REAL 899: Seevak Research Competition Professor Gyourko

Residential Land Recapitalization "Equity Returns for Debt Risk"



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1. Introduction

The housing sector stands at the end of a significant boom after its cyclical bottom in the mid-1990s. Housing is driven by multiple factors – inflation, income growth, construction costs, demographics and interest rates – each of which play greater or lesser roles at different times. A recent study by PPR shows that the boom over the past 10 years divides broadly into two phases nationwide: an uneven boom in the late 1990s that drove prices up in regions with superior economic performance such as the San Francisco Bay Area and the Northeastern United States. This was followed by an interest-rate driven boom that drove asset prices more broadly from 2001 to 2006. While economic growth continues, higher short-term interest rates have weakened housing demand and brought an end to the recent housing boom. There is concern that an upward spike in interest rates or a faltering economy could send housing prices plummeting.

Much has been made of the recent bursting of the US housing bubble, specifically in the coastal markets that have seen the highest appreciation. The evidence of the burst lies in significant homebuilder write-offs, flat or declining median home prices, longer average time on the market, and increases in months supply of new home inventory. After dramatic price increases and unit supply surges in single family and multi family residential dwelling units over the last 5 years, the broader market contraction in unit home sales and specific submarket contraction in home values has led to popular consensus questioning the potential and security of residential investment. Yet a closer investigation of the drivers of residential asset values, as well as a careful evaluation of today's environment in historical context, reveals residential investment opportunities.

The broader housing market correction has led to inefficient asset capitalization: Homebuilders are holding too much land at inflated prices and as they write those assets down and walk away from land options, their debt ratios and coverage ratios are higher than they would like at a time when earnings are falling. Small, medium and large banks with significant corporate lending exposure to homebuilders, sub-prime mortgages and the housing sector in general, are re-evaluating their underwriting of housing related debt and in some cases are looking for partial or full repayments from the borrowers. Homebuilders are now seeking to strengthen their balance sheets through the sale of assets and reduction in corporate debt. However, they still need access to capital for ongoing development of projects. As a result they are looking to restructure certain assets and liabilities to be "off balance sheet," thus achieving both goals.

Our investment premise is to solve the liquidity problem for both lenders and borrowers, by stepping in to offer non-recourse debt to the homebuilder, with land as the collateral. This allows the homebuilder to refinance existing debt and eliminate parent company recourse, it allows the lending bank to reduce its sector and homebuilder specific exposure, and it allows us to earn outsized returns relative to the risk taken.

Our investment strategy relies on the careful selection of land because in the event of a default we must be comfortable holding the land as collateral. Much of this paper builds the case around specific target submarkets. We believe that we can earn excellent returns because we are willing to take a contrarian position and hold land at a time when most participants in the industry want to reduce their land exposure. We are prepared to hold

the land 3-5 years, during which time we are confident the markets we select will rebound.

Within this context, where in the country would an investor have the greatest comfort holding residential land? Given that the national interest rate environment affects all local markets, non-interest rate related drivers of housing value are critical factors to consider. These include population, income and job growth (factors that drive demand) as well as geographic limitations and regulatory barriers (factors that constrain supply). Our investment strategy is focused on California, a state that excels in these drivers of longterm real estate value. We also chose Dallas as a contrasting market to analyze because of its nature as a relatively unconstrained supply market in a non-coastal region.

Methodology

In this report we first explain our proposed transaction in detail covering both a base case and downside scenario and sensitivity analysis around our assumptions. We then build the case that there is demand among homebuilders and lenders for the financing that we propose. Finally we explore three markets: Greater Los Angeles, CA, the San Francisco Bay Area, CA, and Dallas-Fort Worth, TX. We are looking for the most attractive markets based on quantifiable, tangible evidence that makes us comfortable holding land if our borrower defaults on the loan. Specifically, we are looking for (1) Entitled land in submarkets where the permitting process is laborious and where supply of new homes is constrained; (2) Submarkets with decent long-term demand drivers such as above average population and income growth; and (3) Submarkets where prices have already started to correct.

2. Transaction Details

Our target transaction involves recapitalizing an existing project that has gone though the entitlement machinery and has an approved specific plan and tentative tract map. We conservatively underwrite the value of land and lend money against such collateral. The homebuilder retains equity in the project and, ideally, there is new joint venture equity invested in the project at the time of our recapitalization, although we have not assumed this is the case.

We—for clarity we will call ourselves New Lender, Inc—address the desire of existing lenders to reduce their exposure by purchasing their project-specific debt at or below face value. New Lender, Inc. allows the existing lender to remain invested at a more comfortable basis by borrowing back 50% of their prior loan amount, but with only our first mortgage as their collateral rather than an upstream guaranty from New Lender, Inc or a corporate guaranty from the homebuilder. New Lender, Inc then negotiates with the homebuilder to increase the interest rate of the note in exchange for making it collateralized on an asset specific basis and not subject to a corporate balance sheet guaranty. This allows the homebuilder to remove the debt from its balance sheet and in return they are willing to pay a higher interest rate. We source deals through lenders and builders in select markets and will target situations where new joint venture equity is being invested. See Exhibit 1 for the flow diagram.



Why it works: The borrower wants non-recourse debt, the bank wants to decrease exposure to sector/builder, and we are comfortable holding the land as collateral.

Transaction structure

- We appraise the project value to reflect the current environment. In this case we have assumed that the total project capitalization has fallen 5% from \$150mm to \$142.5mm, of which \$42.5mm is homebuilder equity and \$100mm is the loan amount.
- We purchase the existing \$100mm loan from the lending bank at or below par; we pay par value only in the lowest (<50%) Loan to Value situations.

- We invest \$50mm of our own money and borrow the other \$50mm from the lending bank (so that they are now lending to us instead of to the homebuilder and they are only lending \$50mm instead of \$100mm, thus reducing their exposure).
- We leverage our returns by borrowing that \$50mm at LIBOR +250bp and lending it to the homebuilder at LIBOR +450bp, thus earning a spread of 200bp on the \$50mm "borrowed back" amount.
- The bank is willing to lend to us at LIBOR +250bp because they have reduced their exposure by 50% and effectively have another significant equity investor behind them in the capital structure.
- We revise terms with homebuilder to remove parent company recourse and increase the interest rate by 200bp to LIBOR +450bp. The homebuilder is willing to accept a higher interest rate to get the debt off the balance sheet. We think this interest rate spread is a reasonable estimate because:
 - The top 10 homebuilders current loan spreads range from senior debt of 100+ bps to subordinated debt spreads of 400+ bps over LIBOR.
 - \circ We have assumed a midpoint base rate of LIBOR + 250
 - Both large and small builders are willing to pay for off balance sheet financing, a true sub debt spread is appropriate.
- The loan collateral is the entitled land and improvements value, underwritten to conservative loan to value ratios (<70%). In other words, our investment is now backed by specific project assets instead of by total company assets.

Exhibit 2: Transaction Assumptions and Structure

| Original Project- Pre Recapitalization (\$ in 000s) <u>Homebuilder Invested Equity:</u> \$50,000 | Existing Land and Improvements Loan: \$100,000 @ LIBOR + 250 (currently 7.8%) Fully recourse to Homebuilder | <u>Total Project Capitalization:</u> \$150,000 |
|--|--|---|
| Valuation at Closing of Recapitalization (\$ in 000s) | | |
| Homebuilder Equity Value: \$42,500 assumes 15% equity writedown (based on appraisal) assumes no new equity (worst case) assumes 70% LTV (worst case) | New Land and Improvements Loan: \$100,000 @ LIBOR + 450 (currently 9.8%) assuming purchase at par (worst case) collateralized only by project | <u>Total Project Capitalization:</u> \$142,500 |
| Borrow Back from Original Lender (\$ in 000s) | | |
| New Lender's Invested Equity: \$50,000 | Original Lender's loan to New Lender: \$50,000 @ LIBOR + 250 | Total New Lender Capitalization: \$100,000 |
| | New Implied L1Vs 50% on Loan Sale and 35% on ultima | ate collateral |

Base case scenario:

- We anticipate repayment of debt by borrower over a 3-5 year investment horizon.
- In this example we assume New Lender, Inc. receives interest for 3 years, with repayment of the principal amount at the end of Year 3.
- New Lender, Inc. generates an interest rate spread of 200bps between the original lending bank and the new loan to the homebuilder.
- This generates an IRR of 11.18% over the three year period.
- This yields a positive \$4.38mm NPV at our estimated WACC of 7.8% (our assumed borrowing rate), including underwriting and closing costs of \$750,000 for our business.

| Exhibit 3: Base Case Cash Flow a | nd Return A | Assumption | 18 | | | | |
|---|-------------|------------|-----------|------------|--------|--------|-------------|
| BASE CASE SCENARIO (\$ in 000s) | | | | | | | |
| New Investment Cash Flow: | Closing | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Total |
| Payoff Original Lender at par- 70% LTV | (\$100,000) | | | | | | (\$100,000) |
| Underwriting, Closing Costs | (\$750) | | | | | | |
| Change Interest rate to LIBOR + 450 | | \$9,800 | \$9,800 | \$9,800 | \$0 | \$0 | \$29,400 |
| Principal repayment by Borrower | | \$0 | \$0 | \$100,000 | \$0 | \$0 | \$100,000 |
| Borrow 50% from Original Lender | \$50,000 | | | | | | \$50,000 |
| Interest to Original Lender @ LIBOR + 250 | | (\$3,900) | (\$3,900) | (\$3,900) | \$0 | \$0 | (\$11,700) |
| Principal repayment to Original Lender | | \$0 | \$0 | (\$50,000) | \$0 | \$0 | (\$50,000) |
| Cash Flow to New Lender | (\$50,750) | \$5,900 | \$5,900 | \$55,900 | \$0 | \$0 | \$16,950 |
| IRR | 11.18% | | | | | | |
| NPV using 7.8% discount rate | \$4,376 | | | | | | |

Downside case scenario:

- The borrower defaults after Year 1 and New Lender, Inc. forecloses in Year 2.
- The carry costs are 2% of original value, annually (property taxes, legal, maintenance).
- New Lender, Inc. sells the assets in Year 5.
- We assume that the assets are sold at the originally underwritten value (\$142.5mm), which was already written down 5% in the original appraisal. In other words, we assume no nominal appreciation in land value over a five year time period. We consider this a conservative assumption.
- Our downside assumptions yield an IRR of 6.74% which is slightly below our cost of capital, and therefore negative NPV.
- Because we only lend up to 70% of the value (\$100mm/142.5mm), the assets could depreciate another 15% at time of sale before our project is cash flow negative.
- We consider this an acceptable downside scenario with conservative assumptions.

| Exhibit 4: Downside Case Cash Flo | ow and Retu | ırn Assumj | ptions | | | | |
|---|-------------------|------------|-------------|-----------|-----------|------------|--------------|
| | | Defau | lt Event Q1 | | | Land Sale | |
| DOWNSIDE CASE SCENARIO (\$ in 000s) | | F | oreclose Q4 | | | Event | |
| New Investment Cash Flow: | <u>Closing</u> | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | <u>Total</u> |
| Payoff Original Lender at par- 70% LTV | (\$100,000) | | | | | | (\$100,000) |
| Underwriting, Closing Costs | (\$750) | | | | | | |
| Change Interest rate to LIBOR + 450 | | \$9,800 | \$0 | \$0 | \$0 | \$0 | \$9,800 |
| Principal repayment by Borrower | | | | | | | \$0 |
| Taxes, Legal and Carry Costs @ 2% of original | underwritten val | lue | (\$2,850) | (\$2,850) | (\$2,850) | (\$2,850) | (\$11,400) |
| Land and Improvements Sale @ 100% of origin | al underwritten v | value | \$0 | \$0 | \$0 | \$142,500 | \$142,500 |
| Borrow 50% from Original Lender | \$50,000 | | | | | | \$50,000 |
| Interest to Original Lender @ LIBOR + 250 | | (\$3,900) | (\$3,900) | (\$3,900) | (\$3,900) | (\$3,900) | (\$19,500) |
| Principal repayment to Original Lender | | \$0 | \$0 | \$0 | \$0 | (\$50,000) | (\$50,000) |
| Cash Flow to New Lender | (\$50,750) | \$5,900 | (\$6,750) | (\$6,750) | (\$6,750) | \$85,750 | \$20,650 |
| IRR | 6.74% | | | | | | |
| NPV using 7.8% discount rate | (\$2,648) | | | | | | |

Sensitivity Analysis

Base case: We test our assumptions by conducting sensitivity analysis on our key

assumptions. As you can see in Exhibits 5 and 6, in our base case scenario, if we are

unable to generate a 200bp spread on the "borrowed back" amount, we still anticipate

generating positive NPV at as low as a 50bp spread, at our 7.8% discount rate. If we can

purchase the original loan at a value below par then our returns should be higher than our

base case assumptions.

| Exhibit 5 | 5: IRR Se | ensitivit | ty assu | ming 3 | year pa | yback | Exhibit 6 | : NPV Se | ensitivit | y 3 yea | r payba | ack, pu | rchase |
|-----------|-----------|-----------|------------|------------|-------------|---------|-----------|----------|-----------|-----------|----------|------------|-----------|
| | | | | | | | at Par | | | | | | |
| | | Ι | nterest Sp | oread in B | asis Points | 5 | | | | | | | |
| | | (Rate Cl | narged to | Borrower | vs paid to | Lender) | | | (Rate Cl | narged to | Borrowei | vs paid to | o Lender) |
| | | 50 | 100 | 150 | 200 | 250 | | | 50 | 100 | 150 | 200 | 250 |
| | \$80,000 | 21.4% | 22.3% | 23.2% | 24.1% | 25.0% | | 6.0% | \$2,992 | \$4,329 | \$5,665 | \$7,002 | \$8,338 |
| Loan | \$85,000 | 17.9% | 18.8% | 19.7% | 20.6% | 21.5% | Discount | 7.0% | \$1,612 | \$2,924 | \$4,236 | \$5,548 | \$6,861 |
| Purchase | \$90,000 | 14.5% | 15.4% | 16.4% | 17.3% | 18.2% | Rate | 8.0% | \$281 | \$1,569 | \$2,858 | \$4,146 | \$5,435 |
| Price | \$95,000 | 11.3% | 12.3% | 13.2% | 14.2% | 15.1% | | 9.0% | (\$1,003) | \$263 | \$1,528 | \$2,794 | \$4,059 |
| | \$100,000 | 8.2% | 9.2% | 10.2% | 11.2% | 12.2% | | 10.0% | (\$2,242) | (\$999) | \$245 | \$1,488 | \$2,732 |

Downside Case sensitivity: As we show in Exhibits 7 and 8, if we can sell the land after five years at above the original value, then our returns will be higher and conversely if the sale price is lower, then the IRR and NPV will be lower. Later in this report we

discuss land as an investment class and how we plan to mitigate our risk by careful

selection of each submarket. Because of these factors we view it as very unlikely that we

| Exhibit 7: IRR Sensitivity assuming Default and Foreclosure in Year 2, Land Sale in Year 5 | | | | | | | | ibit 8: NPV Sensitivity assuming 2% carry Costs, in Year 5 | | | | | |
|--|--------|---------------|------------|-----------|------------|--------------|-----------|---|-----------|------------|------------|------------|------------|
| _ | Carry | Costs as $\%$ | 6 of Origi | nal Under | written Va | alue 3.0% | | | 6.0% | D | iscount Ra | te 9.0% | 10.0% |
| Land | 90.0% | 4.3% | 3.3% | 2.3% | 1.3% | 0.2% | Land | 90.0% | (\$8,777) | (\$10.813) | (\$12,732) | (\$14.543) | (\$16.251) |
| Sale % of | 95.0% | 6.5% | 5.5% | 4.6% | 3.6% | 2.7% | Sale % of | 95.0% | (\$3,452) | (\$5,733) | (\$7,883) | (\$9,912) | (\$11,827) |
| Original | 100.0% | 8.6% | 7.6% | 6.7% | 5.8% | 4.9% | Original | 100.0% | \$1,872 | (\$653) | (\$3,034) | (\$5,281) | (\$7,403) |
| Value | 105.0% | 10.5% | 9.6% | 8.7% | 7.9% | 7.0% | Value | 105.0% | \$7,196 | \$4,427 | \$1,815 | (\$650) | (\$2,979) |
| | 110.0% | 12.3% | 11.4% | 10.6% | 9.7% | 8.9% | | 110.0% | \$12,520 | \$9,507 | \$6,664 | \$3,981 | \$1,446 |

would be forced to sell at below original value in five years.

Risk mitigation: Careful underwriting of the collateral value is critical to mitigate the risk of our investment. We carefully select submarkets by understanding the key supply and demand drivers of land, and ultimately home values in those markets. We note that land is a more volatile asset class than housing (see Exhibit 9). We plan to take advantage of this price volatility by focusing on regions where prices have already started to correct. In addition, we cap our loan value at 70% of asset price. We choose entitled land in areas where the regulatory process is long because we think entitled land prices will bounce back the quickest when the market improves. Finally, we have the ability and willingness to hold the land for 3-5 years to see the market through the down cycle.

We note that in the PWC/ULI "Emerging Trends in Real Estate" survey for 2006 (conducted in late 2005), land registered the highest expected return of all real estate asset classes at 10.9% (Appendix: Exhibit 1), on the back of the long housing boom.



3. The Disconnect Between Homebuilders and Lenders

We believe there is a market for the transaction just described because there is a fundamental disconnect between homebuilders and lenders at the current time. Homebuilders' balance sheets have weakened so they are looking to refinance projects to move them off balance sheet. Lenders are finding themselves overexposed to the housing sector in general and want to reduce their exposure to this sector. This provides a financing need in the market, which we fill.

Homebuilder balance sheets have weakened. For the last several years homebuilders have been dramatically increasing their investments in land assets (see Exhibits 10 and 11). Now, with a downturn in the housing market, homebuilders are finding themselves with more land than they want. As a result, they are walking away from options and writing down the value of land on their balance sheets. With a reduction in assets and equity, net debt positions have worsened at a time when sales are slowing and profits are declining.

A recent KB Homes' press release is typical of the industry: "Net income and earnings per share dropped sharply in the face of increasingly difficult market conditions....an oversupply of unsold new and resale homes, reduced affordability, and greater caution among potential homebuyers heightened competition among homebuilders and sellers of existing homes, prompting the aggressive use of price concessions and sales incentives. All these factors pressured our operating margins. Our results were further affected by declining land values and the resulting charges we recorded."



The top 10 homebuilders have seen their trailing twelve month EBITDA decline by an average of 48% year over year, or 44% excluding land and option writedowns. Because of declining EBITDA, coverage ratios such as net debt/EBITDA ratios have worsened significantly (see Exhibit 12). On average, the top 10 homebuilders net debt to trailing twelve month EBITDA has increased from 1.6x to 4.1x, or 2.4x excluding the writedowns. This drop in coverage ratios threatens debt covenants and makes raising capital more difficult.

| Exhibit 12: Cov | verage Ratios | s Have Deter | riorated | | |
|----------------------|-------------------|--------------|----------|-------------|--------|
| | Change in T | TM EBITDA | Ne | t debt/EBIT | DA |
| | | | | Current (ex | |
| | reported | ex charge | Current | charge) | Yr ago |
| Centex | -66% | -63% | 6.6x | 3.4x | 2.3x |
| Lennar | -61% | -58% | 2.4x | 1.4x | 0.8x |
| KB Homes | -44% | -43% | 3.2x | 2.1x | 1.7x |
| Pulte | -50% | -46% | 3.3x | 2.3x | 1.5x |
| Hovnanian | -75% | -65% | 7.9x | 3.5x | 1.6x |
| DR Horton | -34% | -32% | 2.8x | 2.3x | 1.8x |
| Toll Brothers | -21% | -19% | 1.6x | 1.4x | 0.8x |
| Beazer | -44% | -39% | 4.2x | 3.0x | 2.1x |
| Ryland | -25% | -19% | 1.4x | 1.2x | 0.6x |
| Standard Pacific | -61% | -60% | 7.5x | 3.2x | 2.3x |
| Average | -48.2% | -44.4% | 4.1x | 2.4x | 1.6x |
| Source: Company pres | ss releases and S | EC filings | | | |

Balance sheet conditions have worsened because of large equity write-offs and homebuilders are now focused on improving their financial condition. As homebuilder conditions have deteriorated, the homebuilders have walked away from land options and written down land inventory that has declined in value. Write-offs relating to land and options reduced the book equity of the top 10 homebuilders by an average of 10% in 2006, with total charges for the 10 companies exceeding \$3.5 billion. This reduction in equity contributed to an increase in average net debt to capital from 38.0% at the end of 2005 to 41.3% a year later (see Exhibit 13).

Currently four of the top 10 homebuilders have non-investment grade debt ratings and the others are not far away with BBB ratings. KB Homes is non-investment grade and has a negative watch outlook from Standard and Poors. If the near-term environment continues to worsen, these homebuilders could see their debt downgraded and consequently see the cost of debt increase or be forced to repay the debt. The financing that we propose is a way for the homebuilders to refinance existing debt with non-recourse, off-balance sheet

financing, allowing them to maintain their debt ratings and improve the look of their corporate balance sheets.

| Exhibit 13: Net I | Debt / Capit | tal Ratios l | have Increased | |
|------------------------|-----------------|--------------|-----------------------|-----------------------|
| | Net debt | t/capital | Debt ratings | Writedown % of equity |
| | Current | Yr ago | | |
| Centex | 46.4% | 45.9% | BBB/Stable/A-2 | 11% |
| Lennar | 25.5% | 24.3% | BBB/Stable/ | 10% |
| KB Homes | 46.0% | 45.5% | BB+/Watch Neg/ | 13% |
| Pulte | 36.6% | 35.5% | BBB/Stable/ | 7% |
| Hovnanian | 51.4% | 42.4% | BB/Stable/ | 15% |
| DR Horton | 41.2% | 40.7% | BBB-/Stable/ | 5% |
| Toll Brothers | 31.8% | 27.6% | BBB-/Stable/ | 4% |
| Beazer | 49.5% | 47.1% | BB/Stable | 9% |
| Ryland | 32.7% | 25.1% | BBB-/Stable/ | 5% |
| Standard Pacific | 52.2% | 46.5% | BB/Stable/ | 17% |
| | | | | |
| Average | 41.3% | 38.0% | 4 less than BBB rated | 10% |
| Source: Press releases | and SEC filings | | | |

One of the main priorities now for homebuilders is improving the strength of their balance sheets. Centex's fourth quarter 2006 earnings call is a typical example: Management said "We're taking the necessary steps to get our balance sheet and our organization to their fighting weight" and "We'll look seriously at debt repurchase as necessary, again, given the realities of where earnings will go and to help strengthen our balance sheet positioning for the future.....I'll emphasize that we're taking aggressive steps to right size operations, reduce our costs, and strengthen our balance sheet."

Other homebuilders have made similar comments in their earnings calls, press releases and SEC filings. Balance sheet strength is a serious priority for the home builders. However, they still need capital to continue developing the land they own in order to generate sales and profits. This is why off-balance sheet financing is an attractive option for them to recapitalize existing projects or raise capital to develop new projects. There is also a market for our proposed homebuilding financing amongst lenders who want to reduce their exposure to the housing sector. Declining home and land prices and homebuilder equity write-downs means lenders are now protected by less collateral. And as we have shown, homebuilders already have risky debt. As coverage ratios worsen there may be covenant violations and ratings downgrades which could trigger forced debt repayment. In addition, many lending banks are finding themselves over-exposed to subprime mortgages and are looking to reduce their exposure to housing related debts as the sub-prime market unravels. For example, HSBC has set aside more than \$10.5 billion to cover losses on its US sub-prime business. New Century Financial filed for bankruptcy protection. Accredited Home Lenders Holding Co and General Motors Acceptance Corp's residential unit are both facing financial problems related to the sub-prime market and their lenders – banks such as Bank of America and Citigroup – may want to decrease their exposure to risky debt and pull back their exposure to the housing sector in general. Our recapitalization transaction is a way for them to reduce this exposure.

The subprime fallout should actually be a net positive for us, however, because it has forced credit spreads to widen on homebuilder debt because the risk associated with homebuilders has risen. The subprime fallout reduces the potential pool of new home buyers as risky mortgage applications are now turned down. It probably also makes borrowing slightly tougher for prime mortgages as well. This dampens demand and reduces the likelihood of a quick snap-back in the homebuilding market. The homebuilders also have varying exposure to the mortgage market directly (including subprime) and the higher debt yields reflect that. At the same time, the subprime fallout

increases the chance that the Federal Reserve eases rates, thus leading to a potential widening of spreads on the kind of debt we are offering.

Obviously, a slower snap-back in the homebuilding market has risks for our strategy. However, as we have outlined, we are prepared to hold the land for 3-5 years, and are not counting on a quick snap-back. As long as the long-term supply and demand drivers are in place, our strategy should work and now we can earn higher spreads on our risk. It also means lenders are likely to be more interested in our proposed deal as well as they try to reduce exposure to housing related debt. Net-net, the subprime fallout is probably good for us.

Subprime degradation is likely to dampen demand for housing, not sink the market. This is because subprime represents less than 10% of mortgages and there are no indications of major problems in prime mortgages. At the end of 2006, only 1.2% of mortgages were in foreclosure and only 5.1% of homeowners had a subprime mortgage. The biggest risk is if falling home prices lead to a recession. Higher unemployment and lower personal income could hamper prime mortgage holders' ability to make mortgage payments and put pressure on the housing market. However, the good news is that the economy looks healthy (albeit with slowing growth): consumer spending has been resilient, unemployment remains low, durable goods and manufacturing orders are increasing, and corporate balance sheets (including those of banks) are strong.

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There is evidence that homebuilders are increasing the sort of off-balance sheet debt and equity financing, consistent with what we are proposing. Eight of the top 10 homebuilders disclosed joint venture debt in their SEC filings. These eight saw their total unconsolidated joint venture debt increase 22% year over year to nearly \$14 billion. Joint venture debt and equity allows homebuilders to raise capital that they need to keep developing properties while keeping it off their balance sheets, so that their coverage and profitability ratios improve, which is what shareholders and lenders want.

For example, Lennar wrote in its most recent 10-K that it was admitting a new strategic partner into its LandSource joint venture that will "result in a cash distribution to us and our current partner, LNR, of approximately \$660 million each....The new partner will contribute cash and property with a combined value of approximately \$900 million....Following the contribution and refinancing, our and LNR's interest in LandSource will be diluted to 19% each, and the new partner will be issued a 62% interest in LandSource." Similarly, Standard Pacific management announced on a recent analyst call "We expect to continue using joint venture structures for land development and homebuilding equity and debt funding needs."

In many cases, the off-balance sheet financing is raised by the homebuilder's joint venture partner. For example, KB Homes says in the company's most recent 10-K "We may also acquire land with seller financing that is non-recourse to us, or by working in conjunction with third-party land developers" and Hovnanian writes "Typically, our

unconsolidated joint ventures obtain separate project specific mortgage financing for each venture."

4. Analyzing Specific Submarkets

For our strategy to work, we must be comfortable owning the land in the event that the homebuilder defaults on our loan. Because of this, we must carefully evaluate the submarkets, looking for evidence of constrained supply and strong long-term demand, which we think will protect the value of our investment. The three submarkets we analyzed were: Los Angeles-Orange County, CA, San Francisco-Bay Area, CA, and Dallas, TX.

As shown in Exhibit 14, our research concludes that the Greater Los Angeles area and the San Francisco Bay Area best typify our chosen characteristics of constrained supply and favorable demand. Dallas-Fort Worth has good demand characteristics, but supply of new housing is relatively unlimited, making it less suitable for our investment.

| Exhibit | 14: Summa | ry of Supply-De | mand Characte | ristics |
|-----------|-----------------------------------|------------------------------|------------------------------|------------------------------|
| | Metric | LA | Bay Area | Dallas FW |
| Supply | Wharton Index (US avg = 0) | 0.54 | 1.01 | (0.33) |
| | Brookings Typology | Growth Management | Growth Control | Wild Wild Texas |
| | Population Increase 2000-05 | 7.70% | 1.10% | 12.50% |
| Demand | Income Growth | 6.3% in 2004 5.1% in 2005 | 5.4% in 2004 5.6% in 2005 | 6.1% in 2004 6.7% in 2005 |
| | Per Capita Income Growth | 5.6% in 2004 4.9% in 2005 | 5.6% in 2004 5.5% in 2005 | 4.1% in 2004 4.4% in 2005 |
| | Average Payroll | \$42,874 | \$56,130 | \$43,198 |
| Green sha | ding = positive fa | actors (constrained sup | ply or strong demand) | 1 |

Supply factors

Coastal California is an attractive market from a supply perspective with land geographically constrained and development burdened by a lengthy regulatory process. Greater Los Angeles is an urban area geographically bounded on two sides by mountains and on one side by the ocean. The remaining side merges into another strong performing submarket, Orange County. San Francisco and San Jose are similarly constrained by geography (ocean and bay), limited available land for development, and generally restrictive permitting. For example, San Mateo County, located in between San Francisco and San Jose, has 350,000 jobs, but between 1999 and 2005 built on average 1050 new housing units per year (Bay Area Council, "Bay Area Housing Profile 2006," pp 37-39). This limited supply in the West Bay drives development toward the East Bay, where geographical and legal constraints are fewer. This is where most of the new housing developments are occurring (and consequently where our investment idea is focused). Despite an easier supply environment in the East Bay, the overall Bay Area taken as a whole has limited supply that has failed to keep up with demand and we think this dynamic will continue to support land prices in the area.

From a regulatory perspective, zoning, affordable housing requirements, permit caps, containment boundaries, and other infrastructure management rules further restrict the available developable land in California and make the permitting process long, expensive and complex. There have been two recent studies which developed frameworks to assess regulatory constraints on development throughout the country: both ranked Los Angeles-Orange County and San Francisco Bay Area regions as highly regulated.

The Brookings Institute's approach to regulatory land use typologies found that Southern California used affordability requirements, containment policies and infrastructure management as extensions of zoning. The Bay Area additionally used permit caps to limit growth. The Wharton Residential Land Use Regulatory Index looks specifically at a number of housing-related regulations: San Francisco Bay Area ranked extremely high at 1.01 and Los Angeles ranked high at 0.54 versus a national average of 0.00. In contrast, Dallas ranked well below average at (0.33) indicating a much easier development environment (See Exhibit 15). As one researcher noted, "California represents the most extreme example of autarky in land-use regulations of any U.S. state. Cities are free to set their rules independently, with little oversight." (Quigly/Raphael, p 323).

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In Los Angeles-Orange County, the lengthy development approval processes and prohibitive local statutes create a dangerous time spectrum of uncertainty for developers and discourage new market entrants. As an example of local legal constraints, in 1998 Ventura County enacted the SOAR "Save Our Agricultural Resources" initiative, which prohibited any owner of open space, rural or agriculturally zoned land to even apply for re-zoning until 2017. Furthermore, restrictions on maximum allowable slope, in an area with significant topographic challenges, serve to limit development potential even on residentially zoned land.

Under-supply of new homes logically contributes to higher home prices in California. A recent study data from the 1990s (Quigley/Raphael, 2005), showed a clear correlation between restrictive zoning and higher housing prices in California. As a result of restrictive regulations and geographic constraints, California housing production has fallen short of demand for housing (Exhibits 16, 17, and 18). In Greater Los Angeles, only one new unit is produced for every 4 new residents and housing permits have significantly lagged job creation. In the San Francisco Bay Area, there is a 13% deficit in new home production, (assuming one housing unit is produced for every 1.5 new jobs created, which is the regional average).



In contrast, Dallas has seen housing unit growth often exceed job growth (Exhibit 19). Exhibit 20 shows how supply in North Texas (DFW) is very flexible, so that strong demand is met by an immediate supply response and overall housing supply as measured by inventory-to-sales, remains constant. The result is that housing is truly a consumer good, matching income-driven demand over time. This implies little opportunity for land appreciation over time. This is consistent with lots of available land and limited restrictions on development.



We view constrained supply as a critical factor in home and land price appreciation. As long as housing supply remains tight, entitled land will continue to be an increasingly scarce and valuable resource in coastal California markets. This is true even in the context of high home prices and low affordability. If supply fails to keep up with demand, then land prices increase over longer time periods. Exhibit 21 shows land's share of total home price from a study by Davis and Palumbo. This is a proxy for land prices because construction costs are relatively similar from region to region, so high home prices are largely a reflection of high land prices. The chart shows that California cities top the list and have done so consistently over a 20-year period, indicating that high home prices are sustainable in supply-constrained markets. Dallas, in contrast, has moved down the list, from 9th in 1984 to 15th in 1998 to 22nd in 2004. This supports our view that, despite robust demand, unconstrained supply limits potential land price appreciation.

Another way to track this trend is to look at home values to replacement value. Gyourko and Saiz have examined this trend over time (Appendix -Exhibit 2). Value/cost multiples

in the West and Northeast have historically been higher than other regions, and have increased more than the Midwest and South since the mid-1990s. We believe that California's high value/cost multiple is caused by a combination of superior demographic and economic performance and severe constraints to supply growth. As long as these supply-demand factors remain in place, we think the trend is sustainable.

| Exhi | bit 21: Land's Share of Ho | me Value by Region, 1984 | 4 to 2004 |
|--------|----------------------------|---------------------------|----------------------------|
| Rank | 1984 Share | 1998 Share | 2004 Share |
| 1 | California: Anaheim | California: San Francisco | California: San Francisco |
| 2 | California: San Francisco | California: San Jose | California: San Jose |
| 3 | California: San Jose | California: Anaheim | California: Anaheim |
| 4 | California: San Diego | California: San Diego | California: San Diego |
| 5 | California: Los Angeles | California: Los Angeles | California: Los Angeles |
| 6 | California: Oakland | California: Oakland | California: Oakland |
| 7 | West: Phoenix | East Coast: Boston | East Coast: Boston |
| 8 | East Coast: Miami | East Coast: Miami | East Coast: Miami |
| 9 | Texas: Dallas | Southeast: Charlotte | East Coast: Washington |
| 10 | Southeast: Charlotte | West: Seattle | East Coast: New York City |
| 11 | California: San Bernardino | West: Portland | East Coast: Providence |
| 12 | East Coast: Boston | East Coast: Washington | California: Sacramento |
| 13 | East Coast: Washington | West: Phoenix | California: San Bernardino |
| 14 | California: Sacramento | East Coast: New York City | West: Seattle |
| 15 | Midwest: Detroit | Texas: Dallas | West: Portland |
| Source | e: Davis/Palumbo, FRB 2006 | | |

In the context of constrained supply, the large homebuilders generally have to go where they can find significant land parcels so as to create density to help average down entitlement and infrastructure costs. Typically this occurs on the outer fringes of cities as land prices almost universally decrease with corresponding distance to city center. Homebuilders disproportionately benefit from hot demand drivers as in a short period of time their owned and optioned assets can become bid up. Conversely, demand slackening can cause a rapid reversal of fortune as they are left holding overvalued inventory. The current homebuilding environment exemplifies demand slackening and the spoken desire to reduce land holdings.

Yet, we believe that careful selection of submarkets can minimize the downward pricing pressure during broader market corrections. Underwriting the value of land in certain markets requires knowledge of the entitlement and development processes and in-place approvals, historical perspective on pricing, competition, and the various economic factors at play.

A closer look at where homebuilder pain is currently being felt leads to some insight into what is and is not sustainable value. Projects in superior infill and coastally proximate locations are far more resistant to demand softening than outskirt suburban developments. This is inherently due to a lack of new competitive product in those areas, whereas suburban communities often have developable land in close proximity. Yet even suburban developments must be considered by submarket, as lack of supply and affordability often makes these locations the only alternative for new housing.

Demand factors

California also has favorable demand characteristics starting with the very favorable climate in Southern California and natural amenities of the ocean and mountains (views, activities). The Bay Area benefits from the variety of activities it offers such as

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watersports in the ocean and bay, to skiing at Tahoe, to wine tasting in Napa. Despite state level taxation being relatively high, such quality of life factors seem to outweigh cost of living concerns for many.

The California population growth story is clear. Except for a brief period in the mid-1990s, California has grown much faster than the US average over the past 35 years (Exhibit 22). The mid 1990s exception was the effect of a tech downturn that hurt Northern California and a defense downturn that hurt Southern California.



California's strong population growth is consistent with the overall trend of US population moving away from the Northeast towards the warmer South and Western United States (Exhibits 23 and 24). The Census Bureau expects this population shift to continue. In a study released in April 2005 the Census wrote "Three states — Florida,

California and Texas — would account for nearly one-half (46%) of total U.S. population growth between 2000 and 2030..... California and Texas would continue to rank first and second, respectively, in 2030." Exhibit 25 shows personal income growth is also stronger in the South and Western United States. We note that both California and Texas benefit from these strong population and income trends creating a favorable demand environment for residential housing.





Looking at specific submarkets, we can see that Los Angeles / Southern California has experienced strong population growth, outstripping other big cities (Exhibit 26), while the Bay Area's population growth has been lackluster since the turn of the century. This is unsurprising given the bursting of the tech bubble that affected the Silicon Valley-Bay Area during this time period (2000-2005).

Exhibit 26: Population growth has been strong in Southern California (SCAG) and Dallas; Weak in the San Francisco Bay Area

| | | Popula | tion | Population Increase | | |
|------|--|----------|----------|---------------------|--------------------|--|
| Rank | Metropolitan Region Name | 2000 | 2005 | 2000 Number | - 2005 % Change | |
| 1 | New York-Newark-Bridgeport, NY-NJ-CT-PA CSA | 21,361.8 | 21,903.6 | 541.8 | 2.5% | |
| 2 | SCAG Region* | 16,516.0 | 17,785.4 | 1,269.4 | 7.7% | |
| 3 | Chicago-Naperville-Michigan City, IL-IN-WI CSA | 9,312.3 | 9,661.8 | 349.6 | 3.8% | |
| 4 | Washington-Baltimore-Northern Virginia, DC-MD-VA-WV CSA | 7,572.6 | 8,125.7 | 553.0 | 7.3% | |
| 5 | San Francisco-Oakland-San Jose, CA CSA | 7,092.6 | 7,168.2 | 75.6 | 1.1% | |
| 6 | Philadelphia-Camden-Vineland, PA-NJ-DE- MD CSA | 6,207.2 | 6,372.8 | 165.6 | 2.7% | |
| 7 | Boston-Worcester-Manchester, MA-NH CSA | 7,298.7 | 7,427.3 | 128.6 | 1.8% | |
| 8 | Dallas-Fort Worth, TX CSA | 5,488.0 | 6,171.3 | 683.3 | 12.5% | |
| 9 | Detroit-Warren-Flint, MI CSA | 5,357.5 | 5,428.0 | 70.5 | 1.3% | |
| | TOTAL | 86,206.7 | 90,044.2 | 3,837.4 | 4.5% | |

* The SCAG region includes Imperial, Los Angeles, Orange, Riverside, San Bernardino and Ventura counties With the exception of Imperial, the other five counties belong to the Los Angeles-Riverside-Orange Combined Statistical Area (CSA). Source: U.S. Census Bureau, 2000 Census and July 1, 2005 population estimates

Southern California has also seen good growth in employment (Exhibit 27), outstripping both state and national averages. While the Bay Area's population growth has been lackluster, the demand story remains very good, driven by strong income growth. Exhibit 28 shows that San Francisco's average income is well above other major cities and growth in per capita income is well above the national average (Exhibit 33). As US income has grown in the post-WWII era, the Bay Area, famous for spawning much of the American information technology industry in its Silicon Valley, has garnered more than its share of economic growth. Overall, Southern California ranks poorly on average income, however there are pockets of affluence in the region as shown in Exhibit 29.





In their "Superstar Cities" report for the National Bureau of Economic Research,

Gyourko, Mayer and Sinai show that San Francisco continues to get richer: high income groups accounted for less than 20% of the population in 1960 but now account for 50% (Exhibit 30).



Bay Area productivity has consistently grown faster than other US metropolitan regions, even through the downturn in the early part of this decade (see Exhibit 31). Corporate formation through venture activities in high tech and biotech are a key factor in this wealth creation. The Bay Area receives a disproportionate share of venture funding (Exhibit 32) in both good and bad years (venture capital's volatility contributes volatility to the region's economy).

Given the uniqueness of the Bay Area for attracting entrepreneurs and perpetuating technological innovations, we think strong income trends are sustainable and ultimately support the housing market. With limited supply along the coast, increased demand for housing will have to be satisfied by expansion in land, creating a favorable investment

opportunity.



Not surprisingly, these dynamics have driven strong per-capita income growth (Exhibit 33) in the Bay Area, helping offset sluggish population growth. Los Angeles per-capita income continues to grow faster than the national average, this combined with population growth, makes a compelling demand story in Los Angeles. Dallas has seen strong population growth, but lower per-capita income growth.

| Growth has been strong in Dalla | as and Lo | os Angel | es. | v | , | | | |
|--------------------------------------|-------------------------------|---|--------------|------|------|---------------|--------------|------|
| | Perso | onal income | e percent ch | ange | Pe | er capita per | rsonal incor | ne |
| | 2002 | 2002 2003 2004 2005 2002 2003 2004 2005 | | | | | | 2005 |
| Metropolitan portion of the US | 1.8 3.1 6.0 5.0 0.6 2.0 4.9 4 | | | | | 4.0 | | |
| Los Angeles-Long Beach-Santa Ana, CA | 2.4 | 3.4 | 6.3 | 5.1 | 1.3 | 2.4 | 5.6 | 4.9 |
| San Francisco-Oakland-Fremont, CA | -3.2 1.1 5.4 5.6 -2.9 1.3 5.6 | | | | | | 5.5 | |
| Dallas-Fort Worth-Arlington, TX | 0.7 | 2.1 | 6.1 | 6.7 | -1.5 | 0.1 | 4.1 | 4.4 |

Exhibit 33: Per Capita Income Growth has been strong in the Bay Area, while Total Income

Where have prices started to correct?

We are looking for markets where housing prices have started to correct so that we are not pricing our collateral, the entitled land, at peak market valuations. Evidence from homebuilders suggests that residential real estate prices in Northern and Southern California have started to correct.

"The largest concentration [of land associated write-downs] was in the southeast, almost entirely in Florida, and California, primarily in the more expensive southern Coastal area." - Hovnanian earnings call.

"Northern California and Washington D.C, markets that corrected earlier than most, experienced year-over-year sales gains for the quarter." - Centex earnings call

"In Sacramento, sales were up 65%. In the Bay Area, sales were up 90%. In our DC-Metro division, sales were up 10%. So as we said last quarter, there are some markets, especially those that started into the downturn earliest, that appear to be finding stability." - Centex earnings call.

"After peaking in Fall 2005, Southern California's housing market was flat during 2006, moving painfully towards a more balanced market." - LAEDC Economic Forecast 2/07







Risks

We view Los Angeles and the San Francisco Bay Area as attractive markets for our investment with positive demand factors and constrained supply. The biggest risk factor we see is housing affordability, which could ultimately impact demand. Housing affordability in the Los Angeles area is hitting multi-year lows not seen since the late 1980s (Exhibit 34). In addition, a lot of population growth comes from low-income immigrants, leading to low average household income. The story is similar in the Bay Area, where housing prices have grown much more rapidly that income (Exhibit 35). However, we note that affordability has long been a question in both the Los Angeles and Bay Area housing markets, but home prices have continued to appreciate. We think this is likely to continue and view them as attractive markets for the financing transaction that we propose. We note that in contrast, affordability in Dallas remains very good (refer to Appendix Exhibit 3) due to lower home prices.



Conclusion

The current broader market correction in single family housing has created a capital dislocation between homebuilders and lenders. While the excess of the boom market, manifest in homebuilders' significant land and inventory positions by historical standards, is absorbed over time, it is reasonable to expect flat to declining home prices nationally. National public homebuilders are recognizing impaired asset values and walking purchase options, all the while seeking to recapitalize existing positions on an asset specific basis. Lenders with significant market specific and builder specific exposure are attempting to reduce loan concentration and are tightening their lending standards. Their borrowers' credit quality has deteriorated and covenant violations are upon them.

Yet as in most correcting markets we find that popular opinion tends to over-generalize, and certain resilient assets become caught up in the frenzy. We believe our proposed transaction addresses the aforementioned needs and recapitalizes mis-priced, high quality assets in an attractive risk-adjusted structure. In doing so we earn double digit returns and positive NPV given a debt-like cost of capital. We have carefully underwritten specific submarkets that do and do not lend themselves to our structure based on supply and demand fundamentals, and provided a downside scenario whereby we are forced to foreclose on the assets and carry a substantial burden for several years. We still manage to earn a nicely positive return that approaches our cost of capital.

In summary, we believe we have derived an efficient way to make a contrarian play in a correcting market based on sound underwriting and rigorous analysis. While market conditions today have created this opportunity, we recognize that our proposed structure is not inherently sustainable over time. Homebuilders will again be flush with capital and lenders will again be comfortable with the housing sector. However, as long as there are boom and bust periods in cyclical industries like homebuilding, there will be opportunities like this to exploit capital markets inefficiency.

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Appendix





Drawn from: PPR, "Land as an Investment Class," Oct. 2006, p. 12. Survey data from mid/late 2005.



| Location | 1Q05 Median Home Price | 1Q05 Interest Rate (Percent) | Required Monthly Payment at 80% Loan to Value | Required Income to Qualify at 25 Percent QR | 2005 HUD Median Family Income | Texas Housing Affordability Index |
|--|---|---------------------------------------|---|--|--|--|
| Abilene | 72,700 | 5.93 | 346.09 | 16,612 | 47,200 | 2.84 |
| Amarillo | 102,600 | 5.93 | 488.42 | 23,444 | 49,850 | 2.13 |
| Arlington | 121,600 | 5.88 | 575.76 | 27,636 | 62,700 | 2.27 |
| Austin | 153,900 | 5.93 | 732.63 | 35,166 | 67,300 | 1.91 |
| Saytown | 129,700 | 5.95 | 618.76 | 29,701 | 61,000 | 2.05 |
| Reaumont Pranoria (Pranoria Col) | 97,800 | 5.95 | 466.58 | 22,396 | 48,850 | 2.18 |
| Grazona (Brazona Co.) | 80,600 | 5.95 | 496.15 | 23,015 | 21,950 | 2.05 |
| Rivan-College Station | 126,000 | 5.03 | 604.10 | 21,095 | 54,000 | 1.86 |
| Tollin Co. | 175,700 | 5.88 | 831.91 | 39,932 | 99,609 | 2.49 |
| Corpus Christi | 116,500 | 5.93 | 554.59 | 26.620 | 47,000 | 1.77 |
| Dallas | 147,700 | 5.88 | 699.34 | 33,568 | 65,100 | 1.94 |
| Denton (Denton Co.) | 153,600 | 5.88 | 727.27 | 34,909 | 74,480 | 2.13 |
| El Paso | 105,400 | 5.93 | 501.75 | 24,084 | 38,250 | 1.59 |
| ort Bend Co. | 153,100 | 5.95 | 730.40 | 35,059 | 79,982 | 2.28 |
| ort Worth | 102,500 | 5.88 | 485.32 | 23,296 | 62,700 | 2.69 |
| Jalveston | 133,800 | 5.95 | 638.32 | 30,639 | 59,800 | 1.95 |
| Jarlang Harlingen | 78,500 | 5.88 | 385.04 | 18 482 | 31,850 | 1.72 |
| louston | 134,800 | 5.05 | 643.09 | 30,868 | 61,000 | 1.08 |
| rving | 116,500 | 5.88 | 551.61 | 26,477 | 65,100 | 2.46 |
| Gilleen | 0 | 5.93 | 0.00 | | 47,500 | - |
| ongview | 92,900 | 5.93 | 442.25 | 21,228 | 47,500 | 2.24 |
| ubbock | 93,700 | 5.93 | 446.06 | 21,411 | 47,150 | 2.20 |
| ufkin (Angelina Co.) | 86,300 | 5.93 | 410.83 | 19,720 | 44,465 | 2.25 |
| AcAllen | 96,000 | 6.21 | 470.87 | 22,602 | 29,800 | 1.32 |
| viontgomery Co. | 147,800 | 5.95 | 705.11 | 33,845 | 68,728 | 2.03 |
| vacoguocnes Nacogdoches (Co.) | 61.900 | 5.03 | 204.67 | 14.144 | 42.156 | 2.08 |
| Northeast Tarrant Co. | 151,500 | 5.88 | 717.33 | 34 432 | 63,178 | 1.83 |
| Odessa-Midland | 76.200 | 5.93 | 373.76 | 17,940 | 48,500 | 2.79 |
| alestine (Anderson Co.) | 75,600 | 5.88 | 357.96 | 17,182 | 44,841 | 2.61 |
| Paris (Lamar Co.) | 91,700 | 5.88 | 434.19 | 20,841 | 41,672 | 2.00 |
| ort Arthur | 78,200 | 5.95 | 373.07 | 17,907 | 61,000 | 3.41 |
| an Angelo | 84,000 | 5.93 | 412.02 | 19,777 | 45,050 | 2.35 |
| an Antonio | 119,100 | 6.21 | 584.18 | 28,041 | 50,500 | 1.80 |
| an Marcos (Hays Co.) | 00.000 | 6.21 | 0.00 | - | 58,646 | - |
| inerman-Denison Temple | 93,600 | 5.88 | 443.18 | 21,2/3 | 51,400 | 2.42 |
| emple | 86,200 | 5.95 | 401.76 | 10 607 | 45 550 | 2.94 |
| vler | 117,100 | 5.93 | 557.45 | 26,758 | 50,950 | 1.90 |
| /ictoria | 95,600 | 5.93 | 468.91 | 22,508 | 53,000 | 2.43 |
| Vaco | 88,400 | 5.93 | 420.82 | 20,200 | 47,350 | 2.34 |
| Vichita Falls | 90,600 | 5.93 | 431.30 | 20,702 | 47,350 | 2.29 |
| exas | 129,100 | 5.93 | 614.58 | 29,500 | 52,900 | 1.79 |
| Inited States | 188,800 | 5.93 | 898.77 | 43,141 | 58,000 | 1.34 |
| Inited States ote: – represents an area urce: Real Estate Center | 188,800 or time period i at Texas A&M U | 5.93 for which we niversity | 898.77 did not have me | 43,141 dian home price | 58,000 data. | 1.34 |

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