

DFW Real Estate

Fall 2007 Market Update

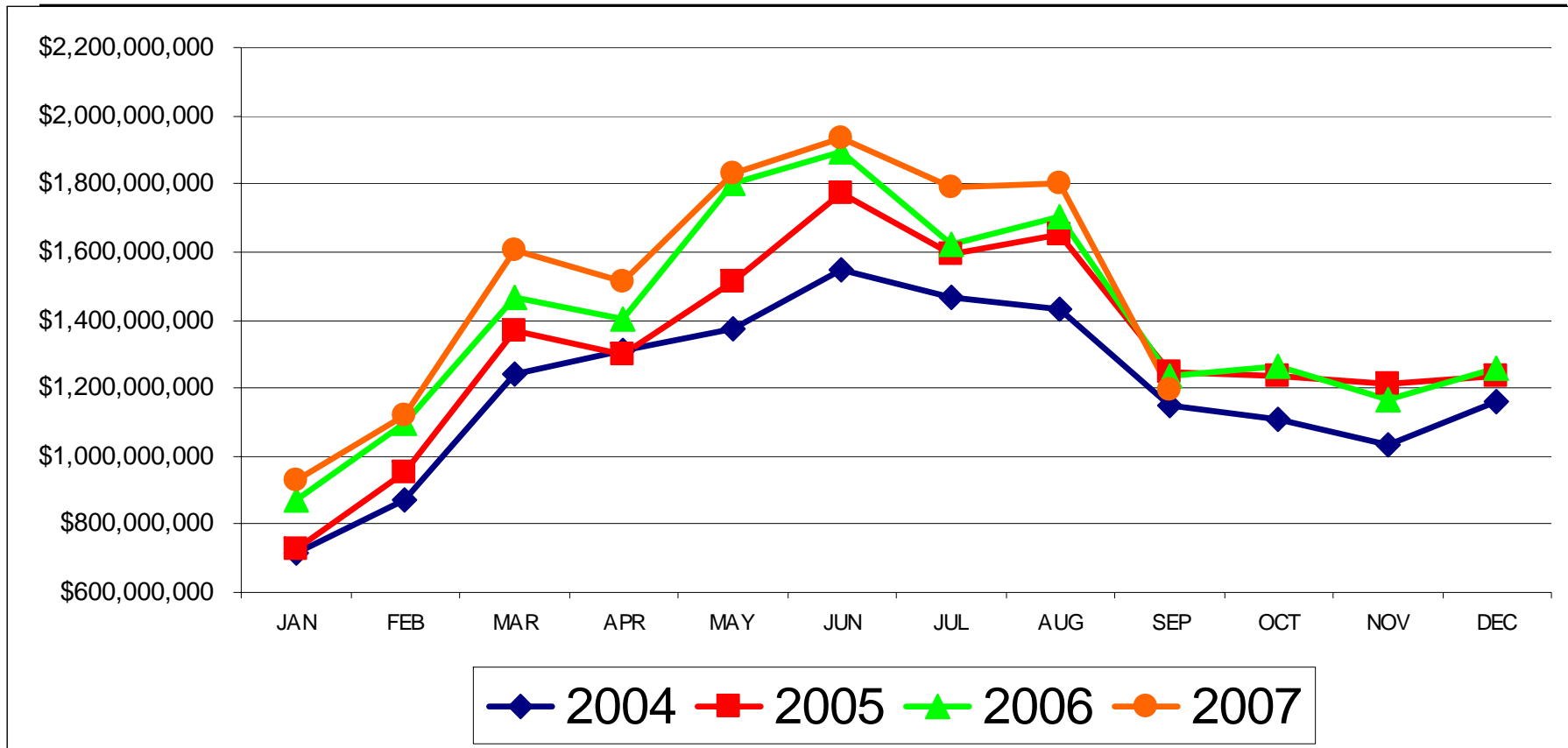
“Is the glass half full or half empty?”

David L. Fair

Hexter-Fair Title Company

October 15, 2007

NTREIS Dollar Volume Since 2004



Interest Rate History

- Rate data from Mortgage Bankers Association

	<u>1-Yr ARM</u>	<u>30-Yr Fixed</u>	<u>Spread</u>
12/31/03:	3.40%	5.73%	233 b.p.
12/31/04:	4.05%	5.72%	167 b.p.
9/14/05:	4.82%	5.72%	90 b.p.
12/31/05:	5.36%	6.21%	85 b.p.
12/31/06:	5.87%	6.12%	25 b.p.
8/22/07:	5.84%	6.49%	65 b.p.
9/19/07:	6.39%	6.29%	-10 b.p.
10/10/07:	6.15%	6.40%	25 b.p.

- Inverted yield curve in Sep '07 – primary cause was lenders not wanting to use balance sheet to hold non-conforming
- Other cause of inversion was short-term uncertainty



Market Reaction to Current Conditions

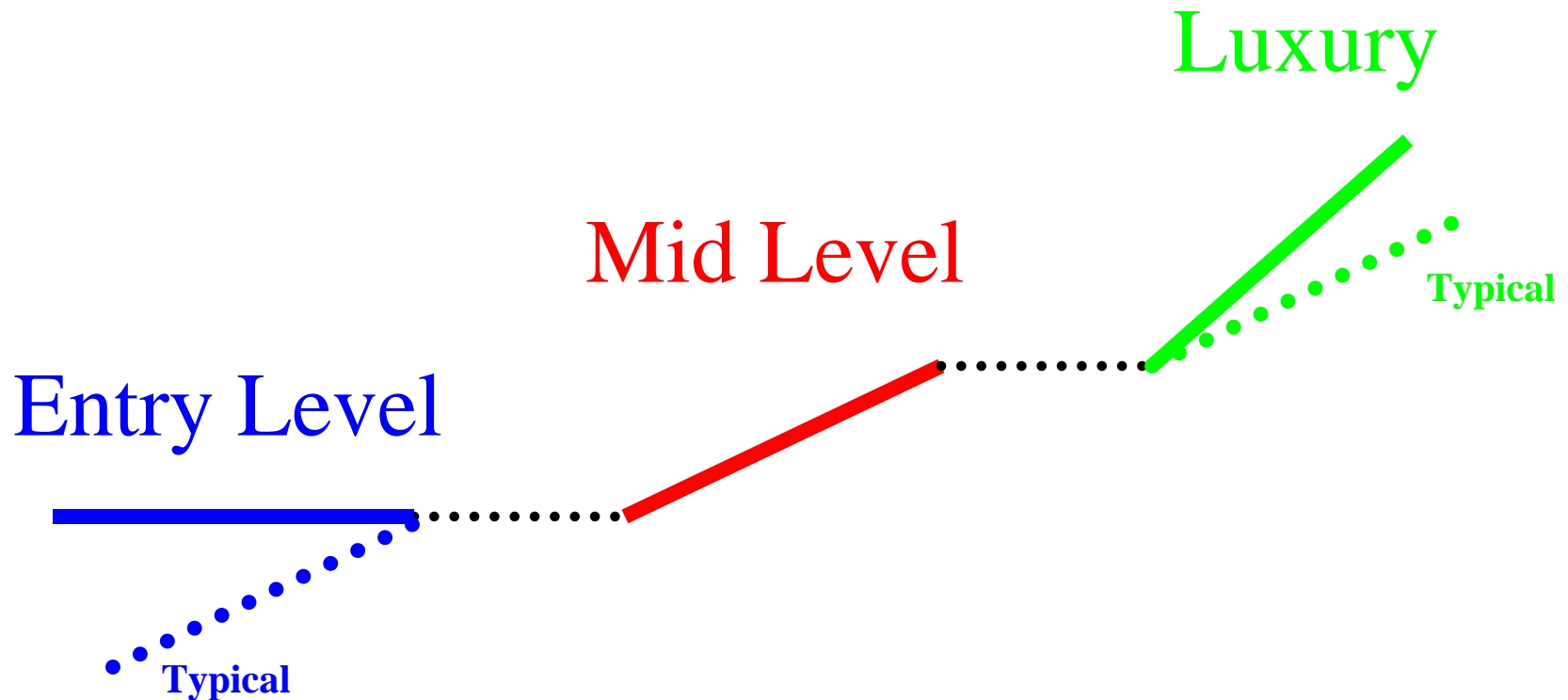
- ❑ ARMs more expensive / inverted yield curve
- ❑ Big reduction in “no doc” (“Alt-A”) loans
- ❑ Credit scores becoming more important
 - ❑ Fewer sub-prime mortgages
- ❑ 100% financing less widely available
- ❑ Jumbo loans more expensive



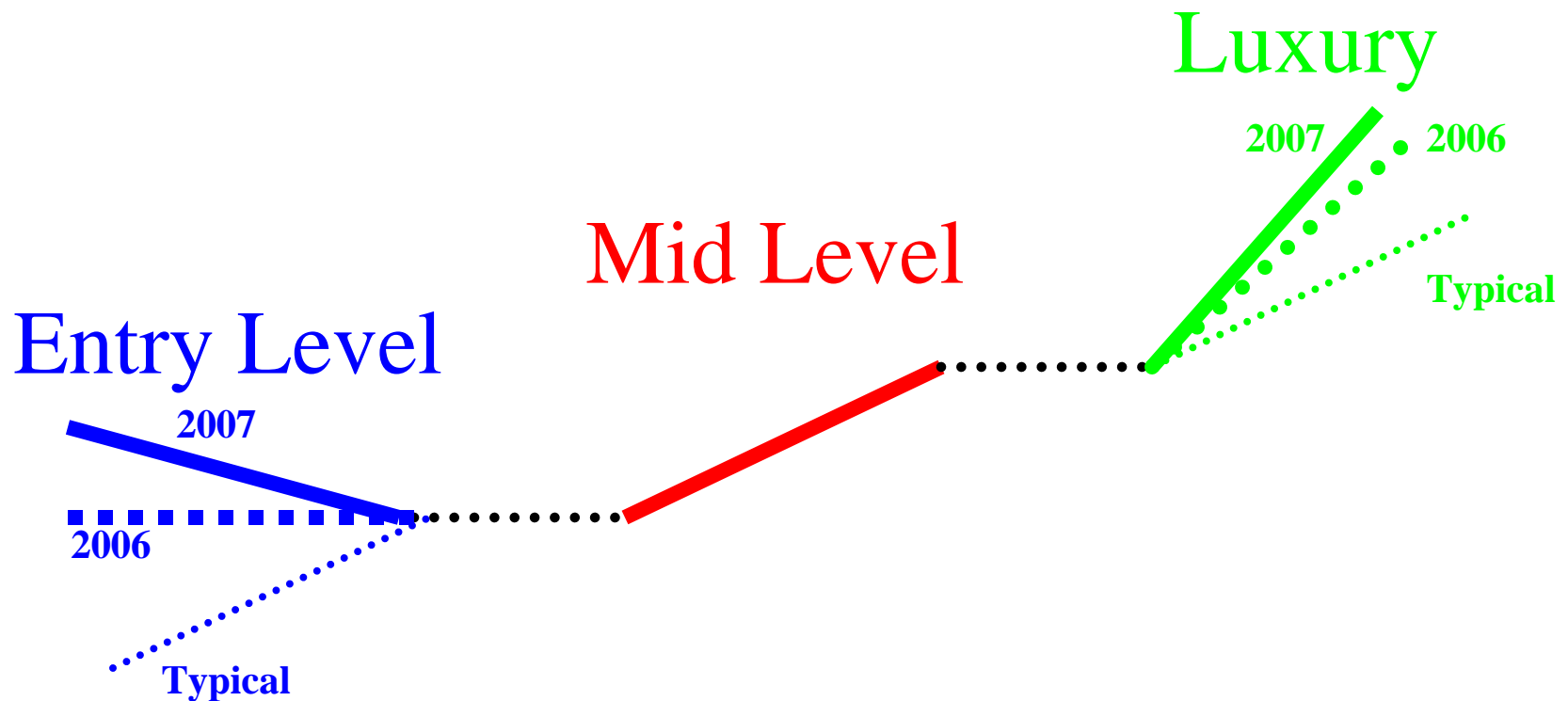
Overall Market Status – Typical Market



Overall Market Status – 2006



Overall Market Status – 2007 Projected



Strength in High End Sales: DFW Data Full Year 2006 (page 1)

Sale Price Range	# Sales (12 mos 2006)	% Change vs. Prior Year
\$1 to \$19,999	388	-16%
\$20,000 to \$29,999	884	-3%
\$30,000 to \$39,999	1,271	7%
\$40,000 to \$49,999	1,622	12%
\$50,000 to \$59,999	1,854	10%
\$60,000 to \$69,999	2,400	9%
\$70,000 to \$79,999	2,993	2%
\$80,000 to \$89,999	4,032	-2%
\$90,000 to \$99,999	4,372	-4%
\$100,000 to \$109,999	4,547	-5%
\$110,000 to \$119,999	5,607	-2%
\$120,000 to \$129,999	6,188	0%
\$130,000 to \$139,999	5,889	1%
\$140,000 to \$149,999	5,153	3%

Strength in High End Sales: DFW Data Full Year 2006 (page 2)

Sale Price Range	# Sales (12 mos 2006)	% Change vs. Prior Year
\$150,000 to \$159,999	4,576	-3%
\$160,000 to \$169,999	4,355	0%
\$170,000 to \$179,999	3,953	5%
\$180,000 to \$189,999	3,237	7%
\$190,000 to \$199,999	2,589	6%
\$200,000 to \$249,999	8,994	7%
\$250,000 to \$299,999	5,633	5%
\$300,000 to \$399,999	5,729	11%
\$400,000 to \$499,999	2,484	18%
\$500,000 to \$599,999	1,138	12%
\$600,000 to \$699,999	750	8%
\$700,000 to \$799,999	474	6%
\$800,000 to \$899,999	341	23%
\$900,000 to \$999,999	211	6%
\$1,000,000 and more	786	18%
Total	92,452	3%

Strength in High End Sales: DFW Data YTD Sep'07 (page 1)

Sale Price Range	# Sales (9 mos 2007)	% Change vs. Prior Year
\$1 to \$19,999	345	21%
\$20,000 to \$29,999	627	-6%
\$30,000 to \$39,999	917	-5%
\$40,000 to \$49,999	1,300	4%
\$50,000 to \$59,999	1,474	4%
\$60,000 to \$69,999	1,866	1%
\$70,000 to \$79,999	2,343	1%
\$80,000 to \$89,999	3,008	-3%
\$90,000 to \$99,999	3,217	-9%
\$100,000 to \$109,999	3,286	-9%
\$110,000 to \$119,999	3,891	-12%
\$120,000 to \$129,999	4,198	-14%
\$130,000 to \$139,999	3,922	-15%
\$140,000 to \$149,999	3,469	-15%

Strength in High End Sales: DFW Data YTD Sep'07 (page 2)

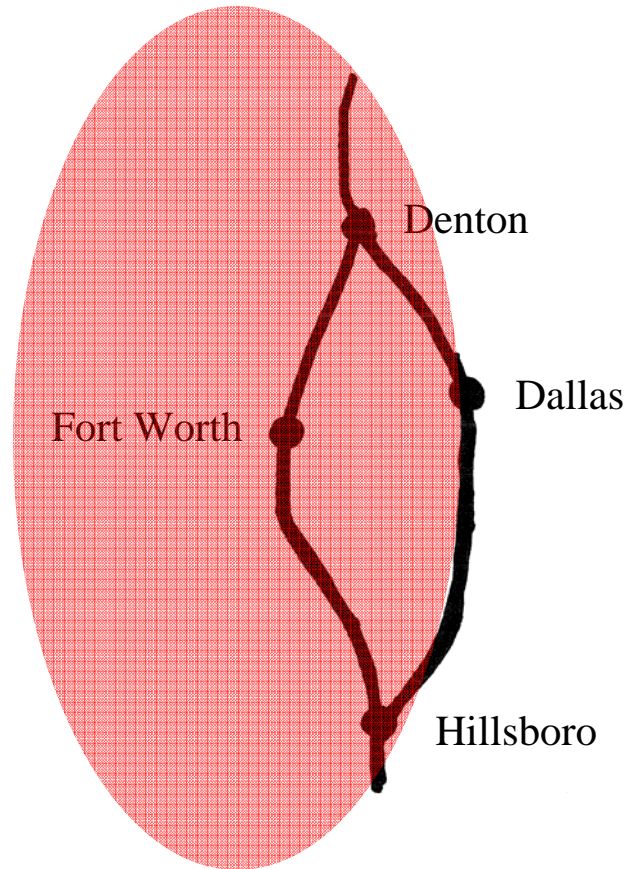
Sale Price Range	# Sales (9 mos 2007)	% Change vs. Prior Year
\$150,000 to \$159,999	3,206	-13%
\$160,000 to \$169,999	3,085	-11%
\$170,000 to \$179,999	2,710	-14%
\$180,000 to \$189,999	2,277	-12%
\$190,000 to \$199,999	1,859	-10%
\$200,000 to \$249,999	6,816	-4%
\$250,000 to \$299,999	4,331	-4%
\$300,000 to \$399,999	4,725	3%
\$400,000 to \$499,999	2,103	7%
\$500,000 to \$599,999	985	11%
\$600,000 to \$699,999	646	12%
\$700,000 to \$799,999	453	27%
\$800,000 to \$899,999	279	6%
\$900,000 to \$999,999	174	8%
\$1,000,000 and more	734	19%
Total	68,242	-6%



Sales – High End Support

- ❑ Many people have not been affected by rising interest rates or rising home prices (all provide a relative advantage to the DFW area):
 - ❑ Dot com entrepreneurs
 - ❑ Public company executives
 - ❑ Hedge fund managers
 - ❑ Athletes and other entertainers
 - ❑ “Old money”
 - ❑ Oil and gas investors, especially in the Barnett Shale!

Barnett Shale



Higher-priced neighborhoods outperformed again in 2006

NTREIS YTD Data: December 2006

	# of Sales	% Change vs. Prior Year	Average Sale Price	% Change vs. Prior Year	Average Days on Market	% Change vs. Prior Year
McKinney	2,960	7%	\$224,418	12%	62	-15%
Allen	1,769	5%	\$224,313	10%	58	-6%
Frisco	3,005	-1%	\$282,038	7%	65	-6%
Plano	4,470	-5%	\$266,477	0%	51	-6%
Richardson	1,338	-3%	\$172,744	-1%	54	-4%
Far North Dallas	1,346	1%	\$343,753	7%	59	7%
North Dallas	761	-12%	\$772,120	13%	64	-9%
Northwest Dallas	691	3%	\$215,608	5%	65	5%
Northeast Dallas	707	-4%	\$227,476	2%	51	-7%
Park Cities	844	-8%	\$1,081,338	17%	60	2%
East Dallas	2,672	-2%	\$236,298	8%	64	-2%
Uptown (condos)	1,195	4%	\$254,806	2%	82	-5%

Higher-priced neighborhoods outperforming YTD 2007

NTREIS YTD Data: Sep'07

	# of Sales	% Change vs. Prior Year	Average Sale Price	% Change vs. Prior Year	Average Days on Market	% Change vs. Prior Year
McKinney	2,021	-14%	\$228,810	2%	71	15%
Allen	1,204	-14%	\$233,998	7%	66	20%
Frisco	2,388	0%	\$292,267	5%	72	16%
Plano	3,282	-10%	\$274,322	4%	51	4%
Richardson	992	-5%	\$178,394	3%	53	-2%
Far North Dallas	1,028	-2%	\$346,277	1%	54	-7%
North Dallas	561	-7%	\$932,841	23%	68	8%
Northwest Dallas	566	4%	\$226,800	5%	60	-8%
Northeast Dallas	583	1%	\$249,872	10%	51	0%
Park Cities	638	-3%	\$1,223,779	11%	66	8%
East Dallas	2,002	-6%	\$256,094	8%	63	0%
Uptown (condos)	1,005	4%	\$283,158	10%	97	21%



Housing Bubble

- ❑ There is no bubble in Texas housing
- ❑ Ignore national news & all sensationalist news
- ❑ Only bad news in DFW real estate is the rising number of foreclosures
 - ❑ Bad lending practices in recent years (subprime, ARM, 100% financing, interest only, no doc, etc)
 - ❑ Mortgage fraud
 - ❑ Very little connection to overall economy

PMI U.S. Market Risk Index:

DFW steady despite US uncertainty

- ❑ On October 9, The PMI Group released a study which measures the riskiness of the 50 largest MSAs in the US
 - ❑ Risk measured as the % chance that home prices will be lower in 2 years
- ❑ The four markets with the **highest risk**:
 1. Riverside, CA: 61% chance of price decline
 2. Las Vegas, NV: 59% chance of price decline
 3. Santa Ana, CA: 58% chance of price decline
 4. Phoenix, AZ : 58% chance of price decline



PMI U.S. Market Risk Index, continued: DFW steady despite US uncertainty

- The four MSAs with the **lowest risk** of a price decline in the next two years:
 47. **Dallas-Plano-Irving**: 9.5% chance
 48. Houston-Sugar Land-Baytown: 9.4% chance
 49. **Fort Worth-Arlington**: 8.9% chance
 50. Pittsburgh, PA: 8.5% chance



Moody's Economy.com forecast Sep'07

Metroplex housing to fare much better than rest of US

- ❑ Forecast predicts over three-fourths of US housing markets to suffer drops in prices, with an aggregate decline of 8% expected in home prices
- ❑ Dallas area is forecast to buck the trend, with continued increases of 3% price appreciation expected
- ❑ Fort Worth predicted to see about a 2% drop in prices
- ❑ Two primary reasons for Metroplex outperformance:
 - ❑ Local economy is doing much better than national economy
 - ❑ Did not see a big run up in home prices, so only negatives are in sub-prime (mostly below \$200,000)

Comparing Home Prices

DFW housing remains cheap versus the rest of US

- Avg price of 2,200 s.f., 4 bedrooms, 2.5 baths, with a family room and 2-car garage

Highest Prices

Beverly Hills, CA	\$ 2,206,883
Greenwich, CT	\$ 2,018,750
La Jolla, CA	\$ 1,800,000
Santa Monica, CA	\$ 1,785,000
Palo Alto, CA	\$ 1,677,000

Most Affordable

Killeen, TX	\$ 136,725
Minot, ND	\$ 139,033
Arlington, TX	\$ 139,175
Canton, OH	\$ 146,333
Muncie, IN	\$ 150,000

Other Texas Cities

Austin	\$ 243,250
Corpus Christi	\$ 183,625
Dallas	\$ 302,198
El Paso	\$ 229,306
Fort Worth	\$ 151,250
Houston	\$ 169,736
Plano	\$ 204,144
San Antonio	\$ 258,166



DFW Population Growth (page 1)

National Position - 2005

Rank	MSA Name	2005 Population
1	Greater New York	18,747,320
2	Los Angeles/Long Beach	12,923,547
3	Greater Chicago	9,443,356
4	Philadelphia	5,823,233
5	Dallas/Fort Worth	5,819,475
6	Miami/Fort Lauderdale	5,422,200
7	Houston	5,280,077
8	Washington D.C.	5,214,666
9	Atlanta	4,917,717
10	Detroit	4,488,335

Source: Greater Dallas Chamber



DFW Population Growth (page 2)

DFW Moves Up to 4th Largest!

<u>Rank</u>	<u>MSA</u>	<u>Jul-2006 Est</u>	<u>U.S. Census Bureau Estimates</u>		
			<u>Jul-05</u>	<u>Jul-00</u>	<u>CAGR</u>
1	New York	18,825,933	18,747,320	18,359,151	0.42%
2	Los Angeles	13,030,242	12,923,547	12,403,036	0.83%
3	Chicago	9,509,448	9,443,356	9,119,722	0.70%
4	Dallas/Fort Worth	5,952,784	5,819,475	5,196,397	2.29%
5	Philadelphia	5,849,511	5,823,233	5,693,604	0.45%

Source: Greater Dallas Chamber

Note: CAGR = Compound Annual Growth Rate calculated from July 1, 2000 through July 1, 2005.

DFW Metro 2007

- ❑ Is the largest metro area in Texas & 4th largest in the US (6 million people)
- ❑ Has Texas' largest, most educated workforce (3 million workers)
- ❑ Produces more than one fourth of all goods and services in Texas
- ❑ Leads Texas in public university & community college students (250k students)
- ❑ Exceeds \$50 billion annually in direct imports and exports
- ❑ Adds 200 net new jobs and 370 residents every day

Source: Greater Dallas Chamber



HEXTER-FAIR TITLE COMPANY



Reurbanization Remains Hot

- ❑ Amenities driving Dallas re-urbanization
 - ❑ Arts District expansion
 - ❑ Victory Development near American Airlines Center
 - ❑ Woodall Rodgers deck park
 - ❑ Trinity River project
 - ❑ Katy Trail
- ❑ Fort Worth is temporarily ahead of Dallas
 - ❑ Sundance Square & Trinity River



Arts District Expansion

- ❑ Current momentum created by the Meyerson Symphony Center and the Nasher Sculpture Gardens
- ❑ Current wave of Arts District attractions
 - ❑ One Arts Plaza now complete
 - ❑ Winspear Opera House
 - ❑ Wyly Theatre
 - ❑ City Performance Hall



Victory Park

- At full build-out, the project will contain more than 4,000 residences and 4 million square feet of office and retail space



Woodall Rodgers Park

- ❑ Projected 2007 groundbreaking, opening 2010
- ❑ Connects Uptown and Downtown/Arts District for pedestrians
- ❑ Significantly increases attractiveness of surrounding condominiums and townhomes



Trinity River Project

- The Calatrava Bridge (the “Margaret Hunt Hill Bridge”) extending Woodall Rodgers began construction in 2005, to be completed in 2009
- Trinity Parkway and the lakes, scheduled to begin construction at end of 2008
- Entire project completion is scheduled for 2013



Crystal Ball: Housing's Next 6 Mos.

- ❑ The “Fall Fall”
 - ❑ Seasonal decline began on Labor Day weekend
 - ❑ Gradual slowdown through Thanksgiving
 - ❑ Uncertainty in mortgage/bond market is likely to continue for these next few months
 - ❑ Emotional buyer uptick during first half of December
 - ❑ Steady decline from mid-December through January
 - ❑ Ideal time for vacation: First week of January
- ❑ The Spring Thaw
 - ❑ Activity will once again pick up in February
 - ❑ Mortgage/bond market likely to rebound by spring