



California Market Watch, February 4, 2010

Southern California All Stars of 2009

Despite the dramatic decline in December's new home sales on a national level, there are still bright spots in Southern California's new home market. There were 90 new attached and detached community openings in the five county Southern California region (Ventura, Los Angeles, San Bernardino, Riverside, Orange and San Diego counties) that opened in 2009. About one-fourth of these projects achieved sales rates above five units per week through the end of November. These communities run the gamut from urban infill attached homes to value driven detached homes outside the urban core. Despite their differences, there are common themes that run through these top selling communities.

The table below highlights the most successful product openings in 2009. While the styles and target markets differ dramatically, these communities each capture the interest of the target market:

- *Modern is Cool...if it's affordable:* Westend, Soho Square and T-Lofts had combined sales of 227 units, all in the latter half of 2009. Targeting young hipsters, these communities have demonstrated that the sweet spot in the West Los Angeles market is in the \$400,000 to \$500,000 price range or approximately \$400 per square foot. The best selling community (based on total units sold) was Westend by KOR Realty Group. KOR Group and CityView purchased the nearly completed project from G2 in the spring of 2009. KOR repositioned the community with units starting in the low \$300,000s. While these three communities have all opened with the pressure of value engineering, the finish levels are still modern with a high-end look and feel. The studio model specifically targets the hip single female, with bold design cues that are often shunned in tougher market conditions for the generic appeal of neutral décor.
- *Value...isn't always limited to price:* While the vast majority of communities on the best selling list generally have prices below \$500,000 there are two notable exceptions. Manzanita Trail at Pacific Highlands Ranch (San Diego) and Tremont in Fountain Valley are both at the top of the detached sales list despite pricing above \$750,000. Both are in good school districts, attract family buyers and have limited competition. The value for these communities is tied to their location rather than strictly price.

Tremont (KB Home) in particular has capitalized on the lack of new home supply in the largely built-out Fountain Valley. The large homes are attractive to the multi-generational Asian population in the area. Despite a location near the freeway and pricing near \$1,000,000, the homes have been wildly successful in attracting local buyers looking for a larger home.

Manzanita Trail (Pardee Homes) offers a highly desirable location with abundant amenities (walking/biking trails, recreation center, etc.) all within close proximity of employment, award winning schools and beaches. Homes from 2,357 to 3,218 square feet appeal to a large cross section of the San Diego market.

- *Value...is price driven in competitive markets:* The Riverside market has been hard hit by foreclosures and abundant supply. K. Hovnanian, KB Home, Stratham Communities, Lennar and Shea have all found the sweet spot by offering value engineered homes in the Inland Empire. Why buy a foreclosure when you can get a brand new house for the same or slightly more? While close-in communities (Chino, Corona and Lake Elsinore) have a higher number of top selling communities, priced low enough sales will follow into the heart of that market (KB Home in Perris).

Project Name	Project Sales Rate 2009	Open Date	Average Size (Sq. Ft.)	Average Min Asking Price	Builder Name	Community Name	Project Total Units Sold
<i>Attached Communities:</i>							
Westend	20.3	07/17/2009	976	\$560,000	KOR Realty Group	Marina del Rey	91
Soho Square	15.1	06/06/2009	1,400	\$549,000	Wellesley Manor Corp.	West Los Angeles	88
Zen Terrace	21.6	09/12/2009	1,083	\$371,133	Sys Development LLC	Alhambra	57
Ivy at Woodbury East	10.3	07/11/2009	1,394	\$405,490	William Lyon Homes	Irvine	48
T Lofts	12.7	08/08/2009	1,588	\$649,171	Lee Homes	West Los Angeles	48
Rosewood Villas	8.2	07/04/2009	1,348	\$479,000	Piedmont Investment Co.	Los Angeles	40
Villa Julietta	9.9	08/19/2009	1,217	\$396,400	Villa Development	Los Angeles	34
<i>Detached Communities:</i>							
Manzanita Trail	7.5	03/28/2009	2,688	\$757,125	Pardee Homes	San Diego	61
Tremont	5.0	02/14/2009	3,561	\$964,490	KB Home	Fountain Valley	48
Cambria Hills	5.6	05/01/2009	2,193	\$290,830	K. Hovnanian Homes	Lake Elsinore	39
Mountain View II	6.3	05/31/2009	1,862	\$195,490	KB Home	Perris	38
Stanford Square at College Park	6.2	06/27/2009	2,724	\$385,333	Stratham Communities	Chino	32
Laurel Creek at Meadowside	8.4	09/12/2009	2,326	\$387,600	Lennar Homes	Corona	22
Spaces	6.5	09/12/2009	1,758	\$334,650	Shea Homes	Corona	17

SOURCE: HWMI; Meyers Builder Advisors.

NOTE: Table represents communities opened between 1/1/2009 and 9/30/2009 with sales rates above five units per week through 11/30/09.

Ultimately, market conditions dictate a back to basics product launch program. Strong research efforts during due diligence (if purchasing land) or at the beginning of repositioning efforts should yield a clear and compelling story. These top selling communities illustrate pricing benchmarks in several communities. However, price isn't always the driving force behind top selling communities and the needs of the target market must be fully understood. Product design and merchandising should be laser focused on target buyers to stand out in the crowd.

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, strategic workouts, due diligence, and forensic analysis. 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.

For more information, contact –

Meyers Builder Advisors

2712 E. Coast Highway, Suite 101

Corona Del Mar, California 92625

P: 949-640-0050

F: 949-640-0055

www.builderadvisors.com

Jeffrey Meyers, Principal

M: 714-319-3888

Steve Smiley, Principal, Northern California

M: 510-612-5718

Michelle Wolkoys, Principal, Southern California

M: 714-357-6005

David Hudson, Director, Asset Management Group

M: 949-375-6059

Brian Schappert, Finance Director

M: 949-355-4703