>
<tr>
<td>NEW MEXICO</td>
<td>$ 62,333.47</td>
</tr>
<tr>
<td>UTAH</td>
<td>$ 52,251.71</td>
</tr>
<tr>
<td>ILLINOIS</td>
<td>$ 41,215.68</td>
</tr>
<tr>
<td>MINNESOTA</td>
<td>$ 33,481.31</td>
</tr>
<tr>
<td>NORTH CAROLINA</td>
<td>$ 33,354.12</td>
</tr>
<tr>
<td>GEORGIA</td>
<td>$ 26,636.53</td>
</tr>
<tr>
<td>TEXAS</td>
<td>$ 24,596.77</td>
</tr>
<tr>
<td>COLORADO</td>
<td>$ 22,185.38</td>
</tr>
</tbody>
</table>
Bubble? 10 States saw 17% + increases in home prices in 2005

Home Price Increases - By State

Map showing home price increases by state.
The Bottom Line

• The Housing Market has completed a transition from a Supply Driven Market to a Demand Driven Market

• Over the next 3-4 quarters, builders will be dealing with inventory of raw land, vacant lots and completed homes

• In most of the nation, builders will be faced with making significant price reductions in order to get back in touch with their buyers
Planned Communities
Planned Communities the 1960’s

- Coto de Caza Orange County 1960
- Mission Viejo
- Irvine Ranch
- Sun City (Legacy Project Perris Ca.)
- Rancho California
Planned Communities

• Initial Projects focus on development usually driven by engineer

• Competitive Market by the 1970s creates the need to include physical amenities

• Evolution thru 1990’s to consider “Soft Infrastructure” clubs, girl scouts, youth sports sense of community

• Next level “The Human Experience” evolved from age targeted research to address lifestyle ie. HOG’s, Healthy Living, World Travel, Continuing Education,
The Next Wave

• Green Communities which reduce energy consumption and produce energy efficiently

• Ageing in place multi-generational communities.

• Continuous learning environments with measurable levels of achievement tied to Universities and Colleges
Planned Communities Performance
Southern California
Metro Area Communities - MARKET SHARE

Planned Communities account for:

- 36% of annual starts (19,276)
- 30% of total housing inventory (12,846)
  - 6.7 months supply
- 41% of finished lot inventory (16,109)
  - 10 months of supply
Inland Empire
Metro Area Communities - MARKET SHARE

Planned Communities account for:

- 44% of annual starts (11,323)
- 41% of total housing inventory (6,761)
  - 5.5 months supply
- 46% of finished lot inventory (9,118)
  - 9.7 months of supply
### Inland Empire Communities

#### San Bernardino County

<table>
<thead>
<tr>
<th>Community Name</th>
<th>Market Area</th>
<th>Annual Price Range</th>
<th>Starts</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Preserve</td>
<td>Southwest S.B.</td>
<td>$360- 792</td>
<td>478</td>
</tr>
<tr>
<td>West Creek</td>
<td>High Desert</td>
<td>$272 - 479</td>
<td>361</td>
</tr>
<tr>
<td>Solera (Apple Valley)</td>
<td>High Desert</td>
<td>$239- 380</td>
<td>346</td>
</tr>
<tr>
<td>Mission Crest</td>
<td>High Desert</td>
<td>$294- 455</td>
<td>343</td>
</tr>
<tr>
<td>The Artisan Collection</td>
<td>Southwest</td>
<td>$337- 534</td>
<td>337</td>
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<tr>
<td>Chapman Heights</td>
<td>East Valley</td>
<td>$237- 651</td>
<td>286</td>
</tr>
<tr>
<td>East Highlands Ranch</td>
<td>East Valley</td>
<td>$289- 630</td>
<td>194</td>
</tr>
<tr>
<td>Coyote Canyon</td>
<td>Central Valley</td>
<td>$545- 810</td>
<td>175</td>
</tr>
<tr>
<td>Rancho Summit</td>
<td>NorthWest</td>
<td>$554- 798</td>
<td>163</td>
</tr>
<tr>
<td>College Park</td>
<td>Southwest</td>
<td>$437- 645</td>
<td>123</td>
</tr>
</tbody>
</table>

#### Riverside County

<table>
<thead>
<tr>
<th>Community Name</th>
<th>Market Area</th>
<th>Annual Price Range</th>
<th>Starts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rosetta Canyon</td>
<td>South Central</td>
<td>$372- 556</td>
<td>439</td>
</tr>
<tr>
<td>Canyon Hills</td>
<td>South Central</td>
<td>$365 - 585</td>
<td>375</td>
</tr>
<tr>
<td>Sierra Vista</td>
<td>Central</td>
<td>$320 510</td>
<td>369</td>
</tr>
<tr>
<td>Mission Ranch</td>
<td>SouthWest</td>
<td>$459- 801</td>
<td>356</td>
</tr>
<tr>
<td>Wolf Creek</td>
<td>South</td>
<td>$398- 762</td>
<td>328</td>
</tr>
<tr>
<td>Heritage Lake</td>
<td>South Central</td>
<td>$333 - 491</td>
<td>290</td>
</tr>
<tr>
<td>Fairway Canyon</td>
<td>North Central</td>
<td>$363 - 494</td>
<td>231</td>
</tr>
<tr>
<td>Trilogy</td>
<td>South West</td>
<td>$353- 601</td>
<td>226</td>
</tr>
<tr>
<td>Solera</td>
<td>North Central</td>
<td>$241- 358</td>
<td>224</td>
</tr>
<tr>
<td>Sycamore Creek</td>
<td>South West</td>
<td>$463- 870</td>
<td>141</td>
</tr>
</tbody>
</table>
Inland Empire Market

Housing Inventory – Finished Vacant Inventory total and % of “total inventory”
Inland Empire Market Planned Communities

Housing Inventory - New home total inventory decreased to 6,761 units in the 4th quarter.
L.A./O.C./I.E./Ventura Regional Market

Starts by County - San Bernardino County and West Riverside County Combined represent 59% of all planned community starts in Southern California.
L.A./ O.C./ I.E./ Ventura Regional Market
Annual Planned Community Starts by Market Area

- West Riverside: 7,818
- Los Angeles: 1,614
- San Bernardino: 3,505
- Coachella Valley: 2,675
- Orange: 2,235
- Ventura: 1,302
L.A./ O.C./ I.E. Ventura Regional Market*
Median Price of New Units Sold: $455,582
Bubble? 10 States saw 17% + increases in home prices in 2005

Home Price Increases - By State
Weekly Sales Traffic per Subdivision

- 2005
- 2006
- 2007
Weekly Conversion Rate

- 2005
- 2006
- 2007
Weekly Cancellation Rate

J F M A M J J A S O N D
2005
2006
2007
Riverside County*
Starts by Sub Market including Coachella

North Central 11%
North West 10%
Coachella 27%
Central 13%
South Central 13%
South 11%
Southwest 15%
San Bernardino County*
Starts by Sub Market Area

- Desert: 51%
- Central: 10%
- Southwest: 15%
- North West: 10%
- East: 14%
Inland Empire Market*
Starts & Closings by Price Range

Annual Starts & Annual Closings by Price Range:
- $175-$249
- $250-$324
- $325-$424
- $425-$549
- $550-$649
- $650-$799
- >$800

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Lot Inventory & Future Lot Inventory
Southern California Market

Vacant Developed Lots – 38,742 VDL on the ground, a 8.6 MOS.
Southern California Market

Vacant Developed Lots in Planned Communities – 16,109
VDL on the ground, a 10 MOS.
Inland Empire Market*

Vacant Developed Lots - The Inland Empire has 21,007 Vacant Developed Lots on the Ground, a 9.8 MOS...
Market Spotlight
Inland Empire – Planned Communities
Vacant Developed Lots – 9,118 VDL on the ground, a 9.7 MOS.

Supply MOS

VDL

0 1000 2000 3000 4000 5000 6000 7000 8000 9000 10000

11.0 10.0 9.0 8.0 7.0 6.0 5.0 4.0 3.0 2.0 1.0

1Q05 2Q05 3Q05 4Q05 1Q06 2Q06 3Q06 4Q06

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Southern California Housing Market*

LOT INVENTORY

Vacant developed lot inventory = 38,742 lots
8.6 Months of Supply

<table>
<thead>
<tr>
<th></th>
<th>Lot Delivery</th>
<th>Lot Absorption</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1q06</td>
<td>16,761</td>
<td>14,374</td>
<td>+2,387</td>
</tr>
<tr>
<td>2q06</td>
<td>19,195</td>
<td>16,936</td>
<td>+2,259</td>
</tr>
<tr>
<td>3q06</td>
<td>20,551</td>
<td>14,134</td>
<td>+6,417</td>
</tr>
<tr>
<td>4q06</td>
<td>12,359</td>
<td>8,395</td>
<td>+3,964</td>
</tr>
<tr>
<td></td>
<td>68,866</td>
<td>53,839</td>
<td>+15,027</td>
</tr>
</tbody>
</table>
Southern California Market*
Lot Size Analysis

VDL

MOS

Lot Frontage

<50 50-54 55-59 60-64 65-69 70-79 80-89 90+
Inland Empire Housing Market*
LOT INVENTORY

Vacant developed lot inventory = 21,007 lots
9.8 Months of Supply

<table>
<thead>
<tr>
<th></th>
<th>Lot Delivery</th>
<th>Lot Absorption</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1q06</td>
<td>8,572</td>
<td>7,482</td>
<td>+1,090</td>
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<tr>
<td>2q06</td>
<td>9,769</td>
<td>7,742</td>
<td>+2,027</td>
</tr>
<tr>
<td>3q06</td>
<td>7,880</td>
<td>6,365</td>
<td>+1,515</td>
</tr>
<tr>
<td>4q06</td>
<td>6,958</td>
<td>4,250</td>
<td>+2,708</td>
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<tr>
<td></td>
<td>33,179</td>
<td>25,839</td>
<td>+7,340</td>
</tr>
</tbody>
</table>
Inland Empire Market

6,000 S.F. and 7,000 S.F. lots are dominate

Lot Frontage

VDL

MOS

<50 50-54 55-59 60-64 65-69 70-79 80-89 90+

0% 5% 10% 15% 20% 25% 30%

0 2 4 6 8 10 12 14 16
Inland Empire Market*
West Riverside/ San Bernardino
Lot Inventory - Active and Future

- Vacant Lots 21,007
- Streets In 885
- Street Paving 1,077
- Excavation 27,428
- Equipment 12,326
- Survey Stakes 9,628
- Raw Land 220,257
Inland Empire Market Lot Inventory - Current*
Pipeline = 51,344 a 2 year supply of lots under development.
Inland Empire Market Lot Inventory - Future Lots, VDL & Months of Supply (MOS)*

- Riv/South County
- Riv/Southwest
- Coachella
- Riv/North Cent.
- Riv/South Cent.
- Riv/Northwest
- Riv/Central
- SB/Central Valley
- SB/Northwest
- SB/High Desert
- SB/East Valley
- SB/Southwest

Future Lots, VDL, and Months of Supply (MOS):
- Riv/South County: 25,620
- Riv/Southwest: 12,661
- Coachella: 32,151
- Riv/North Cent.: 44,156
- Riv/South Cent.: 49,904
- Riv/Northwest: 11,848
- Riv/Central: 45,362
- SB/Central Valley: 9,905
- SB/Northwest: 7,839
- SB/High Desert: 21,463
- SB/East Valley: 10,712
- SB/Southwest: 30,851

MOS:
- Riv/South County: 12
- Riv/Southwest: 10
- Coachella: 8
- Riv/North Cent.: 6
- Riv/South Cent.: 4
- Riv/Northwest: 2
- Riv/Central: 2
- SB/Central Valley: 2
- SB/Northwest: 2
- SB/High Desert: 2
- SB/East Valley: 2
- SB/Southwest: 2
Inland Empire
Submarket Perspective
Inland Empire
Detached Median Price of Riverside County Submarkets

<table>
<thead>
<tr>
<th>Submarket</th>
<th>Median Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>N West</td>
<td>$622,171</td>
</tr>
<tr>
<td>S West</td>
<td>$584,737</td>
</tr>
<tr>
<td>N Central</td>
<td>$429,722</td>
</tr>
<tr>
<td>Central</td>
<td>$385,022</td>
</tr>
<tr>
<td>S. Central</td>
<td>$477,785</td>
</tr>
<tr>
<td>South</td>
<td>$455,716</td>
</tr>
</tbody>
</table>
Inland Empire
Detached Median Price of San Bernardino Submarkets

- Nwest: $763,707
- S West: $611,185
- Central: $527,589
- Hi Desrt: $527,589
- E Vlly: $352,258
West Riverside Market

Finished Vacant Inventory by Sub-Market Area

Northwest 32.00%
Southwest 37.00%
North Central 42.00%
Central 47.00%
South Central 27.00%
South 42.00%
Total Market 37.00%
San Bernardino Market
Finished Vacant Inventory by Sub-Market Area

Northwest  Southwest  Central Valley  High Desert  East Valley  Total Market
National Housing Market Relative to the Inland Empire
NATIONAL HOUSING MARKET
HOUSING INVENTORY HISTORY

Finished Vacant
Under Construction
Housing MOS

4Q00 2Q01 4Q01 2Q02 4Q02 2Q03 4Q03 2Q04 4Q04 2Q05 4Q05 2Q06 4Q06

- 100,000 200,000 300,000 400,000 500,000 600,000 700,000 800,000

0.0 2.0 4.0 6.0 8.0 10.0 12.0

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NATIONAL HOUSING MARKET
Finished Vacant Inventory &
Months of Supply by Market

Finished Vacant Inventory

Finished Vacant Inv. Mos

[Bar Chart with data points for various markets, showing finished vacant inventory and months of supply]
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- Monthly Building Permits - Single Family & Multi Family
- Job Growth Trends (History)
- Job growth by Job Type
- Print Tables & Graphs
- Download Data