

PLAYERS MOVE FULL STEAM AHEAD

Lay odds on some new faces as the industry works toward reinventing itself. New companies emerge on the scene, while some players shut their doors forever, or file for Chapter 11. Expect builders such as **Trumark Homes**, **Surrey Homes**, **Newmark Homes Houston LLC** and **Wade Journey Homes** to forge ahead in this economy. Recent start-ups Trumark Homes and Surrey Homes aim to capture a slice of the market in California and Florida, respectively, amidst severe price declination and mounting distressed sales. Another newly formed builder, Newmark Homes Houston, ventures into a somewhat thriving market that saw its average sales price appreciate 4% to 6% in 2008 to \$262,518. Wade Journey Homes expands further into Charlotte, N.C., as it purchases 400-plus lots from C.P. Morgan Home Inc. that ceased operations in February.

Waning and already defunct homebuilders are selling off properties left, right and center, which can be fruitful for those with opportunistic funds. Veteran companies are not the only ones out there buying up land and lots; up-and-coming builders with execs that have experience and expertise are taking a stab, too. Going forward, it's not just the size of the company, but also its strategy and discipline in operations, that will make all the difference. The new players will come prepared with financial backing from private equity, as well as institutional partners. Don't be surprised if most of them leverage only 50% to 60% of the project's worth. These firms are already nabbing land at steep discounts beyond 50%, so that leaves enough room to generate decent margins starting from 15%. Expect firms to hunt for the best deals in "A" locations in close proximity to employment corridors or a flourishing housing market such as Houston, which experienced only a 1% decrease in jobs last year. As the slowdown persists, it's likely that the power will shift from the big builders to the smaller niche players that can build a loyal contractor and sub-contractor base.

Trumark is under contract to buy 691 lots in eight projects — split roughly 50/50 — in Northern and Southern California. This move comes hot on the heels of its latest 39-lot acquisition in Upland, Calif. Trumark looks into stalled projects all over California and searches for deals using a network of familiar land and real estate brokers. Co-Principal **Michael Maples** remains bullish on the San Francisco Bay area, especially the constrained Silicon Valley. In SoCal, he likes northern San Diego, Los Angeles and Orange counties, and will go as far east as Rancho Cucamonga in Riverside County. Trumark aims to keep price points within the range of government-backed loan programs, starting from under \$400,000 and going as high as \$700,000. Currently in discussions with banks for construction loans, the builder has sufficient backing by institutional investors and equity partners to move forward alone for now. Maples anticipates loans to be under 60% to 65% LTV. He will underwrite projects to an 18% to 20% profit margin when using a loan, which is higher than previous margin expectations of 10% to 12%. In an all-cash deal, the company aims for an unlevered return of 28% to 30%. Maples feels that builders need to hedge against the risk they are taking within such a volatile market. Trumark Homes is a subsidiary of Trumark Companies, which has 20 years of land development experience.

Surrey Homes is in due diligence at **Victoria Landings** in east Orange County, Fla. The builder advances on 62 homes of the remaining 124 lots, with the option of first right of refusal on the balance of homes within a year. Getting control of permits and entitlements from previous owners **Engle Homes/TOUSA** has been challenging, however, President/CEO **Jay Lewis** believes Surrey Homes will move forward and models will break ground in the next 30 days. Perfectly positioned, Victoria Landings is in close proximity to major arteries, the Orlando International Airport and downtown. Homes will be priced to meet the median household of the marketplace from \$179,000 to \$250,000 for 1,700 s.f. to 3,000 s.f. Lewis looks for top locations within the service area and is not at all interested in outlying areas that have an abundance of properties. He keeps an eye out for foreclosure competition in the area when choosing a deal, as they negatively impact transactions and place pricing pressure on the homes.

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Lewis sees public builders papering every opportunity with aggressive pricing and terms, however, deals seem to come back to market. Surrey Homes anticipates a presence in four to five communities this year.

Newmark Homes Houston picks up the majority of TOUSA's Houston assets after TOUSA bought Newmark, back in 1999. The new company already sold 60 new homes, with the exception of 2 models, in its first 60 days of operations in 12 communities at 18 different price points ranging from \$170,000 to \$600,000. Square footage measures from 1,800 s.f. to 5,000-plus s.f., targeting the move-up buyer. President/CEO **Mike Moody** believes the reputation that Newmark has built over the last 26 years allows the firm to capitalize on the situation even during sluggish conditions. Newmark, financed through local banks and equity sources involved in local real estate business, has the support of developers in the communities in which it plans to move forward. Moody projects a steady sales pace for the remainder of 2009 and early 2010, similar to the first half of this year, and a moderate boost in the second half of 2010. Watch for Newmark to pick up 30 homes in **Edgewater** in Webster, Texas, followed by more replacement lots in the future. Look for Newmark to build in 19 MPCs in the Houston Metro area. Chances are TOUSA will close out all Houston homes by the end of this year.

Hoping to get a foot in the door in Charlotte, Wade Journey Homes' President **Wade Journey** is in contract for land parcels, including 351 lots in Charlotte and roughly 52 lots in Greensboro, Winston-Salem and High Point — all of which belonged to C.P. Morgan before it shut down. Journey believes that C.P. Morgan's land holdings are an ideal fit for the company because both builders target first-time buyers. With revenue up from \$27M to \$28M in 2008, the homebuilder takes advantage of current conditions and pays considerably less for lots compared to what C.P. Morgan paid three years ago during peak times. The land will be financed through private equity and Journey is in talks with several prospective investor groups to raise funding. Journey intends to retain partial ownership in the group that purchases the land without risking Journey Homes in the process. Don't expect the builder to venture into the land banking business, as it prefers to focus on new home building and looks to close 30 to 40 homes by year's end, bolstering sales to roughly 300. To help with the transition, Journey hired several C.P. Morgan executives in the Charlotte area on a contract basis. Wade Journey Homes clocked in more sales last year, closing 215 deals in the Triad area compared to 204 in 2007 — a boost of 5% year over year.

CANCELLATIONS BRING SOME HOPE

Could the tide be turning as we approach the latter half of 2009? Cancellation rates are on the decline for several public homebuilders, dropping as much as 50% compared to the previous quarter. **D.R. Horton, Centex Homes, Pulte Homes, M.D.C. Holdings, Meritage Homes, Hovnanian Enterprises** and **Toll Brothers** each experience a drop in cans, but several are still reluctant to call a bottom in the market.

A cancellation rate in the mid-20s isn't too far from the norm, and a few homebuilders are heading back to these levels after several disappointing quarters. Pulte manages to bring its cancellation rate to as low as 21%, after having experienced a can rate of 47% last quarter. However, it came at a heavy price as the builder offloaded a number of spec homes at lower gross margins. Despite the affordability, low interest rates and tax incentives tossed out at hesitant buyers, homebuilders are concerned that the combination of the federal tax credit expiring in November 2009, as well as the depletion of state funds allocated for the \$10,000 California state tax credit for new home buyers, could have a dampening effect on future sales. To add to the mix, rising existing home listings and foreclosures compete with new home sales. Builders hope the government realizes the harmful impact this could bring and will help prevent it by increasing the tax credit amount and extending its term to help buyers and possibly avoid a surge in cancellations.

D.R. Horton's Q2 2009 cancellation rate: 30%

The company's cancellation rate improved from 38% last quarter, perhaps due to the builder's push to move old specs. Offloading old inventory built at a higher price proves productive for D.R. Horton. President/CEO **Don Tomnitz** feels encouraged by the 4,160 sales during Q2, along with improvements to its 30% can rate. Tomnitz believes the company's sales beat the competition as D.R. Horton strives to qualify every potential buyer that passes through their doors. EVP **Stacey Dwyer** recognizes that buyers are aware that they will require an adequate down payment and a good credit score. *Continued on Next Page*

CANCELLATIONS BRING SOME HOPE ...

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D.R. Horton offers a Homebuyers Club for prospects to help clean up their credit so that they can qualify for a mortgage. The program varies, depending on the reasons why the buyer's credit isn't good, and some options can include the builder paying down the prospective buyer's credit card debt. Chances are, with all these dynamics in place, the builder's cancellation rate will continue to adjust downward.

Centex's Q4 2009 cancellation rate: 26%

Centex's cancellation rate drops considerably from 55% in Q3 2009, partly because Chairman and CEO **Tim Eller** runs a tight ship with regards to inventory, keeping levels down to 2.6 houses/neighborhood. This enables Centex to stay closely aligned with the dynamics of local market demand. There is no difference between the can rate of Centex's to-be-built homes and that of standing inventory when looking at the company's closings. It also helps that homebuyers cautiously return to the marketplace during Q4 to take advantage of attractive price points and historically low interest rates. For the first time in 10 years, Centex experiences higher sales volume in April than March, typically the builder's best month.

Pulte Homes' Q1 2009 cancellation rate: 21%

The builder's cancellation rate fell 26% from 47% last quarter and is less than the 28% can rate for the prior year's Q1. Pulte ended 2008 with high levels of spec homes because of weak sales and a high cancellation rate due to the Wall Street crash in October, making it determined to reduce can numbers. Chances are Del Webb's plunge in cancellation rate from approximately 43% last quarter to around 18% is due to the brand's 55+ buyer who typically contributes a larger down payment and is thus less inclined to walk away from a purchase. As a result, Del Webb's cancellation percentages have a propensity to be lower. President and CEO **Richard Dugas** is reluctant to call a housing bottom.

M.D.C. Holdings' Q1 2009 cancellation rate: 23%

M.D.C.'s can rate drops 20% from 43% year over year. Each homebuilding segment noted a decrease in its cancellation rate, most notably the West segment that reduced its can rate from 44% in Q1 2008 to 22% this quarter. The Mountain, East and other segments also experienced a decrease in cancellations in Q1 to 23%, 30% and 20%, respectively, compared to a 44%, 43% and 35% for the same period a year ago. The decline in cancellations outpaced the decline in gross orders, an important step in stabilizing and eventually increasing net sales price.

Meritage Homes' Q1 2009 cancellation rate: 26%

Meritage's cancellation rate is usually in the low to mid-20s and this quarter it's in line with normal historical numbers. The builder's cancellation rate plummets from 56% in Q4 2008 to be consistent with the 27% mark one year ago. The decrease could be due to net orders nearly doubling over Q4, resulting in a positive cash flow of \$139M from operations during Q1. This was the sixth consecutive quarter of positive cash flow. The homebuilder ended the quarter with \$344M of cash, its largest cash balance ever carried, and no outstanding bank debt. Meritage is active in 170 communities in Q1, compared to 215 one year ago, as the builder chooses not to replace communities that have closed out over the last year until attractive lots become available at lower prices.

Hovnanian Enterprises' Q2 2009 cancellation rate: 24%

Hov's can rate drops from 31% compared to last quarter and 29% for the same period a year ago, resulting in the builder's lowest quarterly cancellation rate since Q3 2005. A can rate in the mid-20s is closer to more normalized levels for the builder. President and CEO **Ara Hovnanian** believes the combination of low mortgage rates and steep corrections in home pricing pushes affordability that now brings strong buyers to market. Hov's seasonal sales are up by 25% to 7.5 units.

Toll Brothers' Q2 2009 cancellation rate: 21.7%

The luxury builder's cancellation rate declines 10% from 37.1% in Q1 2009 and 28.4% a year ago. Toll notes an uptick in homebuyers willing to put down a deposit during nine of the last 11 weeks when compared to weekly stats for FY2008. During May, which on a seasonal basis is typically subdued, Toll experienced fewer cancellations than anticipated. Cans total 161 compared to 157 in Q1 and 308 during Q2 2008. While cancellation rates appear to be leveling off, CEO **Robert Toll** is reluctant to call a housing bottom and believes economic woes still prevent buyers who are wary of the recession.

LOOKING FOR THE WINDOW OF OPPORTUNITY

Homebuilders, developers and investors scout for opportunistic transactions in the current downturn. Keep an eye on **Trumark Homes**, which intends to take advantage of the distressed market by acquiring lots and building homes at competitive pricing. Indiana-based real estate developer **Browning Investments** purchases 43 existing home sites to expand its commercial development from an adjacent property, while **Urban Pacific Realty Advisors** looks to invest in half-completed infill condo deals.

The present flood of distressed assets has builders and investors navigating their way through a challenging land market. REOs worth billions of dollars have inundated the industry and companies analyze, optimize and identify prospects for land that will be worth a lot more when the market returns. Those on the hunt for distressed land deals are hitting up banks, as they aggressively auction off troubled assets in the hopes of staying afloat. **Bank of North Georgia** might be a good place to look since it hopes to offload approximately \$100M of real estate, primarily in the form of finished lots and raw land. Watch for new, emerging players to capture these types of bargain deals. Newly formed Trumark Homes worked with **Comerica Bank** on a short sale, where the land was basically free and the seller took a substantial discount on improvements. **Meritage Homes** recently closed a similar transaction, paying \$2.9M for a loan backed by 81 finished lots from **California Bank & Trust** in Chandler, Ariz. The homebuilder paid the cost of improvements and also netted the land for free. To gain control of the lots, Meritage foreclosed on the loan as it was being prepared for sales later this year.

Trumark Homes targets the distressed market, using its own funding and private equity groups. The builder closes its first land deal, just over four acres, in Upland, Calif., where 90% of homes were built before 1989, and are considered old housing stock. Trumark also doesn't have to worry about foreclosures in the area because these old homes will not compete with the newer stock. The nearest new home communities are by **Shea Homes** and **Beazer Homes** near Rancho Cucamonga, about 18 miles away. Beazer offered townhomes and sold about .7/week, even through the horrible Q4 2008 and Q1 2009. Co-Principal **Michael Maples** feels that buyers will find compelling value in Trumark's 39 single-family courtyard homes at **Wyeth Cove**. An added attraction for homeowners is the lack of the *Community Facilities District* (CFD) bond that's floated and attached to a tax rate for developments, hiking the homeowner's tax bill. Wyeth Cove's tax rate will be 1.25% as opposed to 1.5% to 1.8% in the case of a CFD. Maples banks on this to attract buyers. Wyeth Cove targets homeowners already living in the Upland area, as well as first-time and move-down buyers looking for lower maintenance. Trumark plans to break ground in August and have models ready by early 2010. Price points will start in the mid-\$300,000s for 1,700 s.f. to 2400 s.f., a reduction of up to 50% below peak prices of 2005. The homebuilder is able to acquire lots at a cost that will deliver greater returns. Target absorption rate: 3 sales/month.

Browning Investments purchases 43 homesites in Carmel, Ind., covering 17 acres immediately adjacent to its 20 acre-**Meridian & Main Development**. The plan: to develop the combined 37 acres into office and medical buildings, as well as hotels and retail services. A group of homeowners representing **Meridian Heights** approached Browning after the average valuation of their neighborhood progressively decreased over the last nine years. Browning paid a premium to market value, giving the homeowners the opportunity to reinvest and move on — several homeowners had lived at the subdivision for 30 years. A yearlong process, the transaction suffered some financing difficulties along the way due to market conditions. Old National Bank will finance the project. Prior to pursuing a deal, it's standard for Browning to perform an internal analysis to ascertain the future value of a property when bringing it to market. Typically, the firm ventures into bulk distribution facilities and land acquisition and development. The 43-homesite deal was a unique situation and should the right set of circumstances arrive again, VP **James Browning** speculates the company would pursue another residential acquisition. The last residential deal comprised of single-family homes and the **Pete Dye Golf Course** project in southern Indiana back in 1996. Browning Investments has a large presence in Indianapolis and recently acquired land in Florida.

The Urban Pacific Group of Companies (UPG) expands its affiliate Urban Pacific Realty Advisors (UPRA) to include real estate and construction consulting services to lenders, mezzanine providers and investors on the West Coast, a hotbed of distressed assets. Anticipating investment opportunities some 14 months ago, UPRA President **Vlady Sheynin** reaches out to banks and investors with distressed assets to sell at typically 50% of the face value of the original note, sometimes more.

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ACTIVE ADULT GAINS ATTENTION

Look for the active adult market to represent one of the fastest growing segments in the housing industry, estimated to reach more than 75 million by 2020. The baby boomer population living in 55+ communities is on the rise, increasing from 2% in 2001 to 3% by 2007. Firms targeting this niche know they can reap the rewards if they stick it out now. **Windsong Properties, Traditions of America (TOA), Pulte/Del Webb and Taylor Morrison** find a way to reach out to the 55+ crowd, even in the aftermath of the Wall Street crash of October 2008 that dwindled most of the baby boomers' retirement savings.

Today's baby boomer wants more — affordability and the active-adult lifestyle may not be enough to tempt this buyer. Active-adult developers should pay attention to the new consumer base that places a lot of emphasis on room layout and design — in the past, these buyers preferred a one-story home but today 65% to 70% look to purchase a second floor. This group intends to continue to work, whether they have to or not, and a second floor acts as a work/study room. The baby boomer of today doesn't envision playing golf full time for 20 years. Also, boomers now want exact pricing and won't make design selections until they are aware of all final costs. The credit crunch last fall has reduced boomers' equity in their homes along with stock portfolios and now these folks want an account for every dime. This affects all-cash deals greatly, as the majority of purchases in an active-adult community are for cash. In addition, the active adult world has become computer savvy, and companies like TOA leverage the Internet for marketing and advertising strategies. The majority of communication is via email, which wasn't the case a few years ago.

Windsong Properties builds 20 to 60 homes/year, strictly active adult, in northwest metro Atlanta. Managing Partner **Steve Romeyn** believes that before September 2008 retirees were emotional buyers, quick to purchase and happy to spend anywhere from \$15,000 to \$50,000 on upgrades. However, the credit crash changed all that. This demographic suddenly became extremely cautious and hyper analytical. Windsong accommodates this newfound guarded buyer by modifying its business strategy. The builder has merely repriced, cut overheads and eliminated all profits to keep momentum going. It's vital to show a builder is still building during this downturn, which draws the interest of a prospective buyer. Until recently, Windsong experienced 1 sale/month; however, in June, the tide turned and traffic began to increase. **Somerset** in Woodstock nabs 4 sales last month, each contingent on selling an existing home. Romeyn thinks that meeting his client and building a personal relationship is key to producing a sale. He makes it a point to step out of the office environment and talk to prospects. Buyers are concerned and want to know whom they are dealing with and Romeyn feels that Somerset's June sales are a direct result of sitting down with a customer. Somerset's homes have step-free access, wider doorways and contain a bedroom, bathroom and kitchen on the main floor. To date, the build-to-order community has sold 25 of its 58 courtyard homes with price points starting from \$278,000 for 2,200 s.f. to 2,800 s.f.

TOA sees a slight shift in buyers at its four active-adult communities. Eight years ago, the average age of its buyer was closer to 70, but in the last two to three years, TOA experiences an age adjustment as 25% of the clientele is now 60 and below. Director of Operations for eastern and western Pennsylvania, **Nathan Jameson** believes that lifestyle components remain a significant driver in the purchase of an active adult home. Add to that list the desire to live in close proximity to friends and family and the ability to travel without worrying about their home. TOA concierge service includes taking care of animals and watering plants while the homeowner is away, as well as airport pick-ups — all part of the HOA fee.

Current economic conditions have affected sale contracts primarily because of the difficulties in selling an existing home, however the demand is still strong. TOA addresses concerns regarding sales of existing homes by offering *HomeFree*, a concierge program that coordinates all aspects of listing and selling a home. TOA averages 3 sales/month in three communities in Pennsylvania: **TOA @ Liberty Hills** in Cranberry, outside Pittsburgh; **TOA @ Liberty Hill** in Happy Valley and **TOA @ Silver Spring** in Harrisburg. **TOA @ Hanover** in Bethlehem, Pa., averages 6 sales/month. Open since April 2008, Hanover sells 100 of its 241 homes. Price points range from \$250,000 to \$365,000, after a 5% to 8% reduction in pricing due to the slowdown. The two-story homes measure from 1,500 s.f. to just under 3,000 s.f. TOA recently acquired a fifth community in Lancaster, Pa., with plans for 241 homes at **TOA @ Mount Joy**. Price points start from the low \$200,000s.

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Del Webb faces some challenges primarily due to the equity hit that the 55+ buyer took at the end of last year. First quarter sign-ups for the Del Webb brand were just over 3,000 units nationwide, down 44% year over year but up from Q4 2008. Pulte President/CEO **Richard Dugas** believes Del Webb has been a source of strength for the builder and while it's holding its own, it hasn't been outperforming the Pulte side of the business lately. A Del Webb homebuyer can be either a retiree or pre-retiree and each looks for something different in lifestyle, whether it's a large-scale MPC or a smaller, age-restricted country club community. Boomers tend to want to either downsize or same-size in a new home, honing in on features including laundry rooms, Internet access and an extra room for guests or office space. Communities in the Southwest continue to dominate the active-adult market. **Sun City Shadow Hills** in Indio, Calif., was the top-selling single-family detached community in California in 2008.

While not actually building active-adult communities, Taylor Morrison notes that 60% of its traffic could be considered "age qualified" and roughly 50% of its sales at **Surprise Odyssey** in Surprise, Ariz., came from the 55+ bracket. This buyer is searching for a single-story home but without necessarily being a part of an age-restricted lifestyle community with HOA fees. VP of Sales and Marketing **Pierrette Tierney** recognizes that because this buyer remains concerned about dwindling retirement accounts, he/she looks for the highest value. Taylor Morrison notches up 9 sales in the last three months, averaging 3 sales/month. All homes are single-story with base price points ranging from \$199,000 to \$235,000 for 1,798 s.f. to 2,615 s.f. Don't be surprised to see Taylor Morrison venture into the active-adult demographic in the future. Tierney feels that the active-adult experience of its management team will help the team with this niche in the Phoenix MSA.

MORE BUILDERS FEEL THE PINCH

The waning housing market claims more homebuilders as **McStain Neighborhoods** that specializes in green, sustainable projects and North Carolina-based developer **Crescent Resources LLC** file Chapter 11 bankruptcy protection, while **Mayer Homes** in St. Louis, Mo., prepares to close its doors for good.

Companies that have been in business for 40 years or more succumb to the challenges facing the homebuilding industry. Deliveries/closings dropped 63% from 352,000 units in Q2 2006 to 130,000 units in 2008 while net orders, which equaled deliveries in early 2006, have plummeted to a mere 96,000 units. Chances are the delivery decline wasn't as bad because builders were willing to heavily discount price points, so either way builders have had to make do with weaker results. Add to the mess the fact that foreclosures are projected to peak in 2010 at around 2.9 million defaults. Big builders and small players seem to be falling like a deck of cards. Even **John Laing Homes** wasn't protected. Originally filing for bankruptcy in Delaware in February, the big builder now seeks total liquidation as revenues plunge some 40% to \$982M representing a 51% drop in closings. Not even new owner Emaar Properties, which purchased the company for \$1.05B back in 2006, could save John Laing. In December, Emaar stopped funding operations.

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LOOKING FOR THE WINDOW OF OPPORTUNITY

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Urban Pacific EVP **Kerry Choppin** acts as liaison providing advice regarding strategic repositioning of property that includes entitlements services, which can be challenging when a sale has stalled due to time restrictions of tract maps. Choppin's knowledge helps firms jump through hoops to extend the life of the maps and close the deal. Choppin assesses deals for **DFI Funding** in Emeryville, Calif. UPRA is on the verge of closing two distressed condo deals, one of which is in Los Angeles. Look for the firm to step into broken condo deals that have seen their market drop 30% to 35%, and on occasion more than 50%. UPRA works with local and regional banks whose lending practices were very aggressive, at times lending at 90% LTV. Additionally, smaller banks are less prepared to deal with distressed properties. Founder/CEO of UPG **Scott Choppin** feels big banks have yet to start the true REO process, and when they do, they lean towards appointing from within or hiring larger companies such as CB Richard Ellis. On a pure advisory level, the company is a fee-based provider of receivership and advisory services with the client taking all risk. However, UPRA does have a small circle of high net worth investors looking to invest on the West Coast.

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MORE BUILDERS FEEL THE PINCH

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McStain Neighborhoods filed Chapter 11, listing more than \$47M in assets and more than \$44M in liabilities at the end of last year. Employee-owned and one of Colorado's first green builders, it plans to continue selling all finished homes and complete those under construction while under court protection. Originally architects, the husband and wife team of **Tom Hoyt** and **Caroline Hoyt** got into the homebuilding game with their friend **David Stainton** when they purchased the small custom building, **Horizon Building Company** in Boulder 45 years ago. They expanded the firm into a designer/developer of MPCs, including **Indian Peaks** in Lafayette, Colo., and **Meadow View** in Longmont, Colo., making their way into the sustainable, energy-efficiency market. McStain built 8,000-plus homes in Colorado.

Crescent Resources filed Chapter 11, listing \$1.4B in assets and liabilities in Austin, Texas. Founded in 1969 as a JV by Duke Energy and Morgan Stanley Real Estate Funds, the company specialized in mixed-use developments such as the luxury waterfront community, **The Sanctuary on Lake Wylie**. Crescent Resources' strategy is to reduce debt and improve its capital structure. The company has received \$110M in debtor-in-possession funds from several existing lenders in order to continue with operations. Newly appointed chief restructuring officer **Andrew Hede** will serve as CEO. Before filing for Chapter 11, Crescent Resources faced costs of \$50M by year's end, \$75M in 2010 and \$100M by 2011.

Struggling since 2007 and one of St. Louis' largest homebuilders, Mayer Homes will close its doors after more than 30 years in the business. Family owned and operated, CEO **Randy Mayer** began the company in 1975 with his father. Rather than file for Chapter 11, Mayer plans to finish up homes under construction and close up business completely. The company's banks, including **Bank of America**, works with Mayer to build and sell its remaining 90 to 100 spec homes. Based on existing housing fundamentals, Mayer projects a housing recovery around 2011, and is unable to hang in there to see it. Mayer Homes will be the third major homebuilder in the area to close in the last two years, following **Bower & Bailey** that closed March last year and **Taylor-Morley Homes** in May 2008. The company built roughly 8,500 homes in Missouri and Illinois.

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