

Eastern Hills  
Garland, Texas

Development Review & Market Study

Prepared for: HSM Dalcon, Inc.

*August 8, 2014*

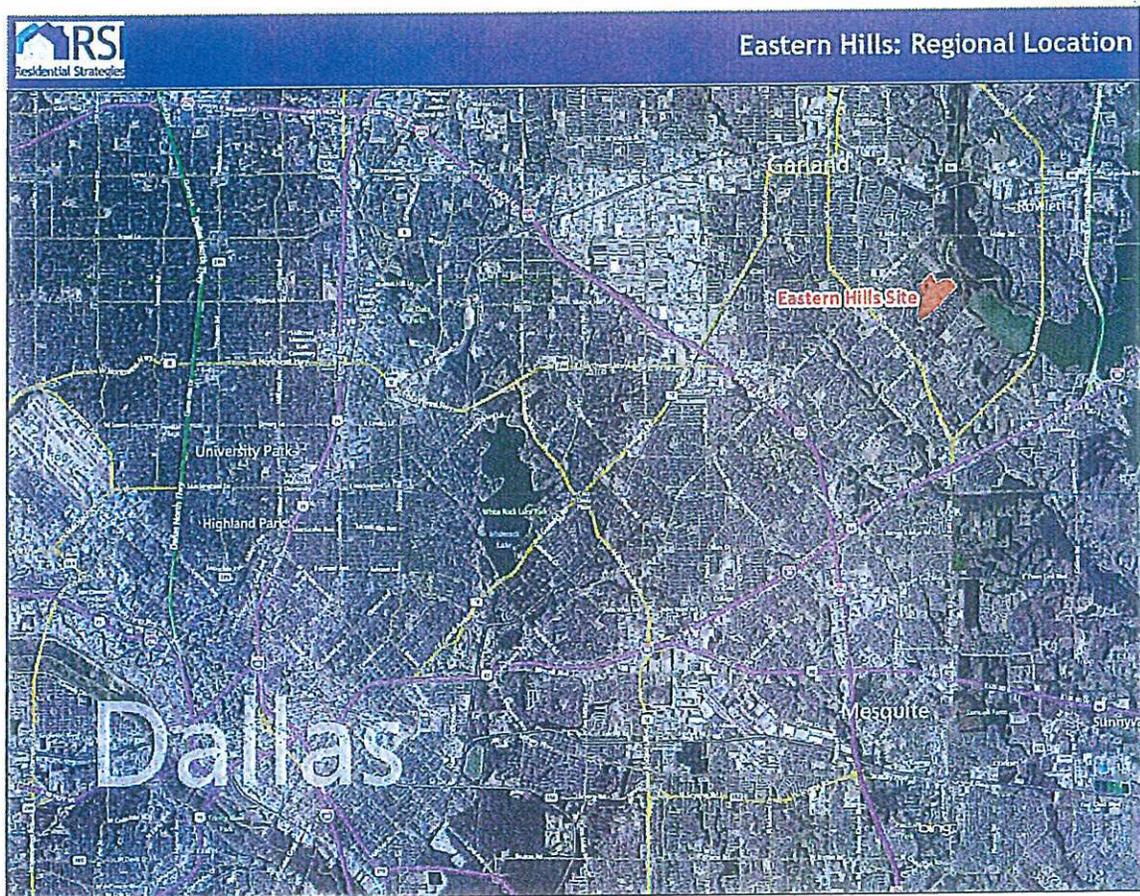
## Residential Strategies

### Eastern Hills Site, Garland, Texas

Residential Strategies, Inc. (RSI) was asked to prepare a review of the Eastern Hills property for HSM Dalcon, Inc., including current and future market conditions, lot pricing, new home activity/absorption and potential future competition. HSM Dalcon, Inc. is evaluating conditions of this future residential development located in Garland, Texas.

#### Subject Site Evaluation

The subject property is a 177.83-acre tract that has been the location of the Eastern Hills Golf Course/Country Club located in the city of Garland, east of Centerville Road. It is south of E Miller Rd, near the northeast corner of the W Centerville Rd and S Country Club Rd. This property is near major highway I-30, and is just west of a portion of Lake Ray Hubbard.



The site could develop into a mix of product types that will be explored in this market study. Depending on the overall density achieved, as many as 500 homesites could be developed here upon completion.

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Centerville Road and Country Club Road will serve as the marketing window for the community; similar to the signage that Grand Homes has been able to secure along Centerville Road, RSI strongly encourages the developer to secure signage locations along Centerville and Miller Road to the north to help pull buyer traffic to the site.

Residents of the subject community will have quick access to I-30 and the President George Bush Turnpike (SH 190). The extension of SH 190 to I-30 in 2011 has created an alternative route to many of the northern suburbs. I-635 is also nearby; less than 4 miles to the south of the Eastern Hills site.

### Schools

The Eastern Hills community will be served by Garland ISD, a Texas Education Agency “Academically Acceptable” district as of 2011. Garland ISD is rated “Met Standard” in 2013. Garland ISD is unique in that it offers an open enrollment plan (“Choice of School”) for parents and students, which allows the family to choose the schools their children attend, rather than using set attendance zone boundaries.

Garland ISD is a large district with 58,000 total students as of early 2014.

The schools listed below represent the closest schools to the Eastern Hills site within each school type. It is most likely that children will attend a campus close to their home, although this is up to the parent’s preference and availability.

- Carver Elementary: In 2011, “Recognized”; In 2013, “Met Standard”
- Club Hill Elementary: In 2011, “Exemplary”; In 2013, “Met Standard”
- Handley Elementary: In 2011, “Academically Acceptable”; in 2013, “Improvement Required”
- Classical Center at Brandenburg Middle: In 2011, “Recognized”; In 2013, “Met Standard” with distinctions earned in Reading/ELA, Mathematics, and Top 25 Percent Student Progress
- Lyles Middle: In 2011, “Academically Acceptable”; In 2013, “Met Standard” with distinction earned in Reading/ELA
- South Garland High: In 2011, “Academically Acceptable”; In 2013, “Met Standard”
- Lakeview Centennial High: In 2011, “Academically Acceptable”; In 2013, “Met Standard”

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Both Carver Elementary School and Club Hill Elementary are closest to the subject site. Club Hill is a highly rated school within the Garland ISD and will be a positive selling feature of the community.

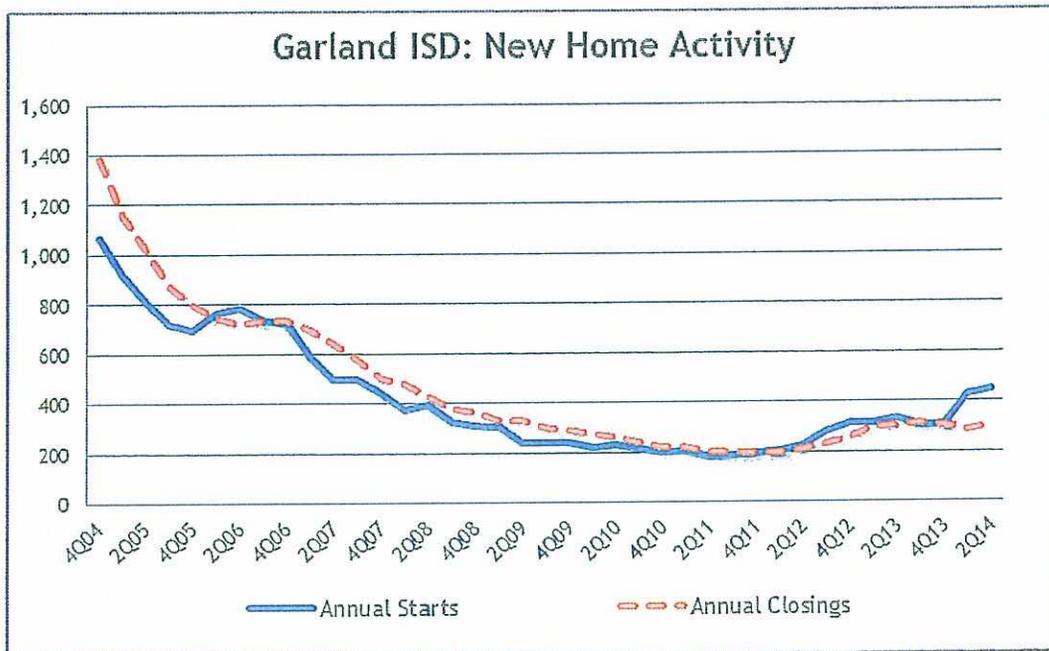


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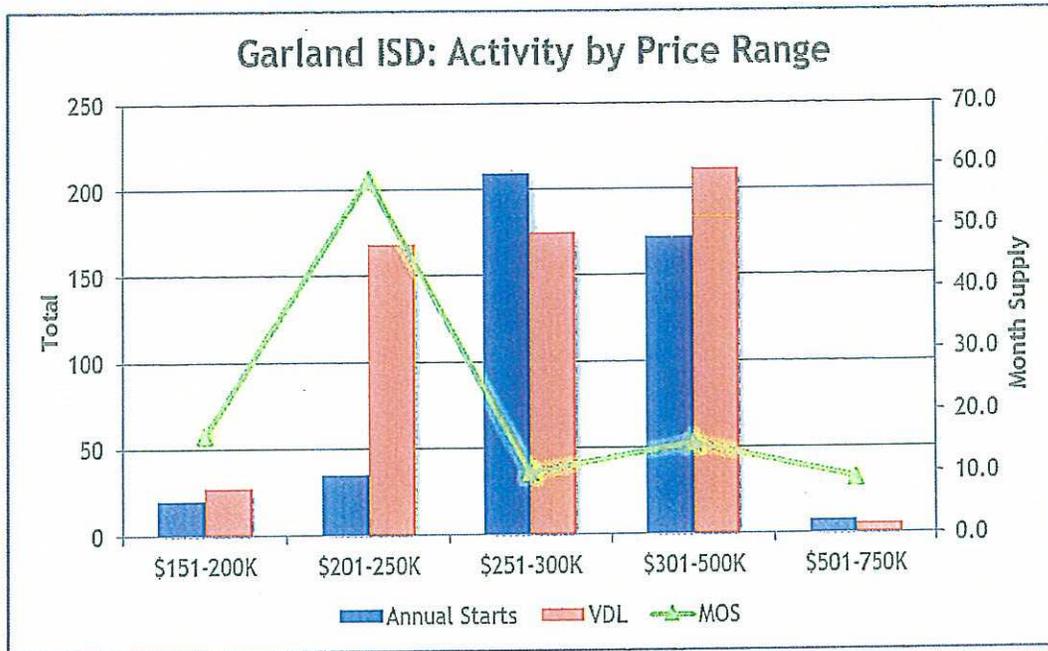
### Competitive Submarket Review: Garland ISD

RSI has used the Garland ISD submarket as the primary competitive area for the Eastern Hills property as the most relevant new home construction to the potential new community at Eastern Hills is occurring in both Garland and Rowlett, within the boundaries of Garland ISD. The Garland ISD market saw 446 new home starts in the last year (3Q13-2Q14), an increase of 34.3% in the annual rate of activity compared to a year prior. The median new home price within the competitive market area stood at \$290,388 at the end of 2Q14, an increase of 11% in the last four quarters.

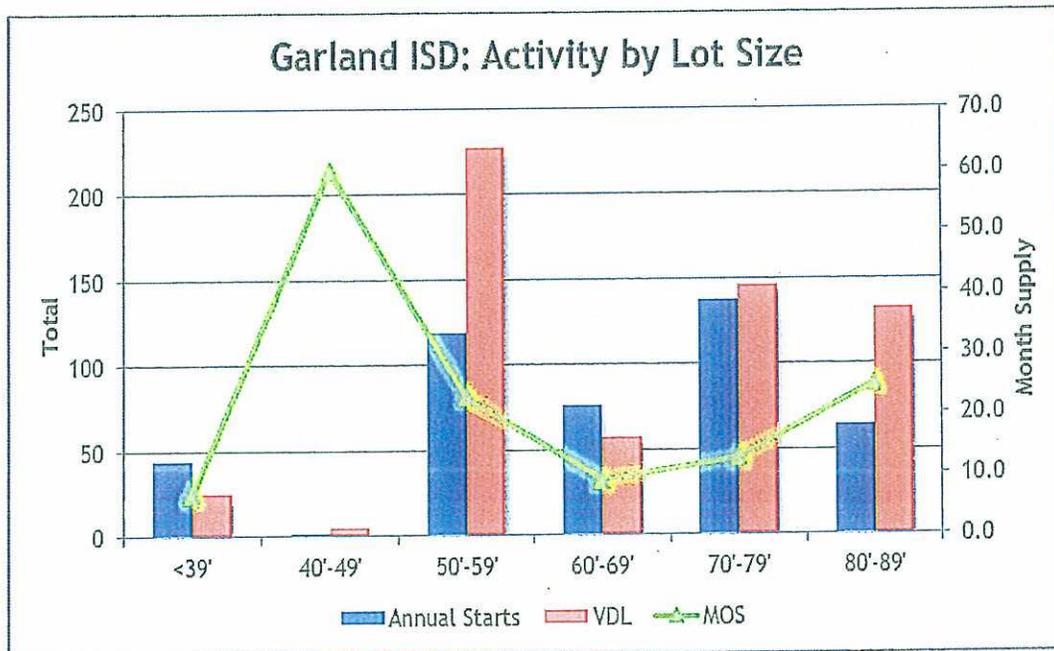
New home closings stood at 306 units for the ending quarter. The vacant lot supply stood at a tight 16.5 months of supply.



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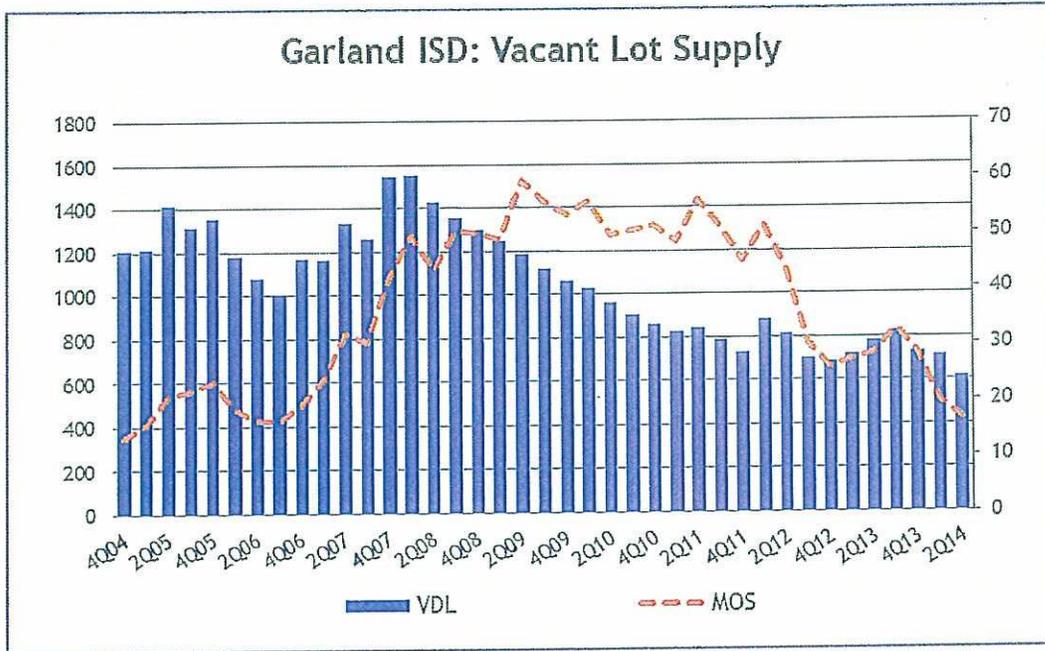


The bulk of new home activity in Garland ISD is occurring between \$251-300K, as shown in the chart above. Over 200 starts are in the \$251-300K price range.



The projects within Garland ISD are generally producing lots range from under 39' to 89'.

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At the end of 2Q14, there were 307 homes in inventory within the submarket. This equates to a 12.0 month supply of inventory. RSI views 6 months as healthy. Focusing on the components of new home inventory, finished vacant (speculative) inventory is within a healthy range at 2.2 months of supply (56 total units). The remaining buildup in inventory can be found in the under construction category as builders work to ramp activity to meet higher demand levels. This elevated inventory level will be reduced in the coming quarters as sold homes currently under construction are completed and closed.

### Resale Overview

Within a 2-mile radius from Eastern Hills, there were 229 resales over the last 6 months at an average sales price of \$167,363. As of August 1, 2014, there were 94 active listings in the area equating to a very tight 2.5 month supply. Below is a review of those transactions, broken out by preowned vs. builder sales in MLS.

	Preowned Homes	Builder MLS Sales
Total Count	189	23
Average Sales Price	\$164,995	\$265,266
Average Square Footage	2,197	2,951
Average Price Per Square Foot	\$75	\$89
Current Listings	81	7
Month Supply	2.6	1.8

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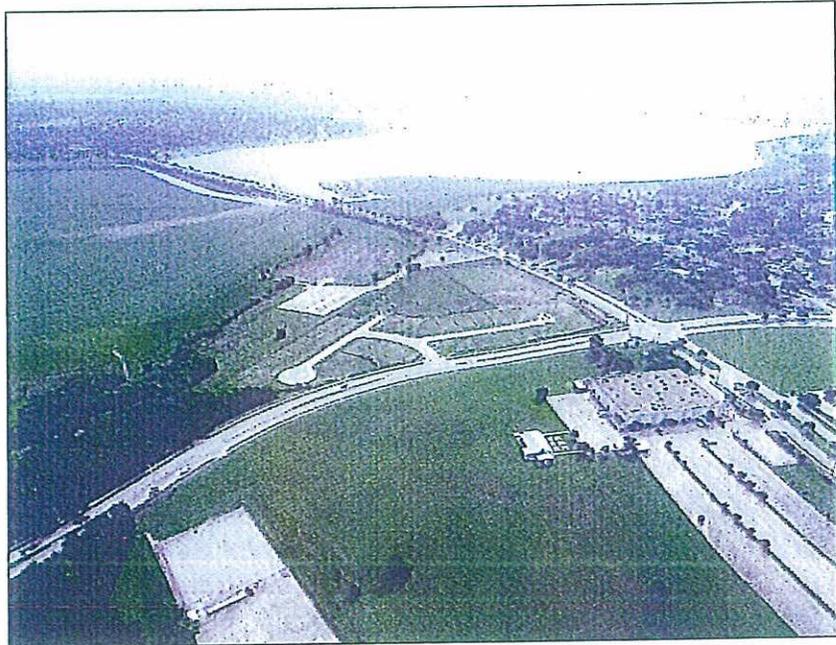
### Active Development Review

RSI has provided a review of the most relevant comparable developments within the Garland ISD submarket below. Those described below are primarily located north of I-30 and within reasonable proximity to the subject site.

**Herons Bay Estates:** Located just south of Eastern Hills off Wynn Joyce Road, Herons Bay Estates has Gallery Custom Homes as its builder with 62 starts and 56 closings in the last 4 quarters. Lots are generally 60' and 70' wide, and homes are priced from \$227-288K. There are 12 vacant lots and 192 future lots remaining to be developed. First Texas/Gallery Custom Homes has purchased the land for those remaining phases and will develop them as needed.

**Kensington Gardens:** Just north of Eastern Hills off Centerville Road, Grand Homes is the builder for this subdivision. In the last four quarters Grand has 17 starts and 7 closings. Lots are generally 80'x125', and homes are priced from \$263-388K. There are 35 vacant lots remaining.

**Hillside on the Lake:** M/I Homes, a new builder to the DFW area, will kick off activity at this Garland development in the fall. Lots in Hillside at the lake are generally 50' wide. The builder has not yet released their floorplan lineup and pricing, however it is anticipated that home prices will fall in the mid \$200K range on average. There are 30 total lots in phase 1 with a future phase of 33 lots planned.



The community is located on the south side of Lake Ray Hubbard at Rowlett Road.

**Wagon Wheel Crossing:** While not within close proximity to the subject site, the Wagon Wheel community offers an example of the success found with homes situated on 50' wide lots in Garland ISD. Located just west of President George Bush Turnpike, Wagon Wheel Crossing is at the northwest corner of N Garland Avenue and Centennial

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Boulevard. This subdivision has 51 starts and 32 closings, all by Paul Taylor Homes. All lots are 50'x100', homes priced from \$228-290K. There are just 11 vacant lots.

***The Vineyards (Rowlett):*** A total of 80 70' wide lots will be delivered late in 2014 for Highland and Coventry Homes at The Vineyards. This City of Rowlett project is located east of the President George Bush Turnpike and south of Miller Road. Home prices likely will begin in the high \$200Ks.



***Homestead at Liberty Grove (Rowlett):*** While not within close proximity to the subject site, the Homestead at Liberty Grove community is located within Garland ISD and will represent a new master-planned development within the competitive market area. Arcadia Realty is developing the first phase of 152 lots, generally 45' and 55' wide, for Cambridge and David Weekley Homes. Home



prices will begin in the mid \$200Ks with most product having a base price between \$275K and \$325K. Delivery is expected by 1Q15. This community is located east of SH

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190 on the north side of Liberty Grove Road. Lot prices here will be near \$1,100 per front foot.

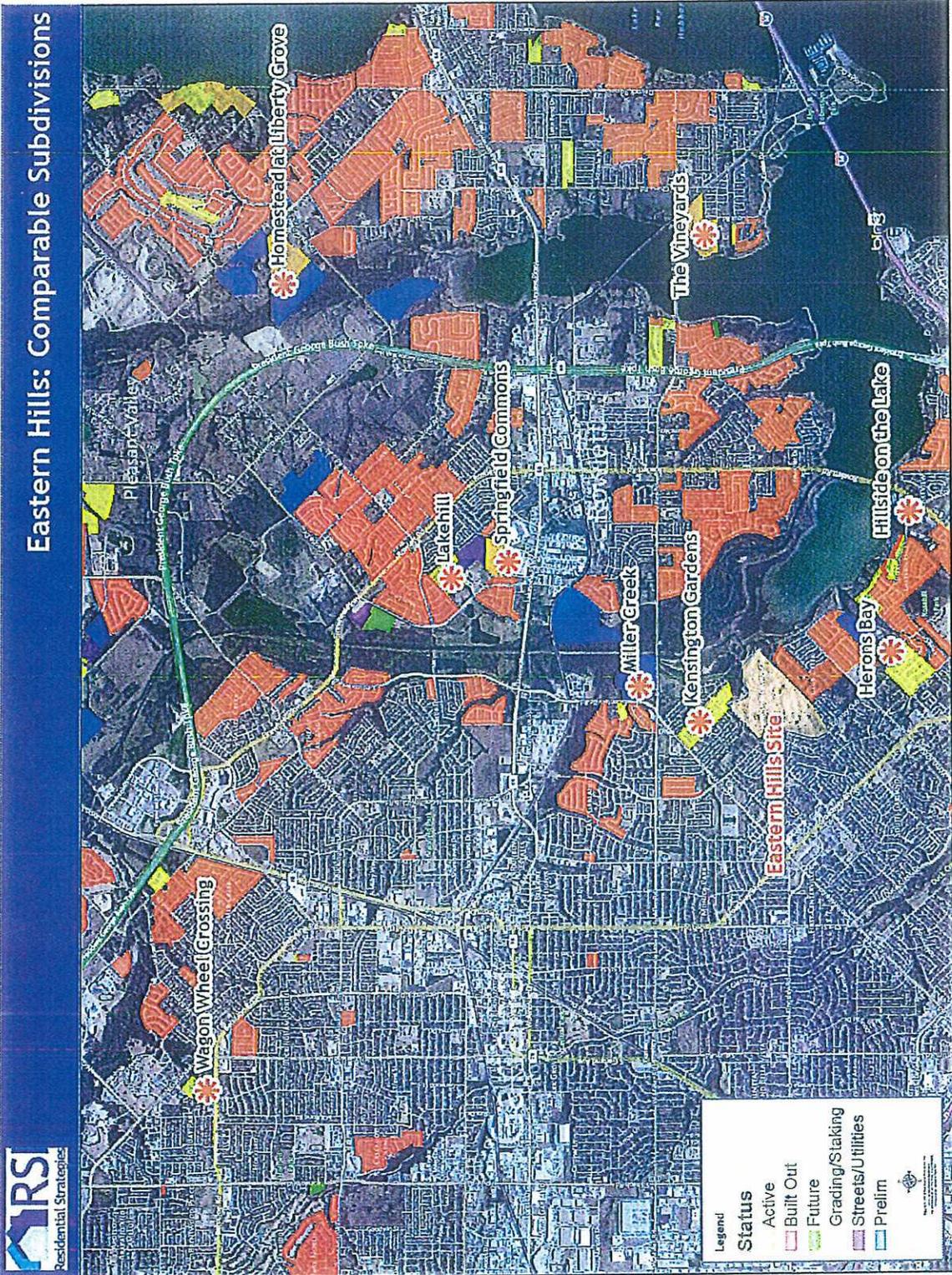
**Lakehill (Rowlett):** Standard Pacific Homes has been successful with their Lakehill project in Rowlett, generating 25 starts and 25 closings in the last year with home prices ranging from the \$290Ks to the \$340Ks. There were 23 65' wide vacant lots remaining at the end of 2Q14 with an additional 88 lots under development as part of the final phase. Lakehill is adjacent to Dorsey Elementary School, north of SH 66. While this community opened in 2012 with home prices starting in the \$230Ks, the market has strengthened considerably and Standard Pacific has been able to raise their prices accordingly.

**Springfield Commons (Rowlett):** D.R. Horton has started 23 homes in the 6 months of activity at Springfield Commons, located just south of the Lakehill community. The builder is active on 50' wide lots. The most recent home prices offered ranged from \$231-298K. There were 32 vacant lots remaining and 79 additional lots under development at the end of 2Q14.

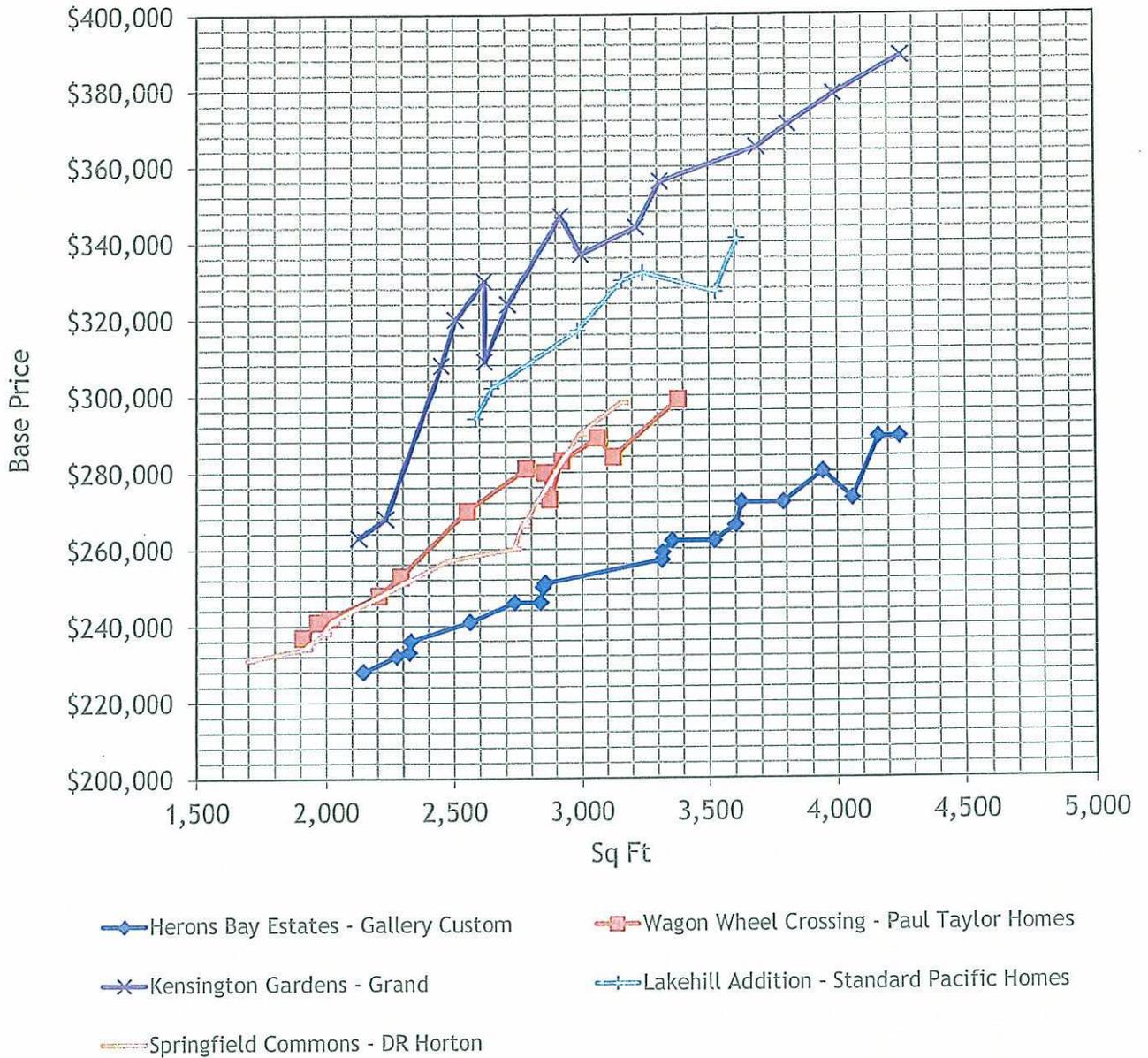
### Potential Future Competition

**Miller Creek:** A preliminary plat for Miller Creek shows that a potential of 130 homesites, generally 55' wide, could be developed at the northeast corner of Centerville Road and Miller Road.

All other nearby future competition will come from lots described above that are currently under development or are future phases to existing communities. RSI expects the lot supply in this infill market to remain tight.



Garland ISD/Builder Base Price Comparison



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### Active Adult/Age-Targeted Discussion

The infill nature of the Eastern Hills tract, which is located among a large core of existing homes, provides an ideal location for a developer to provide some age-targeted homes that would appeal to the empty nester market segment. Recommendations specific to the Eastern Hills site have been provided at the conclusion of the study, and a profile of the active-adult market in DFW is provided below. By definition, active adult communities are deed restricted for age, typically requiring 1 householder to be 55 or older. Age-targeted developments cater to a similar buyer, but are generally not deed restricted for age.

Today in the DFW metroplex, there are two large active adult communities that fit within the traditional 'age restricted' development model that has been fine-tuned over the years by Del Webb (a Pulte Homes company) primarily. Frisco Lakes, a Del Webb community in far west Frisco, and Robson Ranch, a Robson Builders community in far west Denton, have in combination generated more than 3,000 new homes in the last 10-12 years. Below, RSI has provided a review of each of these communities.

### Robson Ranch Review

Robson Ranch is an active adult community located off I-35, six miles south of Denton at the Crawford Road/I-35 intersection. Amenities in Robson Ranch include a golf course, clubhouse with ballroom and auditorium with performance stage, multi-purpose activity rooms, and catering kitchen. Within the community, there is also a sports club with indoor and outdoor pools, lighted tennis courts, whirlpools, saunas, gymnasium, restaurant, pro shop, fitness center, creative arts center, dog park, and grandchildren's pool. There are walking/jogging paths throughout the neighborhood and several community events for the residents to participate in. The community is gated and has 24-hour security. Robson Ranch is deed restricted to ages 55+. HOA dues covering this level of amenities are approximately \$2,200 per year (\$183.33 per month).

Robson Ranch saw 99 new home starts in the last year (3Q13-2Q14), an increase of 13.3% in the annual rate of activity compared to a year prior. The median new home price at Robson Ranch stood at \$242,650 at the end of 2Q14. There were 213 vacant lots remaining at the end of 2Q14 with ample land for future phases.

The current product lineup ranges from 1,744 to 3,746 square feet and offers base prices from \$223,900 to \$393,900. All floorplans are 1 story with a 2 or 3 car garage.

### Frisco Lakes Review

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Frisco Lakes is a Del Webb community located in the city of Frisco. The community encompasses 1,000 acres and will contain approximately 2,700 homes upon completion. Amenities include an 18-hole golf course with clubhouse, amenity center and activity rooms, fitness center, swimming pools, tennis courts, bocce ball courts, walking trails, and lakes. The community is gated. HOA dues covering this level of amenities are approximately \$1,320 per year (\$110 per month).

Frisco Lakes saw 220 new home starts in the last year (3Q13-2Q14), a decrease of 1.3% in the annual rate of activity compared to a year prior. The median new home price within the community stood at \$259,983 at the end of 2Q14, an increase of 18% in the last four quarters. New home closings stood at 206 units for the ending quarter.

Lots in Frisco Lakes are generally between 40' and 60' in width, with about 90 starts in both the 40'-49' width and 50'-59' width lots. There were 31 starts in the 70'-79' width range. RSI estimates approximately 850-900 lots remain to be developed/delivered in Frisco Lakes.

The current product lineup ranges from 1,157 to 2,669 square feet and offers base prices from \$185,990 to \$369,990.

### Heritage Ranch Review

While Heritage Ranch (located in the Fairview area) was built out in 2007, it is a large active adult community that should be mentioned and reviewed. This project offered approximately 1,100 homesites with a full golf course, clubhouse, community center, fitness center, aerobics studio, pools, tennis courts and trails. It is a gated neighborhood. Homes were built by Lennar and K Hovnanian primarily and were priced from nearly \$200,000 up to the low \$300,000s.

### *Other Active Adult/Age Targeted Activity*

#### Villas of Stone Glen

On a much smaller scale, the Integrity Group in partnership with Epcon Communities is offering a total of 115 homesites in the age-restricted Villas of Stone Glen in Keller. This project is located on Bourland Road just north of FM 1709. Homes are



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priced from the low \$300Ks to low \$400Ks. In the last four quarters, there were 42 starts and 29 closings. The community is gated, offers yard maintenance, an activity center with full kitchen, entertainment space, fitness center, pool and outdoor living area. HOA dues are \$250 per month.

As RSI understands the relationship, Epcon Communities offers sort of a franchising opportunity for local developers where floorplans and product specs from Epcon (a national firm) can be utilized. Integrity Group is now working to secure entitlements for a similar community in Bartonville, near the Lantana master-planned community (Denton County).

### The Legends

Centurion American is developing 91 50' lots for Lennar Homes in this project, which is located in North Flower Mound and will be age-restricted. The Legends will offer primarily single-story homes within a gated setting. Amenities will include a community pool, clubhouse, retention pond with water feature and walking trails. The community is within close proximity to the shopping and commercial conveniences located at the FM 2499 and FM 407 intersection. The lots will be delivered later this year.

### Nathan Carlisle Homes

Nathan Carlisle Homes, behind former Pulte/Del Webb leadership, has been active in Isabella Village in the Savannah master-planned community along US 380 in Denton County. This age-targeted phase offers homes on 50' wide lots with base home prices from \$200,650 to \$237,990. While residents have access to all Savannah area amenities, this section will



also have a new, exclusive community center delivered this summer. Over the last year, Nathan Carlisle has started 21 homes here. There were 53 vacant lots remaining in this section at the end of 2Q14 (a total of 104 lots have been developed thus far). The floorplans offered range from 1,387 to 2,432 square feet.

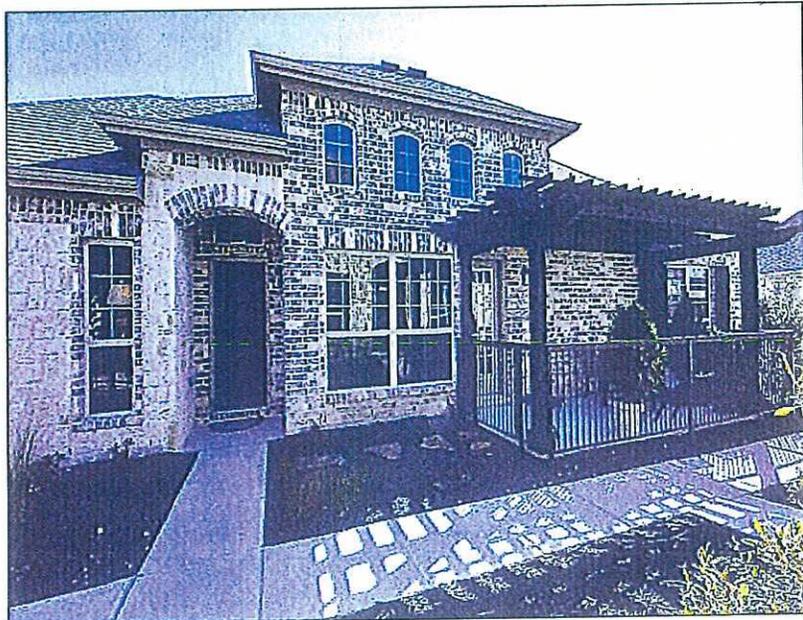
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Nathan Carlisle Homes is one of several DFW builders that has the experience needed to be successful in the active adult segment of the market. RSI expects to see their positions grow in the coming 1-2 years.

### Grenadier Homes

Grenadier Homes is another DFW-based builder that focuses at least a portion of their product offerings toward empty nesters. Grenadier ranks as the 47<sup>th</sup> most active builder in the DFW market with 77 annual starts over the last year. Through the offering of both single-story townhomes and detached patio homes, Grenadier focuses much of their efforts on the 'move-down' buyer, although to-date, the builder has not been active in strictly age-restricted developments.

At Villas in the Park, a community located in Fairview, Texas, Grenadier achieved an absorption pace of 3 to 3.5 units per month with primarily single-story townhomes. A section of patio homes on 55' wide lots was also a part of this neighborhood. Grenadier offered townhomes priced from the low to mid \$200Ks within a gated setting, close to shopping and medical services.



While not age-restricted, the community was attractive primarily to empty nesters.

In the coming year, Grenadier will introduce Orchard Flower, an age-restricted development of nearly 100 homesites located in Flower Mound, Texas. Eighty-percent of the households in this community will have at least one household member at 55 or older. This offering will be highly amenitized when considering the number of lots that will be developed. Grenadier will offer a gated community with a high level of landscaping, walking trails, large detention pond/lake with water feature, community pool and clubhouse as well as a small amount of retail at the main entrance (along FM 3040). The builder will be offering primarily 1-story plans on lots ranging from 50' to 60' wide. Home prices will initially be in the \$375-450K range.

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### Demographic Profile

The core group of households that would be needed for an age-targeted product segment at the Eastern Hills tract includes those with householders aged 55-64 and 65-74 primarily and with household income levels of \$50,000 or more (taking into account there will be some households with fixed income sources that would not be considered as part of their annual income by demographic data firms).

RSI reviewed the demographics of households within a 3 and 5 mile radius of the property.

Note that the potential target market includes more than 6,500 households within 3-miles of Eastern Hills and nearly 15,000 households within 5-miles of Eastern Hills. Those counts will grow by 26% over the next 5 years and will account for 9-11% of all households in each radius.

#### 3-Mile Radius from Eastern Hills

	2014 Estimates		2019 Projections	
	55-64	65-74	55-64	65-74
\$50-74K	1,403	795	1,361	896
\$75-99K	923	505	1,204	766
\$100-149K	1,100	514	1,283	743
\$150-199K	591	171	814	322
\$200K+	362	147	538	286
	6,511		8,213	
% of Total Households	10%		11%	

#### 5-Mile Radius from Eastern Hills

	2014 Estimates		2019 Projections	
	55-64	65-74	55-64	65-74
\$50-74K	3,474	1,921	3,359	2,233
\$75-99K	2,310	1,145	3,000	1,796
\$100-149K	2,805	1,074	3,345	1,624
\$150-199K	1,096	297	1,590	584
\$200K+	616	233	937	456
	14,971		18,924	
% of Total Households	8%		9%	

Source: ESRI, 2014

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### **Conclusion: Evaluation of Market Potential**

Residential Strategies, Inc. (RSI) was asked to prepare a review of the Eastern Hills property for HSM Dalcon, Inc., including current and future market conditions, lot pricing, new home activity/absorption and potential future competition. HSM Dalcon, Inc. is evaluating conditions of this future residential development located in Garland, Texas.

### **Submarket Conditions**

The Garland ISD area continues to attract builders and developers seeking infill locations within close proximity to employment centers and mature retail and commercial amenities. Builders generated nearly 450 homes throughout Garland ISD over the last year, however there is just a 16.5 month supply of vacant lots on the ground; this shortage of supply will continue given the lack of developable land within the submarket. For the Eastern Hills development, this lack of competition will bode well for the success of the builders that are ultimately chosen for the project.

As the supply of lots has gotten tighter in recent quarters, the median new home price has climbed as well. Garland ISD saw an 11% rise in the median price of a new home, which stands at \$290K. Much of the product built in the submarket falls within the \$250-300K segment and the \$300-350K segment.

As RSI looks ahead at the future of the Garland ISD area as it relates to the Eastern Hills redevelopment, we anticipate that new communities, such as the subject site as well as Homestead at Liberty Grove, will provide buyers with a spectrum of lot sizes, home prices ranging from the mid \$200Ks and above, and all within amenitized settings that will appeal to family and empty nester buyers.

### **Subject Site Evaluation**

The Eastern Hills site represents one of the largest development opportunities remaining in Garland with approximately 177 acres that has previously been utilized as a golf course and country club. Since the closing of that facility, the property has been eyed as a potential redevelopment candidate for new housing.

HSM Dalcon has indicated their plans are to reposition the land as a new home community that would potentially result in about 500 new homesites. The site will use Centerville Road as its primary marketing window, with Country Club Road providing direct access to the site. A secondary point of entry is planned for the northwestern portion of the property.

The site is within close proximity to high quality schools in Garland ISD, several major commuter routes and Lake Ray Hubbard to the northeast.

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### Lot Pricing Trends

The prevailing lot pricing in the Garland ISD markets of Garland, Rowlett and the Sachse/Wylie area is \$1,000 to \$1,100 per front foot today. Communities such as Homestead at Liberty Grove, Wagon Wheel Crossing, Lakehill and others are all at or near this lot value today (or will reach that lot value within the next year).

RSI believes a per front foot lot value of \$1,000 to \$1,100 is appropriate for the Eastern Hills site as well. However, the total retail lot values should be positioned in such a way that builders can offer a portion of their product under \$300,000. With the traditional minimum lot size of 10,000 square feet (typically 80'x130'), this may be a difficult position to accomplish.

### Recommended Positioning, Absorption Estimates

RSI's recommendation for the subject site is to target two product types, described as follows:

1. **Traditional single-family detached product:** To compete successfully with other Garland ISD communities, RSI recommends a base home price range of \$280-350K, which is consistent with many of the developments outlined in this report. This price point will provide high-end production builder product with family buyers in mind.
  - a. In order to reach the upper \$200Ks in base price, builders likely will need to have some of their lots priced in the \$65-70K price range.
  - b. RSI's assessment, based on current market conditions and buyer preferences, is that the most appropriate lot size to accomplish this position would be a 60' to 70' wide lot that is slightly deeper than traditional lots of that width. By providing a 60-65'x140' lot, for example, the developer would be somewhat closer to the city's 10K SF lot size, but would also allow for a lot size/price/home price combination most congruent with market demand.
  - c. A suggestion the developer may consider is the potential of configuring the perimeter lots, where possible, to take advantage of some of the open space that the previous golf course provided. Lots with extra depth that can create a perimeter with trails/open space may also be more appealing to neighboring communities that have been accustomed to the golf course setting.
2. **Age-Targeted Product:** RSI considers the Eastern Hills site to be an appropriate location for an age-targeted product lineup as well. As outlined, there are currently more than 6,500 households within just 3 miles of the subject site that are of the appropriate age and income bracket to be target buyers for this

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move-down product. This buyer will be looking for a low-maintenance lifestyle option, which is often accomplished through the offering of a 50' to 55' wide lot. For this product type, RSI would recommend a 50' to 55' wide lot with a retail lot price of \$55-60K that would result in base home prices of \$240-280K.

The active adult new home market is robust throughout Texas, with each of the major metro areas providing at least 1-2 age-restricted master-planned communities. Where Florida and Arizona were the mainstays for this type of development through much of the 80's and 90's, factors like weather and affordability have led the active adult buyer to many other areas of the U.S. Texas provides an excellent location for this buyer group due to the favorable tax environment and plethora of healthy and financial services. Often, moves to Texas by younger families spur the desire of an aging parent to find a home within relatively close proximity to their children and grandchildren.

While the model followed by Del Webb or Robson, which utilizes a golf course, highly amenitized clubhouse, a significant number of social programming efforts, and more of a 'club' atmosphere has historically been successful, recent trends across the U.S. have shifted away from this in certain regards.

Today, instead of seeking locations for several thousand homesites with an extensive, national marketing campaign, smaller pods of age-targeted product types are often introduced as a part of more traditional single-family communities.

- Under appropriate assumptions regarding pricing, absorption and amenity levels, RSI would encourage HSM Dalcon to consider a pod or section of lots to cater to an active adult/move-down buyer
- Some communities that target this buyer will provide in the deed restrictions the necessity that one householder be of a certain age (usually 55+). In this scenario, like what is employed at Robson Ranch and Frisco Lakes, the homeowners must fit within this category and if they sell their home in the future, they will need to find a buyer that fits within this category as well.
- This restriction is attractive to many empty nester buyers that seek a community without families with children. However, the deed restriction for age does limit the developer's exit strategy and narrow the scope of the community. RSI would recommend moving forward without a deed restriction for age, if possible.
- Amenities are extremely important to this buyer type, which is an important consideration for the developer. A pool and small clubhouse area along with walking trails usually top the list of desired amenities. A key to the success of

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the project and this product type will be to craft an appropriate balance between amenities provided to serve the traditional family buyers and the empty nester/move-down buyers.

- While it is difficult to anticipate potential absorption rates for a niche product of this type without directly comparable properties nearby, RSI would recommend targeting a total of 100-120 homesites dedicated to this product type within the Eastern Hills development.
- A 50' to 55' wide lot would allow for several 1-story floorplans as well as 1.5 story plans with the bulk of the everyday living space on the first floor. A lot at this size would also keep the overall price at a reasonable starting point. The depth of the lot may not need to be the traditional 110' to 125'. With little use or desire for backyard space, a small courtyard and/or patio area would be more appropriate for this buyer group.
- Buyers in this age and life stage group are most likely looking to move down in size of home and overall housing costs as compared to their current residence. Research provided below from the National Association of Realtors reiterates this notion:

### Older Boomers

*Born 1946-1954*

*Ages 59 to 67*

- 14% of recent home buyers
- 21% purchase a new home to avoid renovations or problems with plumbing and electricity and for amenities of new construction
- Biggest neighborhood influencers: convenient to friends and family, affordability, convenient to shopping
- 27% own more than one home—including investment properties and vacation homes
- Plan to live in home 20 years



- 22% of recent home sellers
- Most common reason to sell home: want to move closer to friends and family, home is too large, and retirement
- Moving 36 miles from previous home
- Most likely to move to another region—at 22%
- Typically downsizing square footage and price of home

RSI's recommendation is to introduce two builders on the traditional family-oriented product with a third builder on the age-targeted product. Our estimates for absorption are provided below:

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Lot Size	Lot Price	Home Price Range (estimate)	Annual Absorption, Year 1
60-65'x140' (8-10K SF lot)	\$65-70K base	\$280-350K	48-55 (split between two builders)
50'-55' (age targeted)	\$55-60K base	\$240-280K	30-36 (1 builder)
<b>Total Annual Absorption</b>			<b>78-91</b>

A key to the success of this project will be the recruitment of a strong builder group that will maintain a bulk of their product under the \$350,000 mark. Historical evidence strongly suggests that the Garland ISD market generates a vast majority of absorption within the \$250-350K market segment. While values have strengthened in recent years, RSI would caution against positioning the community in such a way that too many homes would be priced above \$300-350K.

The Eastern Hills tract represents a very unique development opportunity in the core of the Dallas MSA. The guidelines provided above would, in RSI's opinion, position the project to realize success within the current market conditions.

Buyer will expect to find an amenity package when shopping for a new home in the subject community. Competitors such as Homestead at Liberty Grove, which is one of the nearest developments of a similar size in terms of total lots, will offer a competitive amenity package. RSI understands that some of the existing amenities from the Eastern Hills Country Club may have the opportunity to be rehabbed and utilized for the new community.

RSI recommends the inclusion of a pool with toddler splash area, clubhouse (if economically feasible) or open air pavilion with restrooms, playground and pocket park areas, trails and landscaped entrance. Front yard maintenance should be considered as part of the HOA for the age-targeted area, especially. Additionally, there should be a focused effort on determining the most desirable amenity package for the age-targeted section of the development: the builder recruited for this section should weigh in on that decision, along with interviews with local brokers/Realtors that likely have clients interested in this product type. With just 120 or so total homesites of this type, a full and separate amenity package likely will not be feasible, however providing some separation and specific focus for this group will be needed.

## Residential Strategies

### Assumptions & Limiting Conditions

Although Residential Strategies, Inc. (RSI) has used commercially reasonable efforts to obtain information from sources in a manner that RSI believes to be reliable, we do not guarantee its accuracy and such information may be incomplete, condensed or interpolated. Information presented in this report represents our estimates as of the date of the publication and is subject to change without notice. This report is not intended as a recommendation or endorsement for any action taken by others. In no event will Residential Strategies, Inc. be liable for direct, indirect, incidental or consequential lost profits, lost savings, damages or other liabilities resulting from any information provided herein.

The following contingencies and limiting conditions are noted as fundamental assumptions, which may affect the validity of the analysis and conclusions reached in this report:

- All information contained in this report, while based upon information obtained from the client and other sources deemed to be reliable, is in no way warranted by Residential Strategies, Inc.
- The DFW area, state of Texas, and the nation as a whole will not suffer any major economic shock during the time period of the forecast contained in this report.
- Population will continue to increase at or above the rate forecast.
- The basic sources of statistical data and estimates used in this analysis are sufficiently accurate to be useful for planning purposes.
- The development, when completed, will be designed, promoted, and managed in a manner that will have an adequate impact on the local market.
- The recommendations set forth in this report will be acted upon within a reasonable period of time to preclude major changes in the conditions evaluated.

Radical changes in factors affecting the major assumptions noted above could alter the conclusions reached in this analysis or necessitate the re-evaluation of portions of this report.