

EMPIRE ECONOMICS, INC.

Economic-Real Estate Consultants

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January 2012

Ms. Laurie Sachar
Senior Staff Analyst
County Executive Office
10 Civic Center Plaza, Third Floor
Santa Ana, CA 92701-4062

**Re: Orange County Monitoring Program
FCPP Districts, Aliso Viejo, Ladera Ranch and Newport Coast**

Dear Laurie,

Enclosed is the Monitoring Study for the Orange County Mello-Roos and Assessment Districts for the 4th-Quarter of 2011; accordingly, the primary findings are as follows:

- ❖ The residential projects in the Mello-Roos and Assessment Districts closed 24 new housing units/custom lots during the 4th-2011; by comparison, 7 new housing units/custom lots were closed during 3rd-2011.
- ❖ Housing prices, as measured by the price per sq.ft. of living area, the prices for the active projects in the CFDs amounted to \$247 during 4th-2011, the same as the prices during 3rd-2011. While for AD No. 01-1, the prices for homes in Group 3 decreased slightly, as the last two homes in The Tides project were closed-out.
- ❖ With regards to custom lot sales during 4th-2011, there were none in Ladera Ranch and 1 in Newport Coast; by comparison, there were also no sales of custom lots in the 3rd-2011.
- ❖ The commercial-industrial market experienced no absorption during the 4th-2011, the same as no acres of absorption during 3rd-2011. However, grading has begun/continued on a parcel on Journey in CFD 88-1.

For custom lots, Empire obtained some antidotal information from the sales representatives in Newport Coast and Ladera Ranch:

- A custom lot in AD No. 01-1 (Newport Coast), with 21,000 sq.ft., priced at \$3,250,000 closed escrow in October 2011.
- With respect to custom lots in CFD 2004-1 (Ladera Ranch), Warmington Homes appears to have an option agreement to purchase 28 lots which would be developed as production homes; the deal is expected to close in Spring 2012 .

For an overview of the marketing status of the projects in the Community Facilities and Assessment Districts, please refer to the attached graph.

The Monitoring Report file, for use on the website, has been sent to you via E-mail.

If you have any questions or comments, please contact me as I would be pleased to review the results of the Monitoring Study with you.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Joseph T. Janczyk', with a stylized flourish at the end.

Joseph T. Janczyk, Ph.D.
Economic Consultant

JTJ:rm

Enclosure

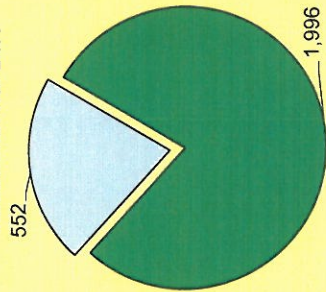
cc: Colleen Clark
Andrea Roess

ALL DISTRICTS - AGGREGATE

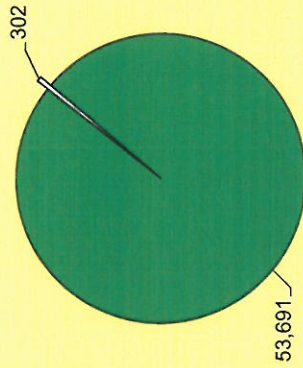
OVERVIEW OF DEVELOPMENT STATUS AND ABSORPTION

(Definition of Absorption = Built and Occupied)

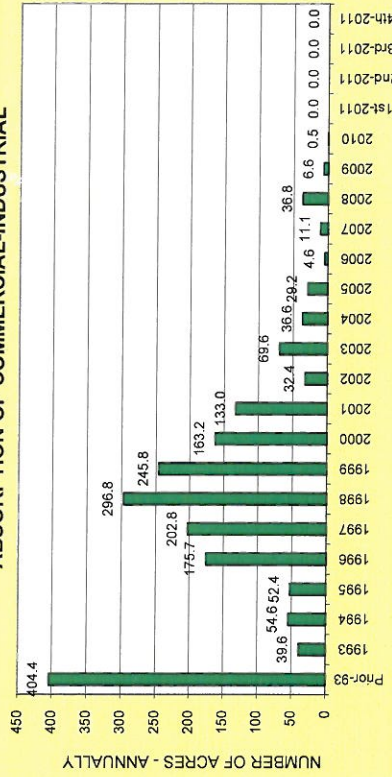
DEVELOPMENT STATUS OF COMMERCIAL-INDUSTRIAL PROPERTY



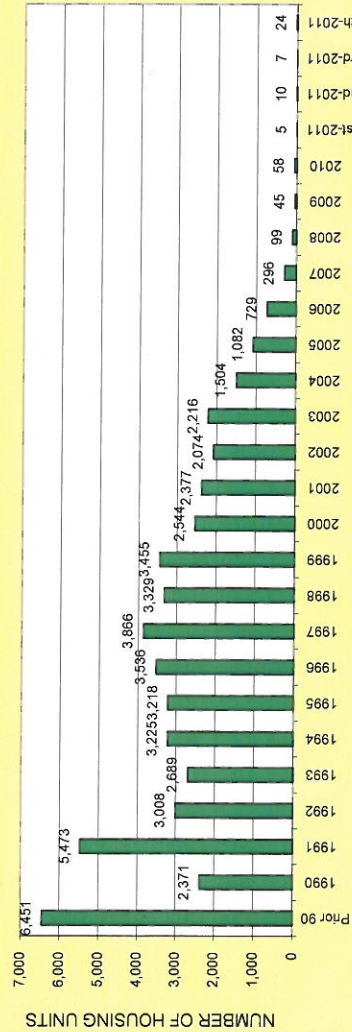
DEVELOPMENT STATUS OF RESIDENTIAL PROPERTY



ABSORPTION OF COMMERCIAL-INDUSTRIAL

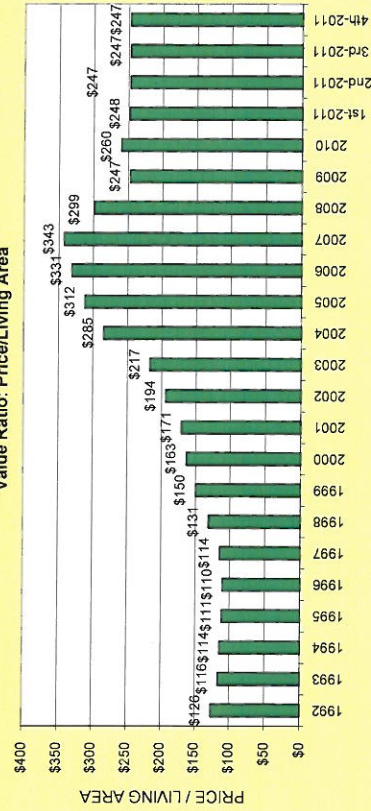


ABSORPTION OF RESIDENTIAL UNITS



HOUSING PRICE PATTERNS

Value Ratio: Price/Living Area

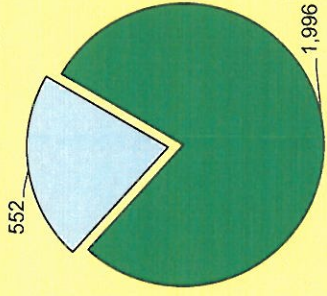


ALL DISTRICTS - AGGREGATE

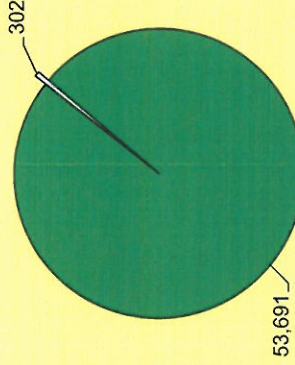
OVERVIEW OF DEVELOPMENT STATUS AND ABSORPTION

(Definition of Absorption = Built and Occupied)

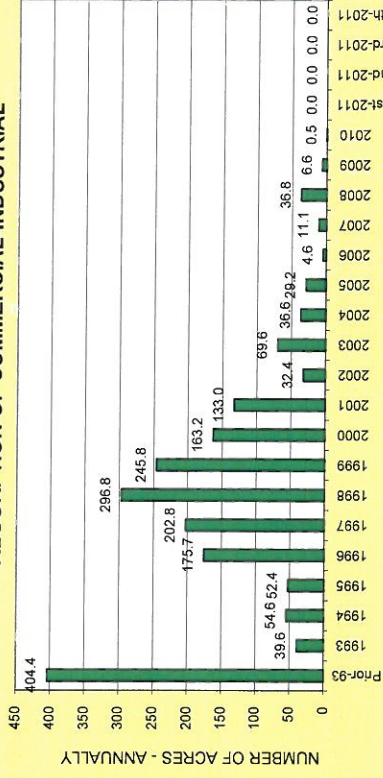
DEVELOPMENT STATUS OF COMMERCIAL-INDUSTRIAL PROPERTY



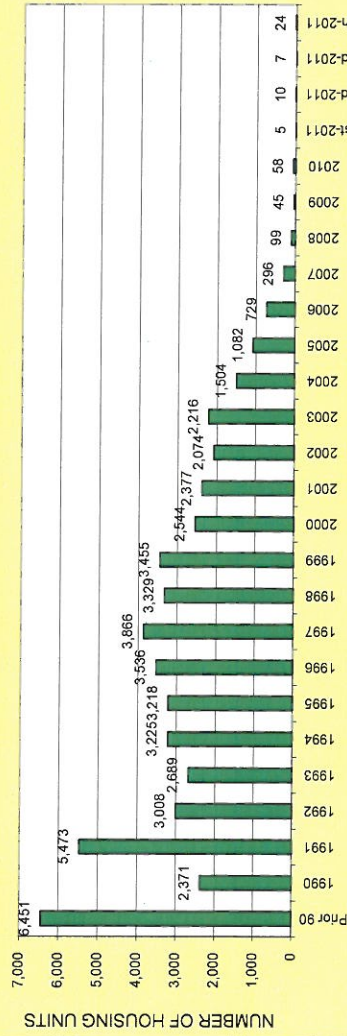
DEVELOPMENT STATUS OF RESIDENTIAL PROPERTY



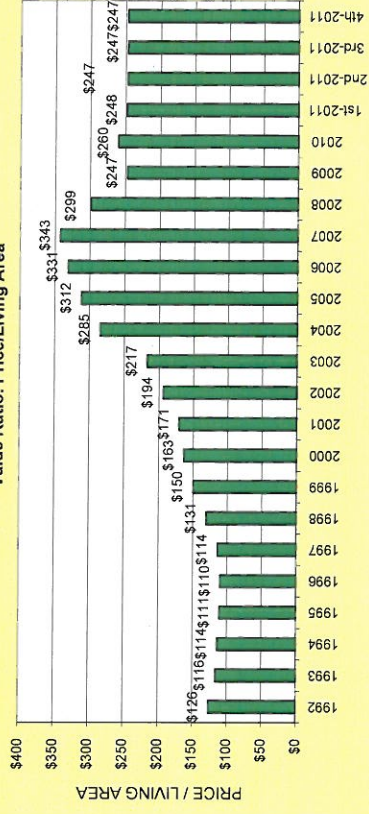
ABSORPTION OF COMMERCIAL-INDUSTRIAL



ABSORPTION OF RESIDENTIAL UNITS



HOUSING PRICE PATTERNS
Value Ratio: Price/Living Area

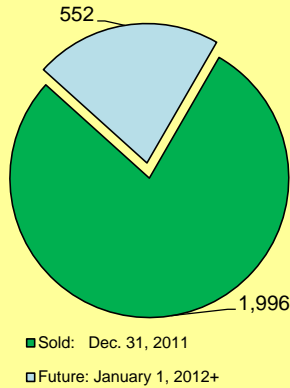


ALL DISTRICTS - AGGREGATE

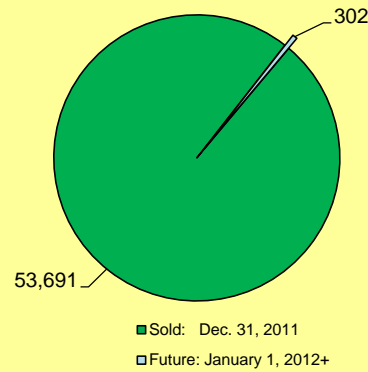
OVERVIEW OF DEVELOPMENT STATUS AND ABSORPTION

(Definition of Absorption = Built and Occupied)

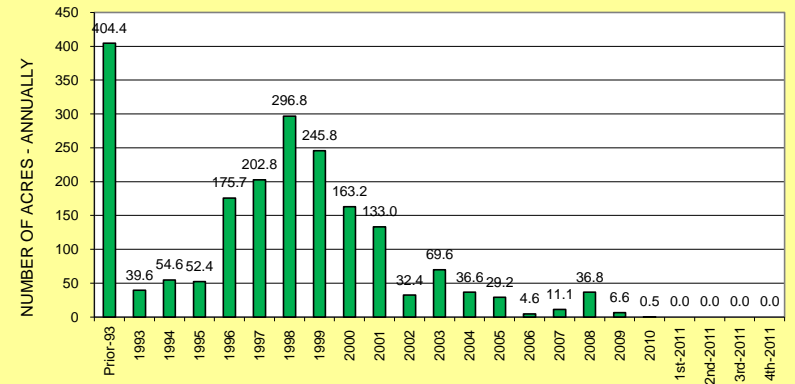
DEVELOPMENT STATUS OF COMMERCIAL-INDUSTRIAL PROPERTY



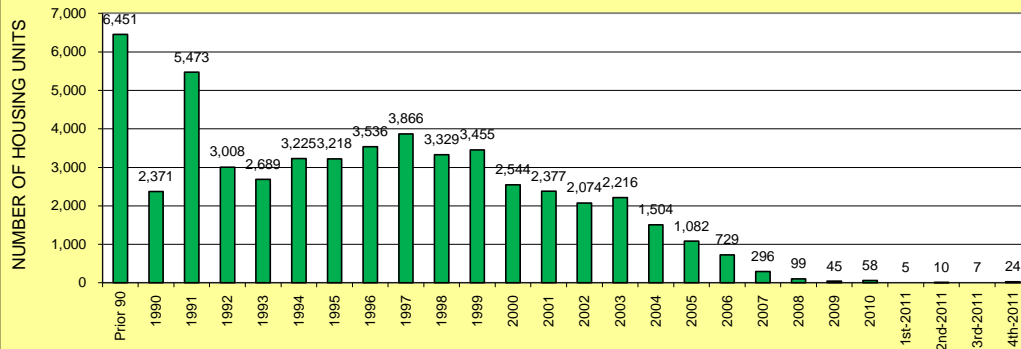
DEVELOPMENT STATUS OF RESIDENTIAL PROPERTY



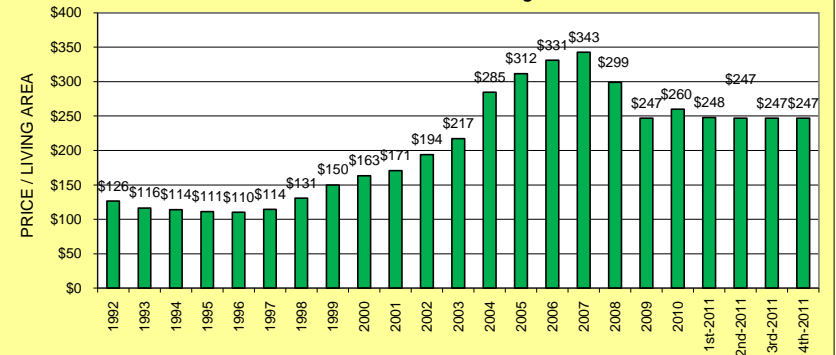
ABSORPTION OF COMMERCIAL-INDUSTRIAL



ABSORPTION OF RESIDENTIAL UNITS



HOUSING PRICE PATTERNS
Value Ratio: Price/Living Area

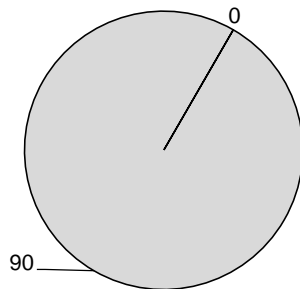


COMMUNITY FACILITIES DISTRICT NO. 87-2 PORTOLA HILLS

OVERVIEW OF DEVELOPMENT STATUS AND ABSORPTION

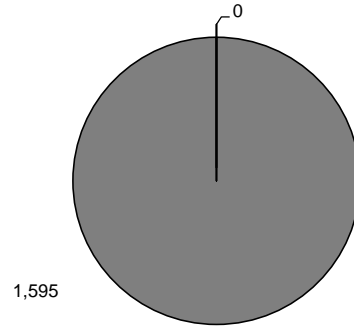
(Definition of Absorption = Built and Occupied)

DEVELOPMENT STATUS OF COMMERCIAL-INDUSTRIAL PROPERTY



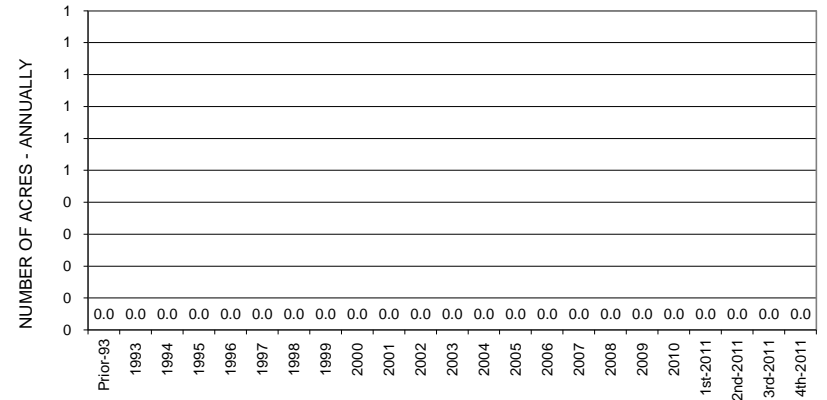
■ Sold: Dec. 31, 2011
□ Future: January 1, 2012+

DEVELOPMENT STATUS OF RESIDENTIAL PROPERTY

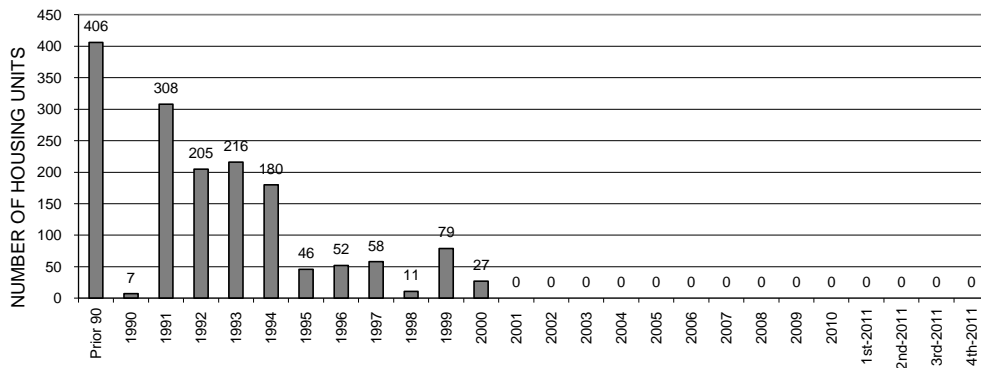


■ Sold: Dec. 31, 2011
□ Future: January 1, 2012+

ABSORPTION OF COMMERCIAL-INDUSTRIAL

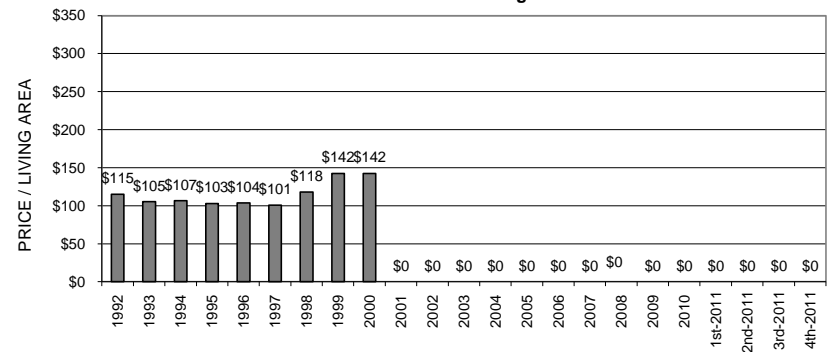


ABSORPTION OF RESIDENTIAL UNITS



HOUSING PRICE PATTERNS

Value Ratio: Price/Living Area

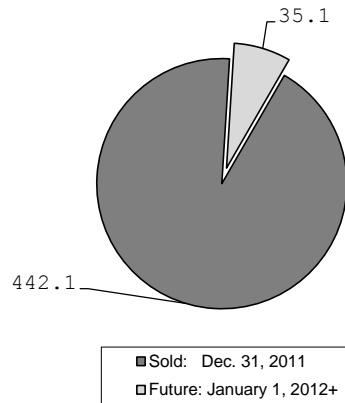


COMMUNITY FACILITIES DISTRICT NO. 87-4 Foothill Ranch

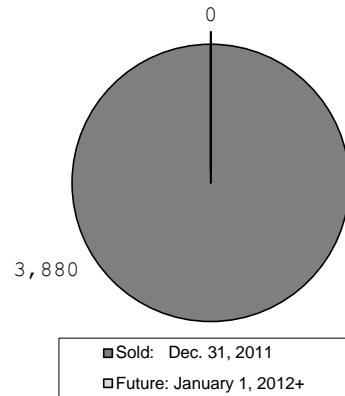
OVERVIEW OF DEVELOPMENT STATUS AND ABSORPTION

(Definition of Absorption = Built and Occupied)

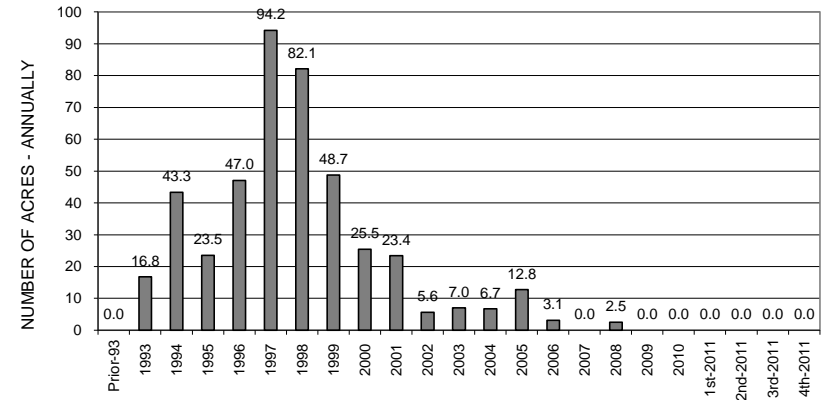
**DEVELOPMENT STATUS OF
COMMERCIAL-INDUSTRIAL PROPERTY**



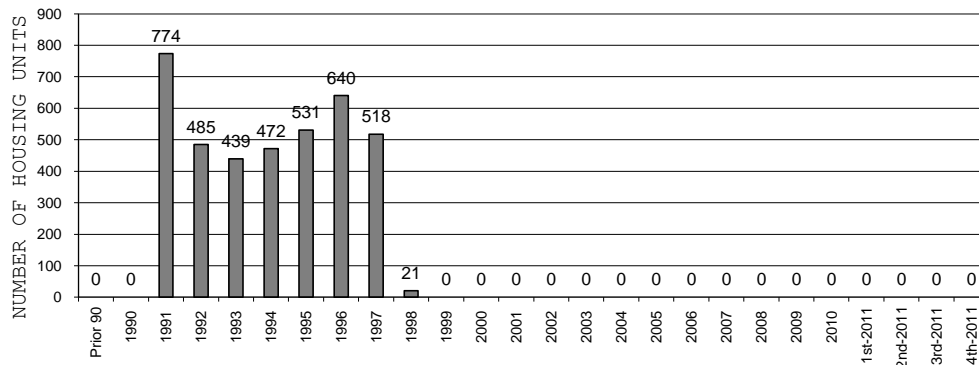
**DEVELOPMENT STATUS OF
RESIDENTIAL PROPERTY**



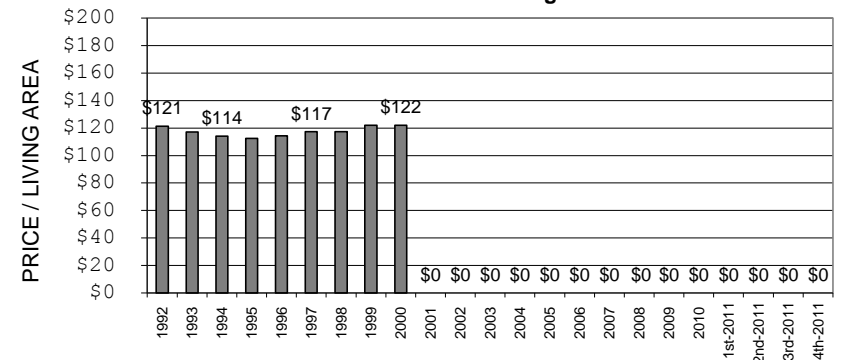
ABSORPTION OF COMMERCIAL-INDUSTRIAL



ABSORPTION OF RESIDENTIAL UNITS



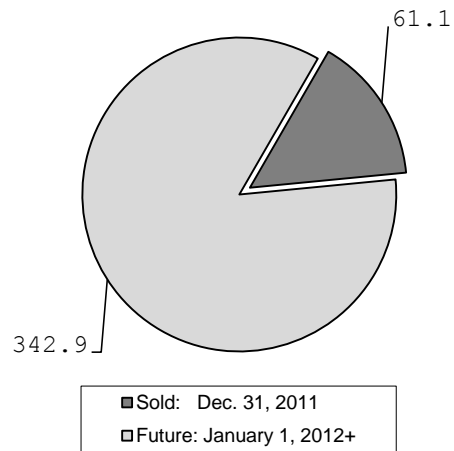
**HOUSING PRICE PATTERNS
Value Ratio: Price/Living Area**



OVERVIEW OF DEVELOPMENT STATUS AND ABSORPTION

(Definition of Absorption = Built and Occupied)

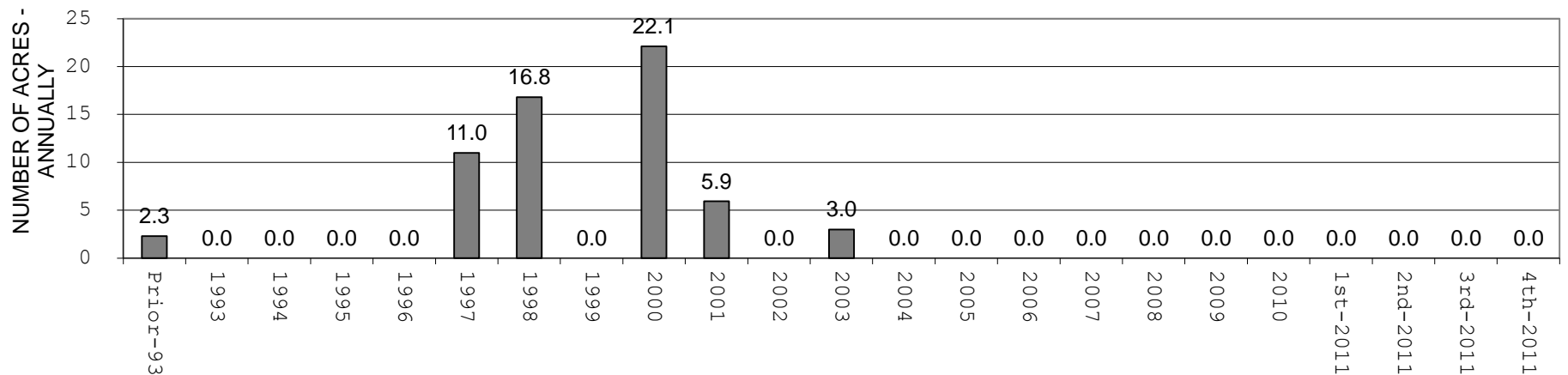
DEVELOPMENT STATUS OF
COMMERCIAL-INDUSTRIAL PROPERTY



DEVELOPMENT STATUS OF
RESIDENTIAL PROPERTY

NO PROPERTY DESIGNATED FOR
RESIDENTIAL DEVELOPMENT
WITHIN THIS DISTRICT

ABSORPTION OF COMMERCIAL-INDUSTRIAL PROPERTY

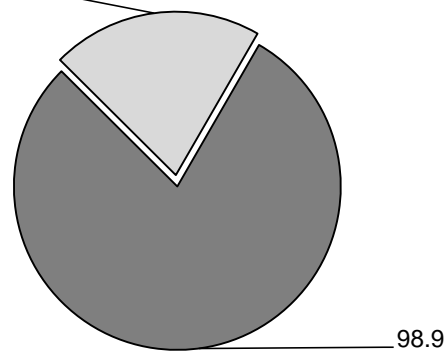


COMMUNITY FACILITIES DISTRICT NO. 87-9 SANTA TERISITA

OVERVIEW OF DEVELOPMENT STATUS AND ABSORPTION

(Definition of Absorption = Built and Occupied)

DEVELOPMENT STATUS OF
COMMERCIAL-INDUSTRIAL PROPERTY

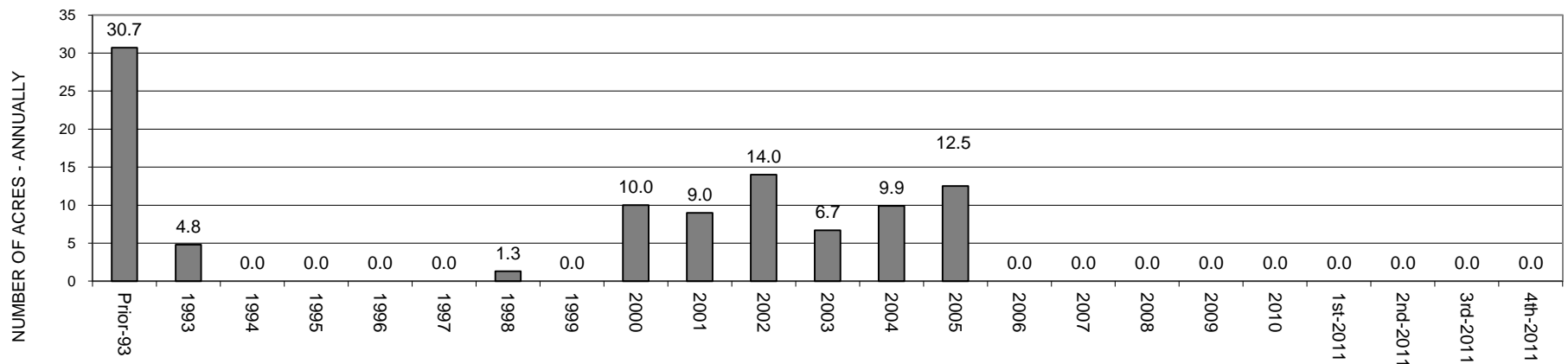


■ Sold: Dec. 31, 2011
□ Future: January 1, 2012+

DEVELOPMENT STATUS OF
RESIDENTIAL PROPERTY

NO PROPERTY DESIGNATED FOR
RESIDENTIAL DEVELOPMENT
WITHIN THIS DISTRICT

ABSORPTION OF COMMERCIAL-INDUSTRIAL PROPERTY

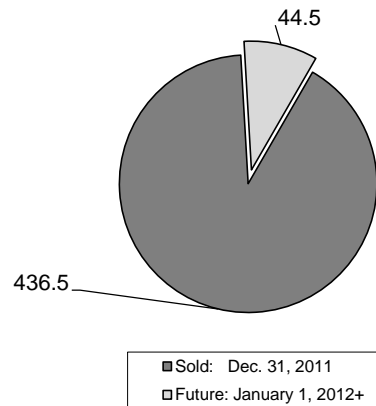


COMMUNITY FACILITIES DISTRICT NO. 88-1 ALISO VIEJO

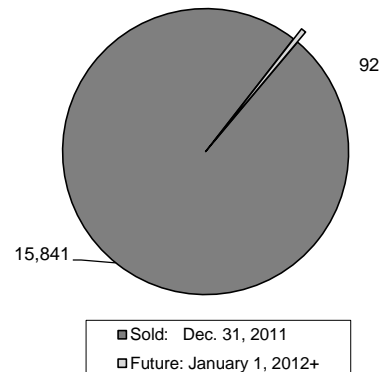
OVERVIEW OF DEVELOPMENT STATUS AND ABSORPTION

(Definition of Absorption = Built and Occupied)

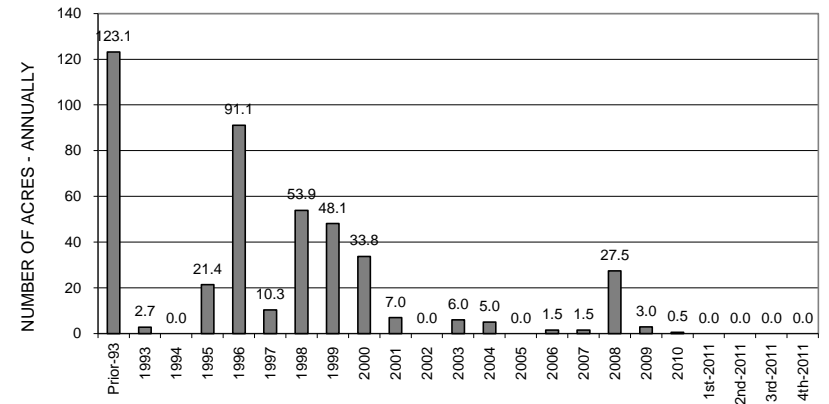
DEVELOPMENT STATUS OF COMMERCIAL-INDUSTRIAL PROPERTY



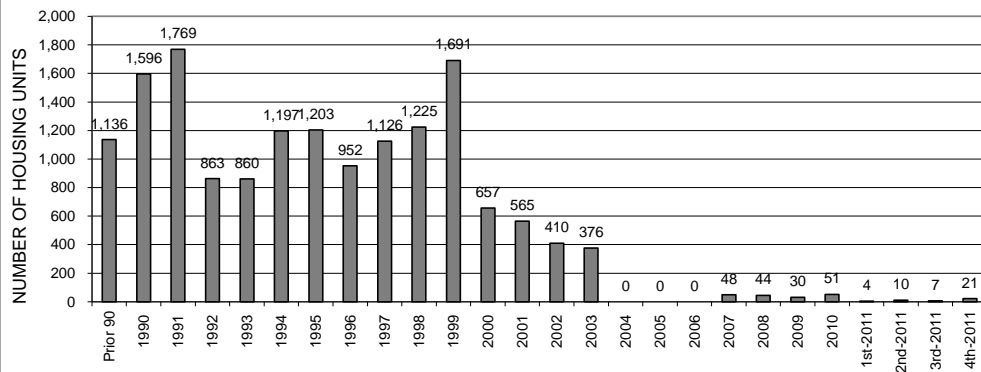
DEVELOPMENT STATUS OF RESIDENTIAL PROPERTY



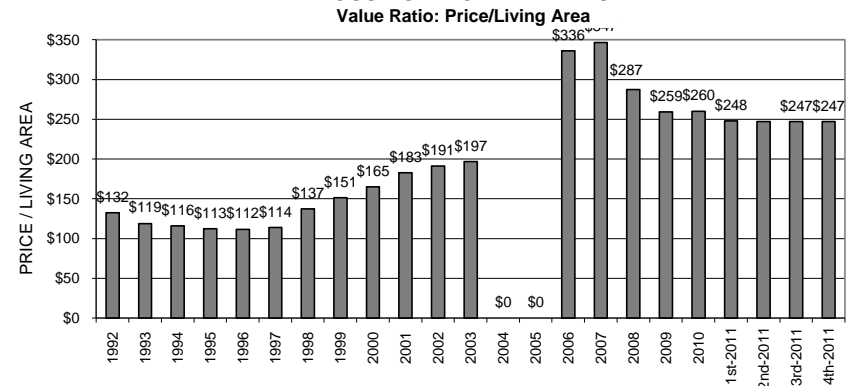
ABSORPTION OF COMMERCIAL-INDUSTRIAL



ABSORPTION OF RESIDENTIAL UNITS



HOUSING PRICE PATTERNS



DEVELOPMENT STATUS AND CHARACTERISTICS OF CFD NO. 88-1 (ALISO VIEJO)
CURRENTLY ACTIVE PROJECTS
(DECEMBER 31,2011)

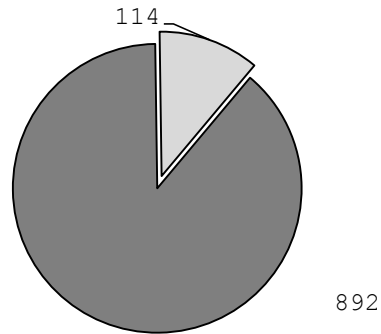
Development	Merchant	Product	Units	Escrows	Sales Prices			Living Area			Value
Project	Builder	Type	Planned	Closed	Lower	Average	Upper	Lower	Average	Upper	Ratio
Latitudes North - Vantis	Shea Homes	Attached	165	95	\$369,900	\$372,400	\$374,900	1,401	1,498	1,594	\$249
Latitudes South - Vantis	Shea Homes	Attached	101	89	\$354,900	\$379,900	\$404,900	1,188	1,408	1,627	\$270
City Walk - Vantis	Shea Homes	Attached; Live/Work	41	31	\$536,000	\$567,000	\$598,000	2,194	2,415	2,636	\$235
Totals/Averages			307	215	\$420,267	\$438,767	\$459,267	1,594	1,773	1,952	\$247

COMMUNITY FACILITIES DISTRICT NO. 2004-1 LADERA RANCH PHASE VI

OVERVIEW OF DEVELOPMENT STATUS AND ABSORPTION

(Definition of Absorption = Built and Occupied)

DEVELOPMENT STATUS OF RESIDENTIAL PROPERTY

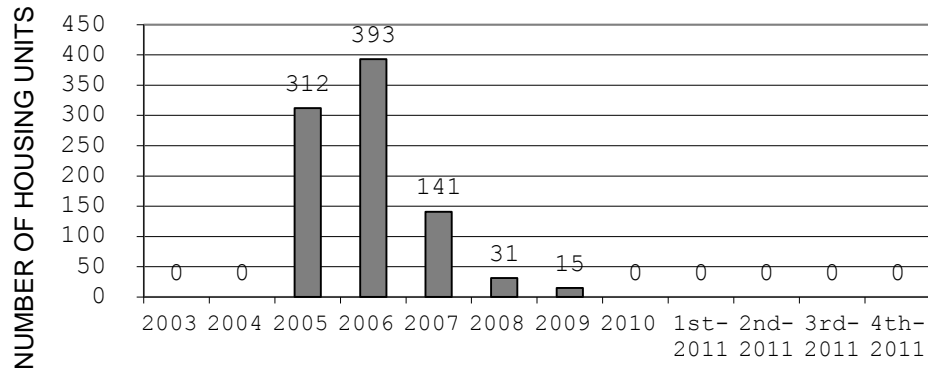


■ Sold: Dec. 31, 2011
□ Future: January 1, 2012+

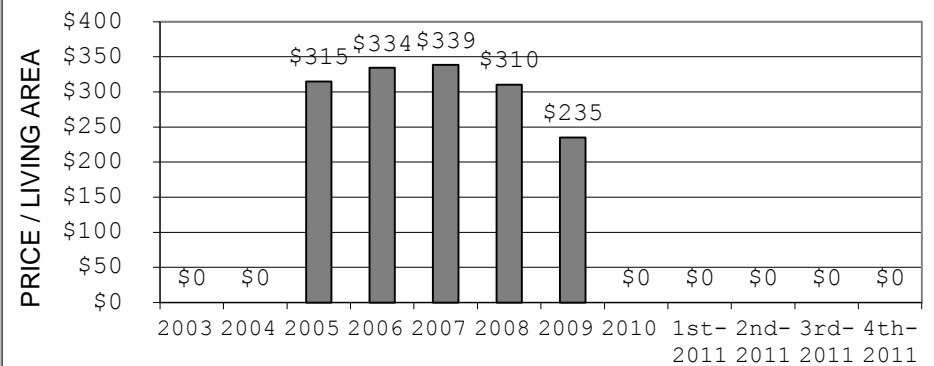
DEVELOPMENT STATUS OF COMMERCIAL-INDUSTRIAL PROPERTY

NO PROPERTY DESIGNATED FOR
COMMERCIAL-INDUSTRIAL DEVELOPMENT
WITHIN THIS DISTRICT

ABSORPTION OF RESIDENTIAL UNITS



HOUSING PRICE PATTERNS Value Ratio: Price/Living Area



DEVELOPMENT STATUS AND CHARACTERISTICS OF CFD NO. 2004-1 (LADERA RANCH PHASE VI)
(DECEMBER 31, 2011)

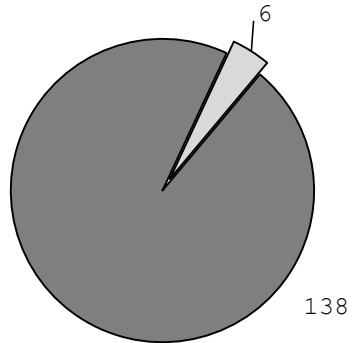
Development	Merchant	Acres	Product	Units	Building Permits			Escrows	Sales Prices			Living Area			Value
Project	Builder		Type	Planned	Models	Homes	Total	Closed	Lower	Average	Upper	Lower	Average	Upper	Ratio
Castellina	Centex Homes	12.3	Attached	82	7	75	82	82							
Segovia	Pardee	15.2	Detached	65	3	62	65	65							
Amarante I & II	Lyon Homes	21.0	Detached	71	3	68	71	71							
Montanez	Centex Homes	16.6	Detached	59	3	56	59	59							
Meriden	Warmington	19.8	Detached	67	3	64	67	67							
Bellataire I & II	Lyon Homes	22.7	Detached	75	3	72	75	75							
Arboledo	Warmington Homes	26.2	Detached	62	3	59	62	62							
Las Piedras	Standard Pacific	11.7	Detached	35	2	33	35	35							
Sherborne	Shea Homes	14.7	Detached	54	3	51	54	54							
Alisal	Standard Pacific	14.3	Detached	48	4	44	48	48							
Capistrano	K. Hovnanian	12.0	Detached	35	3	32	35	35							
San Donado	Laing	5.6	Detached	23	1	22	23	23							
Encantada	Pardee	15.7	Detached	37	2	35	37	37							
Skye Isle	K. Hovnanian	21.9	Detached	61	3	58	61	61							
DMB- Ladera	Custom Lots	76.5	Custom Lots	232	N/A	N/A	N/A	118	\$700,000	\$1,180,000	\$1,660,000	N/A	N/A	N/A	N/A
Totals/Averages		306.2		1,006	43	731	774	892							

ASSESSMENT DISTRICT NO. 01-1 GROUP TWO NEWPORT COAST CONVERSION

OVERVIEW OF DEVELOPMENT STATUS AND ABSORPTION

(Definition of Absorption = Built and Occupied)

DEVELOPMENT STATUS OF RESIDENTIAL PROPERTY

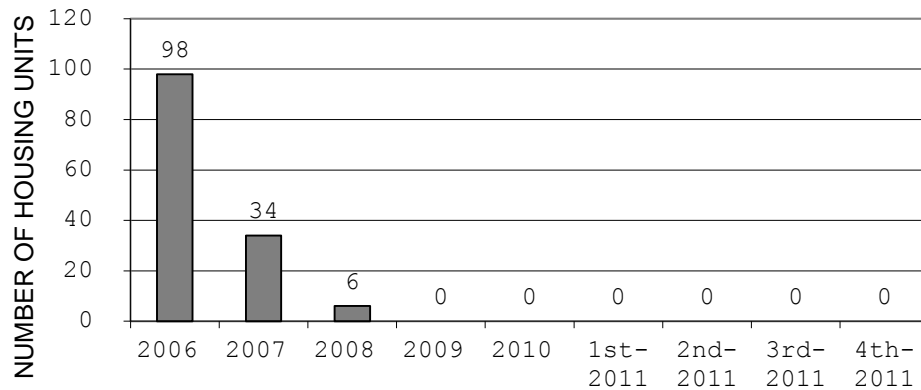


■ Sold: Dec. 31, 2011
□ Future: January 1, 2012+

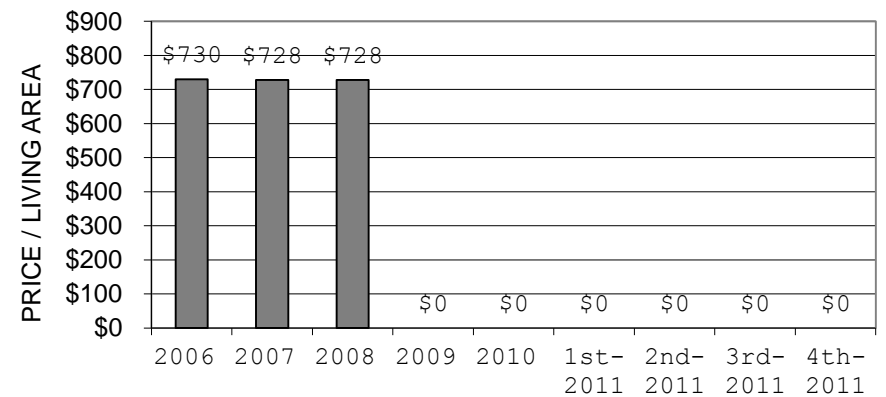
DEVELOPMENT STATUS OF COMMERCIAL-INDUSTRIAL PROPERTY

NO PROPERTY DESIGNATED FOR
COMMERCIAL-INDUSTRIAL DEVELOPMENT
WITHIN THIS DISTRICT

ABSORPTION OF RESIDENTIAL UNITS



HOUSING PRICE PATTERNS Value Ratio: Price/Living Area



DEVELOPMENT STATUS AND CHARACTERISTICS OF AD NO. 01-1 GROUP TWO (NEWPORT COAST PHASE IV CONVERSION)
CURRENTLY ACTIVE PROJECTS
(DECEMBER 31,2011)

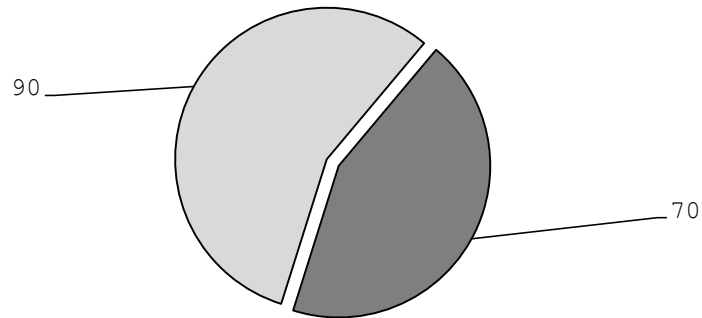
Development	Merchant	Product	Units	Escrows	Sales Prices - Prior; Projects Closed-Out			Living Area			Value
Project	Builder	Type	Planned	Closed	Lower	Average	Upper	Lower	Average	Upper	Ratio
Nautilus III	John Laing Luxury	Detached	20	20	\$3,198,000	\$3,268,000	\$3,338,000	3,182	3,642	4,102	\$897
Pienza	Lennar Homes	Detached	32	32	\$1,530,000	\$1,665,000	\$1,800,000	2,613	3,085	3,557	\$540
Cypress	Taylor Woodrow Homes	Detached	35	35	\$2,193,345	\$2,478,173	\$2,763,000	2,918	3,452	3,985	\$718
Sub-Totals/Averages			87	87	\$2,307,115	\$2,470,391	\$2,633,667	2,904	3,393	3,881	\$728
					Current Sales Prices						
Irvine Company	N/A	Custom Lots	57	51	\$4,000,000	\$5,375,000	\$6,750,000	N/A	N/A	N/A	N/A
Totals/Averages			144	138	\$2,730,336	\$3,196,543	\$3,662,750				

ASSESSMENT DISTRICT NO. 01-1 GROUP THREE NEWPORT COAST CONVERSION

OVERVIEW OF DEVELOPMENT STATUS AND ABSORPTION

(Definition of Absorption = Built and Occupied)

DEVELOPMENT STATUS OF RESIDENTIAL PROPERTY

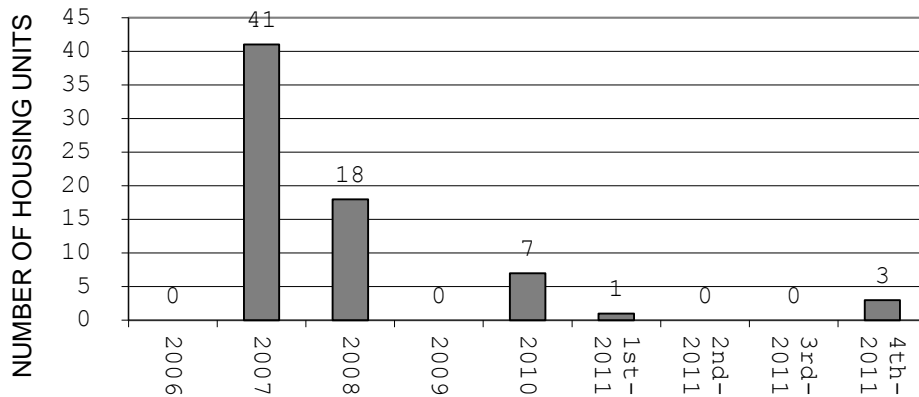


■ Sold: Dec. 31, 2011
□ Future: January 1, 2012+

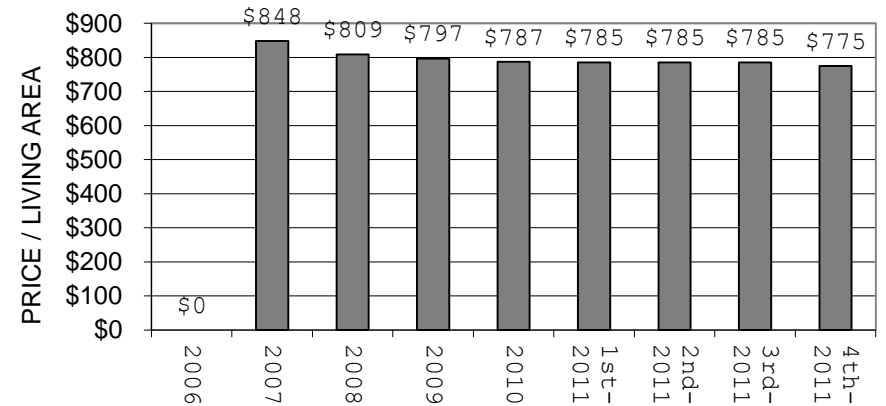
DEVELOPMENT STATUS OF COMMERCIAL-INDUSTRIAL PROPERTY

NO PROPERTY DESIGNATED FOR
COMMERCIAL-INDUSTRIAL DEVELOPMENT
WITHIN THIS DISTRICT

ABSORPTION OF RESIDENTIAL UNITS



HOUSING PRICE PATTERNS Value Ratio: Price/Living Area



DEVELOPMENT STATUS AND CHARACTERISTICS OF AD NO. 01-1 GROUP THREE (NEWPORT COAST PHASE IV CONVERSION)
CURRENTLY ACTIVE PROJECTS
(DECEMBER 31,2011)

Development	Merchant	Product	Units	Escrows	Sales Prices			Living Area			Value
Project	Builder	Type	Planned	Closed	Lower	Average	Upper	Lower	Average	Upper	Ratio
Pacific Ridge: Costa Azul	Shea Homes	Detached	7	7	\$2,788,000	\$3,629,495	\$4,470,990	3,755	4,675	5,595	\$776
Pacific Ridge	N/A	Detached	19	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pacific Ridge: Future Project	N/A	Detached	20	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Crystal Cove: SeaPoint	Laing Luxury	Detached	27	10	\$3,900,000	\$4,074,500	\$4,249,000	6,134	6,467	6,800	\$630
Crystal Cove: SeaCrest	Laing Luxury	Detached	29	29	\$4,600,000	\$5,250,000	\$5,900,000	5,517	6,508	7,499	\$807
Crystal Cove: The Tides	Standard Pacific	Detached	30	18	\$6,000,000	\$6,100,000	\$6,200,000	6,675	6,929	7,182	\$880
Sub-Totals/Averages			132	64	\$4,322,000	\$4,763,499	\$5,204,998	5,520	6,145	6,769	\$775
Crystal Cove: Custom Lots	N/A	Custom Lots	28	6	\$2,500,000	\$3,750,000	\$5,000,000				
Totals/Averages			160	70	\$3,957,600	\$4,560,799	\$5,163,998	5,520		6,769	