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## California Market Watch, January 19, 2009

# Assessments Influence Project Performance

New home builders slashed prices dramatically over the last year, down about 10% to 25% throughout the Southland. In areas that incur a significant assessment, whether through the use of mello roos or community facility districts (CFDs), these lower prices result in a considerably higher total tax rate (as a percentage of home price). In the peak period builders pushed to a 2% tax rate in some areas based on the original home price, however, with current reduced prices this rate can now be up to 3% or 4% of the revised home price. Some builders have been forced to pay off the balance of these bonds in order to move through standing inventory. In a single-family development in Oceanside, the payoff for one home amounted to over \$145,000. This is a substantial incentive and selling point considering the home was priced in the high \$500,000s.

We looked at four counties in Southern California to analyze how assessments influence a project's performance and pricing.

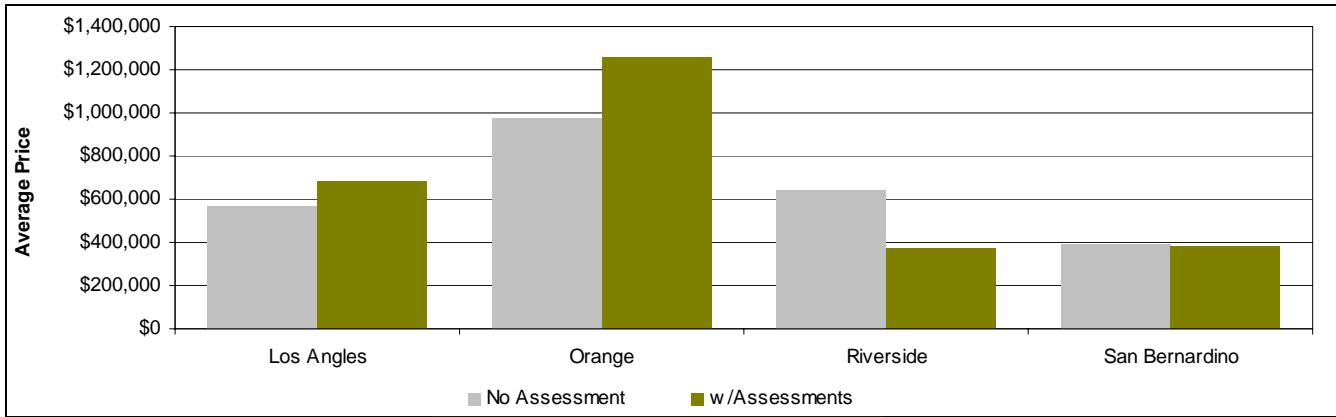
- **Inland areas record lower price points in communities with higher assessment.** In general, Riverside and San Bernardino Counties record a lower price for those communities with higher monthly fees. Riverside County recorded a 41% discount for the average value of homes in projects that incur these fees versus those that do not. This county also recorded the highest portion of projects with assessments at more than 80% of the communities. Coastal counties recorded the opposite pricing phenomenon, with lower price points for projects sans assessments. However, it is important to consider that most projects in these areas with assessments are located in masterplan communities that tend to offer more desirable areas, which would naturally incur a higher price point.
- **Projects without tax rates outperformed those with higher assessments.** The disparity in sales rates between projects incurring a tax rate and those that are assessed only the base tax rate is highest in Los Angeles County. In Los Angeles, infill projects closer to employment generally do not garner higher taxes since infrastructure is already in place. The more suburban outlying areas of the county such as the Antelope and Santa Clarita Valleys, however, realize higher assessments and are the areas that have seen a tremendous decline in sales as buyers are more sensitive to rising gasoline costs. In the Inland Empire and Orange counties, projects without higher CFDs or mello roos show a slight advantage in sales velocity.

## Assessments by County: Southern California

|                               | Los Angeles |           | Orange    |             | Riverside |           | San Bernardino |           |
|-------------------------------|-------------|-----------|-----------|-------------|-----------|-----------|----------------|-----------|
|                               | No          | Yes       | No        | Yes         | No        | Yes       | No             | Yes       |
| <b>Assessments</b>            | No          | Yes       | No        | Yes         | No        | Yes       | No             | Yes       |
| <b># Projects</b>             | 48          | 24        | 22        | 31          | 59        | 241       | 60             | 75        |
| <b>Avg. Annual Assessment</b> | \$0         | \$2,023   | \$0       | \$6,918     | \$0       | \$2,248   | \$0            | \$1,900   |
| <b>Avg. Price</b>             | \$569,729   | \$687,284 | \$972,752 | \$1,255,121 | \$638,937 | \$376,893 | \$393,274      | \$385,295 |
| <b>Sales Rate</b>             | 2.44        | 1.75      | 1.59      | 1.52        | 2.40      | 2.25      | 2.21           | 1.99      |

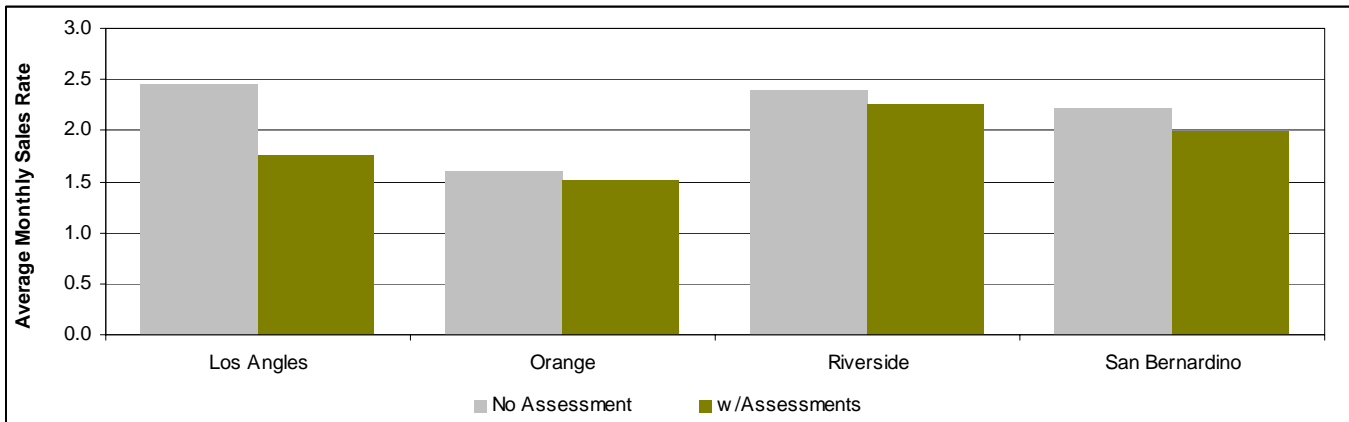
SOURCE: HWMI

## Assessments: Southern California Counties by Price



SOURCE: HWMI

### Assessments: Southern California Counties by Sales Rate



SOURCE: HWMI

### About Meyers Builder Advisors

[Meyers Builder Advisors](#) brings together a talented pool of consultants with a strong understanding of the homebuilding industry and the market dynamics that drive it. Combined, the team boasts over 100 years of market experience, with a wide range of services including site specific analysis, product development, strategic planning and land acquisition services. The group has advised on a wide range of residential product types throughout the United States and has successfully assisted a long list of builders, developers, and financial institutions.

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