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Builders Successfully Tighten New Home Supply

Southern California builders added only 113 projects new projects to the market so far this year, a marked 62% decline from the 301 openings seen in the same period last year. In all, there are 1,390 active projects throughout the Southland, down 8% from last year. Fewer projects translated to a similar decline in unsold inventory, which fell 11% from a year earlier. Homebuilders are taking action and holding off projects that don't make sense in the current market, but offering new product in a more strategic manner. Funding of new projects is increasingly difficult as financial institutions are hesitant to pull the trigger on new deals. Builders have responded to the changing market and rising gas prices by focusing on areas near employment nodes, as homebuyers are unwilling to make the long commutes. New projects either offer an affordable price tag with unique attached housing alternatives or an unparalleled location attracting buyers that are immune to the economic slowdown and are looking for deals.

- **San Diego County** – With the influx of multi-family housing in 2005 and 2006 and the subsequent oversupply of units in the downtown area, San Diego County has been very cautious to add more product, and thus inventory, to the market. Last year, buyers could choose from 318 open projects throughout the county, but today that number has dwindled 19% to 257 actively selling projects in San Diego County. An even more telling statistic is that the region added only 9 projects so far this year but only 4 of these have recorded sales, demonstrating that new projects are not easily finding success in this market.
- **Orange County** – This is the smallest, and therefore most geographically constricted, county in Southern California. The bulk of new projects here are an even mix of larger, new masterplans and infill development that reuses the land. In 2007, Orange County offered 132 projects to homebuyers. This number has not changed much, down just 5% to 125 projects with active inventory. While the overall number of projects is down, the region is slowly moving through inventory with 23 projects selling out since the close of 2007 and an additional 16 new projects added to the market year to date.
- **Los Angeles County** – Homebuilders are eyeing more infill opportunities throughout the county. Two years ago, the market was focused on large-scale high rise developments in Hollywood and Downtown as well as affordably priced single-family homes in the Antelope and Santa Clarita Valleys. This year, the county has opened 61 new projects, the most subdivisions openings in Southern California. About 82% of these are for multifamily projects, offering more affordably priced product. Much of this attached development is comprised of smaller scale projects with 50 units or less with the majority of these projects located in the San Gabriel Valley. Interestingly, only two new projects have opened in the Antelope and Santa Clarita Valleys.
- **Inland Empire** – Nearly half of Southern California's active new home development is located in the Inland Empire with 675 active projects, 8% fewer in Riverside and 11% fewer in San Bernardino. The most pronounced trend was the pullback in activity in the tertiary commuter markets, including the two desert markets – Victor Valley and Palm Springs. To date, only two projects have opened in San Bernardino County, while 29 opened in Riverside County. Eleven of these are located in the Northwest Riverside submarket, which offers a shorter commute time to jobs in the adjacent Los Angeles and Orange counties.

Southern California Active Project Statistics

	Number of Active Projects			New Projects Opened
	Current	Last Year	% Chg	
Los Angeles County	293	268	9%	61
Orange County	125	132	-5%	16
Riverside County	480	524	-8%	29
San Bernardino County	195	219	-11%	2
San Diego County	257	318	-19%	9
Ventura County	40	49	-18%	3
Total	1,390	1,510	-8%	120

SOURCE: HWWI

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 three decades 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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