

## GAVEL DOWN: SALES UP

Home builders and developers turn to auction services to sell homes in sluggish markets. **The InVision Group** and **Wood Partners LLC** look to **Accelerated Marketing Partners (AMP)**, a strategic marketing and consulting firm that conducts high-end real estate auctions. **Lennar Corp.** and other builders use online auction services at **RealtyBid.com** to unload standing inventory. Auctions prove to be a fast and efficient way to unite a buyer and seller. AMP sold 26 condos in a 90-minute auction to bring in around \$10M for Wood Partners.

If traditional methods don't work, try another way. Going the auction route may mean a slightly lower purchase price, but most often it means a sale. Some builders' auction success even allows them to increase price on upcoming units because the project becomes a hot ticket. Auctions help builders and developers expedite the sales process while remaining in control of how and when to sell a home. Unsold homes still need a push even though housing prices take a major dip. Builders and developers exercise all means to offload their standing inventory prior to beginning any new construction. Time, value and costs of carrying per month guide a builder in its decision to sell via auction houses or online. San Diego, Oakland, Los Angeles, Miami, Atlanta, Arizona and Nevada remain problem markets for some auction houses while Virginia, Northern Florida and California's San Francisco Bay Area perform relatively well.

InVision Group Partner **Greg Wohl** decides to take the auction route because of a sluggish condo market in which fewer than half of his 147 units at **Tribute Lofts** in Atlanta had sold within the last year. An auction sold 27 units in last month. Wohl is pleased with the outcome because he believes selling that many condos will stabilize the development and allow InVision to pay off Tribute's construction loan. Minimum bids for the one-bedroom units with a den and two-bedroom units ranged from \$110K to \$198K. The lowest priced sale — a one-bedroom unit at 795 s.f. — was \$132K. The most expensive sale came in at \$263K for a 1,306-s.f. two-bedroom condo that was originally listed for \$379K, a 30.77% discount.

Wood Partners Director **Charles Barrus** believes real estate auctions help establish current market price to the tune of 53 total condo units sold at two separate projects in the spring, followed by more sales during the past three months. The 306-unit **Solaire at the Plaza** in Orlando sold 26 of 30 units on auction in March and experienced an average sale of 1.6 units a week since then. Barrus feels that under traditional sales techniques that sales pace could have taken years. The 258-unit **Esplanade at Town Center** sold 27 units in an April auction and averaged 1.87 units/week in May and June. Solaire condos — target young, singles and couples without kids — average \$249/s.f. or \$199.2K for a one-bedroom, 800-s.f. unit and \$313.7 for a 1,260-s.f. two-bedroom unit. Esplanade prices average \$148/s.f. or about \$125.8K for an 850-s.f. one-bedroom unit and a 1,150-s.f., two-bedroom unit sold for \$170.2K. Barrus thinks the sales at the two projects were a win-win — buyers got a great deal and Wood Partners shifted remaining inventory quickly. Wood Partners was referred to AMP by equity partner Real Estate Capital LLC.

AMP Founder and CEO **Jon Gollinger** feels housing projects mired because of marketplace saturation. The Boston-based company expects to hold more than 40 auctions by year's end and anticipates 80 auctions in 2009, thanks to referrals from such entities as builders, developers, equity partners, lenders and others as well from advertising. Gollinger believes his clients recognize the need to walk away from stalled ventures in order to sell and preserve capital. The company markets each property for approximately 3.5 weeks — comparable to a year's worth of advertising — also qualifying prospective buyers in advance. Commission is based on gross sales. Gollinger sold more than 500 units worth \$250M in 2007, performing auctions on the East and West coasts. The company has completed 25 sales since January in California, Boston, New York, Washington, D.C., Atlanta and Florida. AMP specializes in attracting extensive buyer participation.

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Lennar enlists an auction to sell 12 homes in three days in the Phoenix area in April. The three-day online auction with RealtyBid sold 75% of the remaining 16 homes at **Laureates at Cibola Vista**, Peoria, a suburb of Phoenix. The single-family homes sold for 75% to 80% of their listing price, averaging \$488K for units ranging from 3,500 s.f. to 5,000 s.f. on half-acre lots. The remaining four homes sold within two weeks to non-winning bidders. This auction follows an online auction at the end of 2007 at **Laureates Savannah in Litchfield Park** MPC in Phoenix which sold 17 homes at the average sales price of \$443K, 76% of the list price. SVP of Sales and Marketing **Mike Dowell** believes an online auction creates excitement and enthusiasm while allowing a buyer to remain anonymous and maintain a feeling of empowerment. Lennar has sold 550 homes in the Phoenix area since January 2008.

RealtyBid sold 1,752 homes since January 2008 and 2,931 homes in 2007 by online auction representing four major home builders including **David Weekley Homes** and Lennar. The company notices an upward trend in new homes sales. Business began to pick up toward the end of 2007 when builders realized the downturn was going to last. RealtyBid and the home builder take a joint approach to advertising an auction using banner ads and E-Blasts while the builder advertises locally and nationally via its marketing department. The auction house charges a 2% Internet transaction fee to the buyer of a property. RealtyBid is currently in talks with numerous home builders about auctions in August and September.

## THE RIGHT STUFF

**Quadrant Homes, Shea Homes, Holiday Builders** and **Beazer Homes** benefit from the economic stability of locales near vital military installations in Tacoma/Seattle, San Diego, Columbia, S.C., and Las Vegas. These bases experience growth and count on permanence as they absorb the functions and personnel of recently closed facilities nearby and in other states. Builders offer product geared to entry-level and move-up home buyers that provide needed off-base housing for career service men and women and their families as well as civilian employees working on military posts. What helps sales? Pricing, promotional events and use of VA, FHA and builders' in-house mortgage subsidiaries.

Regional and county economies in communities with military bases see 30% or more of their revenues being generated by military-related personnel and functions. Builders with nearby projects like the stability and revenues associated with these bases. They find that good communication between their marketing staff and military personnel is key to relaying information about loan and down payment programs specifically tailored to active duty and retired personnel. Home builders' knowledge of base deployment cycles helps prepare sales personnel to work with service and officer ranks at opportune times. U.S. military installations at Fort Lewis in Washington, Miramar in California, Fort Jackson in South Carolina and Nellis AFB in Nevada and elsewhere take on new components and responsibilities because of streamlining of forces in the 1990s. This created additional housing demands and opportunities in communities surrounding them. Builders take advantage of the demand.

Quadrant brings in sales at three communities in the Pacific Northwest. Phase IV of **Hoffman Hill** in the 3,000-acre **Northwest Landing** MPC in South Pierce County between Tacoma and Olympia, Wash., sold 31 of 111 lots in the past three months, averaging about 2.6 homes/week; 90 total sales were made since January. Hoffman community homes span 1,263 s.f. to 3,851 s.f. and start at \$240.9K. Retired military personnel from Fort Lewis and McChord AFB were among the first home buyers in 14-year-old Northwest Landing. The MPC expects 12,000 residents on 1,000 acres at buildout. Currently, 2,306 single-family homes and 577 condos have been sold. Quadrant EVP **Mark Gray** sees it as a positive for a home builder to be in a community with a sizable military presence because of the economic stability. He feels that Quadrant enjoys good, long-term relationships with neighbor military bases in the Puget Sound area and hopes to continue these ties. Gray believes that connecting with military base administrators regarding deployment schedules, number of soldiers and their ranking is critical to the builder for planning affordable housing. Marketing staff remains in contact with assigned officers on base who provide information. The smart growth, mixed-use community is near the town of DuPont and on land sold to Quadrant's parent company **Weyerhaeuser Co.**

Quadrant builds two new communities in Kitsap County: **Ridge at McCormick Woods** MPC and **Stendahl Ridge**. The builder sells homes to 50 families so far this year in the Ridge community, which consists of 438 home sites. Stendahl Ridge contains 185 home sites. The communities broke ground in 2006 and are close to Bremerton and Naval Shipyards as well as shopping at Gig Harbor. A move-in offer of a \$500 down payment and an "Easy-Buy" program includes \$8K for closing costs.

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**THE RIGHT STUFF...***Continued From Page 2*

Shea Homes constructs six communities in locations close to naval air stations and Marine Corps facilities in San Diego County, including Naval Base Coronado (NBC) as well as Miramar and Camp Pendleton. Sales and Marketing VP **Vanessa Linn** believes the builder's Down Payment Assistance Program and VA loans make it possible for buyers to purchase homes at Shea's condo communities. **Cypress Greens** at **Carmel Mountain Ranch** sold five homes last month and **Mandolin** at **Del Sur** found buyers for four homes at the high \$400K community. The communities are within commuting distance from Camp Pendleton in North San Diego County. Cypress condos measure between 1,082 s.f. and 1,414 s.f. and start in the high \$300Ks. Mandolin's motor-court oriented layout offers units of 1,643 s.f. to 2,333 s.f. Mandolin plans 55 homes at buildout.

Shea communities of **Agave** and **Clover** at **Windingwalk** MPC and **Mosaic** and **Tapestry** at Lomas Verdes are located in Chula Vista, in South San Diego County and a convenient distance from Miramar and NBC. Homes for more than three dozen families are now in escrow in Windingwalk, Mosaic and Tapestry. Half of sales at these communities utilize VA or FHA and Nehemiah program financing that require no out-of-pocket financing, with VA providing 100% financing and FHA requiring as little as 3%. Shea Homes contributes 3% for buyers who arrange financing through the Nehemiah program and Shea Mortgage. The community of Agave consists of row-home condos that start in the low \$300Ks for between 1,464 s.f. and 1,581 s.f. Pricing for Clover residences begins in the mid-\$300Ks for homes between 1,579 s.f. and 1,891 s.f. Condos at Mosaic's motor-court oriented community start in the low \$300Ks for 1,175-s.f. to 1,605-s.f. homes. Tapestry detached homes are priced in the low \$400Ks and measure between 1,822 s.f. and 2,253 s.f.

Linn believes that the entry-level homes found at Windingwalk and at Mosaic are ideal for first-time buyers and expects that about one-third of purchasers in Windingwalk and Lomas Verdes neighborhoods will be active or retired military. Shea markets to military buyers through base newspapers and fliers in the housing offices. In addition to loan assistance through the VA and FHA, military personnel purchasing a Shea home between now and the end of the month will receive an additional perk through the builder's "5-Star Celebration" promotional events: a choice of a spa vacation, golf vacation cruise or home theater package.

Holiday Builders prepares to open **Chandler Hall** in the Columbia area for sales next month. The development is located south of Fort Jackson. Holiday VP of Marketing **Rolando Ramos** feels confident about the builder's entrée into the Columbia market and targeting homes to first-time buyers among military personnel. The Columbia market offers the advantages both of population growth and relatively stable home prices. Ramos believes the product the company constructs in Texas, with its curb appeal and architectural style, will do well in South Carolina. Fort Jackson's economic impact on the surrounding area clocks in at \$1.2B/year. The base trains one quarter of all men and women entering the service each year and serves as the professional development site for soldiers as well as the site for the Army Chaplain School and the Department of Defense Polygraph Institute. Some 15,000 military personnel and 4,000 civilian employees operate the base at any given time. Chandler Hall will be 40 miles west of Shaw AFB 40, the site of 5,400 active duty members and 600 civilian workers.

The 93-lot Chandler Hall sits within two miles of one Fort Jackson gate. Homes will be offered in six floor plans measuring between 1,472 s.f. and 2,485 s.f. and priced between \$129,900 and \$168,900. Expect two model homes to open at the beginning of August. Four additional spec homes are being constructed to serve as field homes. Holiday Builders promotes its "Hometown Heroes" program, offering a \$1K discount to military personnel who purchase a new Holiday home at Chandler Hall or any other Holiday Builders communities. New Home Consultant **Troy Fickling** meets with military housing liaisons at Fort Jackson, Shaw AFB and Fort Sumter — 25 minutes away — to share information about home buying opportunities and discounts at Chandler Hall.

Beazer situates several communities in the North Las Vegas area close to Nellis AFB, including **Centennial Mesa** and **Prima Bella**. The builder currently considers developing **Dover Place**, which would consist of a quartet product with attached garage, intended as affordable for soldier salaries. The townhomes would have E-smart features and be located 10 min from Nellis AFB. New Home Information Manager **Erika Serrano** believes the proposal for the development garners considerable interest among officers who regard buying in the community as a good investment; those who need housing within a short reach from the base find it attractive. Expect the builder to make a decision shortly on whether to proceed with Dover Place.

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## PRICES HEAD UP

**Core Development Services, Signature Homes of Hawaii and Western Skies (WS)** deliver condo projects in locales that buck the tide of declining value. Nashville and Maui, Hawaii, condo sales prices exceed single-family home prices. The Music City sees the median price of condos increase 19% from June of last year to June 2008, while The Valley Isle sees an increase of 15% from Q1 2007 to Q1 2008.

Nashville plays catch up with peer cities like Charlotte, N.C., and Indianapolis in permitting condo development in the CBD as for-sale housing for downtown workers. Only one out of 19 downtown Nashville workers lives in the core; in Charlotte, one out of seven lives near work. Nashville officials and real estate developers work toward change, which commuters conscious of escalating gas prices will appreciate. Ground-up and conversion projects respond to demand by creating condo and loft units in hip or historic locations such as The Gulch and Germantown, where sales prices inch up and opportunities expand. Maui locales such as Kihei see strong traffic but weaker buyer commitment. Construction slows and sales of new condos compete with existing single-family homes. Detached condo development **Hokulani Golf Villas** benefits from presales and charms buyers with its location on the back nine of a golf course and a layout offering privacy not often found in condo living.

Core Development's Nashville projects of **Art Avenue Lofts, The Lofts at Werthan Mills and The Glen** will add 190 condo/loft units to the CBD area when complete. Art Avenue Lofts sold 29 of its 32 units. The project broke ground in 2006 creating one-, two- and three-bedroom residences measuring between 650 s.f. and 2,000 s.f. with 15-ft. to 19-ft. ceilings, refinished original hardwoods and open floor plans in a mid-rise topped with a roof terrace. Prices range between \$134.5K and \$750K. Core Development moves on Phase IV of the redevelopment of Werthan Mills burlap bag mill in Germantown by converting the bag factory warehouse building into 120 lofts. About 95% of the conversion is complete; 75 of the lofts are closed and another 30 are under contract. Tax increment financing calls for 20% of the lofts to be sold to those with incomes of \$34.5K or lower. Market-rate prices for one-bedroom units start at \$169K and two-bedroom units start at \$199K.

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## PRICES HEAD UP...

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Core Development counts on completion of four-story The Glen by November. Financing required 40% presales before construction started. Thirty-five of the 38 units are sold. Prices for the one- to three-bedroom units range from \$174K to the mid-\$300Ks. A two-bedroom penthouse unit of approximately 2,400 s.f. sells for \$699K. Expect 2,500 to 3,500 condo units in Nashville's pipeline over the next five years. **Village Real Estate** President **Mark Deutschmann** assists in the sale of Core Development lofts. He sees Nashville as having a stable economy due to diverse employment generators like government, health care, music and the publishing industries and a downtown work force interested in downtown living. In addition to office workers, empty nesters and those wanting a second home due to frequent travel to Nashville for music-related business snatch up Core Development's condos.

Signature Homes of Hawaii witnesses 40 closings since January for residences at the 152-unit detached **Hokulani Golf Villas**, averaging eight sales a month. Presales that began two years ago moved slowly while the builder put in infrastructure. Signature Homes President **Rick Denman** expects sales of the \$1.3M-plus condos to pick up now that roads, pipelines and pool are in place and a pavilion and recreation center are scheduled for August completion. Denman notes that a nearby south Maui condo project sold out in 1.5 years. The project is the only golf community in the immediate vicinity. Buyers can choose from six floor plans spanning 1,800 s.f. to 2,800 s.f. that include master suites on the main floor in some layouts. Half of Hokulani Golf Villas buyers are Maui locals; the rest are visitors, including Canadians able to benefit from a favorable exchange rate. Denman believes the island population of permanent residents will be increasing while land available for development will become more limited. He expects a stronger market to develop and actively scouts parcels and zoning approvals for new projects.

WS proceeds with construction of **Kai Makani**, a 112-unit condo development in the North Kihea area, to keep up with demand. Buyers will be able to choose from five floor plans for the two- and three-bedroom units that measure between 811 s.f. and 1,238 s.f. All will have large lanais. Twenty-two buildings will house the condos in four-plex and six-plex configurations. Prices for the 43 units earmarked as affordable range between \$198.5K and \$373.7K. Market-rate units are priced between \$479K and \$800K.

## INSULT TO INJURY

Home builders' worries mount. It seems to only get worse with **Fannie Mae's** and **Freddie Mac's** viability called into question and **IndyMac** makes waves with its closure, especially since the bank loans to home builders. **Hovnanian Enterprises Inc.**, **Lennar Corp.** and all builders watch the shaky mortgage industry put further drag on their ability to sell homes. **National Association of Home Builders (NAHB)** calls Freddie and Fannie the bulwark to the nation's housing finance and badmouthing of the two inflames fear. **Fitch Ratings** sees the mortgage markets challenged. Until the mortgage markets heal, can builders recover?

Builders know there's a tremendous amount riding on buyers' ability to qualify for loans and get credit. Fannie and Freddie are the nation's two largest mortgage finance companies. The two government sponsored entities (GSEs) purchase about 60% of all home loans originated in the U.S. The GSEs hold more than \$5T of mortgage debt owned or guaranteed. Will they default on debt? Industry watchers believe it's not a crisis situation. Treasury Secretary Henry Paulson Jr. believes they are adequately capitalized. Freddie and Fannie lost about \$11B in the last few months, being hit hard by foreclosures. Progress seemed underway in the mortgage arena with the approval of Fannie's and Freddie's higher conforming loan limits range — \$417K to \$730K. Then a setback: Its name — IndyMac. The credit crisis put Freddie, Fannie and Indy in the same boat when borrowers left the entities in the lurch since they couldn't pay. Consumer confidence takes another hit. If buyers were sitting on the fence before — now they may be glued to the fence.

Fannie Mae President and CEO **Daniel Mudd** knows the risks involved during a credit crisis. He believes too many hits and Fannie will go into a defensive crouch instead of putting capital to work to help keep the market stable, liquid and affordable.

Freddie Mac CEO **Richard Syron** takes an outspoken stance on the housing market, having called it the worst in a century. More than half of Freddie's mortgage purchases support housing for low- to moderate-income families. About 66 central banks of other nations invest in the U.S. housing market through Freddie Mac securities.

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## BLUEPRINT

<b>Company:</b>	Streetman Homes	<b>Markets:</b>	Central Texas
<b>Overview:</b>	The 15-year-old company specializes in luxury homes ranging from the low \$200Ks to more than \$700K. Streetman keeps its finger on the pulse of green building. The private builder has put up more than 22,000 homes. The builder is not a stranger to commercial construction either.		
<b>Executives:</b>	President and CEO <b>James (Randy) Streetman</b> , Director of Sales & Marketing <b>Ryan Jackson</b> , Marketing Manager <b>Natalie Bowers</b> .		
<b>Project:</b>	1,300-home <b>West Cypress Hills</b> MPC, Texas Hill Country, Central Texas, north west of Austin; covers 1,100 acres. This is the first full year for the builder in this community. Streetman's 17 floor plans range from 2,000 s.f to 4,500 s.f for \$230K to \$450K. Competition includes <b>Plantation Homes</b> with sales prices from \$230Ks.		
<b>What's Working and Why:</b>	Three-fold: a majority of the home sites back up to a green belt, Lake Travis School District's reputation and price points of \$230K fuel sales. Austin's economy is extremely healthy thanks to a high rate of job growth and the lowest unemployment rate in the country. "Silicon Hills" — Austin's tech sector — offers a median home price of around \$200K. The builder draws on the strength of Austin's "greenness" with urban parks, wilderness preserves and energy conservation programs.		
<b>Sales:</b>	Sales average two homes/month since beginning construction July 2007 on the 58-home project. One sold in June. Jackson anticipates closing 15 at West Cypress in 2008 and 130 homes overall.		

### INSULT TO INJURY...

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IndyMac became a significant lender to home builders, especially in California. At the end of Q1, more than 50% of its \$1B-plus loans were outstanding loans to home builders. The bank — started by Countrywide — was known for specializing in Alt-A loans a.k.a. "liar loans" with very little income documentation. Now Countrywide is owned by Bank of America. IndyMac broke away from Countrywide in late 1990s.

Hovnanian President **Ara Hovnanian** places hope in the Federal Reserve and Freddie and Fannie's ability to lift consumer confidence. He stops short of pinning all hopes on the Feds, believing that even with this year's stimulus package, 2008 will remain difficult.

Lennar likes the idea of higher conforming loan limits by Freddie and Fannie. President **Stuart Miller** sees this type of change a starting point. Many of the company's homes close through conforming loans.

NAHB EVP and CEO **Jerry Howard** believes now is the time to focus on passing meaningful housing legislation. He points to Fannie and Freddie playing a central role in the housing system. President **Sandy Dunn** looks to the Treasury and Federal Reserve to put an end to this reckless financial panic by bolstering consumer confidence in Fannie and Freddie.

Fitch Managing Director **Bob Curran** feels the heart of the mortgage market today is the conventional conforming market. GSEs guaranteed about 80% of all newly originated conventional conforming mortgage debt in Q1 2008, up from only 39% two years ago. Curran keeps watch over 13 public home builders such as **Beazer Homes**, **NVR Inc.**, **Pulte Homes**, **KB Homes**, **Toll Brothers** and more.

## MOVES: ON, UP, IN

The people game keeps rolling with adjustments made at **William Lyon Homes** and **John Laing Homes** as some executives move up and move in while things remain quiet at **M.D.C. Holdings/Richmond American** — for now.

Home building industry's staff longevity at the executive level held fairly constant in the past. Many remain at the helm for 10 to 30 years or more. Sure there was shuffling from time to time. In today's market conditions builders and developers look for the necessary personnel changes to keep their company afloat whether the company is regional, national, public or private. Some top execs leave for personal reason, simply ready to hang up the hat. Decision makers can make or break a firm and each company counts on its executives to navigate through the turbulent times — and good times.

William Lyon Homes places **Tom Mitchell** as the company's EVP of business development and operations after a 20-year tenure with the builder. For the past two years Mitchell served as regional president supervising Southern California's daily operations. Mitchell plans to maximize strategic options to meet challenges and expand business opportunities. Watch for future growth in Northern and Southern California. Mitchell's extensive experience in land acquisition and finance will come in handy. He held prior positions at Pacific Savings Bank and The Irvine Company.

John Laing Homes new CEO **Robert Booth** doesn't seem fazed by wearing two hats. He also serves as Managing Director of **Emaar Properties**, the United Arab Emirates company that purchased Laing in June 2006 for \$1.050B cash. Booth replaces **Larry Webb**, who served as CEO for approximately 13 years. Booth, who has been with Emaar since 2001, splits his time between the Middle East, United Arab Emirates, North Africa, Vancouver and North America. He has more than 15 years experience developing large-scale, master-planned real estate projects. He was an integral part of John Laing's expansion into Phoenix and Texas in 2007, taking the company beyond its California and Colorado footprint.

M.D.C. Holdings awaits a changing of the guard for its CFO position. **Gary Reece** still holds the title and may be hard to replace after his 20 years with the national builder. He was scheduled to transition to consultant as of June 30. Stay tuned for an official announcement from the builder.

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