

# United States Housing Outlook

January 2011



THE  
CONCORD  
GROUP

The following outlines The Concord Group's ("TCG") analysis and outlook for the national housing market. TCG's conclusions draw from demographic and employment driven demand assessments, as well as various tools for evaluating supply levels and absorption velocity nationally and in 16 new home markets across the country. Housing market recovery timing drives immediate acquisition, planning and disposition decisions.

TCG's findings are based on ongoing asset and portfolio work around the country for developers and investors. Though highly market dependent, TCG's analysis reveals that recoveries in the land markets are estimated by late 2011 through mid 2012 with full sales recoveries beginning in 2012 through 2013.

## Setting

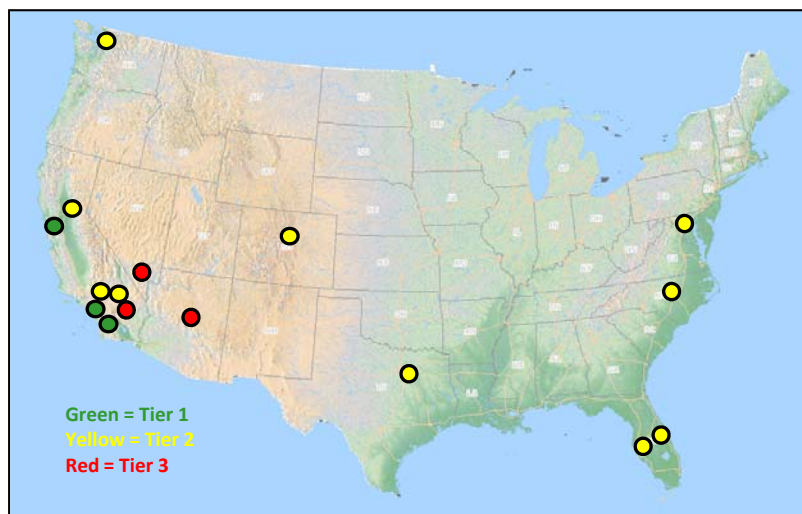
- Persisting high unemployment and distressed inventory of existing homes continue to challenge new home market improvement, although both have exhibited improving trends over the past 12 months
- Nationally, new home sales decreased significantly following expiration of federal tax credit, with May-November volumes down 27% from 2009 levels
- Long-term demand 800K+ annually based on demographic growth, though TCG does not expect return to this rate in minimum 24 months
- U.S. new home sales volume in 2010 projected to reach record-low 360,000 units, down 75% from 2005 peak
- U.S. new home pricing down 1% from 2009, 15% from 2007 peak; same product pricing down 35%+ from peak
- National same product new home sales prices down 3% year over year and 1% in recent quarter
- Positive year-over-year new home sales volume growth in only 2 of 16 markets TCG tracks, demonstrating the slackened demand post tax credit expiration, uncertain economic climate and competition from distressed inventory
- National competitive new home supply of homes, finished lots and recently-built foreclosures total 1.2 MM units

## Outlook

- Moderate job growth in 2011-12 coupled with limited delivery of new lots drives diminution of supply overhang
- National new home sales recovery – defined as 3-4 sales per month per project, single digit appreciation and demand for new finished lots – forecasted for end of 2012
- Demand for new finished lots expected to precede recovery by 12 months, forecasted nationally for end of 2011
- Recovery in lower-inventory markets with improving fundamentals forecasted for end of 2011/beginning of 2012

## Markets to Watch

- TCG classified 16 markets into three tiers based on supply and demand outlook.
- Tier 1 markets – Orange County, San Diego, San Jose: Exhibit strong growth demographic characteristics, recovering employment and structurally low inventory. Land recoveries early-mid 2011 with Sales recoveries early-mid 2012.
- Tier 2 markets – includes Dallas, Denver, Seattle, Washington D.C.: Diversified economies and more tempered peak housing appreciation mitigate moderate inventory concerns. Land (late 2011) and Sales (late 2012) recoveries in-line with nation.
- Tier 3 markets – includes Las Vegas and Phoenix: Slow employment growth, high foreclosures and lot oversupply place markets behind national recovery. Land recoveries 2012+ with Sales recoveries 2013+.



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# Quarterly Sales Performance

As of November 30, 2010

Market	Resales				New			
	Q/Q Change		Y/Y Change		Q/Q Change		Y/Y Change	
	Q end 8/10	Q end 11/10	Q end 8/10	Q end 11/10	Q end 8/10	Q end 11/10	Q end 8/10	Q end 11/10
<b>United States</b>	<b>-7.9%</b>	<b>-19.9%</b>	<b>-12.3%</b>	<b>-24.1%</b>	<b>-25.2%</b>	<b>-13.0%</b>	<b>-30.6%</b>	<b>-24.7%</b>
Santa Clarita	-2.1%	-20.9%	-8.0%	-11.2%	40.6%	-36.7%	114.3%	58.3%
Orange County	-4.0%	-17.1%	-7.3%	-16.3%	9.5%	-2.5%	38.8%	11.7%
Tampa	-10.5%	-17.3%	1.6%	-12.2%	3.5%	-19.7%	3.6%	-9.7%
San Diego	-6.3%	-16.9%	-8.1%	-17.5%	28.1%	-11.6%	7.9%	-23.5%
Las Vegas	0.1%	-12.3%	-12.5%	-18.6%	17.7%	-30.9%	33.8%	-23.7%
Denver	-9.1%	-24.7%	-14.6%	-28.6%	11.7%	-23.8%	-1.2%	-24.4%
Orlando	2.7%	-20.1%	9.1%	-8.5%	21.4%	-25.2%	7.8%	-26.5%
Washington D.C.	11.1%	-28.9%	1.8%	-19.1%	14.7%	-21.6%	5.5%	-28.2%
Raleigh	-12.6%	-38.6%	-15.8%	-39.7%	5.2%	-26.4%	-4.2%	-35.5%
Seattle	-13.3%	-18.2%	-12.5%	-26.5%	-5.7%	-25.5%	-13.4%	-36.1%
Dallas	-11.5%	-31.7%	-16.3%	-34.4%	1.6%	-24.9%	-13.7%	-37.4%
Inland Empire	-6.5%	-14.5%	-17.4%	-18.5%	14.0%	-23.5%	-9.9%	-37.6%
Sacramento	-3.2%	-13.2%	-6.3%	-12.6%	-4.5%	-29.0%	-26.5%	-45.4%
Phoenix	-14.0%	-13.2%	-15.6%	-14.9%	-9.4%	-23.4%	-11.9%	-46.5%
San Jose	-5.7%	-14.9%	-14.1%	-18.6%	-11.6%	-28.0%	-32.3%	-49.6%
Coachella Valley	-18.5%	-15.8%	-4.7%	-16.7%	-22.2%	-30.8%	-42.5%	-57.5%
<b>Metro Average:</b>	<b>-6.5%</b>	<b>-19.9%</b>	<b>-8.8%</b>	<b>-19.6%</b>	<b>7.2%</b>	<b>-24.0%</b>	<b>3.5%</b>	<b>-25.7%</b>

# Residential Outlook

January 2011

Market (1)	New Home Sales			New Home Price			Total New Home Competitive Inventory (3)	Recovery Outlook				Change		
				LTM New Home Average	Same Y/Y	Product Δ Q/Q		LTM Run Rate		Blended Rate (4)		New Lot Demand (6)	Prior Sales Recovery Date (7)	Quarter Gain/ (Loss)
	2005	LTM	%Δ 2005	Months Supply	Sales Recovery Date	Months Supply	Sales Recovery Date (5)							
<b>United States</b>	<b>1,440,000</b> (2)	<b>357,778</b>	<b>-75%</b>	<b>\$268,775</b>	<b>-3%</b>	<b>-2%</b>	<b>1,214,707</b>	<b>41</b>	<b>1Q 14</b>	<b>25</b>	<b>4Q 12</b>	<b>4Q 11</b>	<b>4Q 12</b>	<b>0</b>
<i>Tier 1</i>														
San Jose	3,492	1,617	-54%	586,734	0%	-2%	2,532	19	2Q 12	16	1Q 12	1Q 11	1Q 12	0
Orange County	5,847	2,058	-65%	640,768	2%	0%	3,489	20	3Q 12	17	1Q 12	1Q 11	4Q 11	(1)
San Diego	13,282	3,244	-76%	502,403	-3%	-1%	6,261	23	4Q 12	18	2Q 12	2Q 11	1Q 12	(1)
<i>Tier 2</i>														
Sacramento	15,009	2,560	-83%	298,103	-5%	-1%	10,195	48	4Q 14	25	4Q 12	4Q 11	4Q 12	0
Santa Clarita	1,407	284	-80%	444,611	2%	-1%	1,472	62	1Q 16	25	4Q 12	4Q 11	2Q 12	(2)
Seattle	19,199	7,721	-60%	361,457	-1%	0%	19,335	30	2Q 13	25	4Q 12	4Q 11	3Q 12	(1)
Washington D.C.	32,108	13,108	-59%	380,000	3%	1%	31,051	28	1Q 13	25	4Q 12	4Q 11	4Q 12	0
Orlando	49,835	9,206	-82%	214,560	-1%	0%	28,910	38	4Q 13	25	4Q 12	4Q 11	4Q 12	0
Denver	18,913	5,129	-73%	330,616	0%	1%	17,281	40	1Q 14	26	4Q 12	4Q 11	4Q 12	0
Inland Empire	34,119	6,279	-82%	310,096	-1%	-2%	24,572	47	3Q 14	27	1Q 13	1Q 12	4Q 12	(1)
Raleigh	12,231	5,507	-55%	274,713	2%	0%	14,388	31	2Q 13	27	1Q 13	1Q 12	4Q 12	(1)
Dallas	43,144	11,591	-73%	206,000	-2%	0%	40,461	42	2Q 14	27	1Q 13	1Q 12	4Q 12	(1)
Tampa	26,648	5,164	-81%	221,055	-2%	0%	20,096	47	3Q 14	27	1Q 13	1Q 12	1Q 13	0
<i>Tier 3</i>														
Las Vegas (Detached)	38,887	4,477	-88%	204,000	-3%	-1%	23,823	64	1Q 16	29	1Q 13	1Q 12	4Q 12	(1)
Phoenix	54,464	9,628	-82%	233,587	1%	-1%	61,438	77	1Q 17	35	3Q 13	3Q 12	2Q 13	(1)
Coachella Valley	3,632	679	-81%	339,069	-1%	-2%	10,464	185	1Q 26	56	3Q 15	3Q 14	2Q 15	(1)

#### Market Change Summary:

No Change	5
Improvement	0
Deterioration	10

#### Notes:

- (1) Sales, price and inventory information current through November 2010
- (2) TCG estimates for all sales; U.S. Census/HUD report only covers SFD home sales which peaked in 2005 at 1,283,000 sales, and total 357,778 in the LTM period
- (3) Competitive Inventory includes standing inventory, currently selling lots, mothballed lots and competitive foreclosures; TCG estimated Competitive Foreclosures includes currently available and future projected foreclosure inventory built since 2003
- (4) Assumes LTM sales rate for 12 months followed by recovery rate below long-term demand forecast
- (5) Market Recovery defined as sustainable weekly home sales per project and low single-digit home price appreciation occurring upon total depletion of Competitive Inventory
- (6) Builder demand for newly developed lots occurs 12 months prior to diminution of Competitive Inventory
- (7) Reflects TCG "Blended" Market Recovery Date from prior report (Q3 2010)

#### Sources:

The Concord Group; DataQuick; Hanley Wood; US Census Bureau; RealtyTrac

## About The Concord Group

The Concord Group is a leading real estate strategy firm with offices in Newport Beach, San Francisco and Boston. TCG's professional consulting staff completes hundreds of assignments annually in the U.S., Europe, Asia and Latin America. Our services include market and consumer analyses, transaction due diligence and asset valuation. Recent assignments have included multiple analyses of distressed assets of commercial banks and new acquisitions for next-cycle development. We also continue to assist developer, builder and financial clients on value maximization of owned-assets. We cover all property types (commercial, residential and land), in all metro areas and work under tight due diligence deadlines.

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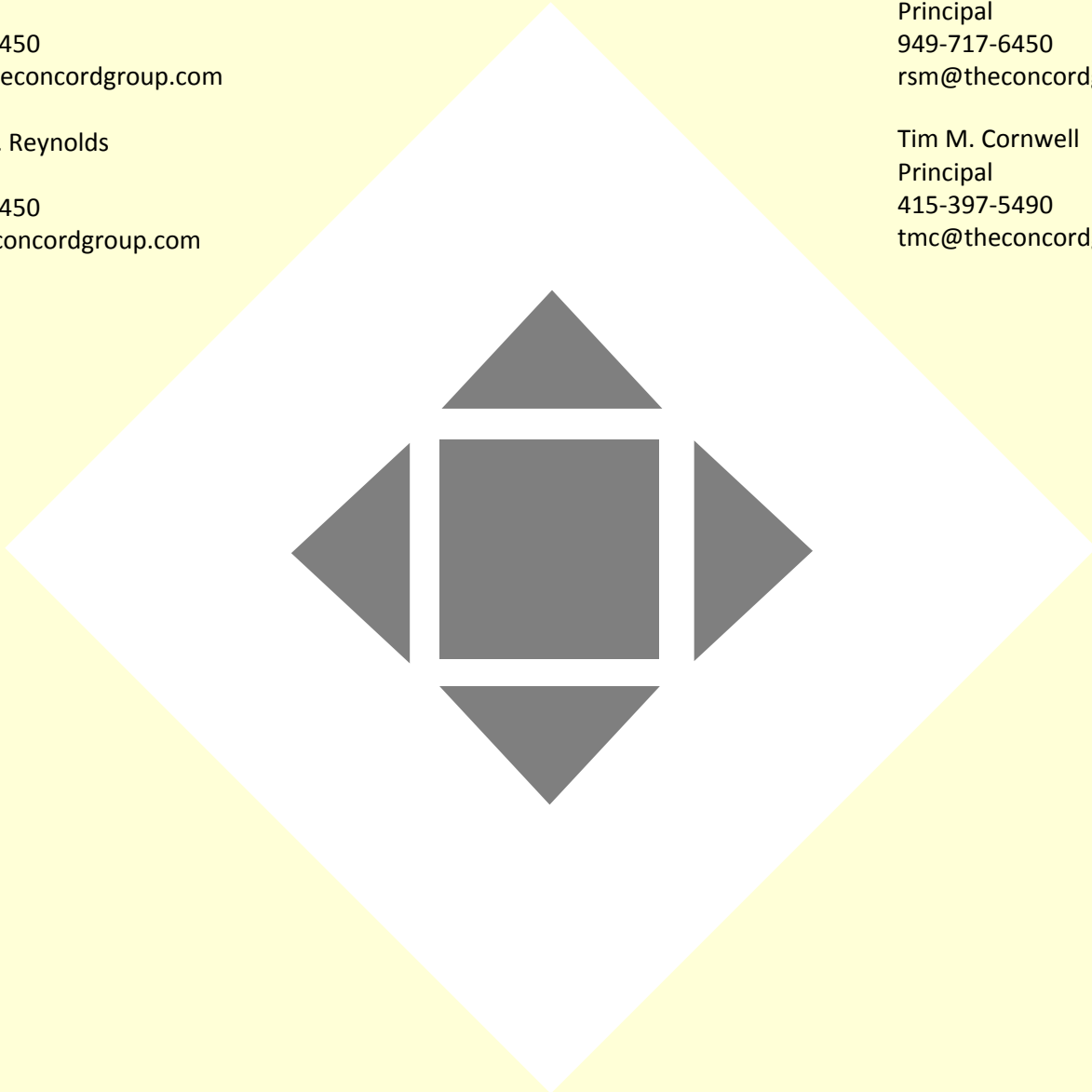
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