

NEW HOME REPORT

SAN DIEGO COUNTY EDITION

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New Home Report

For over 10 years, Hanley Wood has provided weekly traffic and sales information to the building industry throughout Southern California. In addition to this newsletter and our weekly reports, we offer a variety of custom reports and market research services.

For more information, please call us at (714) 540-8500 to discuss your research needs or visit www.hanleywood.com.

Following is the October 2008 Hanley Wood Weekly Sales and Traffic New Home Report for the San Diego County market. Definitions for the categories shown on the tables are provided below.

Definitions

Number of Active Projects: A project is considered active when prices on individual units are published and offers can be made. A project stays open/active through the month that the final home has closed escrow. Afterwards, it is considered inactive. For example, a project that closes its last escrow on November 15 is considered active through November 30, but inactive on December 1.

Traffic: Groups visiting an active project, as reported by the homebuilder.

Traffic per Project: The number of traffic groups for the period divided by the number of active projects.

New Sales: Gross sales contracts written for a project during the period.

Cancellations: Any sales contracts that are cancelled before closing/settlement of escrow.

Net Sales: New sales less cancellations.

Net Sales per Project: Net sales for the period divided by the number of active projects. For example, if there were 15 sales during a month and 5 active projects in that month, the net sales per project would be 3.0.

Cancellation Percentage: The number of cancellations during the period divided by the number of new sales.

Conversion Percentage: The number of sales netted during the period divided by the number of traffic groups.

Conversion Ratio: The conversion ratio measures the percentage of traffic converting to net sales.

Inventory: Unsold housing units that have been released for sale, but have not been sold to a buyer. As a result, inventory figures may change significantly due to large phase releases or projects taken off the market.

Inventory per Project: The number of available inventory for the period divided by the number of active projects.

Months of Inventory: The inventory levels of new homes available based on the current sales rate in the market.

Monthly Market Summary

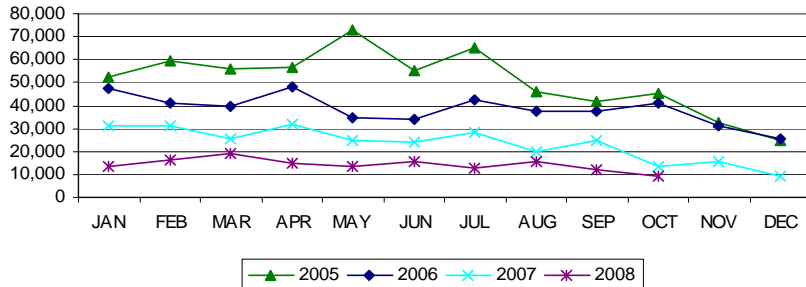
| CATEGORY | OCT 08 | SEP 08 | OCT 07 |
|----------------------------|---------------|---------------|---------------|
| NO. ACTIVE PROJECTS | 264 | 272 | 364 |
| TRAFFIC | 9,425 | 12,199 | 13,311 |
| TRAFFIC/PROJECT | 36 | 45 | 37 |
| NEW SALES | 144 | 191 | 182 |
| CANCELLATIONS | 107 | 65 | 62 |
| NET SALES | 37 | 126 | 120 |
| NET SALES/PROJECT | 0.14 | 0.46 | 0.33 |
| CANCELLATION % | 74% | 34% | 34% |
| CONVERSION % | 0.39% | 1.03% | 0.90% |
| CONVERSION RATIO | 254.73 | 96.82 | 110.93 |
| INVENTORY | 3,543 | 3,397 | 5,040 |
| INVENTORY/PROJECT | 13.42 | 12.49 | 13.85 |
| MONTHS OF INVENTORY | 95.76 | 26.96 | 42.00 |

Submarket Summaries

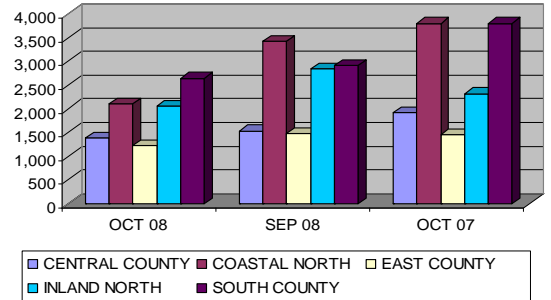
| CATEGORY | SDCC | SDCN | SDEC | SDIN | SDSC |
|----------------------------|-------------|-------------|-------------|-------------|-------------|
| NO. ACTIVE PROJECTS | 70 | 39 | 43 | 52 | 60 |
| TRAFFIC | 1,381 | 2,110 | 1,229 | 2,055 | 2,650 |
| TRAFFIC/PROJECT | 20 | 54 | 29 | 40 | 44 |
| NEW SALES | 14 | 26 | 26 | 41 | 37 |
| CANCELLATIONS | 54 | 8 | 3 | 17 | 25 |
| NET SALES | -40 | 18 | 23 | 24 | 12 |
| NET SALES/PROJECT | -0.57 | 0.46 | 0.53 | 0.46 | 0.20 |
| CANCELLATION % | 386% | 31% | 12% | 41% | 68% |
| CONVERSION % | -2.90% | 0.85% | 1.87% | 1.17% | 0.45% |
| CONVERSION RATIO | -34.53 | 117.22 | 53.43 | 85.63 | 220.83 |
| INVENTORY | 2,169 | 187 | 321 | 423 | 443 |
| INVENTORY/PROJECT | 30.99 | 4.79 | 7.47 | 8.13 | 7.38 |
| MONTHS OF INVENTORY | -54.23 | 10.39 | 13.96 | 17.63 | 36.92 |

Traffic Trends

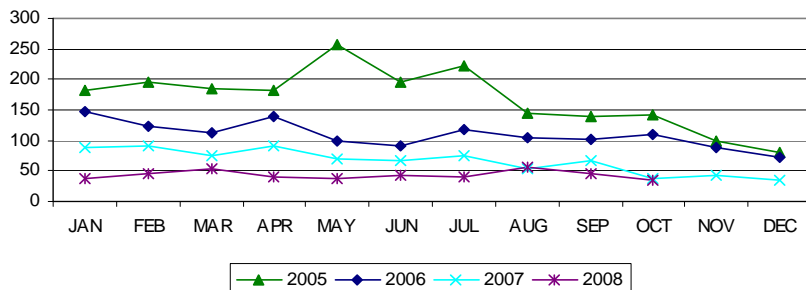
MONTHLY TRAFFIC TRENDS



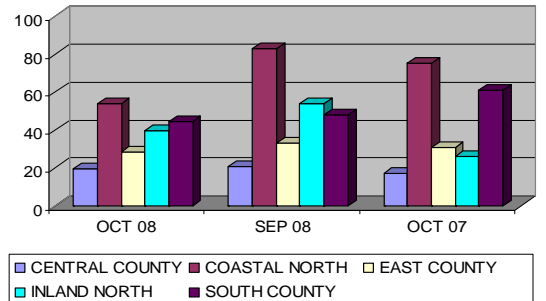
TRAFFIC COUNT COMPARISON BY SUBMARKET



AVERAGE PER-PROJECT TRAFFIC TRENDS



PER-PROJECT TRAFFIC BY SUBMARKET

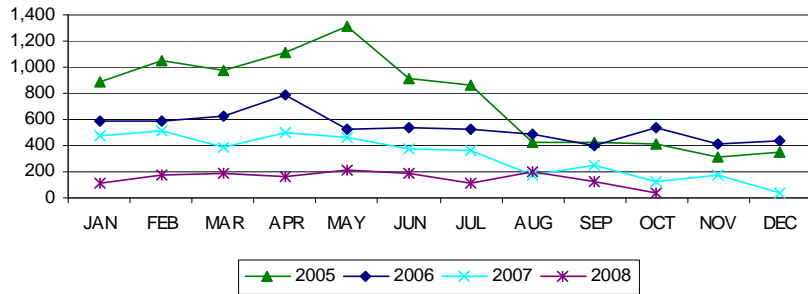


TRAFFIC SUMMARY

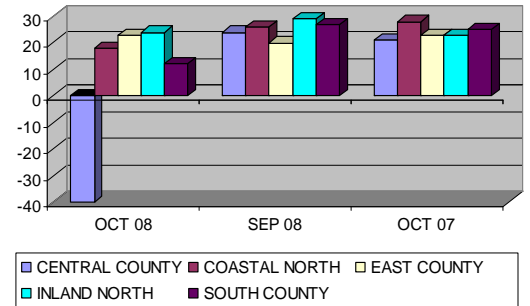
| SUBMARKET | OCT 08 | % TOTAL | TRAF/PR | SEP 08 | CHG | % CHG | OCT 07 | CHG | % CHG |
|----------------|--------|---------|---------|--------|--------|-------|--------|--------|-------|
| CENTRAL COUNTY | 1,381 | 15% | 20 | 1,538 | -157 | -10% | 1,917 | -536 | -28% |
| COASTAL NORTH | 2,110 | 22% | 54 | 3,420 | -1,310 | -38% | 3,805 | -1,695 | -45% |
| EAST COUNTY | 1,229 | 13% | 29 | 1,482 | -253 | -17% | 1,459 | -230 | -16% |
| INLAND NORTH | 2,055 | 22% | 40 | 2,851 | -796 | -28% | 2,326 | -271 | -12% |
| SOUTH COUNTY | 2,650 | 28% | 44 | 2,908 | -258 | -9% | 3,804 | -1,154 | -30% |
| TOTALS | 9,425 | 100% | 36 | 12,199 | -2,774 | -23% | 13,311 | -3,886 | -29% |

Net Sales Trends

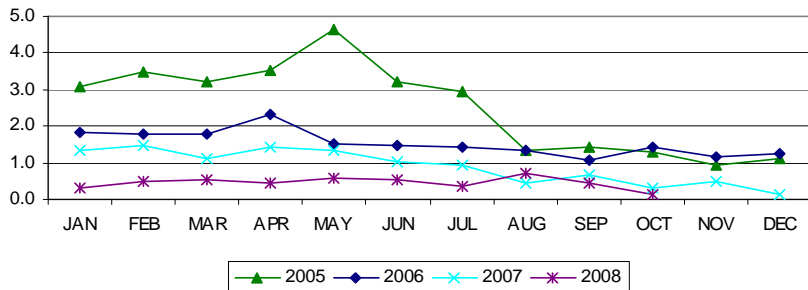
MONTHLY NET SALES TRENDS



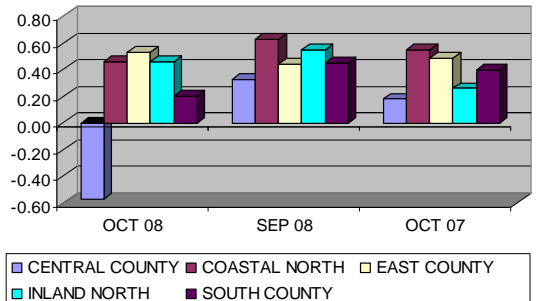
NET SALES COMPARISON BY SUBMARKET



AVERAGE PER-PROJECT NET SALES TRENDS



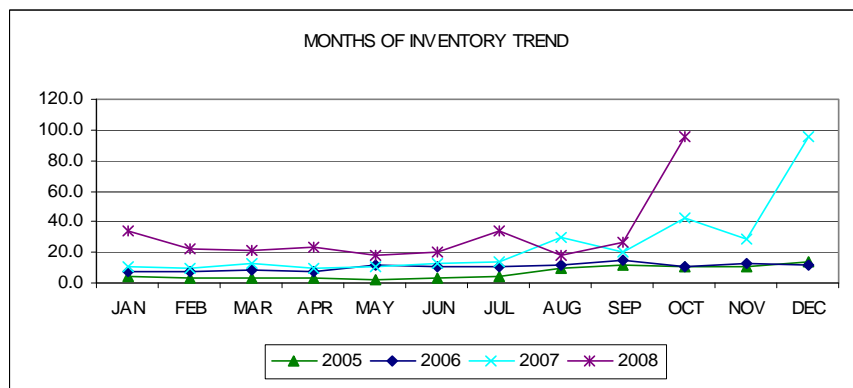
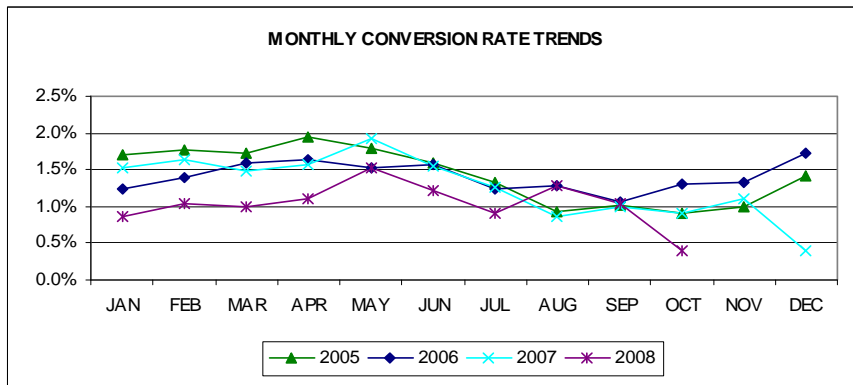
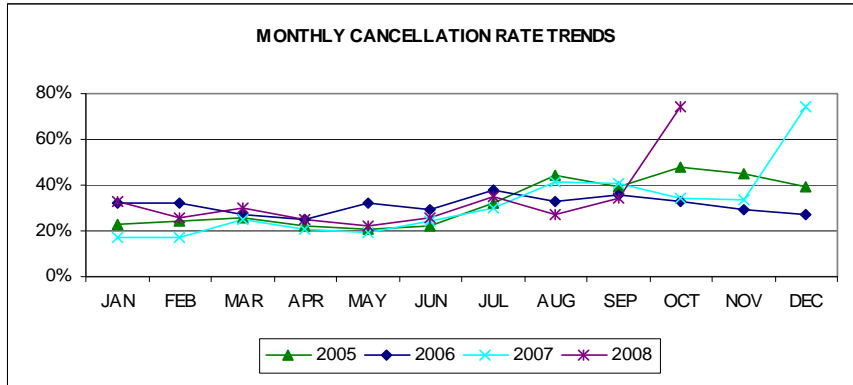
PER-PROJECT NET SALES BY SUBMARKET



NET SALES SUMMARY

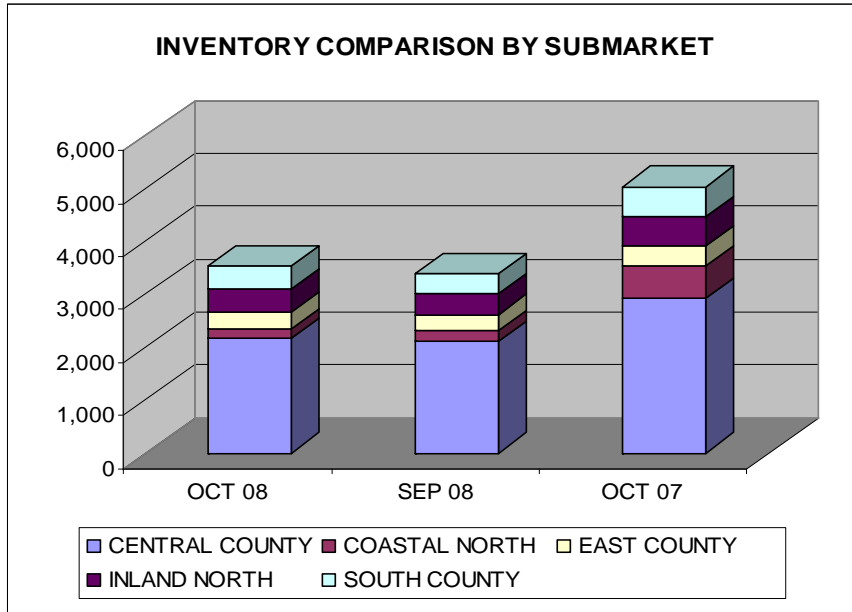
| SUBMARKET | OCT 08 | % TOTAL | SLS/PR | SEP 08 | CHG | % CHG | OCT 07 | CHG | % CHG |
|----------------|--------|---------|--------|--------|-----|-------|--------|-----|-------|
| CENTRAL COUNTY | -40 | -108% | -0.57 | 24 | -64 | -267% | 21 | -61 | -290% |
| COASTAL NORTH | 18 | 49% | 0.46 | 26 | -8 | -31% | 28 | -10 | -36% |
| EAST COUNTY | 23 | 62% | 0.53 | 20 | 3 | 15% | 23 | 0 | 0% |
| INLAND NORTH | 24 | 65% | 0.46 | 29 | -5 | -17% | 23 | 1 | 4% |
| SOUTH COUNTY | 12 | 32% | 0.20 | 27 | -15 | -56% | 25 | -13 | -52% |
| TOTALS | 37 | 100% | 0.14 | 126 | -89 | -71% | 120 | -83 | -69% |

Key Statistics Summary



| KEY STATISTICS | CANCELLATION % | | | CONVERSION RATE | | | MONTHS OF INVENTORY | | |
|----------------|----------------|--------|--------|-----------------|--------|--------|---------------------|--------|--------|
| | OCT 08 | SEP 08 | OCT 07 | OCT 08 | SEP 08 | OCT 07 | OCT 08 | SEP 08 | OCT 07 |
| CENTRAL COUNTY | 386% | 14% | 32% | -2.90% | 1.56% | 1.10% | -54.23 | 88.42 | 139.86 |
| COASTAL NORTH | 31% | 33% | 33% | 0.85% | 0.76% | 0.74% | 10.39 | 7.65 | 21.11 |
| EAST COUNTY | 12% | 39% | 32% | 1.87% | 1.35% | 1.58% | 13.96 | 15.15 | 16.52 |
| INLAND NORTH | 41% | 36% | 30% | 1.17% | 1.02% | 0.99% | 17.63 | 13.10 | 24.74 |
| SOUTH COUNTY | 68% | 41% | 40% | 0.45% | 0.93% | 0.66% | 36.92 | 14.56 | 22.52 |
| TOTALS | 74% | 34% | 34% | 0.39% | 1.03% | 0.90% | 95.76 | 26.96 | 42.00 |

Inventory Trends



| INVENTORY SUMMARY | | | | | | | | | |
|--------------------------|--------------|-------------|--------------|--------------|------------|-----------|--------------|---------------|-------------|
| SUBMARKET | OCT 08 | % TOTAL | INV/PR | SEP 08 | CHG | % CHG | OCT 07 | CHG | % CHG |
| CENTRAL COUNTY | 2,169 | 61% | 30.99 | 2,122 | 47 | 2% | 2,937 | -768 | -26% |
| COASTAL NORTH | 187 | 5% | 4.79 | 199 | -12 | -6% | 591 | -404 | -68% |
| EAST COUNTY | 321 | 9% | 7.47 | 303 | 18 | 6% | 380 | -59 | -16% |
| INLAND NORTH | 423 | 12% | 8.13 | 380 | 43 | 11% | 569 | -146 | -26% |
| SOUTH COUNTY | 443 | 13% | 7.38 | 393 | 50 | 13% | 563 | -120 | -21% |
| TOTALS | 3,543 | 100% | 13.42 | 3,397 | 146 | 4% | 5,040 | -1,497 | -30% |

Best Sellers & New Projects for the Month

| OCTOBER 2008 BEST SELLERS | | | | | |
|--------------------------------------|-----------|-------------|-------|----------|---------------|
| PROJECT | OCT SALES | PRICE | SQ FT | \$/SQ FT | LOT/DENSITY |
| BUILDER | YTD SALES | RANGE | RANGE | RANGE | LOCATION |
| SAN DIEGO CENTRAL COUNTY | | | | | |
| SCRIPPS PRESERVE | 3 | \$899,900 | 4,530 | \$199 | 17,300 |
| DAVIDSON COMMUNITIES | 20 | \$1,264,900 | 5,399 | \$234 | SCRIPPS RANCH |
| PARC @ 54 | 2 | \$229,990 | 974 | \$236 | N/A |
| KB HOME | 18 | \$325,990 | 1,494 | \$218 | SAN DIEGO |
| SAN DIEGO COASTAL NORTH | | | | | |
| PORTICO | 4 | \$688,900 | 2,165 | \$318 | 3,200 |
| PARDEE HOMES | 32 | \$733,900 | 2,413 | \$304 | CARMEL VALLEY |
| BUCKINGHAM | 3 | \$826,990 | 3,891 | \$213 | N/A |
| KB HOME | 20 | \$1,360,000 | 6,558 | \$207 | OCEANSIDE |
| SAN DIEGO EAST COUNTY | | | | | |
| VILLA MONTEVINA | 5 | \$155,000 | 636 | \$244 | N/A |
| SILVERSTONE COMMUNITIES | 65 | \$290,000 | 1,047 | \$277 | EL CAJON |
| STONEY CREEK AT RIVERWALK | 4 | \$449,900 | 1,818 | \$247 | 3,400 |
| STANDARD PACIFIC HOMES | 18 | \$519,900 | 2,607 | \$199 | SANTEE |
| SAN DIEGO INLAND NORTH | | | | | |
| LAKE RANCHO VIEJO | 4 | \$329,990 | 1,854 | \$178 | 5,000 |
| STANDARD PACIFIC HOMES | 40 | \$473,990 | 3,597 | \$132 | FALLBROOK |
| BRIARS OF EUREKA SPRINGS | 4 | \$426,000 | 2,750 | \$155 | N/A |
| LENNAR HOMES | 39 | \$445,000 | 3,198 | \$139 | ESCONDIDO |
| SAN DIEGO SOUTH COUNTY | | | | | |
| AMBER AT WINDINGWALK | 3 | \$488,060 | 2,342 | \$208 | 4,000 |
| SHEA HOMES | 20 | \$513,900 | 2,678 | \$192 | CHULA VISTA |
| QUINTESSA | 3 | \$714,440 | 3,189 | \$224 | 16,000 |
| MCMILLIN HOMES | 6 | \$902,396 | 4,208 | \$214 | CHULA VISTA |
| SAN DIEGO COUNTY NEW PROJECTS | | | | | |
| PROJECT | OCT SALES | PRICE | SQ FT | \$/SQ FT | LOT/DENSITY |
| BUILDER | YTD SALES | RANGE | RANGE | RANGE | LOCATION |

Year-to-Date Best Sellers

| 2008 BEST SELLERS | | | | | |
|---------------------------------|-----------|-------------|-------|----------|-----------------|
| PROJECT | YTD SALES | PRICE | SQ FT | \$/SQ FT | LOT/DENSITY |
| BUILDER | OCT SALES | RANGE | RANGE | RANGE | LOCATION |
| SAN DIEGO CENTRAL COUNTY | | | | | |
| SUNSET COVE | 31 | \$424,990 | 1,421 | \$299 | N/A |
| WILLIAM LYON HOMES | -1 | \$434,990 | 1,451 | \$300 | SAN DIEGO |
| ATLAS AT HILLCREST | 26 | \$358,481 | 725 | \$494 | N/A |
| D.R. HORTON | 1 | \$647,990 | 1,489 | \$435 | HILLCREST |
| SAN DIEGO COASTAL NORTH | | | | | |
| DERBY HILL | 34 | \$1,200,300 | 3,505 | \$342 | 7,000 |
| PARDEE HOMES | 1 | \$1,340,000 | 4,587 | \$292 | CARMEL VALLEY |
| CARRIAGE RUN | 33 | \$768,800 | 1,985 | \$387 | 3,500 |
| PARDEE HOMES | 1 | \$841,000 | 2,402 | \$350 | CARMEL VALLEY |
| SAN DIEGO EAST COUNTY | | | | | |
| VILLA MONTEVINA | 65 | \$155,000 | 636 | \$244 | N/A |
| SILVERSTONE COMMUNITIES | 5 | \$290,000 | 1,047 | \$277 | EL CAJON |
| TREVISIO | 27 | \$271,990 | 1,073 | \$253 | 1,073 |
| WILLIAM LYON HOMES | 2 | \$409,745 | 1,774 | \$231 | SANTEE |
| SAN DIEGO INLAND NORTH | | | | | |
| VILLA TAVIANA | 41 | \$171,990 | 544 | \$316 | N/A |
| ASLAN HOMES, LLC | 0 | \$316,990 | 1,067 | \$297 | RANCHO BARNARDO |
| LAKE RANCHO VIEJO | 40 | \$329,990 | 1,854 | \$178 | 5,000 |
| K. HOVNIANIAN COMPANIES | 4 | \$473,990 | 3,597 | \$132 | FALLBROOK |
| SAN DIEGO SOUTH COUNTY | | | | | |
| ESMERALDA | 29 | \$420,000 | 1,849 | \$227 | 4,500 |
| PARDEE HOMES | 1 | \$505,000 | 2,704 | \$187 | OTAY MESA |
| AMBER AT WINDINGWALK | 20 | \$488,060 | 2,342 | \$208 | 4,000 |
| SHEA HOMES | 3 | \$513,900 | 2,678 | \$192 | CHULA VISTA |

The New Home Report is published monthly for the counties of Los Angeles, Orange, Riverside, San Bernardino, San Diego, and Ventura, as well as for Southern California overall. All data is proprietary and is derived from weekly surveys conducted by Hanley Wood. All text, tables, and graphs are the property of Hanley Wood and may not be copied, scanned or otherwise duplicated or distributed without the express written consent of the publishers. The information contained herein has been obtained from sources we deem reliable. While we have no reason to doubt its accuracy, we do not guarantee it.

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