

RESOLUTION CFUD #1/RES 94-14

RESOLUTION APPROVING THE FEASIBILITY AND BENEFITS STUDY RELATING TO THE ACQUISITION, CONSTRUCTION AND FINANCING OF CERTAIN IMPROVEMENTS BENEFITTING COMMUNITY FACILITIES UTILITIES DISTRICT NO. 1 (CITY OF GOODYEAR, ARIZONA); AND DECLARING THE INTENT OF THE DISTRICT TO ISSUE GENERAL OBLIGATION BONDS, SERIES 1994, TO FINANCE SAID IMPROVEMENTS.

WHEREAS, pursuant to Section 48-715, Arizona Revised Statutes, as amended, the governing body of the Community Facilities Utilities District No. 1 (City of Goodyear, Arizona) (the "District") has caused a study of the feasibility and benefits of the Project (as defined hereinafter) relating to certain public infrastructure provided for in the General Plan of the District and to be financed with the proceeds of the sale of general obligation bonds of the District to be prepared, which study includes, among other things, a description of certain public infrastructure to be acquired and all other information useful to understand the Project, an estimate of the cost to acquire, operate and maintain the Project, an estimated schedule for completion of the Project, a map or description of the area to be benefited by the Projects and a plan for financing the Project, a copy of which is on file with Clerk of the District; and

WHEREAS, pursuant to Section 48-715, Arizona Revised Statutes ("A.R.S."), as amended, a public hearing on the Study was held on even date herewith, after provision for publication of notice thereof as provided by law;

NOW, THEREFORE, BE IT RESOLVED BY THE DISTRICT BOARD OF THE COMMUNITY FACILITIES UTILITIES DISTRICT NO. 1 (CITY OF GOODYEAR, ARIZONA) AS FOLLOWS:

Section 1. DEFINITIONS.

"Act" shall mean Title 48, Chapter 4, Article 6, A.R.S., as amended.

"Board" shall mean the board of directors of the District.

"Clerk" shall mean the Clerk of the District.

"District" shall mean the Community Facilities Utilities District No. 1 (City of Goodyear, Arizona).

"Project" shall mean the public infrastructure (as such term is defined in the Act), described in the Study, including particularly, the financing of the acquisition price of a computer system including but not limited to computer terminals, software and appurtenances thereto, payment of certain incidental costs related to the acquisition of the computer system and the financing of the Project.

"Study" shall mean the Feasibility and Benefits Study dated July 7, 1994 and on file with the Clerk, prior to the date and time hereof, discussing the matters required by Section 48-715 of the A.R.S., as amended, as such matters relate to the Project.

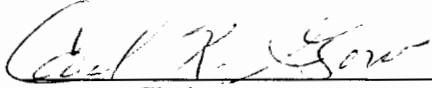
Section 2. RATIFICATION OF NOTICE OF HEARING. Published notice of the public hearing on the Study has been provided by the Clerk not less than ten (10) days in advance of the date of the public hearing on the Study. The form of notice of the public hearing attached hereto as Exhibit A is hereby ratified and approved in all respects.

Section 3. APPROVAL OF FEASIBILITY STUDY. Based on the review by this Board and the presentation of the Study at the public hearing on August 2, 1994, the Study is hereby adopted and approved in the form submitted to the Board. The Study has been filed with the Clerk prior to adoption of this Resolution. Reference is hereby made to the Study so filed.

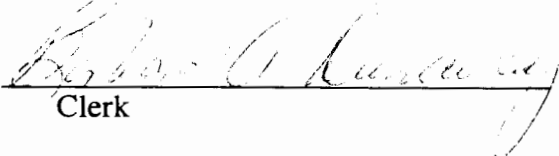
Section 4. RESOLUTION OF INTENT. This Board hereby identifies the public infrastructure of the Project, the areas benefited, the expected method of financing and the system of providing revenues to operate and maintain the Project, all as identified and provided for in the Study, for any and all purposes of the Act. This Board hereby declares its intent to proceed with the financing of the acquisition of the Project in substantially the manner presented in the Study. This Board declares its intent to issue District General Obligation Bonds, Series 1994, to finance the costs of the acquisition of the Project. District officers, employees, staff and agents are hereby authorized and directed to proceed with preparing all necessary documents and establishing financing terms and provisions for final review and approval by this Board.

Section 5. EFFECT. This resolution shall take effect and be in force from and after its passage, and after any publication and posting as may be by law required.

PASSED, ADOPTED AND APPROVED by the Board of the Community Facilities Utilities District No. 1 (City of Goodyear, Arizona), on August 2, 1994.


Chairman

ATTEST:


Clerk

NOTICE OF HEARING
FOR THE
CITY OF GOODYEAR, ARIZONA
COMMUNITY FACILITIES UTILITIES DISTRICT NO. 1

A public hearing will be held on August 2, 1994, at 7:00 p.m. at the City of Goodyear Council Chambers, 119 North Litchfield Road to receive comments on the study of the feasibility and benefits of the acquisition, construction, financing and maintenance of public infrastructure consisting of acquisition and financing of a computer system through the issuance and sale of general obligation bonds of the District, and the operation and maintenance of the computer system thereafter.

Barbara A. Dunaway, Clerk
Community Facilities Utilities District No. 1
(City of Goodyear, Arizona)

FEASIBILITY STUDY

For The Issuance of

**Not to Exceed
\$145,000 Principal Amount**

OF

COMMUNITY FACILITIES UTILITIES

DISTRICT NO. 1

OF THE CITY OF GOODYEAR, ARIZONA

DISTRICT GENERAL OBLIGATION BONDS

SERIES 1994

JULY 7, 1994

TABLE OF CONTENTS

	<u>SECTION</u>
Introduction; Purpose of Feasibility Study; and General Description of District	ONE
Description of Public Infrastructure	TWO
Map Showing Location of Public Infrastructure and Area to be Benefitted	THREE
Estimate of Cost of Public Infrastructure	FOUR
Timetable for Acquisition of Public Infrastructure	FIVE
Plan of Finance	SIX
	<u>APPENDIX</u>
Legal Description for Community Facilities Utilities District No. 1 of the City of Goodyear, Arizona	A
An analysis of the impact of the financing on the tax rates or other charges borne by the owners of the Property	B
An analysis of the effect on the City of Goodyear's general financing abilities	C
An analysis of the project infrastructure demand and market absorption	D

SECTION ONE

**INTRODUCTION; PURPOSE OF FEASIBILITY STUDY;
AND GENERAL DESCRIPTION OF DISTRICT**

INTRODUCTION

This Feasibility Study (the "Study") has been prepared for presentation to the Board of Directors of the Community Facilities Utilities District No. 1 of the City of Goodyear (Arizona) (the "Utilities District") in connection with the proposed issuance by the Utilities District of its District General Obligation Bonds, Series 1994 (the "Bonds") in an approximate principal amount of not to exceed \$145,000, pursuant to the Community Facilities Act of 1989, Title 48, Chapter 4, Article 6 of Arizona Revised Statutes (the "Act").

PURPOSE OF FEASIBILITY STUDY

This Study has been prepared for consideration of the feasibility and benefits of the Public Infrastructure (as defined in A.R.S. 48-701) to be financed by the Bonds and of the plan for financing such Public Infrastructure in accordance with the provisions of A.R.S. 48-715. Pursuant to A.R.S. 48-715, this Study includes (i) a description of the Public Infrastructure to be financed [Section Two]; (ii) a map showing, in general, the location of the Project and the area to be benefitted by the Public Infrastructure [Section Three]; (iii) an estimate of the cost to acquire, operate and maintain the Public Infrastructure [Section Four]; (iv) an estimated schedule for completion of the Public Infrastructure [Section Five]; and (v) a plan for financing the Public Infrastructure [Section Six].

Additionally, this Study includes other additional information as required by Development Agreement No. 1, as amended, among the City of Goodyear (the "City"), SunCor Development Company ("SunCor"), the Utilities District, the Community Facilities General District No. 1 of the City of Goodyear (Arizona) (the "General District") and the Litchfield Public Service Company ("LPSCO"). This additional information includes: (i) an analysis of the impact of the financing on the tax rates or other charges borne by the owners of the property [Appendix B]; an analysis of the effect on the City's general financing abilities [Appendix C]; and an analysis of the infrastructure demand and market absorption [Appendix D].

This Study has been prepared for the consideration of the Board of Directors of the Utilities District only. It is not intended or anticipated that this Study will be relied upon by other persons, including, but not limited to, purchasers of the Bonds. This Study does not attempt to address the quality of the Bonds as investments or the likelihood of repayment of the Bonds. In preparing this Study, financial advisors, appraisers, counsel, engineers, City staff and other experts have been consulted as deemed appropriate.

GENERAL DESCRIPTION OF UTILITIES DISTRICT

Formation of the Utilities District was approved by the City on August 8, 1989 upon the request of the sole landowner within the Utilities District and on February 27, 1990, an election forming the Utilities District and authorizing the issuance of bonds was held and approved. The Utilities District consists of approximately 7,610 acres and is located within the City boundaries.

The Utilities District has been created to finance and acquire public infrastructure within the Utilities District, specifically, parts of the master-planned projects known as "Palm Valley" and "PebbleCreek" (the "Project"). The Palm Valley masterplan consists of approximately 9,000 acres which includes all 7,610 acres of the Utilities District. The PebbleCreek project, approximately 2,200 acres, is located within the Palm Valley masterplan. The initial phase of Palm Valley consists of approximately 585 buildable acres. Both the initial phase of Palm Valley and PebbleCreek are located within the Utilities District. A legal description of the Utilities District is included in Appendix A. A map of the Utilities District is included within this section. The acquisition of the Public Infrastructure as defined in this Study is consistent with the General Plan of the Utilities District.

Palm Valley is a master-planned community consisting of single and multi-family homes, a golf course and amenities and commercial development. The first phase of Palm Valley is expected to be built over a 7 year period, including the following development:

<u>Type of Development</u>	<u>Projected Number of Units</u>	<u>Number of Acres</u>
Residential - Single Family	1,178	304
Residential - Multifamily	314	16
Commercial	N/ A	55
Golf Course	N/ A	184
School Site	N/ A	12
Two Park Sites	N/ A	<u>14</u>
Total Net Acres		<u>585</u>

The 18-hole Palm Valley Golf Club has been open since November, 1993. In addition, there have been 75 lot sales to four homebuilders - Saddleback, T.W. Lewis, Ryland Homes and Diamond Key - who have rolling option contracts to purchase approximately 500 lots. On May 31, 1994, Palm Valley had a developed lot inventory of 287 lots. SunCor has also begun development of 46 custom lots for home sales by SunCor Homes to commence in 1994.

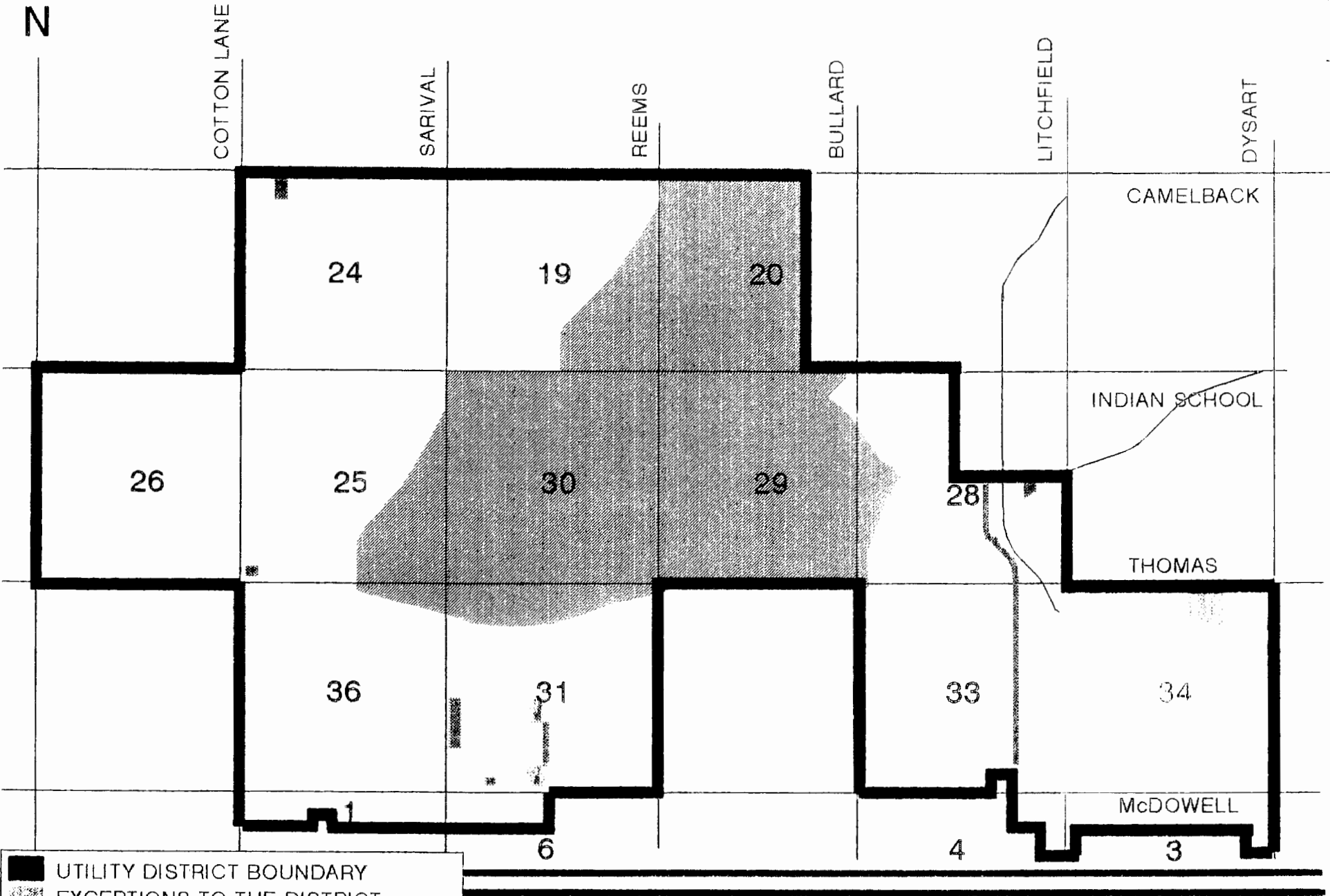
PebbleCreek, an adult retirement community under development by Robson Communities, consists of single family homes and golf course amenities. The first phase of PebbleCreek includes approximately 1,600 single family units to be built by the year 2000. Scheduled build-out is expected to be over a 20 year period and will include the following development:





<u>Type of Development</u>	<u>Projected Number of Units</u>	<u>Number of Acres</u>
Residential - Single Family	5,500	1,660
Golf Courses (three)	N/ A	<u>540</u>
Total Net Acres		<u>2,200</u>

An 18-hole golf course is open at PebbleCreek. Since sales activity commenced at PebbleCreek in 1993, there have been 141 home closings. The developer, Robson Communities, retains a backlog of 200 sales contracts.

See Section Seven of this Study for detail regarding projected secondary assessed valuation in the Project.

UTILITY DISTRICT



-  UTILITY DISTRICT BOUNDARY
-  EXCEPTIONS TO THE DISTRICT
-  PEBBLECREEK DEVELOPMENT
-  PALM VALLEY PHASE 1

INTERSTATE I-10

SECTION TWO

DESCRIPTION OF PUBLIC INFRASTRUCTURE

DESCRIPTION OF PUBLIC INFRASTRUCTURE

The public infrastructure to be acquired by the Utilities District consists of computer software, terminals and appurtenances necessary thereto (the "computer system") which will be used by the Utilities District to monitor and collect assessment and other payments due from landowners and other rate payers.

SECTION THREE

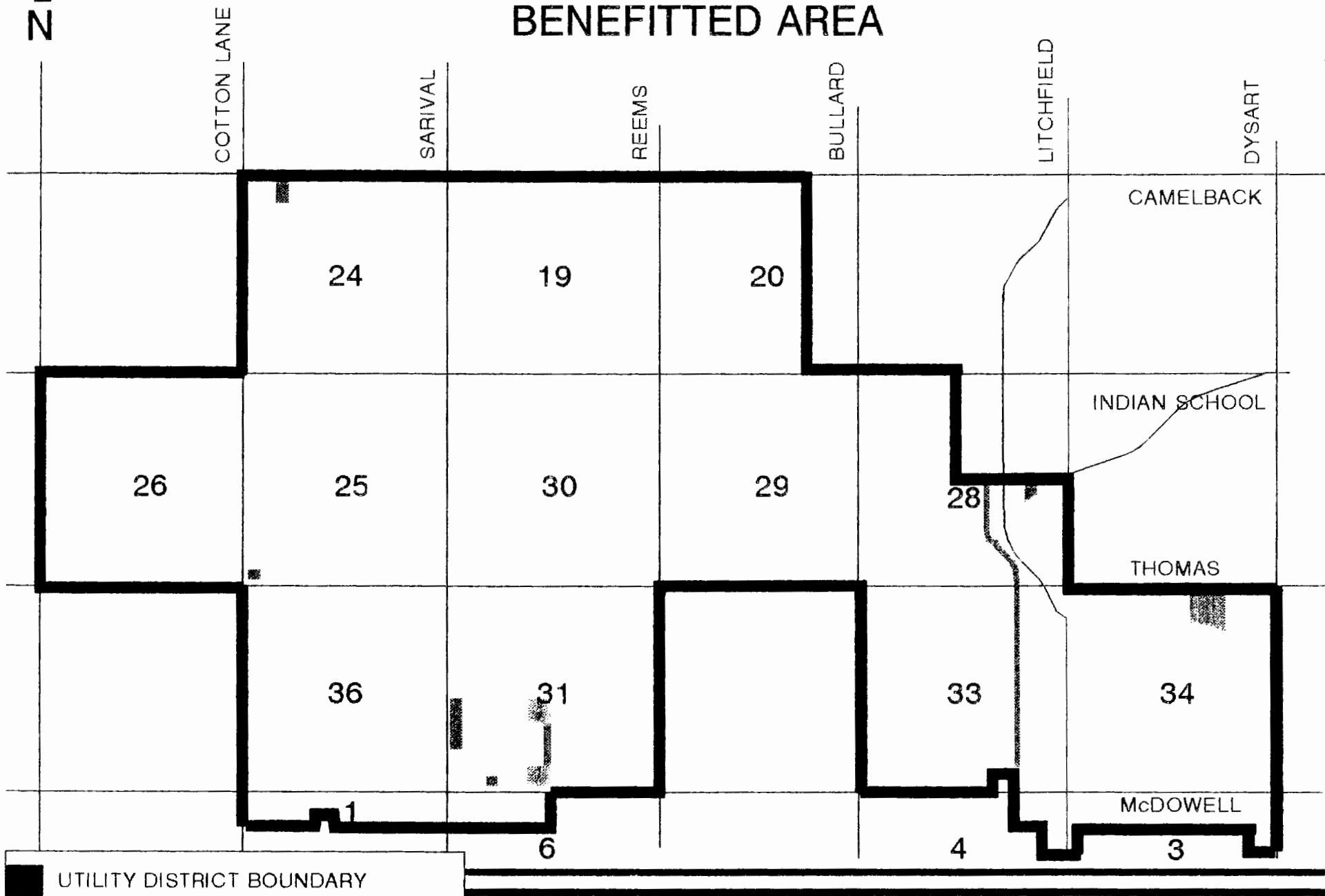
MAP SHOWING LOCATION


OF PUBLIC INFRASTRUCTURE AND


AREA TO BE BENEFITTED



UTILITY DISTRICT BENEFITTED AREA



 UTILITY DISTRICT BOUNDARY

 EXCEPTIONS TO THE DISTRICT

INTERSTATE I-10

SECTION FOUR

ESTIMATE OF COST OF PUBLIC INFRASTRUCTURE

ESTIMATE OF COST OF PUBLIC INFRASTRUCTURE

The cost of the computer system to be acquired is approximately \$100,000. Upon acquisition, the Utilities District will dedicate the computer system (the "Public Infrastructure") to the City of Goodyear. The Utilities District will incur operating and maintenance expenses for the computer system. These operating expenses will be provided for from the secondary tax levy of \$.30 which is currently being levied in the Utilities District.

SECTION FIVE

TIMETABLE FOR ACQUISITION

OF PUBLIC INFRASTRUCTURE

**TIMETABLE FOR
ACQUISITION OF PUBLIC INFRASTRUCTURE**

The computer system will be acquired on or about September 1, 1994.

SECTION SIX
PLAN OF FINANCE

PLAN OF FINANCE

The Public Infrastructure will be acquired and financed by the Utilities District by way of a Plan of Finance herein described. This Plan of Finance is subject to modification to accommodate market conditions at the time of the actual sale of the Bonds and to the extent necessary to comply with federal and State law.

- (1) The City Council, in response to a petition from the owners of 100% of the property within the Utilities District, adopted a resolution forming the Utilities District on August 8, 1989 and held a bond election on February 27, 1990 authorizing \$166,500,000 of Utilities District general obligation bonds. No general obligation bonds of the Utilities District have been issued to date.
- (2) The Utilities District will issue general obligation bonds in a principal amount of not to exceed \$145,000. Pursuant to prior covenants of the Utilities District, the Utilities District will not issue general obligation bonds in excess of 20% of the full cash value of all of the taxable property in the Utilities District as shown on the records of the County Assessor on the date of issuance of the Bonds. The principal amount of the Bonds to be issued herein complies with this covenant.
- (3) The Sources and Uses of Funds from proceeds of the sale of the Bonds (exclusive of accrued interest and original issue discount, if any) will be:

SOURCES:

Bond Issue	<u>\$145,000</u>
Total	<u>\$145,000</u>

USES:

Public Infrastructure	\$100,000
Costs of Issuance	40,650
Underwriter's Discount	<u>4,350</u>
Total	<u>\$145,000</u>

- (4) The proceeds of the issue will be applied by the Utilities District to finance the Public Infrastructure listed in Section 2 of this study.
- (5) The Bonds will have a 7 year maturity, with principal due July 1, 1995 through and including July 1, 2001, amortized to produce a level debt service structure. (See Table One of this Section for an estimated debt service schedule.)
- (6) The Bonds will be unrated and sold through a limited offering (private offering pursuant to A.R.S. 48-722). Investors will be required to sign a qualified investors letter and meet certain investor criteria. (See criteria listed in Table Four of this Section.)
- (7) The tax rate of the Utilities District is not expected to exceed \$1.00 per \$100 of secondary assessed valuation, including the \$.30 rate for operating and maintenance expenses. In August, 1994, the Utilities District will levy the \$1.00 rate which includes the \$.70 per \$100 secondary assessed valuation tax rate to provide for debt service on the Bonds.

At the \$1.00 tax rate level, assuming an average home price of \$134,000, the Utilities District portion of a tax bill for a homeowner would equal approximately \$9.50 per month or \$114 annually. (See Table Three of this Section for full cash value and secondary assessed valuation of the Utilities District.)
- (8) Given the current development of the Utilities District and existing and projected home sales within the Utilities District, the secondary assessed value of the Utilities District will support the debt service on the Bonds by fiscal year 1994/ 95. (See Table Two of this Section.)

\$145,000
CITY OF GOODYEAR, ARIZONA
COMMUNITY FACILITIES UTILITY
DISTRICT NO. 1
District General Obligation Bonds, Series 1994

Dated Date: 8/1/94 Delivery Date: 8/18/94

<u>DATES</u>	<u>MATURING AMOUNT</u>	<u>COUPON*</u>	<u>INTEREST</u>	<u>TOTAL</u>	<u>FY TOTAL</u>
1/1/95			4,017.71	4,017.71	
7/1/95	15,000	7.50%	4,500.00	19,500.00	23,517.71
1/1/96			3,937.50	3,937.50	
7/1/96	20,000	7.50%	3,937.50	23,937.50	27,875.00
1/1/97			3,187.50	3,187.50	
7/1/97	20,000	7.50%	3,187.50	23,187.50	26,375.00
1/1/98			2,437.50	2,437.50	
7/1/98	20,000	7.50%	2,437.50	22,437.50	24,875.00
1/1/99			1,687.50	1,687.50	
7/1/99	20,000	7.50%	1,687.50	21,687.50	23,375.00
1/1/00			937.50	937.50	
7/1/00	25,000	7.50%	937.50	25,937.50	26,875.00
1/1/01			937.50	937.50	
7/1/01	25,000	7.50%	937.50	25,937.50	26,875.00
TOTALS	<u><u>\$145,000</u></u>		<u><u>\$34,767.71</u></u>	<u><u>\$179,767.71</u></u>	<u><u>\$179,767.71</u></u>

* Estimated, subject to change.

**Goodyear Utilities District
Projected Secondary Assessed Value**

TABLE TWO

		1993-1994 Assessed Value (1)	Improvements Not Assessed (2)	1994-1995 Projected Assessed Value
PebbleCreek				
Golf Course/Club House		\$338,272	\$625,000	\$963,272
Homes	Assessed Value	772,093	203,180	975,273
	Units Assessed	95	25	120
Homes Under Ccnstruction				
	Assessed Value	0	430,741	430,741
	Units Assessed	0	53	53
Homes Under Contract for Sale				
	Assessed Value	0	1,202,840	1,202,840
	Units Assessed	0	148	148
Developed Lots	Assessed Value	317,375	(104,711)	212,664
	Units Assessed	685	(226)(3)	459
Total PebbleCreek		<u>1,427,740</u>	<u>2,357,050</u>	<u>3,784,790</u>
Palm Valley				
Golf Course/Club House		605,276	0	605,276
Homes	Assessed Value	8,431	0	8,431
	Units Assessed	1	0	1
Homes Under Construction				
Developed lots sold to home builders				
	Assessed Value	0	438,412	438,412
	Units Assessed	0	52	52
Developed Lcts	Assessed Value	213,872	(22,110)	191,762
	Units Assessed	503	(52)(3)	451
Wigwam Outlet Stores				
	Vacant Land	99,590	0	99,590
	Improvements	0	1,163,000	1,163,000
Total Palm Valley Phase I		<u>927,169</u>	<u>1,579,302</u>	<u>2,506,471</u>
Remaining Utility District Land Assessed Value		<u>1,193,234</u>	<u>0</u>	<u>1,193,234</u>
Total Utilities District		<u><u>\$3,548,143</u></u>	<u><u>\$3,936,352</u></u>	<u><u>\$7,484,495</u></u>
UTILITIES DISTRICT CFD TAX REVENUES				
\$.70 CFD TAX REVENUES				
DEBT SERVICING		\$24,837	\$27,554	\$52,391
\$.30 CFD TAX REVENUES				
O&M BUDGET		10,644	11,809	22,453
TOTAL DISTRICT REVENUES		<u><u>\$35,481</u></u>	<u><u>\$39,364</u></u>	<u><u>\$74,845</u></u>

1. Assessed value is based upon information provided by the County Assessor's office as of May 1994 and adjusted for anticipated appeals by SunCor.
2. Improvements not assessed represent development activity that has occurred or is in process and home sales activity as identified in the projects.
3. Amounts reflect developed lots being transferred to homes under construction.

Source: SunCor Development Company

Community Facilities Utility District
--

*Full Cash and Secondary Assessed Valuation
Fiscal Years 1991-92 through 1994-95*

Fiscal	Secondary		
Year	Full Cash Value	Assessed Value	# Parcels
1991-92	\$5,178,045	\$828,485	101
1992-93	\$2,985,390	\$477,670	102
1993-94	\$8,899,297	\$1,417,514	541
1994-95 *	\$29,888,531	\$4,546,968	1,456

*Preliminary figures: do not include utility or personal property.

Source: Maricopa County Assessor's Office.

TABLE FOUR

QUALIFIED INVESTOR CRITERIA

Among other things, purchasers of the Bonds will certify that they are one of the following:

- (1) a bank as defined in Section 3(a)(2) of the Securities Act of 1933, or savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act of 1933, whether acting in its individual or fiduciary capacity; broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; insurance company as defined in Section 2(13) of the Securities Act of 1933; investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; plan established and maintained by a state, its political subdivision, or any agency or instrumentality of a state or its political subdivision, for the benefit of its employees, if such plan has total assets in excess of \$5,000,000; employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors;
- (2) a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940;
- (3) an organization described in Section 501(c)(3) of the Internal Revenue Code with total assets in excess of \$5,000,000;
- (4) a natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his purchase exceeds \$1,000,000;
- (5) a natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with the person's spouse in excess of \$300,000 in each of those years and who reasonably expects reaching the same income level the current year;
- (6) an entity in which all of the equity owners, either directly or indirectly, are of the type described under paragraph (1), (2), (3), (4), (5), (6) above.

APPENDIX A

**Legal Description for Community Facilities
Utilities District No. 1
of the City of Goodyear, Arizona**

February 6, 1991

**LEGAL DESCRIPTION
UTILITIES DISTRICT GENERAL PLAN OF INFRASTRUCTURE**

This description is based upon A.L.T.A. Surveys by DMJM and dated (signed and sealed by R.L.S. #10931) September 30, 1987 and August 5, 1988, and also a description written by Collar Williams & White Engineering and dated (signed and sealed by R.L.S. #21754) August 1, 1989.

Being all of Section 24, 25, 26 & 36 in Township 2 North, Range 2 West; all of Sections 19, 20, 29, 30, 31, 33 & 34 in Township 2 North, Range 1 West, G. & S. R. B & M., Maricopa County, Arizona, and portions of certain Sections more particularly described as follows:

That portion of Section 28, Township 2 North, Range 1 West more particularly described as follows:

Beginning at the Northwest Corner of said Section 28:

Thence South $89^{\circ}24'11''$ East, along the North line of the Northwest Quarter of said Section 28, a distance of 2070.03 feet;

Thence, South $00^{\circ}15'35''$ West, 2610.81 feet;

Thence, South $89^{\circ}38'52''$ East, 548.80 feet;

Thence, South $89^{\circ}25'37''$ East, 1054.99 feet;

Thence, South $00^{\circ}16'49''$ West, a distance of 30.91 feet to a point on the North line of the Southeast Quarter of said Section 28;

Thence South $89^{\circ}24'44''$ East, along said North line, a distance of 1563.93 feet to the East Quarter Corner of said Section 28;

Thence, South $00^{\circ}16'31''$ West, along the East line of the Southeast Quarter of said Section 28, a distance of 2638.36 feet to the Southeast Corner of said Section 28;

Thence, North $89^{\circ}25'31''$ West, along the South line of said Southeast Quarter of said Section 28, a distance of 2618.20 feet to the South Quarter Corner of said Section 28;

Thence, North $89^{\circ}25'31''$ West, along the South line of the Southwest Quarter of said Section 28, a distance of 2618.20 feet to the Southwest Corner of said Section 28;

Legal Description
Utilities District General Plan of Infrastructure
February 6, 1991
Page 2 of 12

Thence, North $00^{\circ}15'18''$ East, along the West line of said Southwest Quarter of Section 28, a distance of 2639.57 to the West Quarter Corner of said Section 28;

Thence, North $00^{\circ}15'03''$ East, along the West line of the Northwest Quarter of said Section 28, a distance of 2639.51 feet to the Point of Beginning.

Also including those portions of Section 3 & 4, Township 1 North, Range 1 West more particularly described as follows:

Beginning at the Northeast Corner of said Section 3:

Thence South $00^{\circ}41'33''$ West, along the East line of the Northeast Quarter of said Section 3, a distance of 1060.19 feet;

Thence, North $89^{\circ}18'27''$ West, 39.99 feet;

Thence, South $03^{\circ}41'34''$ West, 328.49 feet;

Thence, South $02^{\circ}43'15''$ West, 450.43 feet;

Thence, South $00^{\circ}49'06''$ West, 197.56 feet;

Thence, North $89^{\circ}14'43''$ West, 325.04 feet;

Thence, North $00^{\circ}45'17''$ East, 707.80 feet;

Thence, North $89^{\circ}36'43''$ West, 2206.87 feet;

Thence, South $00^{\circ}38'27''$ West, 854.60 feet;

Thence, North $88^{\circ}53'59''$ West, 56.01 feet;

Thence, North $00^{\circ}38'27''$ East, 853.90 feet;

Thence, North $89^{\circ}36'43''$ West, 2216.73 feet;

Thence, South $00^{\circ}34'09''$ West, 629.90 feet;

Thence, North $82^{\circ}04'14''$ West, 302.52 feet;



Legal Description
Utilities District General Plan of Infrastructure
February 6, 1991
Page 3 of 12

Thence, North 89°26'52" West, a distance of 55.24 feet to a point on the East line of the Northeast Quarter of said Section 4;

Thence, North 00°33'08" East, along said East line, a distance of 475.70 feet;

Thence, North 89°26'52" West, 54.06 feet;

Thence, South 02°50'19" West, 375.39 feet;

Thence, South 00°35'37" West, 100.58 feet;

Thence, North 89°20'48" West, 284.93 feet;

Thence, North 00°31'47" East, 559.48 feet;

Thence, North 88°41'16" West, 829.83 feet;

Thence, South 00°29'06" West, 104.55 feet;

Thence, North 89°20'06" West, 34.71 feet;

Thence, North 00°34'28" East, a distance of 1468.53 feet to a point on the North line of said Northeast Quarter of Section 4;

Thence, South 89°23'27" East, along said North line, a distance of 1218.03 feet to the Northwest Corner of said Section 3;

Thence, South 89°24'27" East, along the North line of the Northwest Quarter of said Section 3, a distance of 2616.20 feet to the North Quarter Corner of said Section 3;

Thence South 89°25'09" East, along the North line of the Northeast Quarter of said Section 3, a distance of 2619.92 feet to the Point of Beginning.

Also including those portions of Section 6, Township 1 North, Range 1 West, and those portions of Section 1, Township 1 North, Range 2 West more particularly described as follows:

Beginning at the Northwest Corner of Section 1, Township 1 North, Range 2 West:

Legal Description
Utilities District General Plan of Infrastructure
February 6, 1991
Page 4 of 12

Thence, South 89°39'57" East, along the North line of the Northwest Quarter of said Section 1, a distance of 2644.23 feet to the North Quarter Corner of said Section 1;

Thence, South 89°39'11" East, along the North line of the Northeast Quarter of said Section 1, a distance of 2629.91 feet to the Northwest Corner of said Section 6, Township 1 North, Range 1 West;

Thence, South 89°21'31" East, along the North line of the Northwest Quarter of said Section 6, a distance of 2561.25 feet to the North Quarter Corner of said Section 6;

Thence, South 00°31'41" East, along the East line of the Northwest Quarter of said Section 6, a distance of 999.63 feet;

Thence South 89°37'22" West, 859.29 feet;

Thence, North 89°22'06" West, 749.87 feet;

Thence, North 00°36'39" East, 24.95 feet;

Thence, North 89°22'32" West, 932.88 feet;

Thence, North 89°17'29" West, a distance of 33.05 feet to a point on the East line of said Northeast Quarter of Section 1;

Thence, North 89°17'03" West, 33.05 feet;

Thence, North 89°22'39" West, 1590.36 feet;

Thence, South 01°33'49" West, 25.01 feet;

Thence, North 89°21'38" West, 660.05 feet;

Thence, North 00°36'38" East, 100.00 feet;

Thence, North 89°23'22" West, 400.12 feet;

Thence, South 00°36'38" West, 100.00 feet;

Thence, North 89°21'45" West, 884.84 feet;



Thence, North 82°45'34" West, 1663.56 feet;

Thence, South 89°40'15" West, a distance of 55.04 feet to a point on the West line of said Northwest Quarter of Section 1;

Thence North 00°19'45" East, along said West line, a distance of 797.97 feet to the Point of Beginning.

THE ABOVE DESCRIBED PARCELS COLLECTIVELY COMPRISE 7840.669 ACRES AND ARE SUBJECT TO THE FOLLOWING DESCRIBED EXCEPTIONS THEREFROM;

Being a portion of the Northwest Quarter of Section 24, Township 2 North, Range 2 West, more particularly described as follows:

Commencing at the Northwest Corner of said Section 24:

Thence South 89°38'34" East, along the North line of said Northwest Quarter of Section 24, a distance of 531.28 feet to the Point of Beginning;

Thence, continuing South 89°38'34" East, along said North line, a distance of 270.00 feet;

Thence, South 00°21'26" West, 530.00 feet;

Thence, North 89°38'34" West, 270.00 feet;

Thence, North 00°21'26" East, a distance of 530.00 feet to the Point of Beginning.

Comprising 3.285 Acres.

Also excluding the following described parcel:

Being a portion of the Southwest Quarter of Section 25, Township 2 North, Range 2 West, more particularly described as follows:

Commencing at the Southwest Corner of said Section 25:

Thence, South 89°12'38" East, along the South line of said Southwest Quarter of Section 25, a distance of 32.70 feet;

Legal Description
Utilities District General Plan of Infrastructure
February 6, 1991
Page 6 of 12

Thence, North 00°47'22" East, a distance of 33.00 feet to the Point of Beginning;

Thence, North 00°15'46" East, 200.00 feet;

Thence, South 89°12'38" East, 200.00 feet;

Thence, South 00°15'46" West, 200.00 feet;

Thence, North 89°12'38" West, a distance of 200.00 feet to the Point of Beginning.

Comprising 0.918 Acres,

Also excluding the following described parcel:

Being a portion of the Southwest Quarter of Section 31, Township 2 North, Range 1 West,
more particularly described as follows:

Commencing at the Southwest Corner of said Section 31:

Thence, South 89°21'31" East, along the South line of said Southwest Quarter of Section 31,
a distance of 458.77 feet;

Thence North 00°38'29" East, a distance of 200.00 feet to the Point of Beginning;

Thence, North 00°17'12" East, 265.00 feet;

Thence, South 89°21'31" East, 265.00 feet;

Thence, South 00°17'12" West, 265.00 feet;

Thence, North 89°21'31" West, a distance of 265.00 feet to the Point of Beginning.

Comprising 1.612 Acres.

Also excluding the following described parcel:

Being a portion of the Southwest Quarter of Section 31, Township 2 North, Range 1 West,
more particularly described as follows:

Legal Description
Utilities District General Plan of Infrastructure
February 6, 1991
Page 7 of 12

Beginning at the West Quarter Corner of said Section 31:

Thence, South 89°23'23" East, along the North line of said Southwest Quarter of Section 31, a distance of 250.00 feet;

Thence, South 00°17'12" West, 1319.33 feet;

Thence, North 89°22'27" West, a distance of 250.00 feet to a point on the West line of said Southwest Quarter;

Thence, North 00°17'12" East, along said West line, a distance of 1319.26 feet to the Point of Beginning.

Comprising 7.572 Acres.

Also excluding the following described parcel:

Being a portion of the Southwest Quarter of Section 31, Township 2 North, Range 1 West, more particularly described as follows:

Commencing at the South Quarter Corner of said Section 31:

Thence, North 89°21'31" West, along the South line of said Southwest Quarter of Section 31, a distance of 40.00 feet to the Point of Beginning;

Thence, continuing North 89°21'31" West, along said South line, a distance of 720.01 feet;

Thence, North 00°17'45" East, 560.01 feet;

Thence, South 89°21'31" East, 600.01 feet;

Thence, North 00°17'45" East, 1359.80 feet;

Thence, North 89°23'23" West, 440.00 feet;

Thence, North 00°17'45" East, a distance of 720.01 feet to a point on the North line of said Southwest Quarter;

Thence, South 89°23'23" East, along said North line, a distance of 560.00 feet;



Legal Description
Utilities District General Plan of Infrastructure
February 6, 1991
Page 8 of 12

Thence, South 00°17'45" West, a distance of 2639.88 feet to the Point of Beginning.

Comprising 22.259 Acres,

Also excluding the following described parcel:

Being a portion of the East Half of Section 20, Township 2 North, Range 1 West, more particularly described as follows:

Beginning at the Southeast Corner of said Section 20:

Thence North 89°21'31" West, along the South line of said Southeast Quarter, a distance of 1307.69 feet to the Southwest Corner of the Southeast Quarter of the Southeast Quarter of said Section 20;

Thence, North 01°03'41" East, along the West line of said Southeast Quarter of the Southeast Quarter a distance of 1337.63 feet to the Northwest Corner of the Southeast Quarter of the Southeast Quarter;

Thence, North 01°11'48" East, 2434.63 feet;

Thence, North 00°20'11" East, a distance of 1578.89 feet to a point on the North line of said Northeast Quarter of said Section 20;

Thence, South 89°38'54" East, along said North line, a distance of 1338.00 feet to the Northeast Corner of said Section 20;

Thence South 01°14'05" West, along the East line of the Northeast Quarter of said Section 20, a distance of 2679.05 feet to the East Quarter Corner of said Section 20;

Thence, South 01°13'58" West, along the East line of the Southeast Quarter of said Section 20, a distance of 2679.08 feet to the Southeast Corner of said Section and the Point of Beginning.

Comprising 161.803 Acres.

Also excluding the following described parcel:

Being a portion of the Southeast Quarter of Section 28, Township 2 North, Range 1 West, more particularly described as follows:

Commencing at the East Quarter Corner of said Section 28:

Thence North $89^{\circ}24'44''$ West, along the North line of said Southeast Quarter of Section 28, a distance of 520.24 feet;

Thence, South $00^{\circ}35'16''$ West, a distance of 160.95 feet to the Point of Beginning;

Thence, South $00^{\circ}16'31''$ West, 250.00 feet;

Thence, South $62^{\circ}43'31''$ West, 281.99 feet;

Thence, North $00^{\circ}16'31''$ East, 379.26 feet;

Thence, South $89^{\circ}34'32''$ East, a distance of 157.65 feet to a point marking the beginning of a tangent curve, having a radius of 2346.83 feet to the left;

Thence, Easterly, along the arc of said curve, through a central angle of $02^{\circ}15'19''$, having an arc distance of 92.38 feet to the Point of Beginning.

Comprising 1.802 Acres,

Also excluding the following described parcel:

Being a portion of the East Half of Section 33, and a portion of the Southeast Quarter of Section 28, Township 2 North, Range 1 West, more particularly described as follows:

Commencing at the Northwest Corner of said Southeast Quarter of Section 28:

Thence, South $89^{\circ}24'44''$ East, along the North line of said Southeast Quarter of Section 28, a distance of 1054.98 feet to the Point of Beginning;

Thence, continuing South $89^{\circ}24'44''$ East, along said North line, a distance of 50.00 feet;

Thence, South $00^{\circ}16'47''$ West, a distance of 155.13 feet to a point marking the beginning of a tangent curve, having a radius of 1140.34 feet to the left;

Legal Description
Utilities District General Plan of Infrastructure
February 6, 1991
Page 10 of 12

Thence, Southerly, along the arc of said curve, through a central angle of $20^{\circ}19'56''$, having an arc distance of 404.67 feet;

Thence, South $20^{\circ}03'09''$ East, a distance of 506.48 feet to a point marking the beginning of a tangent curve, having a radius of 1348.82 feet to the right;

Thence, Southerly, along the arc of said curve, through a central angle of $20^{\circ}37'37''$, having an arc distance of 485.59 feet;

Thence, South $00^{\circ}34'28''$ West, a distance of 1138.51 feet to a point on the North line of said Section 33;

Thence, continuing South $00^{\circ}34'28''$ West, a distance of 5280.20 feet to a point on the South line of the Southeast Quarter of said Section 33;

Thence, North $89^{\circ}23'27''$ West, along said South line a distance of 50.00 feet;

Thence, North $00^{\circ}34'28''$ East, a distance of 5280.17 feet to a point on the South line of said Southeast Quarter of Section 28;

Thence, continuing North $00^{\circ}34'28''$ East, a distance of 1138.51 feet to a point marking the beginning of a tangent curve, having a radius of 1298.82 feet to the left;

Thence, Northerly, along the arc of said curve, through a central angle of $20^{\circ}37'37''$, having an arc distance of 467.59 feet;

Thence, North $20^{\circ}03'09''$ West, a distance of 506.48 feet to a point marking the beginning of a tangent curve, having a radius of 1190.34 feet to the right;

Thence, Northerly, along the arc of said curve, through a central angle of $20^{\circ}19'56''$, having an arc distance of 422.41 feet;

Thence, North $00^{\circ}16'47''$ East, a distance of 155.40 feet to the Point of Beginning.

Comprising 9.149 Acres,

Also excluding the following described parcel:

Being a portion of the Southeast Quarter of Section 33, Township 2 North, Range 1 West, more particularly described as follows:

Commencing at the Southwest Corner of said Southeast Quarter of said Section 33:

Thence, South $89^{\circ}23'27''$ East, along the South line of said Southeast Quarter, a distance of 1009.04 feet to the Point of Beginning;

Thence, North $00^{\circ}15'09''$ East, 205.00 feet;

Thence, South $89^{\circ}23'27''$ East, 300.00 feet;

Thence, South $00^{\circ}15'09''$ West, a distance of 205.00 feet to a point on said South line of the Southeast Quarter;

Thence, North $89^{\circ}23'27''$ West, along said South line, a distance of 300.00 feet to the Point of Beginning.

Comprising 1.412 Acres,

Also excluding the following described parcel:

Being a portion of the Northeast Quarter of Section 34, Township 2 North, Range 1 West, more particularly described as follows:

Commencing at the Northeast Corner of said Section 34:

Thence, North $89^{\circ}26'34''$ West, along the North line of said Northeast Quarter of Section 34, a distance of 1201.03 feet;

Thence, South $00^{\circ}33'26''$ West, a distance of 55.23 feet to the Point of Beginning;

Thence, South $01^{\circ}07'18''$ West, a distance of 1061.44 feet to a point marking the beginning of a non-tangent curve, the central point of which bears South $32^{\circ}52'15''$ West, a distance of 1363.89 feet;

Thence, Northwesterly, along the arc of said curve, through a central angle of $42^{\circ}04'40''$, having an arc distance of 1001.63 feet;

Legal Description
Utilities District General Plan of Infrastructure
February 6, 1991
Page 12 of 12

Thence North 00°50'45" East, a distance of 869.79 feet to a point marking the beginning of a non-tangent curve, the central point of which bears South 00°31'48" East, a distance of 2073.33 feet;

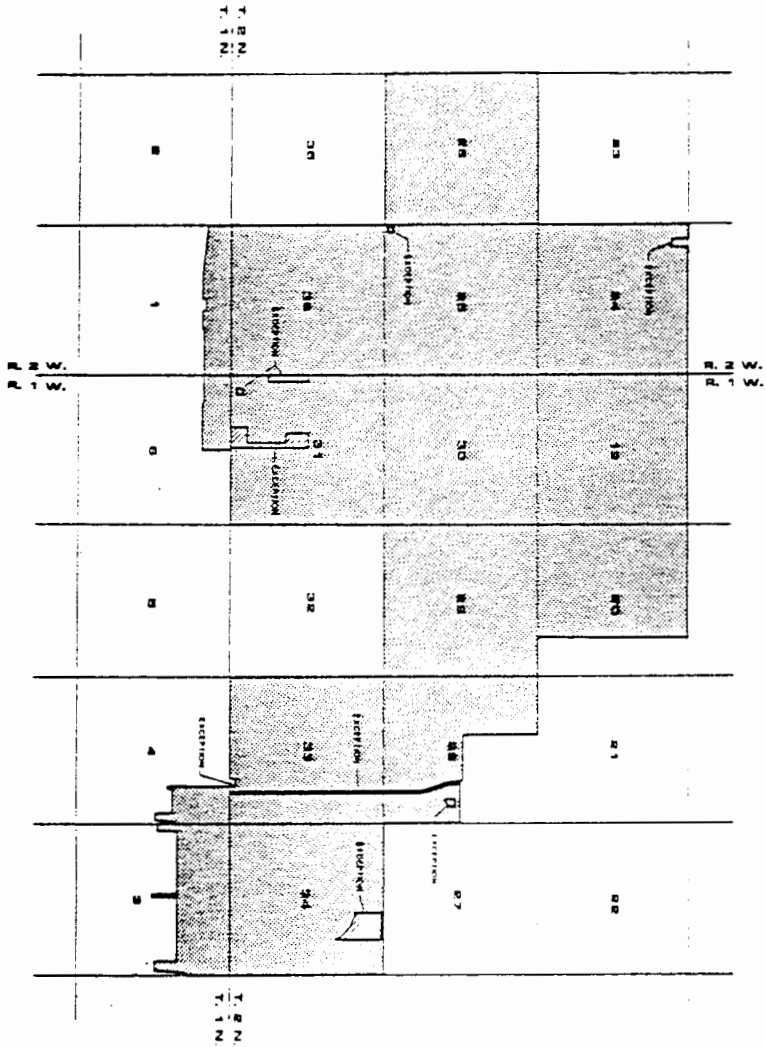
Thence, Easterly, along the arc of said curve, through a central angle of 01°06'04", having an arc distance of 39.85 feet;

Thence, South 89°25'44" East, a distance of 926.61 feet to the Point of Beginning.

Comprising 20.004 Acres,

SUBJECT PROPERTY, AFTER ABOVE DESCRIBED EXCEPTIONS, COMPRISES 7610.853 ACRES, MORE OR LESS, AND IS SUBJECT TO ALL EASEMENTS OF RECORD.





SCALE: 1" = 2000'



505-0022 SHEET 1 OF 4 1720-505	DESIGNED	REVISIONS	DATE	BY
	CHEKED			
	DATE			
	EXHIBIT -			

UTILITIES DISTRICT GENERAL INFRASTRUCTURE

COE & VAN LOO
 PLANNING • ENGINEERING • LANDSCAPE ARCHITECTURE

4850 NORTH 16TH STREET
 PHOENIX, ARIZONA 85016
 TELEPHONE (602) 954-6321

APPENDIX B

**An analysis of the impact of the financing
on the tax rates or other charges borne
by the owners of the Property**

**ADDENDUM TO FEASIBILITY STUDY
DATED JULY 7, 1994**

The following page replaces the first page of Appendix B to the Feasibility Study for the Community Facilities Utilities District of the City of Goodyear, District General Obligation Bonds, Series 1994.

APPENDIX B

The impact of the Utilities District financing on the tax rate or other charges borne by the property owner will be \$.70 per \$100 of secondary assessed valuation which will be levied on all of the taxable property located within the Utilities District and used to pay debt service on the Bonds. In addition, the Utilities District also levies a \$.30 per \$100 of secondary assessed valuation on all of the taxable property within the Utilities District for operation and maintenance expenses. The combined \$1.00 tax rate to be levied by the Utilities District represents the only expenses or charges borne by the property owners within the Utilities District.

On the following page is a summary of the tax rate of the Utilities District, along with tax rate information and overlapping debt figures for all overlapping taxing entities. It should be noted that property owners in the Utilities District which also overlap the boundaries on the Community Facilities General District No. 1 of the City of Goodyear (the "General District") will pay an additional \$1.00 total tax rate levied on the General District as shown on the following page. The following table represents the total tax rate property owners will pay based on the location of their property:

Property Owners Located:	1993-94 Total Tax Rate
Inside Utilities District	\$15.7596
Inside Utilities District and General District	\$16.7596
Inside General District	\$16.7596

APPENDIX B

The impact of the Utilities District financing on the tax rate or other charges borne by the property owner will be \$.70 per \$100 of secondary assessed valuation which will be levied on all of the taxable property located within the Utilities District and used to pay debt service on the Bonds. In addition, the Utilities District also levies a \$.30 per \$100 of secondary assessed valuation on all of the taxable property within the Utilities District for operation and maintenance expenses. The combined \$1.00 tax rate to be levied by the Utilities District represents the only expenses or charges borne by the property owners within the Utilities District.

On the following page is a summary of the tax rate of the Utilities District, along with tax rate information and overlapping debt figures for all overlapping taxing entities.

**COMMUNITY FACILITIES UTILITIES DISTRICT
NO. 1 OF THE CITY OF GOODYEAR, ARIZONA**

**NET DIRECT AND OVERLAPPING GENERAL OBLIGATION
BONDED DEBT OUTSTANDING**

Overlapping Jurisdiction	1993-94 Net Secondary Assessed Valuation	Net Outstanding Bonded Debt	Proportion Applicable to City of Goodyear Community Facilities Utilities District No. 1		Combined Tax Rate Per \$100 Assessed
			Approx. Percent	Amount	
State of Arizona	\$21,748,040,198	0	0.01%	0	\$0.4700
Maricopa County	13,504,107,816	\$160,025,000	0.01%	\$16,798	2.3279
Maricopa County CCD	13,504,107,816	0	0.01%	0	0.8532
Litchfield ESD No. 79	60,135,536	7,190,000	2.36%	169,483	5.1851
Agua Fria UHSD No. 216	119,805,600	11,125,000	1.18%	131,629	3.7830
City of Goodyear	47,423,182	8,400,000	2.99%	251,082	2.1404
Community Facilities General District No.1	70,105	230,000 (a)	100.00%	230,000	1.0000
Community Facilities Utilities District No.1	1,417,514	145,000 (a)	100.00%	145,000	1.0000
Total Net Direct and Overlapping General Obligation Bonded Debt				\$943,991	\$16.7596

(a) Proposed issuance does not include the \$2,950,000 Community Facilities General District No. 1 (City of Goodyear, Arizona), District Assessment Bonds, Series 1994 dated as of February 1, 1994 as this debt is paid from special assessments levied against approximately 640 acres located within the General District.

The following overlapping jurisdictions have remaining authorization of general obligation bonds available for future issuance after the issuance of the Bonds and the issuance of the Community Facilities General District No. 1 ("General District") General Obligation Bonds in the principal amount of \$230,000:

<u>Jurisdiction</u>	<u>Authorization</u>
City of Goodyear	\$60,450,000
Utilities District	\$166,355,000
General District	\$132,770,000

APPENDIX C

An analysis of the effect on the City of Goodyear's general financing abilities

APPENDIX C

The Utility District's financing is not expected to adversely effect the City of Goodyear's general financing abilities. The Bonds of the Utility District are secured solely from revenues derived from a \$.70 per \$100 of secondary assessed valuation levied on all taxable property within by the Utility District and the City is under no legal requirement to secure any portion of the financing's debt service payments.

However, because of the location of the Utility District within the City limits, the impact of a default on the Bonds on the City's financing capabilities may be detrimental in the opinion of the financial community.

APPENDIX D

**An analysis of the project infrastructure
demand and market absorption**

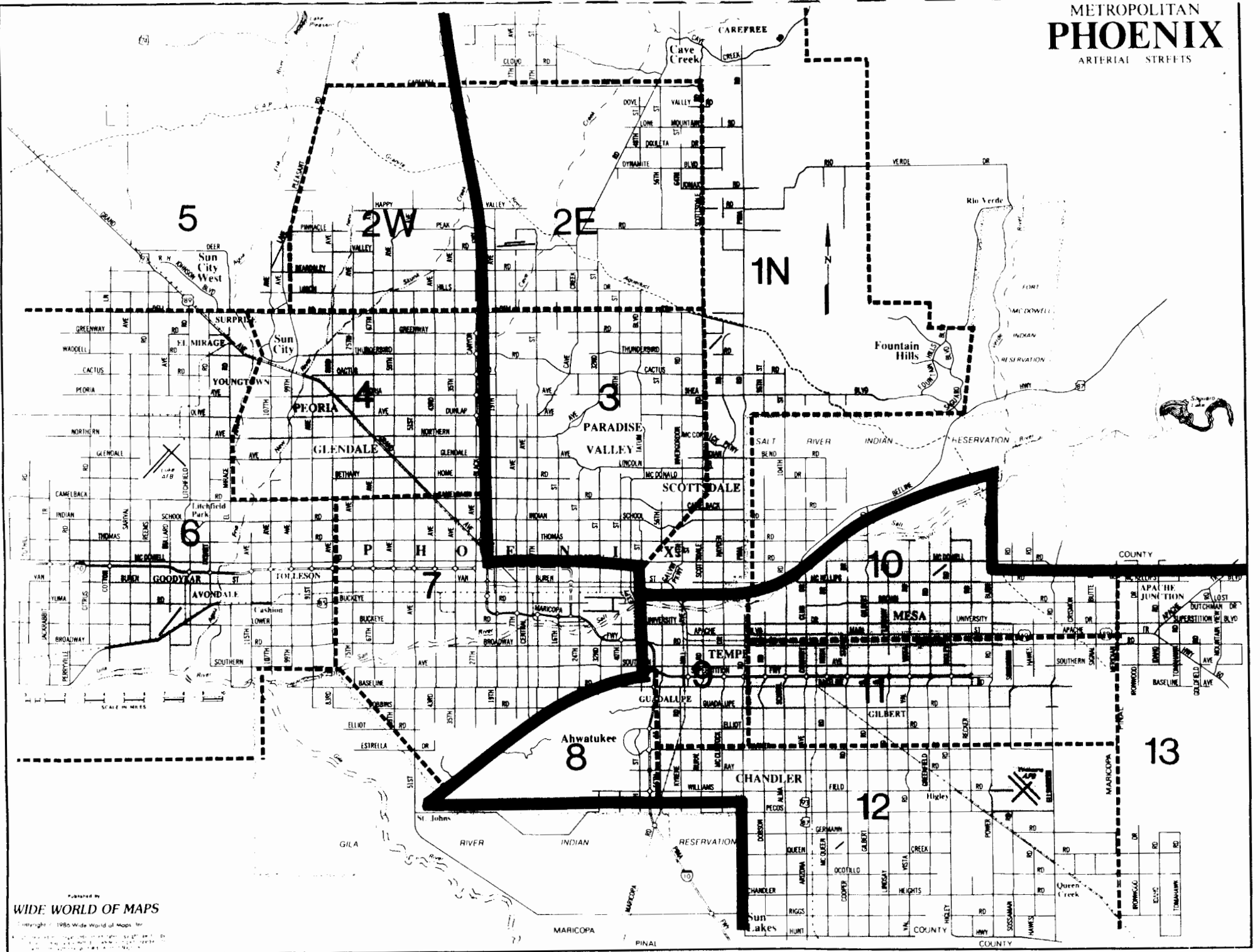
MARKET STUDY

**PEBBLECREEK
Robson Communities**

**Prepared for:
SUNCOR DEVELOPMENT COMPANY**

METROPOLITAN PHOENIX

ARTERIAL STREETS



Published by
WIDE WORLD OF MAPS
Copyright © 1980 Wide World of Maps, Inc.
10000 Wilshire Blvd., Suite 1000, Beverly Hills, CA 90210
1-800-541-7777

CORNERSTONE CONSULTING CO.

June 27, 1994

Ms. Laura L. Rockenberger
SUNCOR DEVELOPMENT COMPANY
2828 North Central Avenue
Suite 900
Phoenix, Arizona 85004

RE: Market Study, PebbleCreek Master Plan, Goodyear, Arizona

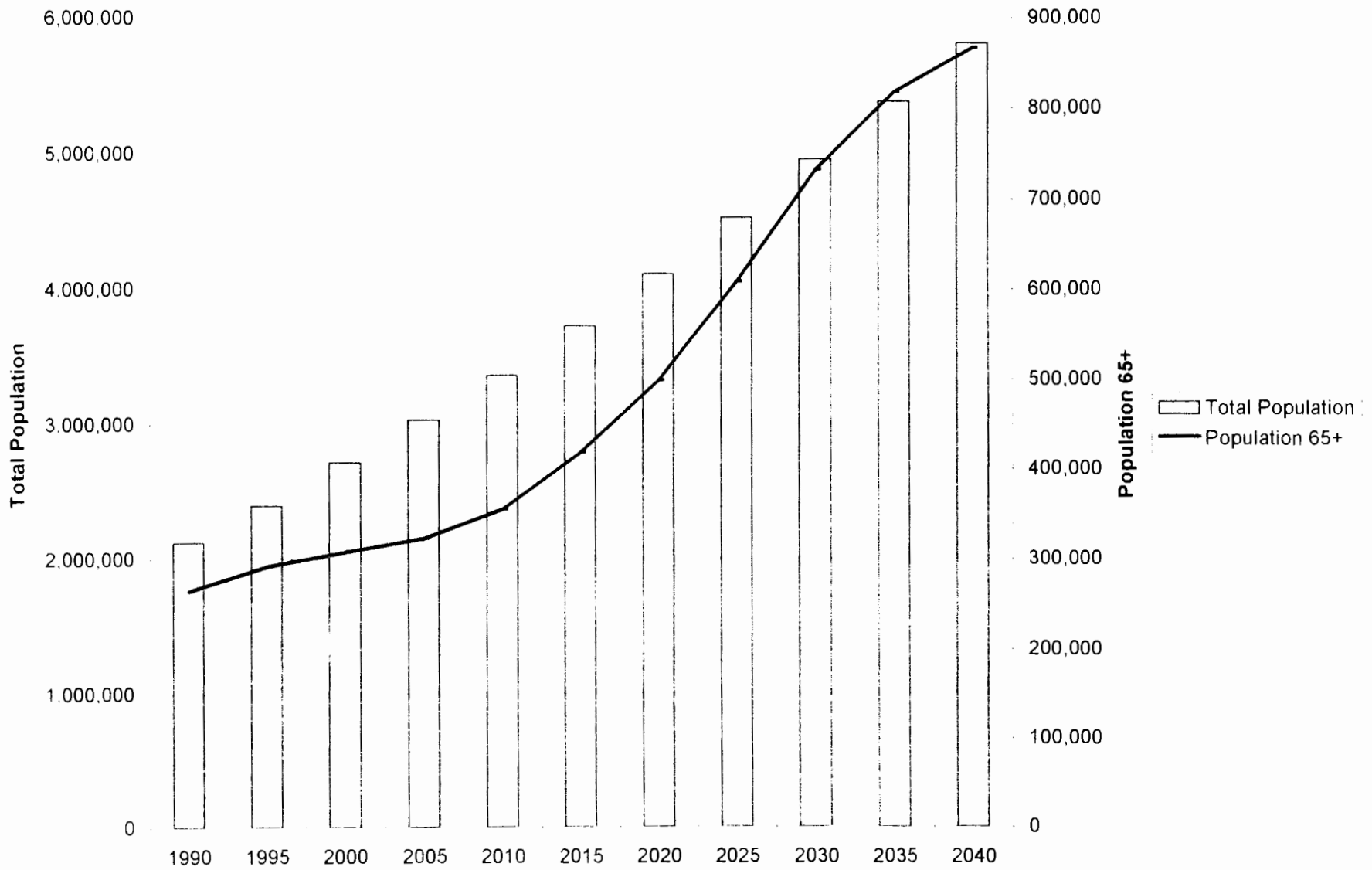
Dear Ms. Rockenberger:

Cornerstone Consulting Company is pleased to present this Market Study for the existing and future development of the PebbleCreek Master Plan in Goodyear, Arizona. The purpose of this report is to define the Competitive Market Area (CMA) by reviewing the characteristics of the most successful projects. What follows is a description of the existing development, an overview of the Phoenix and Tucson residential markets, and the conclusions as drawn for the subject. The PebbleCreek master plan is being developed by Robson Communities and is an age restricted project. The PebbleCreek master plan is adjacent to the Palm Valley master plan which offers conventional housing.

This report will assess the depth of the adult residential housing market for Phoenix. Based upon those conclusions, projections for absorption can be calculated. In this analysis, both adult and non-adult subdivisions were reviewed. There are several projects that market to the adult buyer, but are not age restricted. The current legislation regarding age discrimination has made receiving an age restricted certification difficult. Therefore, several communities are marketing adult product, without an age restriction. In our opinion, there are three distinct product groups which are marketed to the adult buyers in Phoenix: (1) The high-end compact and standard lot subdivision with a very extensive master plan, higher quality homes, and extensive marketing. PebbleCreek, Sun City West, and Sun Lakes are examples of this niche. (2) The mid-range standard and compact lot market with a less defined master plan and substandard product and marketing. Sunland Village and Ventana Lakes are examples of this niche. (3) The entry-level adult oriented compact and standard lot market which typically has no master plan design, offers no amenity feature, and captures a very limited market share. These projects are typically not age-restricted. In addition, Del Webb has introduced Terravita in Carefree, which is a non-age restricted adult master planned community.

It is the conclusion of this report that the defined Phoenix Retirement market has, on average over the past three years, captured 13% of the total residential sales. While the PebbleCreek master plan is relatively new, opening in the fall of 1993, it has already established a 7% market share within the adult market. Therefore, based on the projected growth in population for Maricopa County, and the established relationship of sales to population, we conclude that PebbleCreek should capture in excess of 280 sales per year on average through the year 2003. This would establish a conservative 13% market share for PebbleCreek in the adult housing market.

PHOENIX METROPOLITAN AREA POPULATION DISTRIBUTION BY AGE



**Population by Age
0-54 and 55+
Pima County**

	55-59	60-64	65-69	70-74	75-79	80-84	85-89	90-94	95+		Age 0-54	Growth Rate	Age 55+	Growth Rate	Total
1990	80,724	81,617	85,539	71,088	53,735	32,747	14,674	5,824	1,650	1990	1,694,503		427,598		2,122,101
1991	81,396	81,003	83,613	72,820	54,871	34,134	16,004	6,209	1,789	1991	1,746,010	3.0%	431,839	1.0%	2,177,849
1992	82,805	80,567	81,896	74,381	56,109	36,245	18,123	6,729	1,921	1992	1,800,718	3.1%	438,776	1.6%	2,239,494
1993	83,710	79,513	80,807	76,221	58,071	38,555	19,491	7,201	2,057	1993	1,839,573	2.2%	445,626	1.6%	2,285,199
1994	86,386	79,167	79,045	76,991	59,532	40,125	20,786	8,050	2,314	1994*	1,885,867	2.5%	452,396	1.5%	2,338,263
1995	89,223	79,404	77,890	77,781	60,742	41,781	21,969	8,891	2,653	1995*	1,939,266	2.8%	460,334	1.8%	2,399,600
1996	93,367	79,712	77,581	76,802	62,725	43,173	23,361	9,651	3,099	1996*	1,993,005	2.8%	469,471	2.0%	2,462,476
1997	97,185	81,327	76,468	75,176	64,572	44,301	24,706	10,463	3,463	1997*	2,048,328	2.8%	477,661	1.7%	2,525,989
1998	104,139	83,201	76,019	73,970	65,478	45,437	25,998	11,244	3,874	1998*	2,099,840	2.5%	489,360	2.4%	2,589,200
1999	109,950	86,019	75,799	72,406	66,178	46,599	27,049	11,997	4,318	1999*	2,151,886	2.5%	500,315	2.2%	2,652,201
2000	115,210	88,825	76,034	71,345	66,837	47,529	28,141	12,674	4,795	2000*	2,203,707	2.4%	511,390	2.2%	2,715,097
2001	118,499	92,892	76,330	71,033	65,981	49,113	29,073	13,475	5,255	2001*	2,256,276	2.4%	521,651	2.0%	2,777,927
2002	129,292	96,592	77,814	69,934	64,558	50,567	29,806	14,243	5,658	2002*	2,302,392	2.0%	538,464	3.2%	2,840,856
2003	137,129	103,431	79,557	69,480	63,479	51,240	30,565	14,983	6,098	2003*	2,348,064	2.0%	555,962	3.2%	2,904,026
2004	144,715	109,100	82,195	69,242	62,085	51,753	31,328	15,578	6,520	2004*	2,394,970	2.0%	572,516	3.0%	2,967,486
2005	153,159	114,208	84,846	69,445	61,169	52,238	31,936	16,194	6,916	2005*	2,441,237	1.9%	590,111	3.1%	3,031,348

PHOENIX METROPOLITAN SUMMARY

Last year, the Valley's homebuilders had 3,744 new homes in the first quarter, 1993. This year, with 6,647 starts, the pace is ahead by 77.5%. One must remember that last year we experienced near record rains and construction was delayed on many projects by as much as six weeks. However, even when looking at building permits, first quarter 1994 is ahead by 47.2% (6,436 vs. 4,373). Finally, when comparing recorded escrow closings for this year to last (5,092 vs. 3,442 - an increase of 47.9%), the numbers support the notion that Phoenix is in a boom period. Everywhere on the photos we see evidence of new subdivision grading and major roadways. The breakdown for Starts per Landiscor's study districts was as follows: **West Valley** 2,125 (32%), **Northeast Valley** 1,673 (25.2%) and **Southeast Valley** 2,849 (42.9%).

Phoenix Metropolitan Area Demand						
	Q1:93	Q2:93	Q3:93	Q4:93	Q1:94	12 Mo Total
Permits	4,373	5,190	5,636	5,431	6,436	22,693
Starts	3,744	5,431	5,215	6,359	6,647	23,652
Closings	3,443	4,143	4,664	4,862	5,092	18,761

In the first quarter, 1994, interest rates began to move upward quickly from the 7% level as a result of the Federal Reserve Board raising the discount rate banks pay for federal funds. This was done in an effort to stem what was considered to be inflationary trends. Clearly, the federal government has, for the past two years, made a significant attempt at controlling inflation. However, inflation fears triggered a weakness in the bond market and caused yields to increase as a way to attract new monies. Forced to compete for capital, mortgage-backed securities also raised their yields. Thus, interest rates increased 20% and are now hovering around 8.5% for a fixed 30-year loan. For the home buyer, this meant that it was time to commit to that new home and secure a historically attractive mortgage rate. Pushed by these new homebuyers, homebuilders commenced constructing the tremendous volume of new homes sold contractually and hurried to close escrow for those buyers whose loan commitments were expiring.

In the face of massive media exposure focused on financing issues, homebuilders were also confronted with escalating costs in every facet of their business. Land costs shot up because of heavy demand and the fact that none of the current land sellers needed to sell. For the most part, the large landowners in the Valley have waited through the market cycles. These landowners are now able to capitalize on the strong real estate market and are commanding premiums for the choice locations. Palm Valley and Falcon Ridge (Village at Red Mountain) are examples of the top new developments. In addition, qualified tradespeople continue to be in short supply, thus commanding increased wages, and materials stabilized, but at higher levels than last year's.

Most of the municipalities were no longer as eager to rezone properties to accommodate single family residential development. There was a strong desire to avoid becoming a "bedroom" community reliant on residential property taxes only. Therefore, the cities have been reluctant to re-zone commercial parcels into residential, thereby decreasing the tax revenue potential. All of these factors contributed to making land development more costly and time consuming.

Sensing the possibility of decreased availability of raw land, the major builders purchased larger parcels of land, both ensuring inventories and retaining the ability to negotiate for lower prices per acre. Now, since there is virtually no in-fill property available for larger subdivisions, the search for land is going farther and farther out to the peripheries of the metroplex. Further, there is growing sentiment about increasing densities and the development of what was formerly virgin desert. Various forces are organizing to protect the Sonoran desert and maintain the current perceived quality of life in the Valley. In summary, the larger builders who possess the ability to finance bigger deals will be buying the choicest parcels and thus creating the most desirable homesites.

Leading Homebuilders

Evidenced by this Quarter's ranking of Leading Builders, **Del Webb/Coventry** led the pack with 600 starts for the 90-day period, a 77% increase over the same period in 1993 (339 starts). Next came **Continental** (497 starts vs. 345 starts last year, +44%), **UDC Homes** (431 vs. 307, +40%), **Pulte Homes** (394 vs. 232, +70%), **Shea Homes** (372 vs. 171, +117%), **Hancock Homes** (366 vs. 106, +245%), **Robson Communities** (198 vs. 73, +171%), **Blandford Homes** (181 vs. 118, +53%), **Kaufman and Broad** (175 vs. 0), and **Lennar Homes** (169 vs. 128, +32%).

For the 12 month period ending this Quarter, a homebuilder had to start more than 600 homes in order to make the Top 10 list. In fact, a builder had to produce in excess of 1,400 starts to be one the Top Five. The average production for the first quarter's Top 20 builders was 815 starts. As a result of the strong demand and the longer than normal production time, builders are beginning to produce noticeable numbers of "spec" houses.

Master-Planned Communities ("MPCs"), including Adult Communities ("ACs"), captured 47% (3,149) of all new home starts. The leading MPCs were: **Sun City West** (402 Starts), **Arrowhead Ranch** (290), **Superstition Springs** (194), **The Provinces** (131), and the **Pointe Tapatio** (123). Adult Communities continued to account for 13% of all new home starts with 855 starts in the first quarter, 1994.

Even though interest rates were lower last year than this, the market share for homes sold in the \$85,000 to \$125,000 range remained at 51.6%. Interestingly, in the first quarter 1993, 21.2% of the new homes sold were in the \$80,000 to \$95,000 range compared to only 16.1% in the first quarter 1994. We would conclude that part of this shift in demand, against the interest rate increase, was due to a lack of available product.

Lots and Market Share

The burden of increased land costs coupled with ever increasing home prices may be pressuring the homebuilders to develop smaller lots. There is one clear factor when distilling the single most important driving force in the current dramatic surge in homebuilding in greater Phoenix - affordability. These past couple of years have been blessed with relatively inexpensive land prices and record low interest rates. As a result, the new homebuyer was able to purchase larger livable square footage with manageable monthly payments. Now that these elements are changing dramatically, the homebuilders must find the means to maintain margins and volumes. This is especially true for the publicly traded firms. Builders also seem to be selling more product at the lower priced end of their model spectrum. This makes perfect sense. In order to combat higher costs from every direction, something must give. In this case, it is the size of the lot and the amount of amenities offered in the standard plans. The only method to guarantee qualification for home mortgages that are inherently more expensive to produce is to keep the monthly payment stable.

Vacant Improved Lot absorption rates reflected the rapid increase in the number of new home starts. At the end of the first quarter, 1994, every square footage category showed that the inventories are being absorbed at an increased rate compared to the same period a year ago. For example, the smaller lots were as follows: 4,000 to 5,000 square foot lots are down to a 0.72 years supply compared to 0.99 years in 1993 (27% decrease). The 5,000 to 6,000 square foot lot category is down to a 0.84 years supply compared to 0.92 years in 1993 (9% decrease) and 6,000 to 7,000 square foot lots dropped to a 0.97 years supply compared to a 1.09 years supply in 1993 (14% decrease).

Valley-wide activity showed some changes in first quarter, 1994 new home starts relative to Landiscor geographic districts. The capture rates were: West Valley 32% (29% Q1:93), Northeast Valley 25% (23% Q1:93), and Southeast Valley 43% (48% Q1:93). There were rumors of a market share shift from the Southeast to the Northeast and West. The Southeast continues to have the benefit of the Superstition Freeway, large regional malls, and large employment centers throughout the region. Although there is a problem with infrastructure several miles south of the freeway to the east of Chandler and Gilbert, there will come a time when the land will be available for production housing. In the meantime, the development of large scale communities continues as evidenced by the reemergence of the old Falcon Ridge, now known as the Community of Red Mountain, Shea's Clemente Ranch, Superstition Springs Village, and D'Arcy Ranch. This Quarter, there were 26 new or re-platted subdivisions recorded in the Southeast Valley.

As for the West, it will see new, larger communities such as Continental's Rancho Santa Fe, the new Del Webb Grand Avenue property, two large parcels formerly tied up at Arrowhead Ranch, North Canyon Ranch, and Estrella when it finally closes. Active development at Palm Valley and PebbleCreek will establish strong market absorptions in the West. This quarter the West had 18 new or re-platted subdivisions recorded.

Finally, in the Northeast, considered the new hot spot in the Valley, there were 37 new or re-platted subdivisions recorded this quarter. Now and in the not-so-distant future, we will be counting houses at McDowell Mountain Ranch, Legend Trails, Desert Ridge, Terravita, Tatum Highlands, and Kierland, just to name a few of the larger communities.

Summary

The main question everyone is asking relates to the inherent costs in building and financing new homes. How long will this current cycle continue? Job growth is pushing ahead strongly at a 4 to 5% annual rate and in-migration is expected to increase to levels as high as 10,000 to 11,000 persons per quarter. Coupled with the 6,000 persons per quarter average natural population increase (ASU, births exceeding deaths), this means that there could be as many as 65,000 to 70,000 more people in the Valley this year than last. A rough calculation using the Maricopa County average of persons per household of 2.2, indicates that there will be a demand for 29,500 to 31,800 dwelling units, including multi-family, in 1994. What this means to the new home market is a rather steady continuation of the current conditions for the foreseeable future. Still, producing relatively affordable single family homes will facilitate a constant demand for product in all geographical corners of the metroplex.

Because of the relative ease in purchasing a new home and the small margins in the development of new apartments other than in the upper luxury niche, single family homes have been capturing almost 90%+ of all the housing demand. This will be changing as pricing and financing of single family homes increase. Apartments will once again move towards capturing their traditional 33% of the new housing demand.

There is a critical issue facing the homebuilders as well as the general public: Freeways. It is important to remember that it is necessary to meet the federal air quality standards in order to sustain continued federal roadway funding. Accessible transportation corridors are more and more becoming an integral factor for homebuilder and homebuyer purchasing decisions. As greater Phoenix expands outward, it must have the roads in place to facilitate the growth. Therefore, unless the freeway tax is extended and/or increased, greater Phoenix will be creating a significant problem that will be difficult to overcome in the future. Clogged roadways will contribute to both poor air quality and inner city travel, thus adversely impacting the quality of life. However, at this point in time, weighing the pros against the cons, it is difficult to see any reason that Phoenix won't continue to grow at its current pace to the end of the decade.

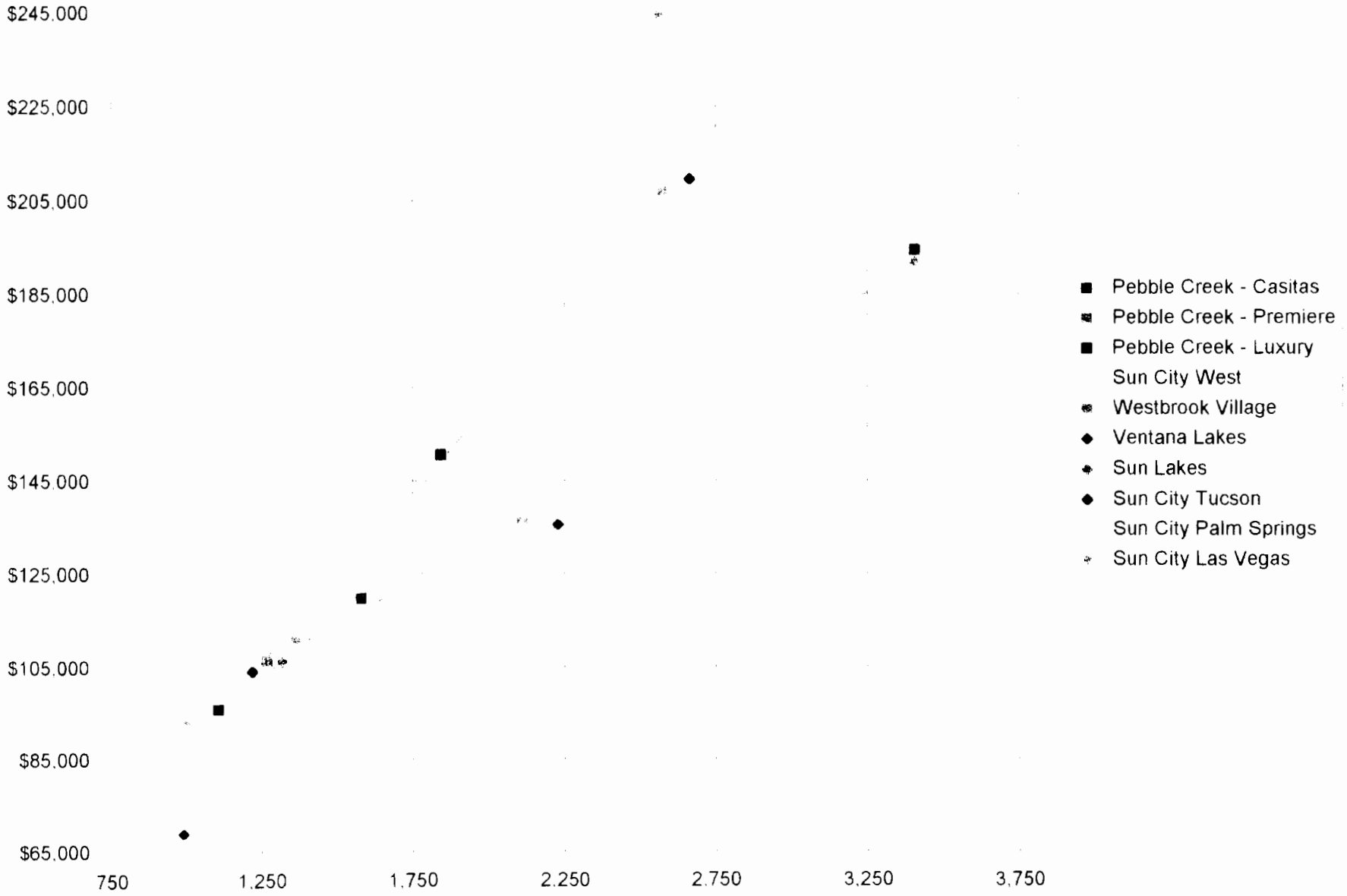
The table on the following page shows the escrow closings by price range for each of the three submarket areas. As is typical, the \$80,000 to \$124,999 price range remains the strongest overall segment. However, the \$95,000 to \$109,999 price niche continues to increase its market share over the \$80,000 to \$94,999 price range. It is our conclusion that this shift in market share is due to increased land and construction costs (materials and labor), thus making it more difficult to produce the lower priced housing.

FIRST QUARTER, 1994
Detached Escrow Closings by Price Range

	West	Northeast	Southeast	Valley
Less than \$50,000	2	1	2	5
\$50,000 to \$64,999	20	1	3	24
\$65,000 to \$79,999	148	10	63	221
\$80,000 to \$94,999	325	86	360	771
\$95,000 to \$109,999	283	144	489	916
\$110,000 to \$124,999	292	103	372	767
\$125,000 to \$139,999	166	109	240	515
\$140,000 to \$154,000	130	65	187	382
\$155,000 to \$169,999	75	76	145	296
\$170,000 to \$184,999	52	49	126	227
\$185,000 to \$199,999	34	42	70	146
\$200,000 to \$214,999	38	58	51	147
\$215,000 to \$229,999	17	55	36	108
\$230,000 to \$249,999	8	52	24	84
\$250,000 and over	10	136	45	191
Unallocated	0	4	4	8
Totals	1,600	991	2,217	4,808

Source: Landiscor

ADULT COMMUNITY PROFILE
 BASE PRICE RANGE BY MASTER PLAN



COMPETITIVE PROJECTS

It is our conclusion that, based on conversations with sales agents at several adult communities, the competitive base for PebbleCreek extends beyond the Phoenix area to include the Tucson market and in fact to some degree includes Palm Springs and Las Vegas. Therefore, a review of each of the significant projects located in Phoenix, Tucson, Palm Springs, and Las Vegas follow:

In Phoenix, Master Planned Communities ("MPC") have regained market share as a result of the new influx of projects. Because of the public's preference for the safety and prestige of regulated community developments, MPCs have had strong market demand and therefore, the number of improved lots in MPCs have decreased in the past year and a half. With new master planned developments (master plans and master developments) and revitalized master plans, the available lot inventory has begun to rebound along with sales. The leading non-adult MPCs in 1993 were Mountain Park Ranch (674 starts), Arrowhead Ranch (525), The Foothills (508), The Islands (363), Ridgeview (352), Pointe Tapatio (289), Tatum Ranch (263) Red Mountain Ranch (242), Stonegate (235), and The Foothills Club West (215). Total non-adult MPC production was 6,884 starts or 33.2% of the market.

In 1993, Adult Communities had a very strong showing as evidence of Phoenix's reputation as a desirable place to live as well as the relative abundance of available, well established projects. Del Webb's Sun City West (1,149 Starts, up 49.6% over 1992) led the pack ahead of Robson's Sun Lakes (355), Radnor's Sun Village (276), UDC's Westbrook Village (245) and Farnsworth's Sunland Village East (196). In total, Adult Communities had 2,650 new home starts for a 12.8% market share in 1993.

Pebblecreek

Pebblecreek represents the newest adult community in Phoenix. Robson Communities acquired 2,200 acres, adjacent to Palm Valley and Litchfield Park, from SunCor Development. The master plan will include three 18-hole golf courses and significant community amenities. A new model complex is open and sales are underway. One of the attractions to the area is the 5-star Wigwam Resort which features golf and tennis.

PebbleCreek is the fourth adult community developed by Robson Communities. Phase 1 represents approximately 760 acres and 2,224 units. Phase 1 includes a championship 18-hole golf course and a 30,000 square foot clubhouse. The clubhouse includes a pro shop, dining, fitness center, and swimming pool. In addition, there are 2 lighted tennis courts. The monthly homeowner's expenses are estimated to be \$50.00. An annual golf membership is available for \$1,000 and is only for residents. PebbleCreek is an age-restricted community which is intended for occupancy by at least one person 55 years of age or older per unit. There is some provision for a limited number of residents that are below this minimum age restriction.

Pebblecreek offers three floor plan series. All plans include a standard two-car garage, integra block construction, and a covered patio. The Casita Series offers four floor plans on 4,400 square foot lots with different variations ranging from 1,110 square feet for \$95,900 up to 1,582 square feet for \$119,900. These prices reflect a \$11,000 increase in the past 6 months. The Premiere Series offers four floor plans on 7,280 square foot lots with different variations ranging from 1,272 square feet for \$106,400 up to 2,112 square feet for \$136,400. The Luxury Series offers five floor plans on 7,840 square foot lots with different variations ranging from 1,844 square feet for \$150,400 up to 3,408 square feet for \$194,400. Both the Premiere and Luxury Series prices reflect a \$15,000 price increase in the past 6 months.

Sun City West

As currently planned, Sun City West will be a 7,020-acre development. Upon completion in the late 1990s, this master plan will have a population of approximately 31,000 residents. Note that recent acquisitions will allow for additional development to the north and west. Sun City West recorded 1,149 single family detached starts in 1993, which represents an average Phoenix Retirement market share of 44%. There are seven golf courses in Sun City West, five are owned by the Recreation Center of Sun City West, one is a public course owned by the developer, and one is a private country club. The Sundome Center for the Performing Arts, a facility of Arizona State University, seats 7,169 and is the world's largest single-level theater. There is a 203-bed hospital in Sun City West and a 355-bed hospital in Sun City (the first phase master plan).

There are four defined sets of floor plans offered at Sun City West. All of the floor plan prices include the price of a base lot. The Casitas offer three floor plans ranging from 1,069 square feet for \$91,500 up to 1,352 square feet for \$105,300. These homes are on 2,850 square foot lots and are all two bedroom with either a one-car garage with golf cart storage or a two-car garage. The Classics Series offers three floor plans ranging from 1,320 square feet for \$117,600 up to 1,788 square feet for \$138,200. These homes are on 7,475 square foot lots and are all two bedroom with a two-car garage. Homes in this series can be purchased without landscaping or a Homeowner's Association (HOA). This option saves the buyer \$3,000 to \$5,000 but, in most cases, once this option is chosen, the buyer cannot re-elect to be included within the HOA. The third series of floor plans is the Premiere. These homes, which are similar to the Classics, but are on larger, 8,625 square foot lots, range from 1,295 square feet for \$108,800 up to 2,705 square feet for \$187,500. These floor plans are all two bedroom with the larger units including 2 X 6 frame construction. The fourth series offered at Sun City West is the Estates. There are two floor plans offered in this highly upgraded floor plan series. The smaller floor plan is the Avondale which is a 2,662 square feet for \$218,900 and includes a master bedroom with sitting area, guest suite and den, and a covered patio. The larger floor plan is the Scottsdale which is a 2,903 square foot plan for \$232,500 with similar features to the Avondale. Both of these plans are offered on a 10,000 square foot lot and require specific lot dimensions which are typically more expensive.

Sun Lakes and SunBird

The 3,500-acre Sun Lakes master plan is located 23 miles south of Phoenix. This master plan reported 355 housing starts during 1993 with an average adult market share of 13.5%. Sun Lakes opened in 1972 and has sold more than 6,000 residences. When completed, there will be an estimated 10,000 homes and 20,000 residents. SunBird, which was originally designed as a recreational vehicle park, is a 320-acre development. SunBird, which is located east of Sun Lakes, opened in the third quarter, 1990 and in 1993 recorded 122 starts which is an average 4.3% market share.

The Sun Lakes master plan offers four 18-hole golf courses, 9 lighted tennis courts and 6 heated swimming pools. There are also a variety of activity centers including a 7,000 square foot auditorium. A fifth golf course and fourth recreational facility are under construction. There are three purchase programs offered at Sun Lakes: Build-To-Order (BTO), Build-To-Order-Extended (BTOE), and Ready-To-Move-In (RTM). These programs allow the buyer to choose between a delayed start on a pre-selected lot within one year (BTOE), an immediate construction start (BTO), and a completed inventory home (RTM).

There are two series of homes offered. The Premiere Series offers 6 floor plans with a variety of configurations. These floor plans range from 1,320 square feet for \$108,290 up to 2,112 square feet for \$139,470. The Luxury Series offers 9 floor plans with a variety of configurations. These floor plans range from 1,820 square feet for \$139,700 up to 3,408 for \$191,900. The prices at Sun Lakes reflect a \$10,000 to \$23,000 price increase in the past 6 months.

At SunBird, there are two product series offered. The smaller lot product is offered on 3,000 square foot lots and the floor plans range from 908 square feet for \$68,400 up to 972 square feet for \$70,900. The larger lot product is offered on 5,500 square foot lots and the floor plans range from 1,010 square feet for \$87,100 up to 1,680 square feet for \$111,400. All units are 2 X 4 frame construction while the entry-level product has composite shingle roofs and the move-up product has tile roofs.

Major Adult Community Starts - Phoenix					
	1990	1991	1992	1993	1993 Adult Market Share
Sun City West	640	668	768	1,149	43.4%
Sun Lakes/SunBird	210	369	496	477	18.0%
Westbrook Village	207	271	229	245	9.3%
Ventana Lakes	5	95	128	173	6.5%

COMBINED PHOENIX RESIDENTIAL STARTS
 Adult Communities Share
 1988 - 1993



Source: Landiscor

CORNERSTONE CONSULTING COMPANY

Adult Master Planned Communities

PHOENIX METROPOLITAN AREA

Historical Review by Quarterly Housing Starts

		Q1 1988	Q2 1988	Q3 1988	Q4 1988	Q1 1989	Q2 1989	Q3 1989	Q4 1989	Q1 1990	Q2 1990	Q3 1990	Q4 1990	Q1 1991	Q2 1991	Q3 1991	Q4 1991	Q1 1992	Q2 1992	Q3 1992	Q4 1992	Q1 1993	Q2 1993	Q3 1993	Q4 1993
Sun Lakes	D	45	42	60	44	53	35	70	53	40	44	54	23	54	72	119	46	57	75	83	89	65	90	60	140
	A	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		45	42	60	44	53	35	70	53	40	44	54	23	54	72	119	46	57	75	83	89	65	90	60	140
Total Sun Lakes		16%	11%	12%	21%	20%	9%	15%	21%	13%	12%	12%	13%	21%	18%	19%	10%	12%	18%	15%	17%	13%	15%	9%	17%
Leisure World	D	32	26	26	21	27	23	26	24	40	1	0	0	30	32	21	18	13	0	8	0	8	0	0	0
	A	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		32	26	26	21	27	23	26	24	40	1	0	0	30	32	21	18	13	0	8	0	8	0	0	0
Total Leisure World		11%	7%	5%	10%	10%	6%	6%	9%	13%	0%	0%	0%	12%	8%	3%	4%	3%	0%	1%	0%	2%	0%	0%	0%
Sunbird	D									0	0	34	15	3	15	21	39	56	55	49	37	9	26	0	87
	A									0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0	0	0	34	15	3	15	21	39	56	55	49	37	9	26	0	87
Total Sunbird		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	8%	8%	1%	4%	3%	8%	12%	13%	9%	7%	2%	4%	0%	11%
Sunland Village East	D	21	11	29	12	16	16	25	27	16	24	38	14	7	20	21	20	23	23	32	33	15	46	31	22
	A	22	10	8	14	0	12	18	8	22	24	8	8	8	22	16	18	40	16	20	8	20	14	18	30
		43	21	37	26	16	28	43	35	38	48	46	22	15	42	37	38	63	39	52	41	35	60	49	52
Total Sunland Vlg East		15%	6%	7%	12%	6%	7%	9%	14%	12%	13%	10%	12%	6%	11%	6%	8%	13%	9%	9%	8%	7%	10%	7%	6%
Ventana Lakes	D	4	3	1	10	5	3	0	0	0	0	0	5	7	21	30	37	29	38	31	30	27	27	51	34
	A	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	14	12	8
		4	3	1	10	5	3	0	0	0	0	0	5	7	21	30	37	29	38	31	30	27	41	63	42
Total Ventana Lakes		1%	1%	0%	5%	2%	1%	0%	0%	0%	0%	3%	3%	5%	5%	8%	6%	9%	6%	6%	5%	7%	9%	5%	
Sun City West	D	112	180	162	58	125	176	157	75	139	212	176	69	67	133	227	197	180	160	231	199	290	210	302	347
	A	0	34	52	8	6	44	10	24	0	18	18	8	10	0	32	2	0	0	0	0	0	0	0	0
		112	214	214	66	131	220	167	99	139	230	194	77	77	133	259	199	180	160	231	199	290	210	302	347
Total Sun City West		40%	57%	42%	31%	49%	58%	36%	39%	44%	62%	44%	43%	30%	34%	40%	43%	38%	37%	41%	37%	56%	34%	44%	42%
Westbrook Village	D	28	33	88	36	30	62	102	35	31	35	76	34	37	50	86	26	39	36	63	35	48	62	48	32
	A	9	11	70	6	7	8	48	0	16	2	13	0	9	14	20	29	16	6	20	14	3	21	28	3
		37	44	158	42	37	70	150	35	47	37	89	34	46	64	106	55	55	42	83	49	51	83	76	35
Total Westbrook Vlg		13%	12%	31%	20%	14%	18%	32%	14%	15%	10%	20%	19%	18%	16%	17%	12%	12%	10%	15%	9%	10%	13%	11%	4%
Pebble Creek	D																				10	0	51	37	36
	A																				0	0	0	0	0
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	10	0	51	37	36
Total Pebble Creek		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	2%	0%	8%	5%	4%
TOTAL ADULT COMM		281	373	511	211	270	380	464	256	317	373	441	180	258	396	642	467	471	427	560	532	520	619	691	818
% ADULT COMM.		9%	9%	12%	8%	10%	14%	15%	11%	12%	13%	15%	11%	11%	11%	17%	15%	11%	11%	12%	12%	14%	11%	13%	13%
PHOENIX TOTAL		3,138	4,179	4,281	2,574	2,837	2,743	3,161	2,389	2,636	2,837	2,994	1,639	2,445	3,459	3,720	3,111	4,329	3,985	4,640	4,348	3,766	5,392	5,173	6,239

Tucson

There were a total of 1,591 residential units permitted in the first quarter, 1994 in the Tucson market area. This represents a decrease of 10% from the fourth quarter, 1993 but a 45% increase from the first quarter, 1993. The Oro Valley-Catalina and Tucson Mountain Foothills districts had the greatest number of total permits with, respectively, 26% and 14% of all permitted units. On a year-to-date basis, total residential permit activity is up 45% from 1993 and 67% from 1992. The resident population of Pima County increased by 6,106 or 0.8% between December, 1993 and March, 1994. This increase compares to population gains of 0.6% and 0.7% for the same months during, respectively, 1992-1993 and 1991-1992.

Saddlebrooke

Saddlebrooke opened in March, 1987 and is located 14 miles northwest of Tucson in the Santa Catalina Mountain range. The existing master plan includes over 800 acres and is currently planned for 2,420 units. To date, 1,500 units in 8 various phases have been released for sale with 800 completed and sold, 100 under construction, and 125 lots remaining for development in the first phase. An additional 1,297 units remain in 10 various phases yet to be released for sale. There are several sections of land available around the existing master plan. Current plans call for the eventual development of an adjacent section which would include an additional 1,200 units as well as an 18-hole golf course.

The Saddlebrooke master plan features an 18-hole golf course and 25,000 square foot clubhouse. Additionally, there is a 3,300 square foot Arts & Crafts Village, 5,160 square foot Health Club, and 6 lighted tennis courts. There are also a variety of activity centers including a 7,000 square foot auditorium. There are three purchase programs offered at Sun Lakes: Build-To-Order (BTO), Build-To-Order-Extended (BTOE), and Ready-To-Move-In (RTM). These programs allow the buyer to choose between a delayed start on a pre-selected lot within one year (BTOE), an immediate construction start (BTO), and a completed inventory home (RTM).

Saddlebrooke recorded 278 permits during 1993 which equates to an average Tucson adult market share of 34%. Historically, Saddlebrooke has averaged a 30.1% market share with sales increasing each year. Unlike Sun City Tucson, Saddlebrooke does not offer a casita product line which is designed as a no-maintenance, compact lot product line.

Saddlebrooke offers 9 series of floor plans, with all but two available on any lot. The lots at Saddlebrooke range from 6,930 up to 14,000 square feet. The current base floor plans offered range from 1,060 square feet for \$88,750 up to 2,623 square feet for \$159,600. Within each floor plan series, there are three or four variations which vary in price and square footage.

Sun City Tucson

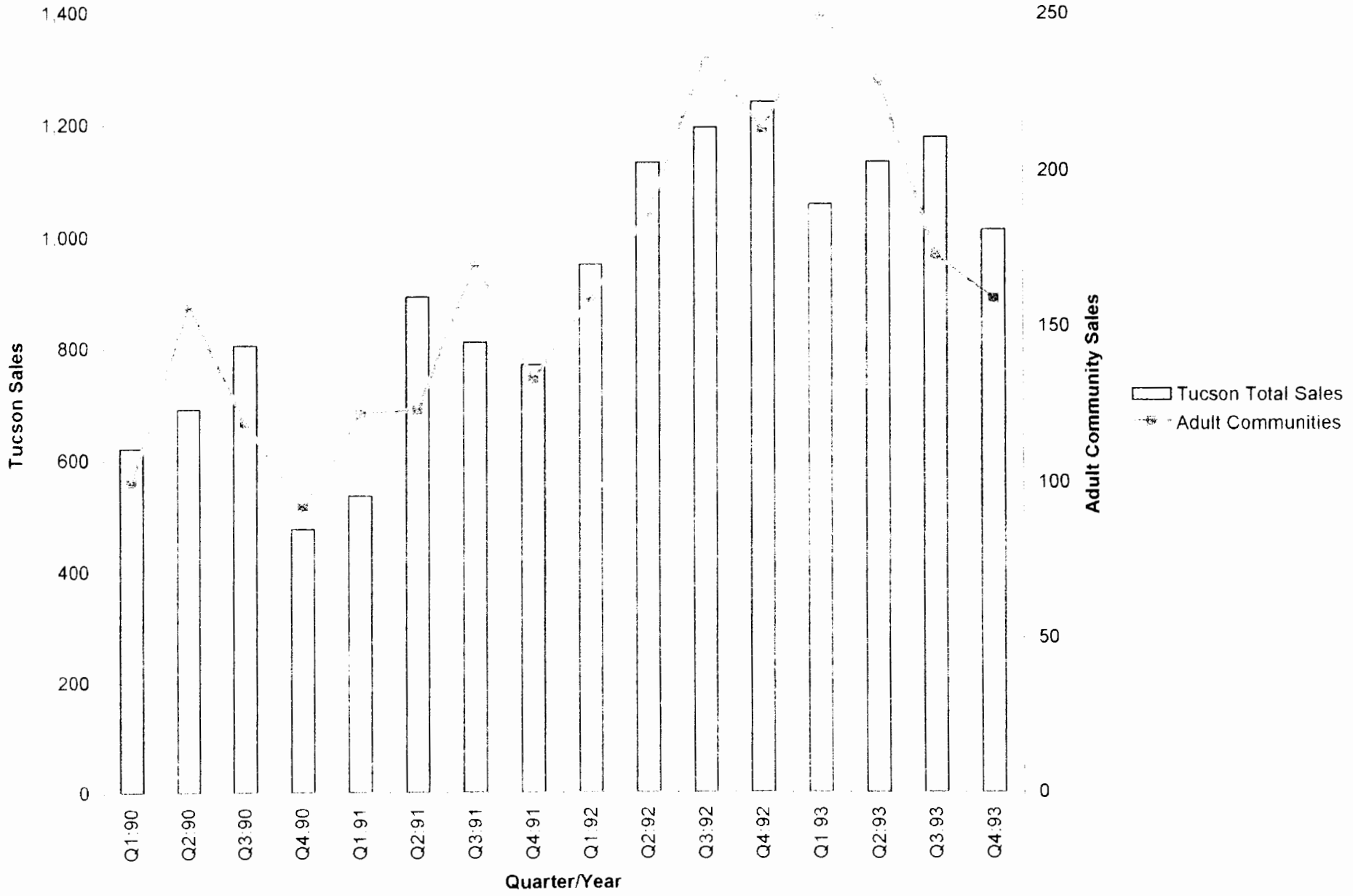
Sun City Tucson, a Del Webb Community, is the single local competitor for Saddlebrooke. Sun City Tucson is located 10 miles northwest of Tucson, Arizona. It is a part of Rancho Vistoso, a 7,750-acre master-planned area which, when completed, will include major shopping centers, a hospital, banks, churches, and medical and professional offices. The existing Sun City Tucson development comprises 1,000 acres with a projected initial population of 5,000. The balance of the Rancho Vistoso master plan was sold recently by the Bankruptcy courts and UDC Homes and Pulte Homes have begun development on their respective acreage. While there is additional acreage available to the northwest, Del Webb has not acquired any additional land for future development. Sun City Tucson recorded 319 sales during 1993 which equates to a 46% market share for the Tucson Retirement market. There are 451 lots remaining in the existing development, which, based on 1993 sales equates to a 1.5 year supply.

The center piece of the Sun City Tucson master plan is an 18-hole par 72 championship golf course (6,723 yards). The residents can pay greens fees or can purchase an annual golf membership. There is also a \$320.00 annual fee for use of the recreational facilities (not including golf). This fee permits use of the recreation center, sports complex, and a variety of social activities.

There are three defined sets of floor plans offered at Sun City Tucson. All of the floor plan prices include the price of a base lot. Lot premiums range from \$1,000 up to \$119,000. The Classics collection offers four floor plans ranging from 1,221 square feet for \$104,000 up to 1,665 square feet for \$132,400. These homes are on 5,000 square foot lots and are all two bedroom with a two-car garage. The Premiers collection offers five floor plans ranging from 1,563 square feet for \$131,500 up to 2,086 square feet for \$163,000. The homes are on 7,000 square foot lots and are all two bedroom with a two-car garage. The third series of floor plans is the Estates Collection. There are two floor plans offered, which include a significant list of upgrades as standard. The floor plans range from 2,344 square feet for \$188,400 up to 2,665 square feet for \$209,500. These floor plans are two and three bedroom with a two-car garage, covered patio, and golf cart storage area. These base prices reflect a \$35,000 price increase in the past 6 months.

Major Adult Community Starts - Tucson					
	1990	1991	1992	1993	1993 Adult Market Share
Sun City Tucson	210	228	337	319	40.7%
Saddlebrooke	126	184	246	279	35.6%
Green Valley	75	56	96	185	23.6%

**COMBINED TUCSON RESIDENTIAL PERMITS
Adult Communities Market Share
1990 - 1993**



	Type	Q1 1990	Q2 1990	Q3 1990	Q4 1990	Q1 1991	Q2 1991	Q3 1991	Q4 1991	Q1 1992	Q2 1992	Q3 1992	Q4 1992	Q1 1993	Q2 1993	Q3 1993	Q4 1993
Sun City Tucson	DET	45	72	60	33	47	40	74	67	51	62	114	110	89	73	79	78
	ATT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Sun City Tucson		45	72	60	33	47	40	74	67	51	62	114	110	89	73	79	78
% Total Adult Starts		45.0%	45.9%	50.4%	35.9%	38.5%	32.5%	43.3%	50.4%	32.1%	33.3%	48.1%	51.6%	35.6%	31.9%	45.7%	49.1%
Fairfield La Cholla	DET	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0
	ATT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Fairfield La Cholla		0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0
% Total Adult Starts		0.0%	0.0%	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Fairfield Foothills	DET	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	ATT	9	14	16	2	16	18	12	10	10	14	6	4	1	6	1	0
Total Fairfield Foothills		9	14	16	2	16	18	12	10	10	14	6	4	1	6	1	0
% Total Adult Starts		9.0%	8.9%	13.4%	2.2%	13.1%	14.6%	7.0%	7.5%	6.3%	7.5%	2.5%	1.9%	0.4%	2.6%	0.6%	0.0%
Fairfield Green Valley	DET	9	20	20	17	11	28	22	16	41	45	33	21	39	63	38	42
	ATT	1	1	0	0	2	2	0	0	0	0	6	16	8	3	6	0
Total Fairfield Green Valley		10	21	20	17	13	30	22	16	41	45	39	37	47	66	44	42
% Total Adult Starts		10.0%	13.4%	16.8%	18.5%	10.7%	24.4%	12.9%	12.0%	25.8%	24.2%	16.5%	17.4%	18.8%	28.8%	25.4%	26.4%
Saddlebrooke	DET	28	40	20	38	46	35	63	40	52	65	77	61	113	84	49	39
	ATT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Saddlebrooke		28	40	20	38	46	35	63	40	52	65	77	61	113	84	49	39
% Total Adult Starts		28.0%	25.5%	16.8%	41.3%	37.7%	28.5%	36.8%	30.1%	32.7%	34.9%	32.5%	28.6%	45.2%	36.7%	28.3%	24.5%
Quail Creek	DET	8	10	2	2	0	0	0	0	5	0	1	1	0	0	0	0
	ATT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Quail Creek		8	10	2	2	0	0	0	0	5	0	1	1	0	0	0	0
% Total Adult Starts		8.0%	6.4%	1.7%	2.2%	0.0%	0.0%	0.0%	0.0%	3.1%	0.0%	0.4%	0.5%	0.0%	0.0%	0.0%	0.0%
TOTAL ADULT COMMUNITIES		100	157	119	92	122	123	171	133	159	186	237	213	250	229	173	159
% ADULT COMMUNITIES		16.1%	22.7%	14.8%	19.3%	22.8%	13.8%	21.1%	17.3%	16.7%	16.4%	19.8%	17.1%	23.6%	20.2%	14.7%	15.7%
METRO TUCSON TOTAL		621	691	806	476	536	893	812	771	952	1,134	1,196	1,242	1,060	1,136	1,179	1,015

Sun City Las Vegas

Sun City Las Vegas, a Del Webb community, is located eight miles northwest of downtown Las Vegas. The project is a part of Summerlin, a Howard Hughes Properties' 25,000-acre master-planned community. Sun City Las Vegas comprises 1,892 acres, with a projected population of 11,000 people. This is the best selling adult community in the United States and has a 6% market share in Las Vegas. There is one championship golf course existing with another currently under construction. There are two recreation centers that offer a wide range of activities. The current HOA is \$328.00 per year.

There are two detached and two attached product lines offered at Sun City Las Vegas. The Premiere Series is the best selling group with floor plans ranging from 1,171 square feet for \$116,800 up to 1,513 square feet for \$146,700. The prices include a standard 6,200 square foot lot. The Estates Series offers upgraded floor plans on 7,000 and 7,500 square foot lots. The plans range from 1,661 square feet for \$160,200 up to 2,564 square feet for \$244,700. All of the attached floor plans are two bedroom designs with front and rear yard landscaping maintained by the HOA. The Garden Villas range from 1,003 square feet for \$93,300 up to 1,279 square feet for \$122,300. The Duplexes range from 1,196 square feet for \$114,400 up to 1,731 square feet for \$169,200. Overall, the base prices have increased \$10,000 to \$25,000 over the past 6 months.

Sun City Palm Springs

Sun City Palm Springs is Del Webb's first gated master-planned adult community. It is located 20 miles east of Palm Springs and includes an 18-hole, Billy Casper designed golf course as well as the typical Del Webb Community amenities. While it is a very strong selling project as measured in the depressed California market, it has not performed up to the expectations of Del Webb Corporate. The project has nearly 1,600 acres, and the plans indicate that up to 5,800 units will be developed over a ten-year time frame. Sun City Palm Springs reported 450 contracts and 325 closings in 1993. In 1994, the company is projecting 400 contracts and 312 closings in Palm Springs. The company is projecting that Sun City Palm Springs' closings will fall slightly short of the 1993 level because of the poor market conditions in California. However, they are projecting that there will be a 27% increase in sales for fiscal 1995.

There are four subdivisions offered at Sun City Palm Springs. The Gemstone Duplexes include landscaping and exterior maintenance. There are four floor plans offered which range from 1,174 square feet for \$133,950 up to 1,766 square feet for \$178,500. The Sterling Classics are the least expensive detached product. The homes range from 1,170 square feet for \$129,500 up to 1,450 square feet for \$152,250 and are on 5,000 square foot lots. The Crystal Premieres are on 6,000 square foot lots and range from 1,319 square feet for \$144,300 up to 1,822 square feet for \$181,500. The Diamond Estates series offer three floor plans on 7,000 square foot lots. The plans range from 1,978 square feet for \$201,000 up to 2,416 square feet for \$243,000.

CONCLUSION

There are 5,355 total lots planned for the three phased of PebbleCreek. Currently, in the first phase, there are 2,224 units. There are 1,576 lots in the second phase and 1,555 lots in the third phase. Of the first phase, 176 units have been sold, with 398 improved lots remaining in inventory. Assuming a stable absorption level of 280 units per annum, this would mean a 7.9 year supply for the first phase. Overall, based on a stabilized absorption of 280 to 300 units, there is a 17.8 to 19.1 year supply of lots.

Market Niche

The market niche that PebbleCreek competes in is the adult retirement market. There should be no reason that this demographic definition will change. There is no major employment in the area and access to Phoenix is more than 20 miles east. The Palm Valley master plan, located directly east of PebbleCreek, has several subdivisions that market towards the family buyer. While this has been a strong segment in the west submarket, demand is not such as to warrant family product within the PebbleCreek master plan. Robson Communities currently offers only active adult product in its projects.

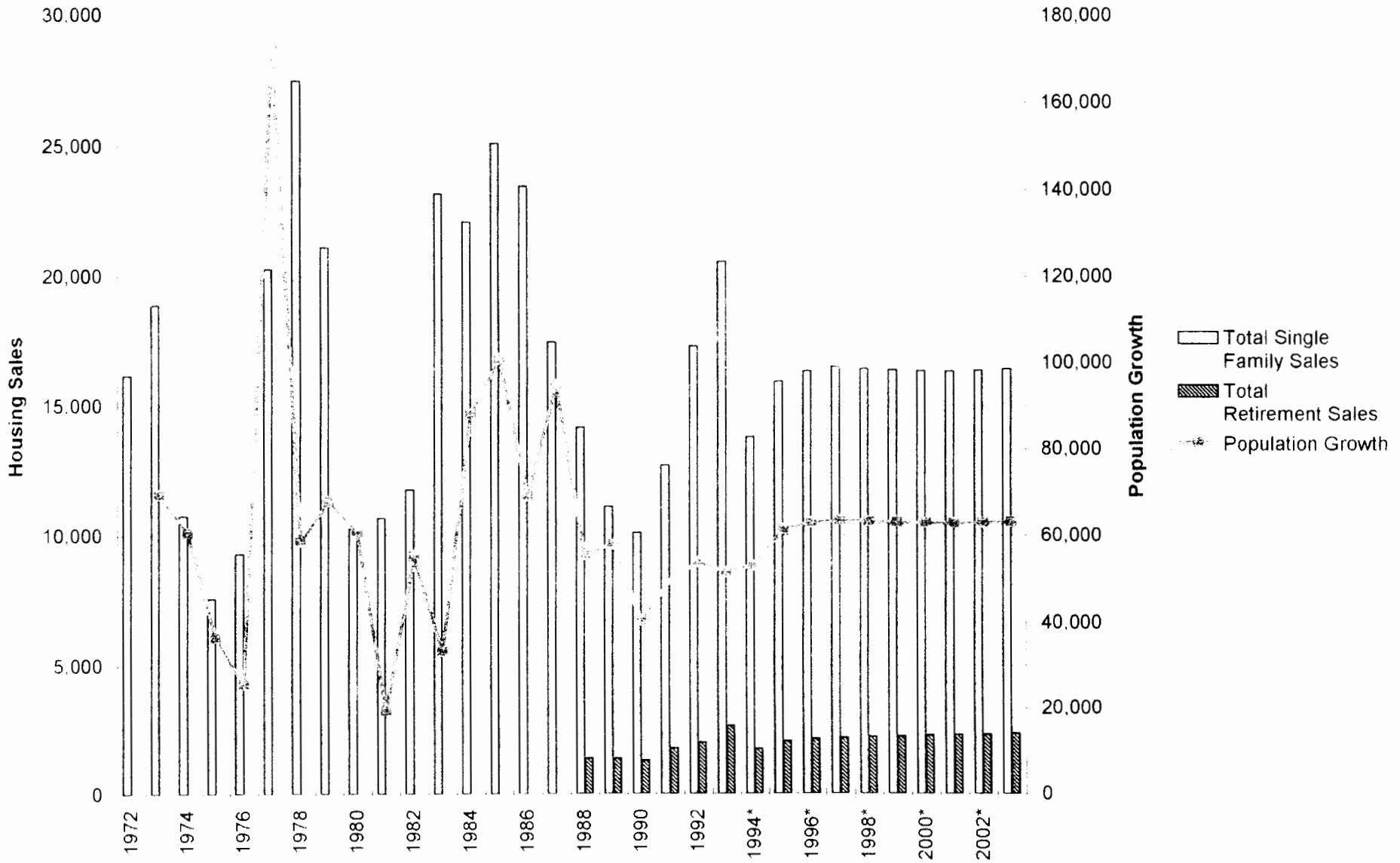
It is our conclusion that the Phoenix and Tucson markets do have some inter-competition for buyers. In discussions with the sales agents at Sun City Tucson, Sun City West, and Sun City Palm Springs, all reported that approximately 50% of their buyers had visited at least one other Del Webb Community. Therefore, the demonstrated growth in both the Phoenix adult market as well as the strength of the Tucson adult market support the conclusion that absorptions for at least the next five years should meet or exceed the current level of sales.

Population

Based on data provided by Arizona Department of Economic Security, the Phoenix population is expected to grow at an annual rate of 2.5 to 3.0 times. The current population of Maricopa County is approximately 2,285,199 which represents an annual growth of 51,500 persons, or 18,393 households (2.8 times factor). The ADES projects that the population of Maricopa County in 2005 will be 3,031,348.

As the table and chart on the following page show, the adult (55+) population will increase at a greater rate than the remaining (55-) population. Therefore, while they are clearly projecting a steady growth in the population of Maricopa County, the growth rate in the adult (55+) population will be greater than the remaining population, and this is the target market for the PebbleCreek master plan. In fact, the percentile growth rate for the 55+ age group shows a steady growth, while the 55- age group shows a steady decline. This is a national trend which is occurring as the "baby-boom" generation begins to enter the 55+ age category as well as the extended longevity of the population.

MARICOPA COUNTY POPULATION AND SALES TRENDS
Single Family and Retirement
1973 - 2003



Phoenix Residential Market

The following table summarizes the population, permit, adult permit, and PebbleCreek market share projection through 2003. These projections are based on the population projections of the Arizona Department of Economic Security (ADES). The single family permits are projected using a 26.0% ratio of single family starts to population growth. Thus, for every four persons immigrating to Maricopa County, one new home will be built. This housing factor is conservative, but based on the observation that Maricopa County has four to five year housing cycles, the existing housing stock is at an all time low, and the economy appears to be seeing some recovery. The housing factor has been as high as 69.8% and as low as 11.8%.

Year	Maricopa Co Population	Single Family Permits	Adult Community Sales	PebbleCreek Market Share
1993	2,285,199	20,578	2,648	124
1994*	2,338,263	13,797	1,748	161
1995*	2,399,600	15,948	2,051	267
1996*	2,462,476	16,348	2,134	277
1997*	2,525,989	16,513	2,188	284
1998*	2,589,200	16,435	2,210	287
1999*	2,652,201	16,380	2,236	291
2000*	2,715,097	16,353	2,265	294
2001*	2,777,927	16,336	2,297	299
2002*	2,840,856	16,362	2,301	299
2003*	2,904,026	16,424	2,344	305
Ten Year Totals				2,764

* projections

The adult community permits are projected using a median ratio of 13.0% as calculated over the past five years with a 1.5% annual increase as projected by the ADES report. This value has been as high as 13.9% and as low as 9.7%. Finally, the anticipated sales at PebbleCreek are projected using a 13% forecast market share. The market share at PebbleCreek is currently 7% and has been increasing steadily over the past year and therefore, we anticipate that PebbleCreek will establish a stabilized market share of 13%, which is extremely conservative based on the current market share of Sun City West (40.7%) and Sun Lakes/Sunbird (35.6%).

In Phoenix, there were 20,578 single family starts in 1993. Of the 20,578 starts recorded in 1993, 2,648 were issued to adult communities, which equates to a 12.5% market share during 1993. Of the 2,648 adult starts recorded, 355 were at the Sun Lakes master plan, which represents a 1.7% combined market share and a 13.5% adult market share. Del Webb reported that there were 770 starts in 1992 and 1,149 starts in 1993 at Sun City West, a 49% increase.

For fiscal 1993, new sales orders and closings for Del Webb Corporation increased by 44% and 38%, respectively, year to year. The company's contract backlog rose by 43% to a record \$260 million: 1,700 homes were under contract, compared with 1,263 in 1992. Based on these figures, the average home in backlog is valued at \$152,941. The addition of Sun City Palm Springs accounted for 50% of the upswing in sales orders and 60% of the jump in closings. Sun City West experienced its best year since 1979 with 1,031 sales orders. Sun City Tucson achieved a record year with 305 sales and Sun City Las Vegas has remained strong with a 22% increase in sales orders to 801 units.

Product Analysis

It is conclusion that there should be three to four distinct floor plan groups offered within an adult master plan such as PebbleCreek. Similar to the Sun Cities, an attached product and three detached product series should be presented. Each of the three detached series should have a defined lot size, and should target the specific buyer group. Therefore, the first series would include a compact lot product with two bedroom and a very basic list of standard features. The second, and clearly most desirable series would be standard, 6,500 to 7,000 square foot lot product with a two-car garage and larger square footage, yet still maintaining the two bedroom layout. The final series would be a luxury series with a limited number of variations and most typical options included as a standard features. These floor plans would be three bedrooms with a den or library and will appeal to the modern retiree that continues to enjoy a level of professional business which may include an investment portfolio or even some limited at-home work with a business.

The attached series would be either a duplex or zero-lot line product with a HOA to maintain the front and rear-yard landscaping. This low-maintenance development would appeal to the seasonal resident that still travels and may still maintain a primary residence in another area.

In conclusion, demographic trends suggest that the population segment of persons aged 55 and older will increase by 30-40% faster than the total U.S. population over the next two decades. Furthermore, trends indicate that this group is retiring earlier, relocating to Sunbelt states and living longer, which significantly should boost the market share of the adult community developers. Almost 60 million Americans are over the age of 50, compared with 33 million in 1950. Furthermore, as "baby boomers" reach retirement, that number should increase by 47% by the year 2010. The average life expectancy has

climbed to 75 years and continues to rise. Consequently, this segment of the population are living nearly 25% of their lives in retirement compared with 7% in the 1960s. Persons aged 55 and older control more than 50% of the disposable income in the nation, and persons aged 65-74 have more discretionary income than any other group.

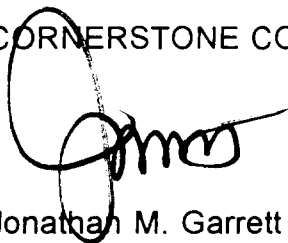
Based on the projected population trends for Maricopa County, including the anticipated growth in the adult (55+) age group, we conclude that there should be steady increases in the sales activity within the PebbleCreek master plan. With a strong development plan that includes community amenities for active-adults and unique product offering that change with the demands of the market, the PebbleCreek master plan should easily exceed the projected annual absorption of 280 to 300 units. Considering that Sun City West delivered 1,150 new homes in 1993, the projections for Pebble Creek may be very conservative.

It is our conclusion, based on the data within this report, that there will be demand in excess of 2,764 units at PebbleCreek over the ten year period from 1994 through 2003. This demand will be more than adequate for the existing inventory. We would anticipate that future phases will be designed with product that is specific to the existing market demands. Based on the 5,355 planned units, there is a 17 to 19 year supply of lot inventory. However, given the projections of the government and private analysts, there will be an increasing demand for active adult housing. Considering that the projections of demand are based on the current population and housing market conditions, there is a potential for significantly higher absorption, more comparable to that reported at Sun City West and Sun Lakes.

We appreciate the opportunity to work with you on this project. If you have any questions or comments, please do not hesitate to contact my office.

Respectfully submitted;

CORNERSTONE CONSULTING COMPANY

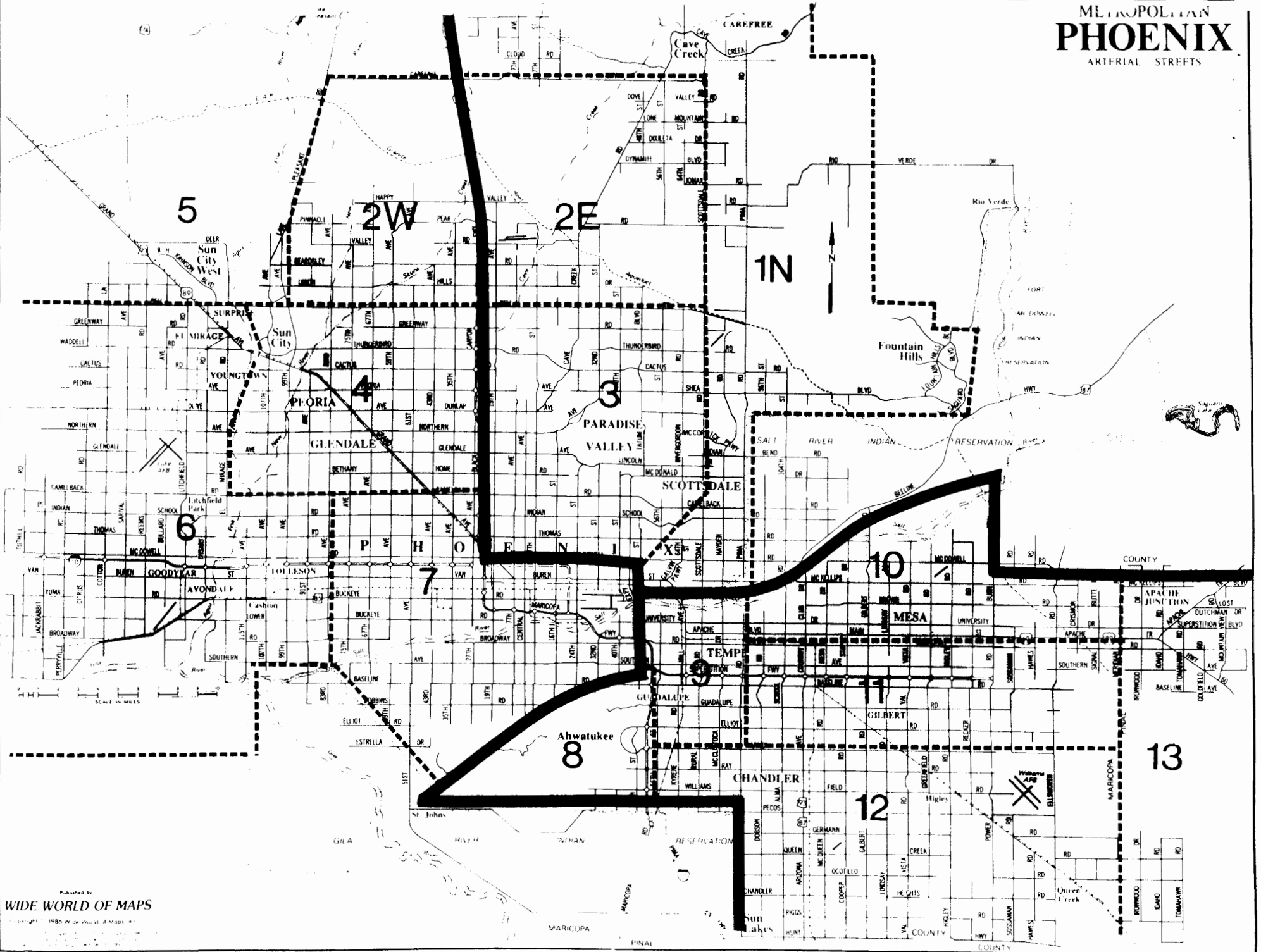
A handwritten signature in black ink, appearing to read 'Jonathan M. Garrett', is written over the printed name below.

Jonathan M. Garrett
Principal

MARKET STUDY
PALM VALLEY MASTER PLAN
Prepared for:
SUNCOR DEVELOPMENT

METROPOLITAN PHOENIX

ARTERIAL STREETS



Published by
WIDE WORLD OF MAPS

© 1980 Wide World of Maps, Inc.

Map No. 1000

CORNERSTONE CONSULTING CO.

June 27, 1994

Ms. Laura L. Rockenberger
SUNCOR DEVELOPMENT COMPANY
2828 N. Central Avenue
Suite 900
Phoenix, Arizona 85004

RE: Market Study - Palm Valley Master Plan, Goodyear, Arizona

Dear Ms. Rockenberger;

Cornerstone Consulting Company has conducted an analysis of the single-family detached housing market in the Northwest Phoenix metropolitan area. The objective of this report is to assess the current and future depth of the Competitive Market Area (CMA) in terms of both price and product. Based on this data, recommendations are drawn for the proposed product within the Palm Valley Phase I master plan.

It is the conclusion of this report that, initially, the CMA will include the Garden Lakes master plan and Estrella master plan. However, product and pricing must take into consideration the future positioning of product and pricing against the Arrowhead Ranch master plan, the Tatum Ranch master plan (Northeast Phoenix) and The Foothills master plan (Southwest Phoenix). Therefore, while the Northwest Phoenix market area is defined as the CMA, specific reference is made to the various master plan developments throughout the Phoenix area (see Metro Phoenix Map). Within this market area, all subdivisions included in the review are detached product on either Compact lots (less than 6,000 square feet) or Standard lots (greater than 6,000 square feet).

The determining factor for success at Palm Valley will be the marketing program. There is currently strong demand in both the Northwest Phoenix (NWP) market area as well as the Southeast Phoenix (SEP) and Northeast Phoenix (NEP) market areas. Therefore, the marketing program must be able to attract the buyers from the entire NWP market area, including Arrowhead Ranch. Additionally, and more importantly, the master plan must also attract buyers from the SEP market area. To accomplish this goal, the price and product must be at least comparable to the best price and product in the Phoenix Metropolitan Area (PMA). It is our conclusion that value, measured by the price per square foot, will be the key element in capturing the existing demand from the established master plans and stand-alone subdivisions into the Palm Valley master plan.

The variable that we are unable to quantify is the amount of demand. Historically, the basis for demand is measured from within a 5 mile radius. In submarket 6 (the subject submarket), there were 366 units permitted during the first quarter 1994, 30 (8%) of which came from Garden Lakes, 29 (8%) of which came from Palm Valley, and 12 (3%) from Estrella. As a whole, this submarket represents only 19% of the total sales from the Northwest Phoenix market area and therefore, the demand required to support the development must come from an area greater than the 5 mile radius.

The following represent the salient facts contained within this report.

- The subject master plan represents a long-term source of lot inventory for value priced housing. The top ten builders in Phoenix all offer some level of product in the proposed price range. For these builders, the on-going task of securing future lot inventory has become a significant challenge. For example, Continental Homes currently needs to replace 120 lots every month. We would suspect that many of the top ten builders have committed to their investors and analysts that they will deliver a specific number of units in the Phoenix market. Because of these commitments, several of the builders, including Kaufman and Broad and Hancock Homes, have continued to develop and market subdivisions with very high projected monthly absorptions. These projects have typically been value priced subdivisions with absorptions that exceed 10 Sales Per Month (SPM).
- The perception of the Westside market area has changed dramatically over the past two years. These changes have been brought about by two significant factors: (1) the new product offered in the Northwest market is comparable (design and quality) with that offered in the Southeast and Northeast market areas, and (2) the infrastructure of both the municipalities and the individual developments is equal or superior to that offered in the other market areas.
- Land values in all market areas have increased dramatically over the past two years. This increase in land values has had an impact on the availability of product priced below \$125,000. Therefore, the first-time buyer market, as well as the empty-nester market, has been limited to fewer subdivision choices, with no measurable master plan community alternatives. In part, there is a dichotomy between the buyer profile and the standard of living offered within a master plan. For the most part, the value buyer profile precludes the ability to pay for the higher land costs and higher association dues within a master plan. Therefore traditionally, value product has been limited to stand-alone developments which have lower land costs and limited or no homeowner's dues.
- The value priced market (less than \$100,000) has remained relatively stable throughout the market cycles. In 1990, there were 3,877 detached starts in the Valley priced less than \$100,000 and in 1993 there were 4,206 starts, an 8% increase. In comparison, in 1990, there were 8,746 total detached starts in the Valley and in 1993 there were 16,039 total starts, an 83% increase. To some extent, the long-term stability in this niche may be attributed to the constraint of available product. It is our conclusion that the bulk of demand in this niche has been captured by the resale market. However, we would assume that if additional new housing product were available, buyers would prefer it over resale product.
- Master planned communities captured a 33.2% market share of the non-adult market and a 46.3% market share with the adult market included. While the buyer

preference remains strongly in favor of master planned communities, the number of remaining lots within master planned developments has only recently begun to increase with new projects coming on-line. It is our conclusion that with buyer preference in favor of master planned communities, we will continue to see new developments offer all or part of the characteristics of the master planned developments. However, to keep the homeowner's association dues at a minimum, we would not expect any significant amenity features to be incorporated into these master plan developments.

- The recommended product and pricing are supported by strong demand in the Northwest market area. This demand has been dominated by Continental Homes at Arrowhead Shores, Calbrisa, and Marbrisa Ranch. In addition, there has been continued strong demand at Arrowhead Ranch, Hillcrest, and Pinnacle Hill. Each of these master plans have various product offerings and are an indication of demand for the subject. However, there is limited product being offered in the affordable price range. Currently, the majority of value product being offered is in stand-alone subdivisions in the Northwest and Southeast (Gilbert and Chandler). Therefore, the subject would represent a long-term opportunity for affordable detached housing within a master planned location.
- It is our conclusion that the subject development can support four active subdivisions in four distinct market niches. The following table identifies each of these niches as well as the projected absorption.

PRODUCT	LOT SQFT	AVG BASE \$	AVG SQFT	SALES RATE	ANNUAL SALES
Compact #1	4,725	\$93,500	1,550	6.0 SPM	72.0
Compact #2	6,050	\$115,000	1,950	5.5 SPM	66.0
Standard #1	7,475	\$136,000	2,325	4.0 SPM	48.0
Standard #2	9,000	\$162,500	2,825	3.5 SPM	42.0

- In summary, there were 16,039 detached home starts in the Phoenix market area during 1993. Of these starts, 4,206 starts, or 26%, were priced below \$100,000. This value market niche has remained relatively stable throughout the market cycles. Master planned communities are beginning to increase their market share as additional new developments are opening. The combination of value priced product within a master planned community provides both of the long-term elements required to insure stable demand through the market cycles. We would recommend that there be four builders within the Palm Valley master plan offering product from four market niches. Based on the recommended product and pricing, the combined annual demand should exceed 228 units.

The conclusion of this report is that the subject master plan should contain four detached production subdivisions. While the subject location is removed from the more centralized westside subdivisions, it represents the only significant master planned development within the PMA that can deliver price sensitive product within a highly amenitized location. In our opinion, the near-term outlook for Phoenix remains strong, while the long-term outlook will surely have some decline in overall absorption. However, even in the depth of the last housing cycle in 1990, there were 8,000 new home sales. It is our conclusion that by developing a price sensitive master plan, two of the strongest housing elements will be present: (1) product priced below \$125,000 which has the least vulnerability to market fluctuations and (2) a master plan development which has consistently been the preference of buyers, limited only by the associated HOA dues. In summary, the subject development should focus on price sensitive product (less than \$125,000), with a variety of lots and product, within a very well designed master planned community.

The base pricing for the subject niches must be comparable with other master developments and stand-alone projects in the PMA. In addition, the homeowner's association dues must be kept at a minimum, not only for the future homeowner's, but for the long term viability of the master plan. The recommended square footage, product, and lot size are presented below. The recommended price ranges represent the base price and do not include premiums for lot size or location, which, because of the buyer profile, must be kept at a minimum.

PRODUCT	LOT SQFT	BASE PRICE RANGE	SQFT RANGE	PRICE/ SQFT RANGE
Compact #1	4,725 (45 X 105)	\$87,000	1,300	\$66.92
		\$100,000	1,800	\$55.56
Compact #2	6,050 (55 X 110)	\$105,000	1,600	\$65.63
		\$125,000	2,300	\$54.35
Standard #1	7,475 (65 X 115)	\$125,000	1,900	\$65.79
		\$147,000	2,750	\$53.45
Standard #2	9,000 (75 X 120)	\$145,000	2,250	\$64.44
		\$180,000	3,400	\$52.94

In our opinion, these product recommendations are targeted for a wide range of buyer profiles. These include the first-time single-family home buyer, employed in the industrial/manufacturing sector and currently living in apartments as well as the empty-nester which are attracted to the master development and will come from Glendale, Peoria, and Phoenix.

The compact lot recommendations should include the standard list of features and amenities. This will position the project competitively with the first-time buyer market, but by not over building the product line, the subdivision will remain a superior value (price per square foot) in the CMA as well as allow for buyers to "buy into" the upgrades that they can afford. Additionally, the lot layout should be cost effective and minimize the number of premium lots. This product will be well suited for the first-time buyers (singles and couples without children) and first-time family home buyers as well as the empty-nesters. The lot sizing and product pricing will accomplish the product differentiation as well as provide for a distinctive buyer profile. Within the CMA there are a limited number of master plans or master developments that offer compact lot product. In those that do offer first-time buyer product, it has experienced very strong demand.

The standard lot recommendations are intended to appeal to the first-time family buyer, and move-up home buyer. By planning for a larger lot depth, the interior lots will not only accommodate a swimming pool, but will put significant rear-yard distance between the adjacent homes. Because of the depth within the standard lot CMA, superior lot size and value (price per square foot) will give the subject master plan an advantage over the competition. Within the NWP standard lot CMA, there are far more subdivisions priced above \$100,000 than priced below \$100,000. For those subdivisions that do offer product below \$100,000, the product and/or the location are considered substandard. Therefore, both of the standard lot recommendations assume that the product will include all of the typical first-time family and move-up family standard features.

There are currently four active builders in the Palm Valley master plan. The following table shows the current builder mix:

PALM VALLEY MASTER PLAN				
Builder Mix				
Builder	Lot Sqft	Unit Sqft	Base \$	SPM
Saddleback Homes	4,950	1,399 - 2,125	\$90,000 - \$114,900	1.71 SPM
Ryland Homes	7,480	1,565 - 2,322	\$102,450 - \$130,450	4.10 SPM
Diamond Key	6,160	1,650 - 2,787	\$103,990 - \$141,400	1.37 SPM
T.W. Lewis	8,800	2,084 - 3,739	\$144,900 - \$211,850	2.74 SPM

PHOENIX METROPOLITAN SUMMARY

Last year, the Valley's homebuilders had 3,744 new homes in the first quarter, 1993. This year, with 6,647 starts, the pace is ahead by 77.5%. One must remember that last year we experienced near record rains and construction was delayed on many projects by as much as six weeks. However, even when looking at building permits, first quarter 1994 is ahead by 47.2% (6,436 vs. 4,373). Finally, when comparing recorded escrow closings for this year to last (5,092 vs. 3,442 - an increase of 47.9%), the numbers support the notion that Phoenix is in a boom period. Everywhere on the photos we see evidence of new subdivision grading and major roadways. The breakdown for Starts per Landiscor's study districts was as follows: **West Valley** 2,125 (32%), **Northeast Valley** 1,673 (25.2%) and **Southeast Valley** 2,849 (42.9%).

Phoenix Metropolitan Area Demand						
	Q1:93	Q2:93	Q3:93	Q4:93	Q1:94	12 Mo Total
Permits	4,373	5,190	5,636	5,431	6,436	22,693
Starts	3,744	5,431	5,215	6,359	6,647	23,652
Closings	3,443	4,143	4,664	4,862	5,092	18,761

In the first quarter, 1994, interest rates began to move upward quickly from the 7% level as a result of the Federal Reserve Board raising the discount rate banks pay for federal funds. This was done in an effort to stem what was considered to be inflationary trends. Clearly, the federal government has, for the past two years, made a significant attempt at controlling inflation. However, inflation fears triggered a weakness in the bond market and caused yields to increase as a way to attract new monies. Forced to compete for capital, mortgage-backed securities also raised their yields. Thus, interest rates increased 20% and are now hovering around 8.5% for a fixed 30-year loan. For the home buyer, this meant that it was time to commit to that new home and secure a historically attractive mortgage rate. Pushed by these new homebuyers, homebuilders commenced constructing the tremendous volume of new homes sold contractually and hurried to close escrow for those buyers whose loan commitments were expiring.

In the face of massive media exposure focused on financing issues, homebuilders were also confronted with escalating costs in every facet of their business. Land costs shot up because of heavy demand and the fact that none of the current land sellers needed to sell. For the most part, the large landowners in the Valley have waited through the market cycles. These landowners are now able to capitalize on the strong real estate market and are commanding premiums for the choice locations. Palm Valley and Falcon Ridge (Village at Red Mountain) are examples of the top new developments. In addition, qualified tradespeople continue to be in short supply, thus commanding increased wages, and materials stabilized, but at higher levels than last year's.

Most of the municipalities were no longer as eager to rezone properties to accommodate single family residential development. There was a strong desire to avoid becoming a "bedroom" community reliant on residential property taxes only. Therefore, the cities have been reluctant to re-zone commercial parcels into residential, thereby decreasing the tax revenue potential. All of these factors contributed to making land development more costly and time consuming.

Sensing the possibility of decreased availability of raw land, the major builders purchased larger parcels of land, both ensuring inventories and retaining the ability to negotiate for lower prices per acre. Now, since there is virtually no in-fill property available for larger subdivisions, the search for land is going farther and farther out to the peripheries of the metroplex. Further, there is growing sentiment about increasing densities and the development of what was formerly virgin desert. Various forces are organizing to protect the Sonoran desert and maintain the current perceived quality of life in the Valley. In summary, the larger builders who possess the ability to finance bigger deals will be buying the choicest parcels and thus creating the most desirable homesites.

Leading Homebuilders

Evidenced by this Quarter's ranking of Leading Builders, **Del Webb/Coventry** led the pack with 600 starts for the 90-day period, a 77% increase over the same period in 1993 (339 starts). Next came **Continental** (497 starts vs. 345 starts last year, +44%), **UDC Homes** (431 vs. 307, +40%), **Pulte Homes** (394 vs. 232, +70%), **Shea Homes** (372 vs. 171, +117%), **Hancock Homes** (366 vs. 106, +245%), **Robson Communities** (198 vs. 73, +171%), **Blandford Homes** (181 vs. 118, +53%), **Kaufman and Broad** (175 vs. 0), and **Lennar Homes** (169 vs. 128, +32%).

For the 12 month period ending this Quarter, a homebuilder had to start more than 600 homes in order to make the Top 10 list. In fact, a builder had to produce in excess of 1,400 starts to be one the Top Five. The average production for the first quarter's Top 20 builders was 815 starts. As a result of the strong demand and the longer than normal production time, builders are beginning to produce noticeable numbers of "spec" houses.

Master-Planned Communities ("MPCs"), including Adult Communities ("ACs"), captured 47% (3,149) of all new home starts. The leading MPCs were: **Sun City West** (402 Starts), **Arrowhead Ranch** (290), **Superstition Springs** (194), **The Provinces** (131), and the **Pointe Tapatio** (123). Adult Communities continued to account for 13% of all new home starts with 855 starts in the first quarter, 1994.

Even though interest rates were lower last year than this, the market share for homes sold in the \$85,000 to \$125,000 range remained at 51.6%. Interestingly, in the first quarter 1993, 21.2% of the new homes sold were in the \$80,000 to \$95,000 range compared to only 16.1% in the first quarter 1994. We would conclude that part of this shift in demand, against the interest rate increase, was due to a lack of available product.

Lots and Market Share

The burden of increased land costs coupled with ever increasing home prices may be pressuring the homebuilders to develop smaller lots. There is one clear factor when distilling the single most important driving force in the current dramatic surge in homebuilding in greater Phoenix - affordability. These past couple of years have been blessed with relatively inexpensive land prices and record low interest rates. As a result, the new homebuyer was able to purchase larger livable square footage with manageable monthly payments. Now that these elements are changing dramatically, the homebuilders must find the means to maintain margins and volumes. This is especially true for the publicly traded firms. Builders also seem to be selling more product at the lower priced end of their model spectrum. This makes perfect sense. In order to combat higher costs from every direction, something must give. In this case, it is the size of the lot and the amount of amenities offered in the standard plans. The only method to guarantee qualification for home mortgages that are inherently more expensive to produce is to keep the monthly payment stable.

Vacant Improved Lot absorption rates reflected the rapid increase in the number of new home starts. At the end of the first quarter, 1994, every square footage category showed that the inventories are being absorbed at an increased rate compared to the same period a year ago. For example, the smaller lots were as follows: 4,000 to 5,000 square foot lots are down to a 0.72 years supply compared to 0.99 years in 1993 (27% decrease). The 5,000 to 6,000 square foot lot category is down to a 0.84 years supply compared to 0.92 years in 1993 (9% decrease) and 6,000 to 7,000 square foot lots dropped to a 0.97 years supply compared to a 1.09 years supply in 1993 (14% decrease).

Valley-wide activity showed some changes in first quarter, 1994 new home starts relative to Landiscor geographic districts. The capture rates were: West Valley 32% (29% Q1:93), Northeast Valley 25% (23% Q1:93), and Southeast Valley 43% (48% Q1:93). There were rumors of a market share shift from the Southeast to the Northeast and West. The Southeast continues to have the benefit of the Superstition Freeway, large regional malls, and large employment centers throughout the region. Although there is a problem with infrastructure several miles south of the freeway to the east of Chandler and Gilbert, there will come a time when the land will be available for production housing. In the meantime, the development of large scale communities continues as evidenced by the reemergence of the old Falcon Ridge, now known as the Community of Red Mountain, Shea's Clemente Ranch, Superstition Springs Village, and D'Arcy Ranch. This Quarter, there were 26 new or re-platted subdivisions recorded in the Southeast Valley.

As for the West, it will see new, larger communities such as Continental's Rancho Santa Fe, the new Del Webb Grand Avenue property, two large parcels formerly tied up at Arrowhead Ranch, North Canyon Ranch, and Estrella when it finally closes. Active development at Palm Valley and PebbleCreek will establish strong market absorptions in the West. This quarter the West had 18 new or re-platted subdivisions recorded.

Finally, in the Northeast, considered the new hot spot in the Valley, there were 37 new or re-platted subdivisions recorded this quarter. Now and in the not-so-distant future, we will be counting houses at McDowell Mountain Ranch, Legend Trails, Desert Ridge, Terravita, Tatum Highlands, and Kierland, just to name a few of the larger communities.

Summary

The main question everyone is asking relates to the inherent costs in building and financing new homes. How long will this current cycle continue? Job growth is pushing ahead strongly at a 4 to 5% annual rate and in-migration is expected to increase to levels as high as 10,000 to 11,000 persons per quarter. Coupled with the 6,000 persons per quarter average natural population increase (ASU, births exceeding deaths), this means that there could be as many as 65,000 to 70,000 more people in the Valley this year than last. A rough calculation using the Maricopa County average of persons per household of 2.2, indicates that there will be a demand for 29,500 to 31,800 dwelling units, including multi-family, in 1994. What this means to the new home market is a rather steady continuation of the current conditions for the foreseeable future. Still, producing relatively affordable single family homes will facilitate a constant demand for product in all geographical corners of the metroplex.

Because of the relative ease in purchasing a new home and the small margins in the development of new apartments other than in the upper luxury niche, single family homes have been capturing almost 90%+ of all the housing demand. This will be changing as pricing and financing of single family homes increase. Apartments will once again move towards capturing their traditional 33% of the new housing demand.

There is a critical issue facing the homebuilders as well as the general public: Freeways. It is important to remember that it is necessary to meet the federal air quality standards in order to sustain continued federal roadway funding. Accessible transportation corridors are more and more becoming an integral factor for homebuilder and homebuyer purchasing decisions. As greater Phoenix expands outward, it must have the roads in place to facilitate the growth. Therefore, unless the freeway tax is extended and/or increased, greater Phoenix will be creating a significant problem that will be difficult to overcome in the future. Clogged roadways will contribute to both poor air quality and inner city travel, thus adversely impacting the quality of life. However, at this point in time, weighing the pros against the cons, it is difficult to see any reason that Phoenix won't continue to grow at its current pace to the end of the decade.

The table on the following page shows the escrow closings by price range for each of the three submarket areas. As is typical, the \$80,000 to \$124,999 price range remains the strongest overall segment. However, the \$95,000 to \$109,999 price niche continues to increase its market share over the \$80,000 to \$94,999 price range. It is our conclusion that this shift in market share is due to increased land and construction costs (materials and labor), thus making it more difficult to produce the lower priced housing.

FIRST QUARTER, 1994				
Detached Escrow Closings by Price Range				
	West	Northeast	Southeast	Valley
Less than \$50,000	2	1	2	5
\$50,000 to \$64,999	20	1	3	24
\$65,000 to \$79,999	148	10	63	221
\$80,000 to \$94,999	325	86	360	771
\$95,000 to \$109,999	283	144	489	916
\$110,000 to \$124,999	292	103	372	767
\$125,000 to \$139,999	166	109	240	515
\$140,000 to \$154,000	130	65	187	382
\$155,000 to \$169,999	75	76	145	296
\$170,000 to \$184,999	52	49	126	227
\$185,000 to \$199,999	34	42	70	146
\$200,000 to \$214,999	38	58	51	147
\$215,000 to \$229,999	17	55	36	108
\$230,000 to \$249,999	8	52	24	84
\$250,000 and over	10	136	45	191
Unallocated	0	4	4	8
Totals	1,600	991	2,217	4,808

Source: Landiscor

NORTHWEST PHOENIX SUMMARY

One of the prerequisites for the Palm Valley master plan is to draw from a market area greater than would normally be expected. There were 2,125 new home starts during the first quarter, 1994 in the NWP market area. Submarket 6, which includes Garden Lakes, Palm Valley, and Estrella reported 366 new home starts in the first quarter, 1994 which represents a 17.2% market share of the NWP market area. More specifically, Garden Lakes (30 new home starts), Palm Valley (29), and Estrella (12), combine to represent a 19.4% market share of the sales in Submarket 6.

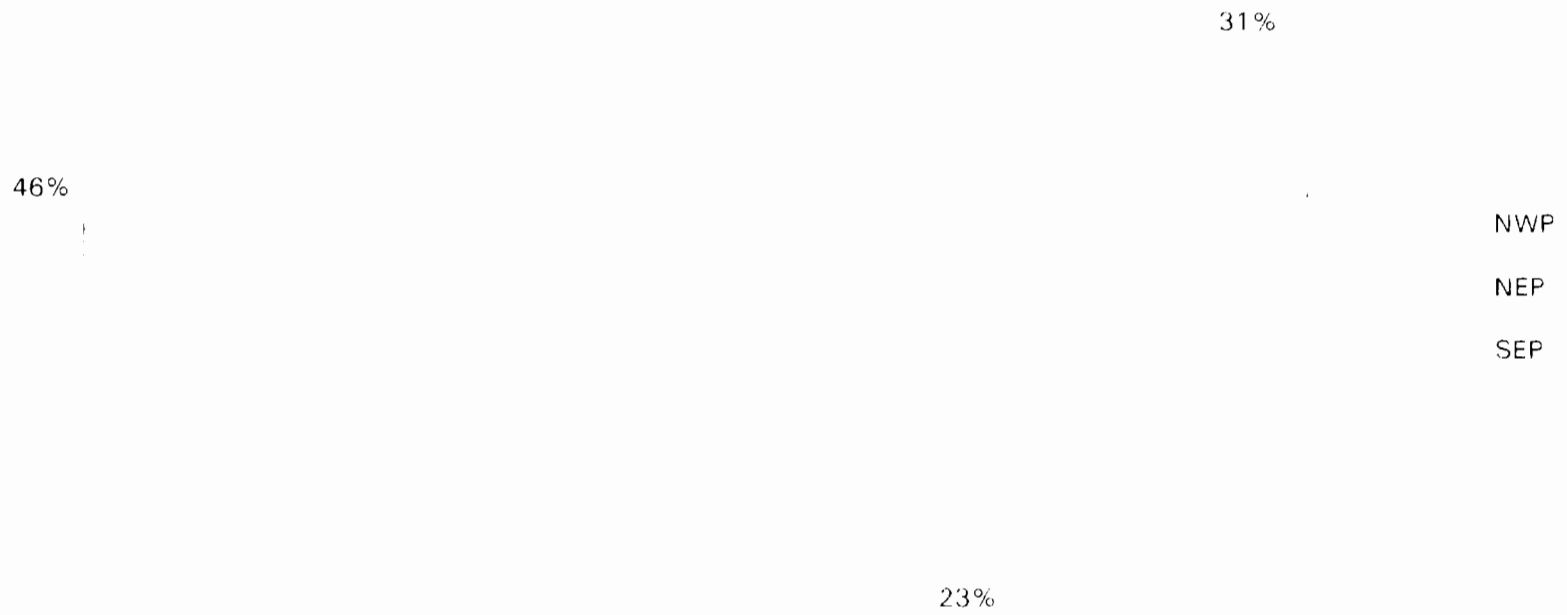
The following table shows the respective market share for Garden Lakes, Estrella, and Arrowhead Ranch. As the table indicates, the market share for each of these projects has declined as overall, sales have increased. In our opinion, some of this demand is being absorbed by the stand-alone and master developments.

MASTER PLANNED COMMUNITY HOUSING STARTS						
	1991	%	1992	%	1993	%
Garden Lakes	208	1.7%	201	1.2%	183	0.9%
Estrella	74	0.6%	58	0.4%	51	0.2%
Arrowhead Ranch	413	3.3%	500	3.1%	525	2.6%
Northwest Phoenix	3,521	28.2%	4,590	28.3%	6,278	29.9%
Phoenix Metro	12,479		16,217		20,578	

The following table shows that overall, the Northwest Phoenix market share has been increasing, although the greatest increase has been in the Northeast Phoenix market area. Interestingly, the sales have come entirely from the Southeast market area, which posted a decline from a 52.1% market share in 1991 to a 47.0% market share in 1993.

DISTRICT ACTIVITY 1991 - 1993						
	1991		1992		1993*	
Northwest	3,521	28.2%	4,590	28.3%	6,151	29.9%
Northeast	2,462	19.7%	3,875	23.9%	4,758	23.1%
Southeast	6,496	52.1%	7,752	47.8%	9,669	47.0%
<i>Totals</i>	12,479		16,217		20,578	

PHOENIX METROPOLITAN MARKET AREA
DETACHED MARKET SHARE



COMPETITIVE MARKET AREA

It is the conclusion of this report that the Garden Lakes and Estrella master plans are initially the most indicative of the market demand that Palm Valley can expect. In addition, for long-term demand, Palm Valley must capture buyers from the Arrowhead Ranch master plan as well as from the NEP and SEP market areas. This will be necessary, and expected, in order for Palm Valley to achieve the long-term absorption anticipated. Therefore, this section details the product, absorption, and inventory for Garden Lakes, Estrella, and Palm Valley, as well as Arrowhead Ranch, Tatum Ranch (NEP), and The Foothills (SEP). Considerable weight is placed on Arrowhead Ranch, as it best exemplifies the current demand for move-up product in the NWP market area and is clearly a competitor for the Palm Valley buyer in the near-term.

The following table shows the five year annualized demand within each of these master planned communities.

MASTER PLANNED COMMUNITIES					
Annual Unit Sales					
	1989	1990	1991	1992	1993
Estrella	8	58	74	58	51
Garden Lakes	204	181	208	201	183
Arrowhead Ranch	209	243	413	500	525
Tatum Ranch	108	133	193	268	267
The Foothills*	195	267	335	627	723
<i>Totals</i>	724	882	1,223	1,654	1,749

* include Foothills and Foothills Club West

Master Planned Communities ("MPC") have regained market share as a result of the new influx of projects. Again, because of the public's preference for the safety and prestige of regulated community developments, the number of improved lots in MPCs has decreased in the last year and a half along with the number of new home starts. The decline in new home starts is attributed to the lack of available new lot supply. Therefore, the renewed interest in developing master planned communities. In 1993, the leading non-adult MPCs were Mountain Park Ranch (674 starts), Arrowhead Ranch (525), The Foothills (508), The Islands (363), Ridgeview (352), Pointe Tapatio (289), Tatum Ranch (267) Red Mountain Ranch (242), Stonegate (235), and The Foothills Club West (215). Total non-adult MPC production was 6,884 starts or 33.2% of the market. Including Adult Communities, MPCs increased to a 46.3% overall market share.

Estrella, Palm Valley, and Garden Lakes Master Plans

Garden Lakes, Estrella, and Palm Valley master plans are grouped into one chart and graph in this report. This grouping is based on similarities in buyer profile, but mostly because of the expectation of capturing a strong demand from both of these master planned developments. The strongest buyer segment for these master plans has been from a west-side employee. The largest single employer is the Palo Verde Power facility.

Estrella has been acquired through a joint venture with the RTC and SunChase Holdings/Sterling Assets. In anticipation of development and sales, SunChase Estrella Limited Partnership has established a local management office in Phoenix. With the completion of the acquisition of the Estrella master plan we would expect that this development will quickly re-establish a market presence. There has been no new land sales activity within Estrella since the RTC increased the lot pricing in the custom lot subdivision by 50% in early 1993. Continental Homes and UDC Homes have both developed subdivisions within the Estrella master plan. Continental Homes is sold out and did not exercise its option on the remaining lots. UDC Homes has some remaining units available and is anticipating a new phase of 83 lots for its Copper Ridge development. Overall, sales activity within Estrella during 1993 was minimal.

Palm Valley is an 8,000 acre master plan development by SunCor. The first phase of the Palm Valley master plan features an Arthur Hills 18-hole championship golf course. The Town of Litchfield Park is adjacent to Palm Valley and features the Mobil Five Star-rated Wigwam Resort and three championship golf courses as well as the newly opened Estrella Community College and the Desert Sky Pavilion entertainment facility. Phoenix Memorial Hospital plans to start construction on a medical complex this fall. Robson Communities is in the process of building more than 6,000 homes within a 2,200-acre retirement community it is developing called Pebble Creek. They acquired the land from SunCor in 1992. Pebble Creek sales have averaged 9 SPM.

Garden Lakes is an older master plan developed by American Continental. The project has experienced relatively stable sales of 190 homes per year over the past five years. The remaining land within the Garden Lakes master plan has been acquired by UDC Homes. They currently have three active developments within the master plan. In addition to UDC Homes, Wimberly/Benson has a subdivision which is nearly sold out and US Home has a new subdivision which is currently under development. With the exception of the US Homes parcel, the only builder in Garden Lakes will be UDC Homes.

Some of the projects within these three master plans benefit from lake frontage and/or golf course frontage. While the asking price for premiums varies greatly, the difference between the average base price and average closing price is often more indicative of the actual value for the premiums. Furthermore, the difference between the base and closing prices may also indicate just how much the buyers in the market can afford to upgrade before being priced out of the market. Within these three master plans, the average base

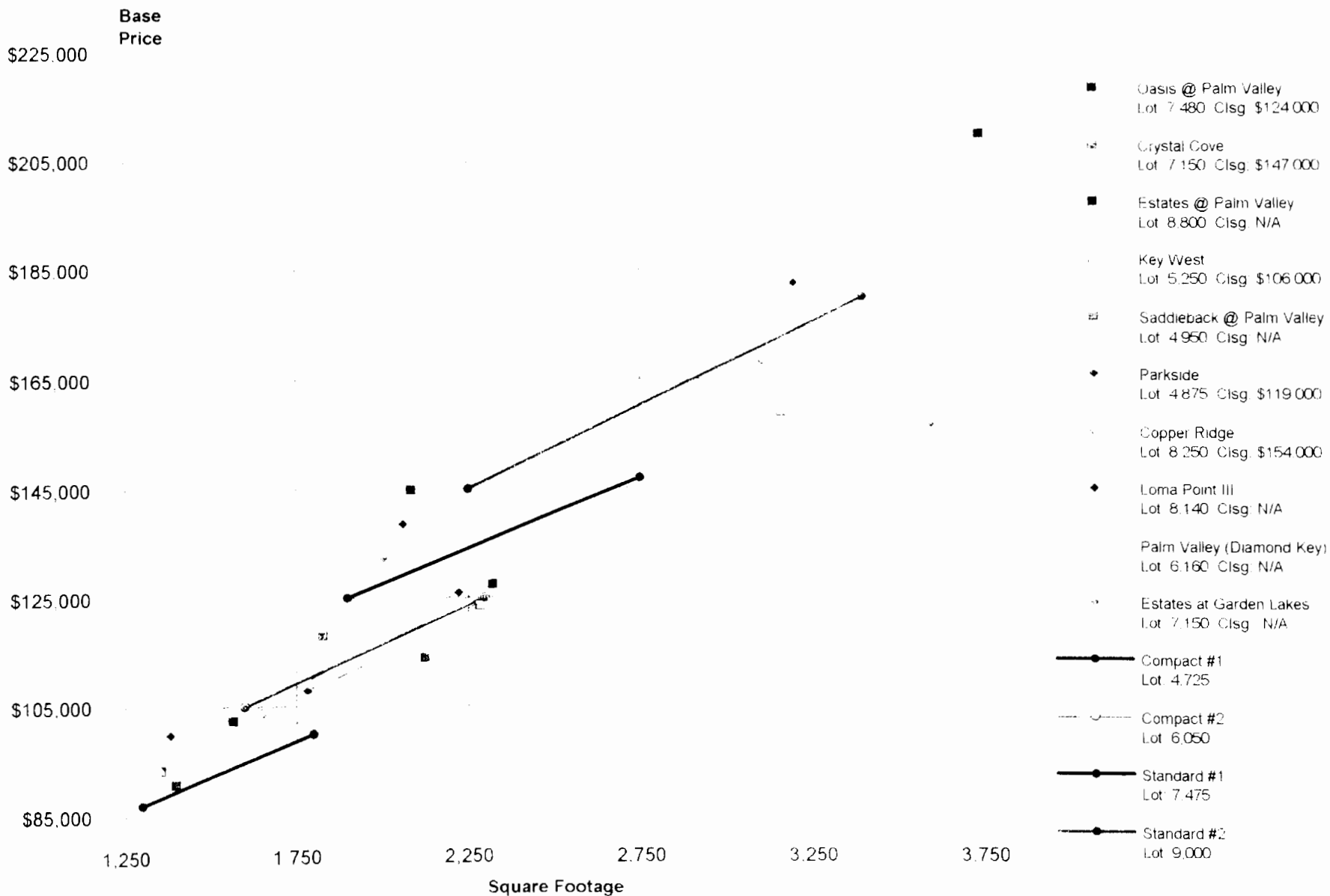
price of projects which have also reported closings is \$123,244 while the average closing price is \$126,444. Note that overall, the average base price is higher than the average closing price which indicates that the new projects have a higher base price range and therefore, we would expect the average closing price to increase as new sales take place.

The following table indicates the range of premiums in the various master planned subdivisions. The table also shows the comparison between the average base price and the average closing price. The comparison is the truest measure of the actual premiums, options, and upgrades that the builders are receiving. In Cordero and Spanish Bay, the lower closing price is indicative of an older project that had a majority of sales take place before the current price increases.

DEVELOPMENT	AVG BASE PRICE	AVG CLOSING PRICE	LOT PREMIUM
Oasis at Palm Valley	\$114,950	\$124,000	\$500 - \$12,500
Parkside	\$112,990	\$119,000	\$500 - \$25,000
Estates at Palm Valley	\$177,525	N/A	\$3,500 - \$40,000
Loma Point III	\$160,490	N/A	\$4,000 - \$64,000
Palm Valley (Diamond Key)	\$121,900	N/A	\$1,000 - \$26,000
Crystal Cove (UDC)	\$138,490	\$147,000	\$1,000 - \$26,000
Cordero	\$102,150	\$100,000	\$500 - \$30,000
Spanish Bay	\$104,450	\$100,000	\$500 - \$24,500
Garden Lakes Estates	\$160,490	\$168,000	\$10,000 - \$50,000
Copper Ridge	\$150,490	\$154,000	\$1,000 - \$55,000
Key West	\$108,490	\$106,000	\$1,000 - \$12,500

The chart and table on the following pages indicate the projects within the Garden Lakes, Palm Valley, and Estrella master plans. In the table permits and closings are drawn from municipal records and starts are reported based on visual confirmation. The first quarter sales rate is based on permit activity and the cumulative sales rate is calculated from the time each project received its public report.

**NORTHWEST PHOENIX MARKET AREA
COMPETITIVE PROJECTS
ESTRELLA, PALM VALLEY, AND GARDEN LAKES**



INVENTORY AND ABSORPTION REPORT

ESTRELLA, GARDEN LAKES AND PALM VALLEY

RANK MAP #	SUBDIVISION/ DEVELOPER	Q1:94 SPM	CUM SPM	BASE \$ RANGE	AVG CLSG \$	SQFT RANGE	PRICE/ SQFT	DATE OPEN	TOT UNIT	TOT SOLD	Q1:94 START	Q1:94 PRMT	MRKT SHR	Q1:94 CLSD	LOT INVTY	LOT SQFT
1 W17/04	Oasis @ Palm Valley Ryland Homes	4.10	4.18	\$102,450 \$127,450	\$124,000	1,565 2,322	\$65.46 \$54.89	Oct-93	82	25	8	12	16.9%	15	57	7,480 68 X 110
2 W11/49	Crystal Cove UDC Homes	2.74	1.99	\$117,990 \$158,990	\$147,000	1,828 3,163	\$64.55 \$50.27	Dec-92	141	32	5	8	11.3%	8	109	7,150 65 X 110
3 W17/03	Estates at Palm Valley T W Lewis Homes	2.74	1.51	\$144,900 \$210,150		2,084 3,739	\$69.53 \$56.20	Oct-93	52	9	7	8	11.3%	0	43	8,800 80 X 110
4 W11/04	Key West at Garden Lks UDC Homes	2.05	1.93	\$93,490 \$123,490	\$106,000	1,354 2,285	\$69.05 \$54.04	Nov-92	148	33	5	6	8.5%	4	115	5,250 50 X 105
5 W11/30	Malaga at Grdn Lks Wimberly Benson	2.05	1.35	\$104,450 \$128,950	\$120,000	1,530 2,265	\$68.27 \$56.93	Feb-90	88	68	5	6	8.5%	6	20	6,120 60 X 102
6 W17/05	Saddleback @ Palm Valley Saddleback Homes	1.71	1.01	\$90,900 \$113,900		1,399 2,125	\$64.97 \$53.60	Dec-93	74	4	1	5	7.0%	0	70	4,950 45 X 110
7 W16/05	Parkside at Estrella UDC Homes	1.71	0.29	\$99,990 \$125,990	\$119,000	1,381 2,223	\$72.40 \$56.68	Feb-89	71	18	0	5	7.0%	0	53	4,875 65 X 75
8 W16/06	Copper Ridge at Estrella UDC Homes	1.71	1.34	\$132,490 \$168,490	\$154,000	2,005 3,107	\$66.08 \$54.23	Feb-89	171	84	8	5	7.0%	3	87	8,250 75 X 110
9 W11/53	Loma Point III UDC Homes	1.71	0.00	\$138,490 \$182,490		2,061 3,199	\$67.20 \$57.05	Dec-93	132	0	0	5	7.0%	0	132	8,140 74 X 110
10 W11/20	Garden Lakes Estates UDC Homes	1.71	2.70	\$138,490 \$182,490	\$168,000	2,061 3,199	\$67.20 \$57.05	May-86	305	259	8	5	7.0%	6	46	7,700 70 X 110
11 W17/06	Palm Valley Diamond Key Homes	1.37	1.52	\$103,900 \$139,900		1,650 2,787	\$62.97 \$50.20	Dec-93	108	6	3	4	5.6%	0	102	6,160 56 X 110
12 W16/03	Spanish Bay at Estrella Continental Homes	0.58	2.02	\$92,700 \$116,200	\$100,000	1,636 2,325	\$56.66 \$49.98	Dec-89	106	106	1	2	2.8%	12	0	6,300 60 X 105
13 W16/01	Cordero at Estrella Continental Homes	0.00	0.99	\$90,100 \$114,200	\$100,000	1,420 2,237	\$63.45 \$51.05	Nov-88	65	65	0	0	0.0%	3	0	4,800 48 X 100
14 W11/0	Estates at Garden Lakes US Home	0.00	0.00	\$107,900 \$156,900		1,781 3,598	\$60.58 \$43.61	Mar-94	48	0	0	0	0.0%	0	48	7,150 65 X 110
TOTAL/AVERAGE		1.73	1.49	\$128,851	\$126,444	2,226	\$59.43		1,591	709	51	71	100%	57	882	6,652

As the Inventory and Absorption report indicates, there are 14 active subdivisions within the Garden Lakes, Palm Valley, and Estrella master plans. The average base price within this submarket is \$128,851 while the average closing price is \$126,444. This is because of the new, higher priced projects at Palm Valley. The average price per square foot (value) in the master plans is \$59.43. The average subdivision within the master plans captured 1.73 Sales Per Month (SPM) during the first quarter, 1994, which is up slightly from the 1.49 SPM overall (since opening). The most significant change in the submarket has occurred with the introduction of four new subdivisions with the Palm Valley master plan. These four subdivisions all report higher base prices than have been offered in comparable subdivisions within Estrella and Garden Lakes.

The best selling project in the CMA was Oasis at Palm Valley by Ryland Homes (4.10 SPM). This project reported 12 permits and 8 new home starts in the first quarter. The typical lot size at Oasis is 7,480 square feet and the average closing price is \$124,000. There are five floor plans offered and three are modelled. The floor plans range from 1,565 square feet for \$102,450 up to 2,322 square feet for \$127,450. The standard features include tile roof, dual-pane windows, and front-yard landscaping.

The second ranked projects in the CMA were Crystal Cove at Garden Lakes by UDC Homes (2.74 SPM) and Estates at Palm Valley by T.W. Lewis (2.74 SPM). Both of these projects reported 8 permits in the first quarter. Crystal Cove offers seven floor plans on 7,150 square foot lots. There are three models and the average closing price is \$147,000. Estates at Palm Valley offers six floor plans on 8,800 square foot lots. There are three models and eight lots in the first phase have golf course frontage. The standard features include covered patio, three-car garage, and front-yard landscaping.

Parkside at Estrella by UDC Homes (1.71 SPM) and Copper Ridge at Estrella by UDC Homes (1.71 SPM) both reported 5 new home permits in the first quarter, 1994. Copper Ridge is currently marketing 83 new lots with 7 premium lots on the preserve. While there are no current prices for the new phase, the sales staff indicated that the prices will be slightly higher than the first phase. In addition to the two UDC projects, Continental Homes had two subdivisions within Estrella. Both of these projects are now sold out and Continental Homes has no current plans for additional sales activity.

Based on the existing subdivisions within the Estrella, Garden Lakes, and Palm Valley master plans, there are currently 882 improved lots in inventory. During the first quarter, 1994, there were 71 permits and 51 new home starts reported. During the same period, 57 units closed which indicates that current sales have increased. Therefore, based on first quarter permits, there is a 12.4 quarter supply of lot inventory which is considered an over-supply. UDC Homes has acquired essentially all of the remaining parcels within Garden Lakes and is not expected to sell off any parcel to additional builders. Clearly, Garden Lakes and Estrella will be the most competitive master plans with Palm Valley. We would expect Garden Lakes to continue to deliver 150 homes and Palm Valley to deliver an additional 150 to 200 homes per year for the next three years.

Arrowhead Ranch Master Plan

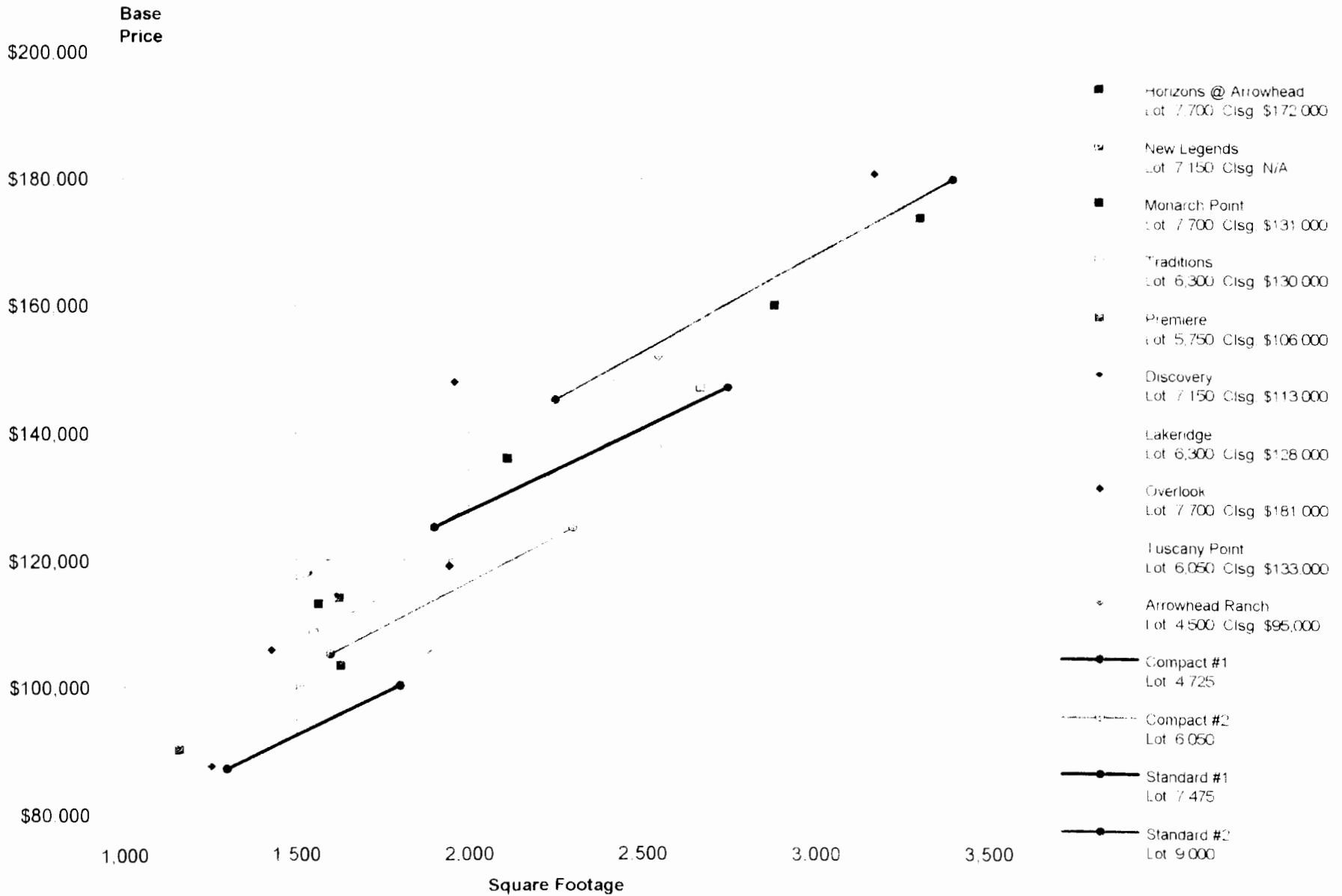
Within the Arrowhead Ranch master plan there are currently 17 active subdivisions. The average base sales price within the master plan is \$146,118 while the average closing price is \$148,385. This difference is attributed to the significant number of lots within projects that have premiums for location and view. Additionally, four of the projects in the master plan have not yet reported any closings and therefore, the average closing price will adjust as these projects mature.

Projects within the Arrowhead Ranch master plan benefit from the semi-private golf course and numerous lakes. In particular, projects located adjacent to the golf course and/or the various open spaces throughout the master plan are able to receive significant premiums in addition to the base price of the home. In the Northwest Phoenix market area, the Arrowhead Ranch master plan is the only production housing development with these exceptional terrain and view amenities. The following table indicates the respective premiums charged by the builders. Note that while Arrowhead Lakes (Lennar), Lakeridge (Homes by Dave Brown), and Shores at Arrowhead (Regal) all have lake frontage lots, the premiums are included in the base home price.

DEVELOPMENT	AVG BASE \$	AVG CLSG \$	GOLF PREMIUM	LAKE/LOT PREMIUM
Camelot Views	\$157,500	\$171,000	\$15,000-\$25,000	\$5,000-\$15,000
Arrowhead Lakes	\$194,740	\$169,000	--	\$1,000-\$10,000
Arrowhead Shores	\$181,900	\$187,000	--	\$3,500-\$12,000
Estates on the Lake	\$203,750	--	--	\$6,000-\$25,000
Horizons	\$154,900	\$172,000	\$10,000-\$35,000	--
Overlook	\$164,400	\$181,000	\$20,000-\$30,000	\$1,500-\$7,500
Top of the Ranch	\$170,200	\$213,000	\$20,000-\$36,000	\$7,000-\$30,000

In our opinion, there are two factors which will continue to differentiate the buyer profile at Arrowhead Ranch from that in Palm Valley. The first factor is the Deer Valley school system which is considered one of the best in Phoenix and the second factor is the level of employment in the immediate area. The Cities of Goodyear and Glendale have recruited several new employers to the area, but, for the most part, these new companies are predominately blue-collar employers concentrated in manufacturing and distribution. The Arrowhead Ranch area has several high-tech employers which result in buyers who have the capacity to purchase more options and/or upgrades. The chart and table on the following pages indicate the projects within the Arrowhead Ranch master plan. Note the sales rates are significantly higher than those at Garden Lakes and Palm Valley.

**NORTHWEST PHOENIX MARKET AREA
COMPETITIVE PROJECTS
ARROWHEAD RANCH**



INVENTORY AND ABSORPTION REPORT

ARROWHEAD RANCH

RANK MAP #	SUBDIVISION/ DEVELOPER	Q1:94 SPM	CUM SPM	BASE \$ RANGE	AVG CLSG \$	SQFT RANGE	PRICE/ SQFT	DATE OPEN	TOT UNIT	TOT SOLD	Q1:94 START	Q1:94 PRMT	MRKT SHR	Q1:94 CLSD	LOT INVTY	LOT SQFT
1 W3/69	Horizons at Arrowhead Pulte Homes	11.29	5.15	\$135,900 \$173,900	\$172,000	2,111 3,305	\$64.38 \$52.62	May-93	77	57	32	33	13.4%	16	20	7,700 70 X 110
2 W3/77	New Legends Forecast Homes	7.87	5.82	\$113,990 \$146,990		1,624 2,670	\$70.19 \$55.05	Dec-93	126	23	20	23	9.3%	0	103	7,150 65 X 110
3 W3/71	Monarch Point Ryland Homes	7.53	4.35	\$112,950 \$159,950	\$131,000	1,565 2,885	\$72.17 \$55.44	Oct-93	81	26	26	22	8.9%	3	55	7,700 70 X 110
4 W3/68	Traditions at Arrowhead Fulton Homes	6.50	9.07	\$108,300 \$138,300	\$130,000	1,551 2,568	\$69.83 \$53.86	Jul-93	124	82	22	19	7.7%	32	42	6,300 60 X 105
5 W3/70	Premiere at Arrowhead Pulte Homes	6.16	4.87	\$90,150 \$103,150	\$106,000	1,160 1,630	\$77.72 \$63.28	Sep-93	98	34	19	18	7.3%	8	64	5,750 50 X 115
6 W3/13	Discovery at Arrowhead Pulte Homes	6.16	6.86	\$105,650 \$118,950	\$113,000	1,430 1,943	\$73.88 \$61.22	Jul-93	102	62	19	18	7.3%	16	40	7,150 65 X 110
7 W3/72	Lakeridge at Arrowhead Homes By Dave Brown	5.81	4.68	\$117,990 \$151,990	\$128,000	1,536 2,548	\$76.82 \$59.65	Oct-93	93	28	16	17	6.9%	3	65	6,300 60 X 105
8 W3/65	Overlook at Arrowhead T W Lewis Homes	5.81	4.06	\$147,900 \$180,900	\$181,000	1,960 3,173	\$75.46 \$57.01	Apr-93	76	49	18	17	6.9%	15	27	7,700 70 X 110
9 W3/67	Tuscany Point Del Webb's Coventry	5.47	4.70	\$117,290 \$148,290	\$133,000	1,510 2,408	\$77.68 \$61.58	May-93	115	52	19	16	6.5%	16	63	6,050 55 X 110
10 W3/42	Camelot Views Camelot Homes	4.79	5.12	\$139,100 \$175,900	\$171,000	1,989 3,389	\$69.93 \$51.90	Mar-93	70	67	29	14	5.7%	18	3	7,700 70 X 110
11 W3/31	Arrowhead Ranch White Hawke Devlpmt.	4.10	1.99	\$87,500 \$105,500	\$95,000	1,254 1,881	\$69.78 \$56.09	Mar-93	59	26	13	12	4.9%	7	33	4,500 45 X 100
12 W3/5	Legends at Arrowhead Fulton Homes	3.42	2.01	\$148,500 \$182,000		2,163 3,019	\$68.65 \$60.28	Oct-93	112	12	9	10	4.1%	0	100	7,700 70 X 110
13 W3/52	Arrowhead Lakes Lennar Homes	3.08	3.09	\$169,990 \$219,490	\$169,000	2,230 3,194	\$76.23 \$68.72	Mar-92	133	78	11	9	3.7%	4	55	7,700 70 X 110
14 W3/49	Shores at Arrowhd Lks Regal Homes	2.39	1.94	\$167,900 \$195,900	\$187,000	2,165 3,036	\$77.55 \$64.53	Mar-92	92	49	13	7	2.8%	10	43	10,500 100 X 105
15 W3/78	Top of the Ranch Centex Homes	2.39	4.12	\$141,000 \$199,400	\$213,000	1,871 3,427	\$75.36 \$58.19	Jan-91	256	162	9	7	2.8%	13	94	8,625 75 X 115
16 W3/80	Estates on the Lake II Maracay Homes	1.03	2.08	\$182,500 \$225,000		2,423 3,595	\$75.32 \$62.59	Mar-94	50	2	2	3	1.2%	0	48	7,875 75 X 105
17 W3/74	Tanoan Centex Homes	0.34	0.76	\$107,900 \$147,900		1,423 2,651	\$75.83 \$55.79	Dec-93	81	3	0	1	0.4%	0	78	6,600 60 X 110
TOTAL/AVERAGE		4.95	4.16	\$146,118	\$148,385	2,273	\$66.02		1,745	812	277	246	100%	161	933	7,235

As the Inventory and Absorption report indicates, the average subdivision within the Arrowhead Ranch master plan captured 4.95 Sales Per Month (SPM) which is an increase from the cumulative sales rate of 4.16 SPM overall. These sales rates are indicative of the continued strong demand within this market area. With several new projects opening in the second phase (north) of Arrowhead Ranch, there has been strong demand demonstrated from the move-up family market. In addition, two new projects by Pulte Homes, Premiere and Discovery at Arrowhead have captured strong demand from the first-time family buyer market.

The best selling subdivision within the Arrowhead Ranch master plan is Horizons at Arrowhead by Pulte Homes (11.29 SPM). This project reported 33 permits and 32 new home starts in the first quarter. The typical lot size at Horizons is 7,700 square feet and the average closing price is \$172,000. The floor plans range from 2,111 square feet for \$135,900 up to 3,305 square feet for \$173,900. The predominate buyer profile is a move-up family buyer. Discovery at Arrowhead (6.16 SPM) and Premiere at Arrowhead (6.16 SPM) by Pulte Homes both market to the first-time buyer profile.

Traditions at Arrowhead by Fulton Homes (6.50 SPM) reported 19 permits and 22 new home starts in the first quarter. The typical lot size is 6,300 square feet and the average closing price is \$130,000. Legends at Arrowhead by Fulton Homes (3.42 SPM) reported 10 permits and 9 new home starts. While Traditions markets to the first-time family buyer, Legends markets to the move-up family buyer with larger, 7,700 square foot lots and upgraded standard features.

The strongest segment of demand at Arrowhead Ranch appears to be in the \$115,000 to \$150,000 price range. This price range targets the first-time family buyer on lots that average 7,000 square feet. New Legends by Forecast Homes (7.87 SPM), Monarch Point by Ryland Homes (7.53 SPM), and Lakeridge at Arrowhead by Homes by Dave Brown (5.81 SPM) are examples of projects in this price range that are currently reporting very strong sales.

Based on the 933 lots in inventory at the end of the first quarter 1994, and the 246 sales reported, there is a 3.8 quarter supply of lots in inventory which is considered an under-supply. With the lack of additional acreage available within the existing master plans, Palm Valley should be expected to pickup some of the excess demand.

The point that must be understood from the Arrowhead Ranch market is that when the master plan originally opened, sales were almost non-existent because of the high base pricing. Over the years, many parcels were acquired in distressed sales at reduced prices and consequently, the base prices in the master plan declined. In the past two years, as the market has improved, the builders have slowly been pushing the base prices up and now are, in our opinion, at the price threshold. More than one sales agent at Arrowhead Ranch commented that their pricing is at the limit of the buyer's capacity to qualify.

Tatum Ranch and Tatum Highlands Master Plan

While it is not initially expected to be competition for Palm Valley, the Tatum Ranch master plan has been extremely successful at establishing a strong market presence in the North Phoenix market area. The master plan has done extensive market research to determine the price and product niches for each of the current builders. SunCor, the developer of Tatum Ranch has won several awards for their marketing campaign. This commitment to the builders and the master plan has been, in our opinion, the major factor in the success of a development that was once considered "too far out" from the metro area. Clearly, the Palm Valley master plan will face a similar marketing challenge and therefore, the Tatum Ranch master plan is a good example of developer marketing.

There are currently 6 active subdivisions within the Tatum Ranch master plan as well as a semi-custom home project. The average sales rate in the Tatum Ranch master plan is 2.50 SPM. This sales rate is lower than normal because of the new phases which have recently opened. UDC Homes has acquired more than 400 new lots and is marketing three subdivisions from one set of model homes. Ryland Homes, Saddleback Homes and Maracay Homes each have a new phase of lots.

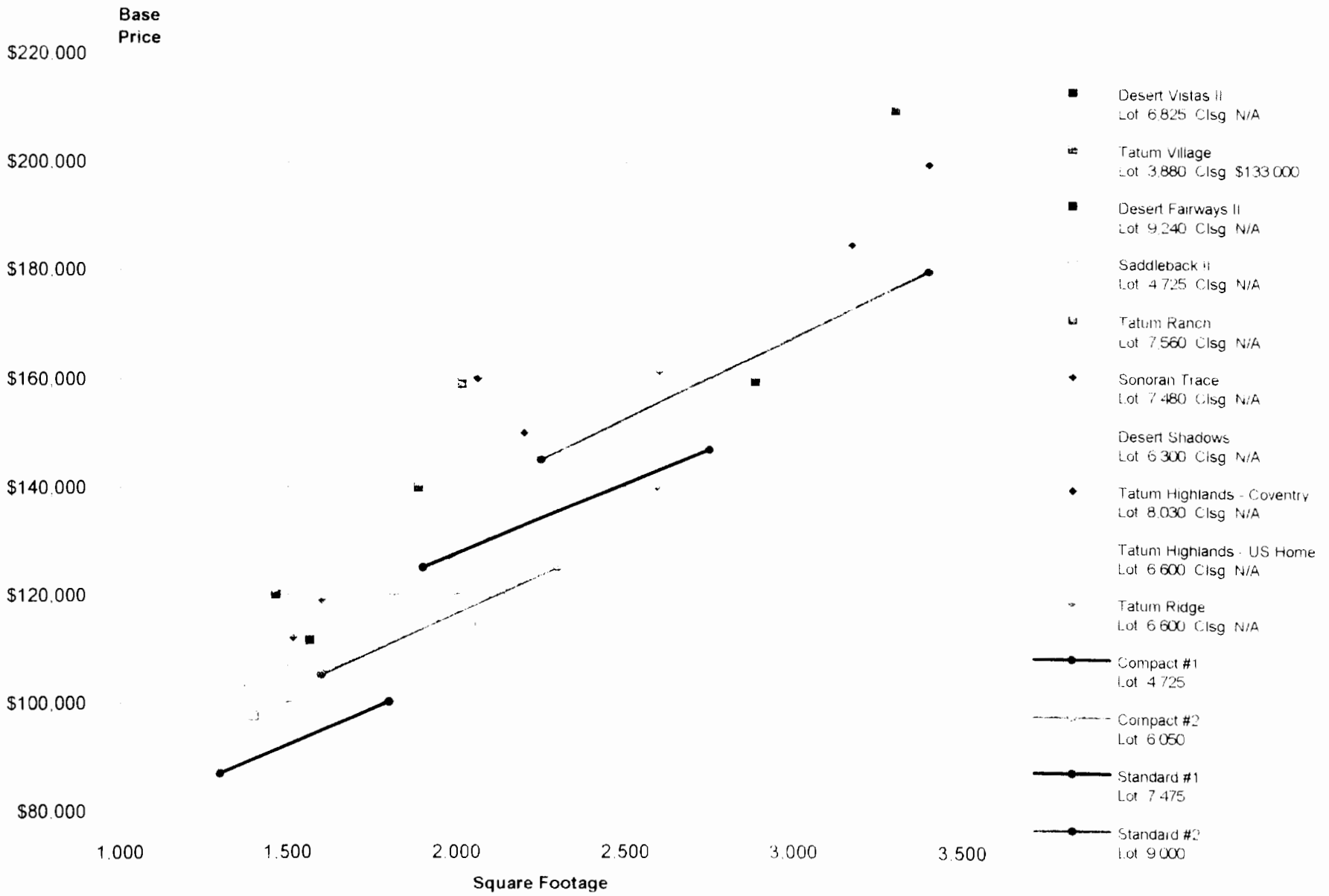
Desert Shadows by Maracay Homes (0.68 SPM) is the new phase (third) of lots which offers floor plans priced from \$119,000 up to \$161,500. Desert Vistas II by Ryland Homes (7.44 SPM) is priced from \$111,450 up to \$159,450. To differentiate the product, Maracay Homes is on smaller lots (6,300 square feet) with a more "high-tech" home with upgraded features while Ryland offers a better value (price per square foot) on a larger lot (6,825 square feet).

In the move-up market, UDC Homes has complete control of all lot product greater than 7,000 square feet. In their new phase of lots, UDC Homes offers twelve floor plans that range from 2,015 square feet for \$158,990 up to 3,302 square feet for \$209,990. These base prices include a standard 7,560 square foot lot. There are also two larger lot sizes that range from 9,240 square feet up to 25,375 square feet. Any of the floor plans can be built on these premium lots for an addition cost.

While there is no additional acreage adjacent to the golf course, there are several parcels available to the south which will undoubtedly be developed to maximize the desert terrain with open space and natural wash corridors. In addition to the existing builder mix, Amberwood Development and Diamond Key Homes have expressed an interest in the 6,000 square foot lots and SunCor is currently exploring a 7,000 square foot lot project.

Tatum Ranch is currently located within the Cave Creek School system which is one the best school systems in the state based upon standardized test scores. Buyers are employed from a wide range of industry based in Scottsdale and North Phoenix. The typical buyer profile is split between a first-time and move-up family buyer and an empty nester attracted to the planned community, good school system, and value of the product.

**NORTHEAST PHOENIX MARKET AREA
COMPETITIVE PROJECTS
TATUM RANCH AND TATUM HIGHLANDS**



INVENTORY AND ABSORPTION REPORT

TATUM RANCH, TATUM RIDGE AND DESERT RIDGE

RANK MAP #	SUBDIVISION/ DEVELOPER	Q1:94 SPM	CUM SPM	BASE \$ RANGE	AVG CLSG \$	SQFT RANGE	BASE \$ SQFT	DATE OPEN	TOT UNIT	TOT SOLD	Q1:94 START	Q1:94 PRMT	MRKT SHARE	Q1:94 CLSD	LOT INVTY	LOT SQFT
1 NE15/14	Desert Vistas II Ryland Homes	7.44	2.51	\$111,450 \$159,450		1,565 2,885	\$71.21 \$55.27	Dec-93	141	10	10	22	27.2%	0	131	6,825 65 X 105
2 NE15/09	Tatum Village Golden Heritage Homes	3.72	1.57	\$120,000 \$139,900	\$133,000	1,464 1,885	\$81.97 \$74.22	Sep-92	108	30	6	11	13.6%	10	78	3,880 40 X 97
3 NE15/10	Tatum Ranch - Parcel 27 UDC Homes	3.38	2.49	\$158,990 \$209,990		2,015 3,302	\$78.90 \$63.59	Oct-93	46	15	11	10	12.3%	0	31	9,240 84 X 110
4 NE15/16	Saddleback at Tatum II Saddleback Homes	3.38	2.37	\$97,400 \$114,400		1,399 2,069	\$69.62 \$55.29	Jan-94	105	7	7	10	12.3%	0	98	4,725 45 X 105
5 NE15/11	Sonoran Vistas Diamond Star Homes	2.71	0.80	\$221,000 \$251,000	\$257,000	2,600 3,650	\$85.00 \$68.77	Nov-93	25	4	4	8	9.9%	2	21	22,000 110 X 200
6 NE15/12	Tatum Ranch - Parcel 31A UDC Homes	2.71	0.00	\$158,990 \$209,990		2,015 3,302	\$78.90 \$63.59	Dec-93	154	0	0	8	9.9%	0	154	7,560 72 X 105
7 NE15/02	Desert Fairways UDC Homes	1.01	4.10	\$158,990 \$209,990	\$187,000	2,015 3,302	\$78.90 \$63.59	Mar-89	263	253	4	3	3.7%	9	10	9,200 80 X 115
8 NE15/17	Sonoran Trace T W Lewis Homes	1.01	0.00	\$160,000 \$185,000		2,061 3,173	\$77.63 \$58.30	Mar-94	72	0	0	3	3.7%	0	72	7,480 65 X 110
9 NE15/15	Desert Shadows Maracay Homes	0.68	0.00	\$119,000 \$161,500		1,600 2,600	\$74.38 \$62.12	Feb-94	66	0	0	2	2.5%	0	66	6,300 60 X 105
10 NE15/0	Tatum Highlands Del Webb's Coventry	0.68	2.01	\$150,000 \$200,000		2,200 3,400	\$68.18 \$58.82	Mar-94	126	2	0	2	2.5%	0	124	8,030 73 X 110
11 NE15/18	Tatum Highlands US Homes	0.68	0.00	\$103,000 \$130,000		1,360 2,377	\$75.74 \$54.69	Mar-94	80	0	0	2	2.5%	0	80	6,600 60 X 110
12 NE15/13	Tatum Ranch - Parcel 2 UDC Homes	0.00	0.00	\$158,990 \$209,990		2,015 3,302	\$78.90 \$63.59	Dec-93	56	0	0	0	0.0%	0	56	25,375 145 X 175
13 NE15/0	Tatum Ridge US Homes	0.00	0.00	\$112,000 \$140,000		1,515 2,593	\$73.93 \$53.99	Dec-93	78	0	0	0	0.0%	0	78	6,600 60 X 110
14 NE15/0	Desert Ridge Continental Homes	0.00	0.00	\$95,000 \$140,000		1,280 2,400	\$74.22 \$58.33	Mar-94	646	0	0	0	0.0%	0	646	6,050 55 X 110
15 NE15/0	Desert Ridge Elliot Homes	0.00	0.00	\$120,000 \$150,000		1,701 2,533	\$70.55 \$59.22	Mar-94	353	0	0	0	0.0%	0	353	6,825 65 X 105
16 NE15/0	Desert Ridge Shea Homes	0.00	0.00	\$130,000 \$185,000		1,800 3,100	\$72.22 \$59.68	Mar-94	238	0	0	0	0.0%	0	238	7,700 70 X 110
17 NE15/0	Desert Ridge Richmond American	0.00	0.00	\$190,000 \$250,000		2,500 3,800	\$76.00 \$65.79	Mar-94	84	0	0	0	0.0%	0	84	10,800 90 X 120
TOTAL/AVERAGE		1.61	0.93	\$158,990	\$187,000	2,289	\$69.19		2,641	321	42	81	100%	21	2,320	9,129

The Foothills and Mountain Park Ranch

Within The Foothills master plan there are currently 13 active subdivisions and there are 2 active subdivisions within Mountain Park Ranch. The majority of new development will occur in the Foothills Club West section which was originally developed as part of The Foothills master plan and subsequently sold to UDC Homes. UDC Homes controls all of the acreage within Foothills Club West, and has no intention of selling off parcels to additional builders. Therefore, we would expect limited competition in the future from this market area. However, for comparison, this submarket area is considered to be the most successful in the entire Phoenix metropolitan area.

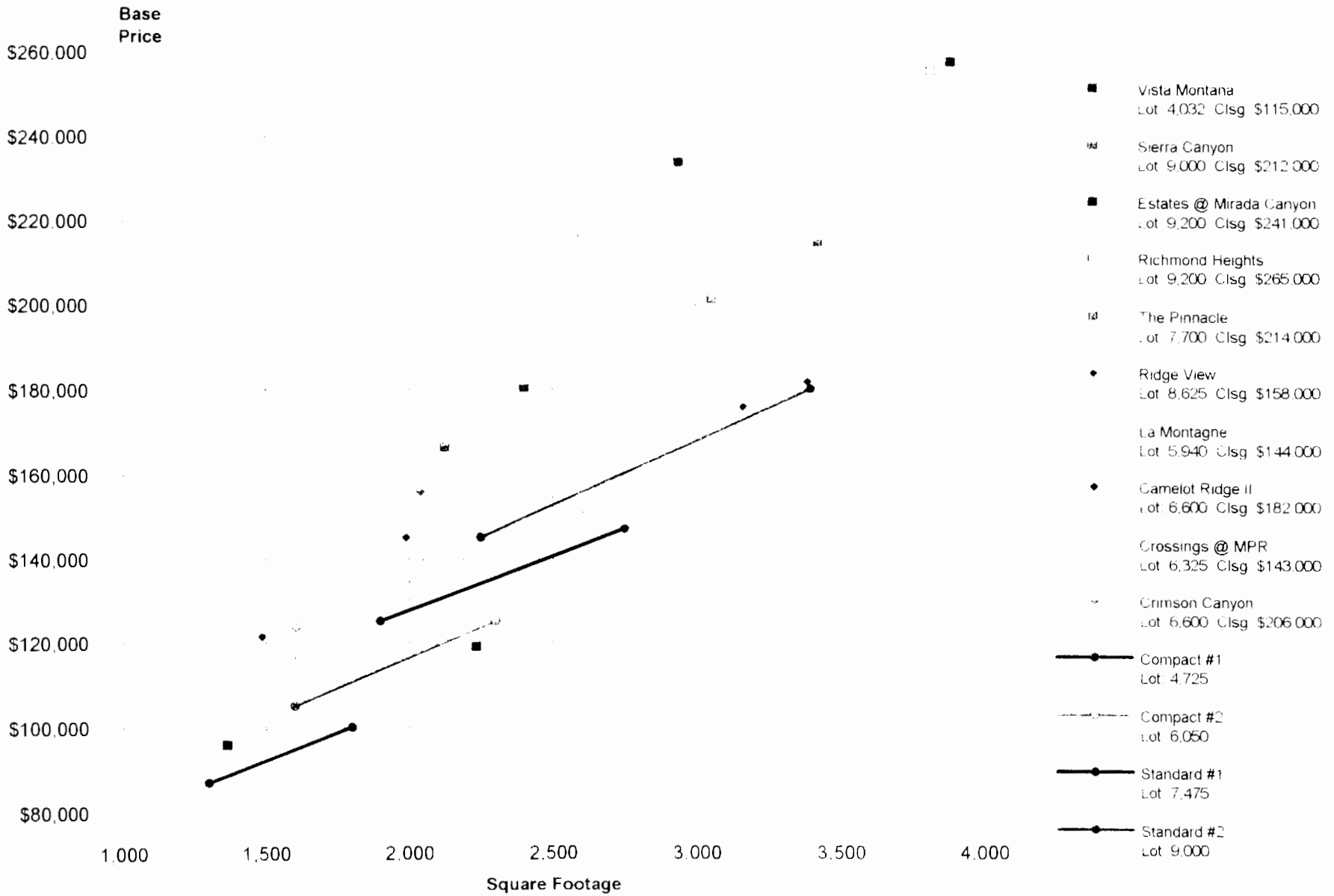
Projects within The Foothills master plan benefit from the public golf course and the significant terrain features. In particular, projects located adjacent to the golf course and/or the various open spaces throughout the master plan are able to receive significant premiums in addition to the base price of the home. In the Southeast Phoenix market area, the South Mountain market area (submarket 8) is the only production housing market with these exceptional terrain and view amenities. The following table indicates the respective premiums charged by the builders.

DEVELOPMENT	AVG BASE \$	AVG CLSG \$	GOLF PREMIUM	PRESERVE/LOT PREMIUM
Cholla Canyon	\$131,990	\$140,000	--	\$3,500-\$25,000
Cabrillo Canyon	\$284,990	\$268,000	--	\$20,000-\$100,000
Vista Montana	\$107,450	\$115,000	--	\$2,000-\$7,500
Crimson Canyon	\$180,400	\$206,000	--	\$1,000-\$45,000
Ridge Pointe	\$114,445	\$114,000	--	\$5,000-\$15,000
Sierra Canyon	\$183,990	\$212,000	\$12,500-\$70,000	\$5,000-\$35,000
Pinnacle	\$197,650	\$214,000	\$20,000-\$80,000	\$4,500-\$35,000

The average base sales price within the master plan is \$177,499 while the average closing price is \$185,933. This large difference is attributed to the significant number of lots within projects that have premiums for location and view. There are currently 490 improved lots remaining in active subdivisions. Based on 227 new home permits in the first quarter 1994, there is a 2.2 quarter supply of lots in active subdivisions. This is considered a significant under-supply.

The chart and table on the following pages detail the projects within The Foothills master plan. The average closing price is based on cumulative sales and the prices come from the recorded affidavits of value.

**SOUTHEAST PHOENIX MARKET AREA
COMPETITIVE PROJECTS
FOOTHILLS AND MOUNTAIN PARK RANCH**



INVENTORY AND ABSORPTION REPORT

FOOTHILLS AND MOUNTAIN PARK RANCH

RANK MAP #	SUBDIVISION/ DEVELOPER	Q1:94 SPM	CUM SPM	BASE \$ RANGE	AVG CLSG \$	SQ.FT. RANGE	PRICE/ SQ.FT.	DATE OPEN	TOT UNIT	TOT SOLD	Q1:94 START	Q1:94 PRMT	MRKT SHR	Q1:94 CLSD	LOT INVTY	LOT SQFT
1 SE13/7	Vista Montana Trend Homes	11.63	8.04	\$95,950 \$118,950	\$115,000	1,365 2,233	\$70.29 \$53.27	May-93	124	89	33	34	15.0%	30	35	4,032 36 X 112
2 SE13/35	Sierra Canyon UDC Homes	11.63	0.00	\$166,490 \$201,490	\$212,000	2,123 3,058	\$78.42 \$65.89	Mar-94	47	0	0	34	15.0%	13	47	9,000 75 X 120
3 SE14/81	Estates at Mirada Canyon T.W. Lewis	9.58	5.39	\$233,900 \$257,900	\$241,000	2,942 3,890	\$79.50 \$66.30	Apr-93	187	65	24	28	12.3%	15	122	9,200 80 X 115
4 SE13/29	Richmond Heights Richmond American	6.16	2.87	\$215,900 \$255,900	\$265,000	2,578 3,821	\$83.75 \$66.97	Oct-92	69	52	14	18	7.9%	11	17	9,200 80 X 115
5 SE13/32	The Pinnacle Centex Homes	5.81	1.31	\$180,400 \$214,900	\$214,000	2,400 3,427	\$75.17 \$62.71	Dec-92	72	21	8	17	7.5%	6	51	7,700 70 X 110
6 SE13/13	Ridge View UDC Homes	5.47	6.58	\$121,490 \$175,990	\$158,000	1,485 3,163	\$81.81 \$55.64	Dec-93	42	26	20	16	7.0%	27	16	8,625 75 X 115
7 SE13/31	La Montagne Maracay Homes	5.47	3.92	\$123,600 \$151,200	\$144,000	1,606 2,600	\$76.96 \$58.15	Dec-92	82	63	16	16	7.0%	15	19	5,940 54 X 110
8 SE13/27	Camelot Ridge II Camelot Homes	4.45	6.33	\$145,100 \$181,900	\$182,000	1,989 3,389	\$72.95 \$53.67	Sep-92	136	121	19	13	5.7%	22	15	6,600 60 X 110
9 SE13/38	Ridge Pointe Woodside Homes	3.42	3.97	\$99,990 \$128,990	\$114,000	1,303 2,370	\$76.74 \$54.43	Mar-93	53	52	1	10	4.4%	0	1	4,200 40 X 105
10 SE14/94	Crossings at MPR Estes Homes	3.42	4.20	\$116,400 \$145,900	\$143,000	1,589 2,466	\$73.25 \$59.16	Jun-92	106	93	11	10	4.4%	30	13	6,325 55 X 115
11 SE13/5	Hidden Canyon @ MPR Ryland Homes	3.08	2.76	\$179,450 \$202,450	\$202,000	2,312 3,223	\$77.62 \$62.81	Jan-92	119	75	7	9	4.0%	9	44	7,875 75 X 105
12 SE13/28	Cholla Canyon Del Webb's Coventry	2.39	3.25	\$118,490 \$145,490	\$140,000	1,510 2,408	\$78.47 \$60.42	Sep-92	67	62	7	7	3.1%	17	5	5,500 50 X 110
13 SE13/23	Crimson Canyon Woodside Homes	2.39	2.52	\$155,900 \$204,900	\$206,000	2,037 3,388	\$76.53 \$60.48	Apr-92	117	61	10	7	3.1%	10	56	6,600 66 X 100
14 SE13/34	Cabrillo Canyon UDC Homes	1.71	0.67	\$262,990 \$306,990	\$268,000	2,815 3,850	\$93.42 \$79.74	Oct-93	42	4	1	5	2.2%	3	38	20,000 100 X 200
15 SE13/12	Palmia at The Foothills Laurelcrest Homes	1.03	1.60	\$186,490 \$229,490	\$185,000	2,422 3,760	\$77.00 \$61.03	Mar-90	90	79	3	3	1.3%	2	11	7,700 70 X 110
TOTAL/AVERAGE		5.18	3.56	\$177,499	\$185,933	2,584	\$69.75		1,353	863	174	227	100%	210	490	7,900

As the Inventory and Absorption report indicates, the average subdivision within The Foothills master plan captured 5.18 Sales Per Month (SPM) which is an increase from the cumulative sales rate of 3.56 SPM overall. Both of these sales rates are indicative of the strong demand within this submarket. It is interesting to note the current interest among developers to extend the Pecos Freeway west to 51st Avenue. While the existing residents in the community see this as an alternative access point from the west, developers see the opportunity for additional development in the South Mountain area. In our opinion, this interest lends additional support to Palm Valley which offers community amenities as well as an equal drive-time to downtown Phoenix.

Based on first quarter, 1994 permits, the best selling project within The Foothills master plan was Vista Montana by Trend Homes (11.63 SPM) which reported 34 permits. This project is by far the lowest priced subdivision in the submarket and has had very strong demand from the first-time buyer market (singles and couples without children). The typical lot size in this project is 4,032 square feet and the average closing price is \$115,000. The sales agent reported that the buyers were attracted to the open space and terrain of The Foothills master plan.

Sierra Canyon by UDC Homes (11.63 SPM) also reported 34 new home permits in the first quarter, 1994. This project is a new subdivision for UDC Homes at the Foothills Club West. The typical lot size in this phase is 9,000 square feet and the average closing price is \$212,000 which is indicative of the lot premiums and upgrades. The Foothills Club West has a new 18-hole golf course as well as several hillside parcels. UDC Homes has control of all remaining parcels within this phase of The Foothills master plan.

Summary

The Foothills and Tatum Ranch master plans are the best example of a wide range of product, niched by lot and price into a successful development. Unlike Arrowhead Ranch, which went through a foreclosure proceeding and subsequent shifts in pricing and product, The Foothills has carefully planned the product, location, and price so that there is not a significant amount of inner competition. Palm Valley has four active builders and the sales have been consistently increasing as the market awareness improves. Garden Lakes is now controlled by UDC Homes with no expectation of selling parcels off to additional builders. Estrella is now in a joint venture for future development, however, there is only limited acreage currently available for development. For Palm Valley to be competitive with Estrella and Garden Lakes in the near-term, there will need to be an aggressive sales campaign as well as a large scale marketing campaign. Clearly, the existing master plan design as well as the existing community amenities position Palm Valley for a significant opportunity.

The recommended pricing for Palm Valley is competitively niched against Garden Lakes and Estrella. In our opinion, these two master plans are most indicative of the near-term demand for Palm Valley. The recommended pricing for Palm Valley is positioned slightly

below the current projects at Arrowhead Ranch. While we feel that the current market will not consider Arrowhead Ranch and Palm Valley competitive, it is important to be priced competitively within the overall market. In our opinion, the terrain and amenities at Palm Valley are comparable to those of Arrowhead Ranch. However, the location of Arrowhead Ranch with superior access to employment and services as well as the Deer Valley School system are the major factors for the demand in that submarket.

The recommended pricing is significantly less than the pricing at Tatum Ranch. This submarket has demonstrated consistently strong demand. In our opinion, the use of Tatum Ranch in this report is important to demonstrate the value of project control and marketing. SunCor has an information center which is currently reporting 1,000 visitors per month. SunCor has won several market awards for its presentation of the master plan. This commitment by the developer to the project will be an essential element for the success of Palm Valley. SunCor has been increasing its marketing for Palm Valley, and with the new retail development at I-10 and Litchfield Road, we would expect even more diverse marketing. In addition to the marketing, SunCor has remained very active in the daily marketing of the individual builders. SunCor has employed market research from the very beginning of the master plan to assist in identifying the segments of demand. Therefore, each builder has a sales niche with minimal competition from the other builders. This niching has allowed each builder to achieve stronger sales, and therefore, the master plan has had very strong overall sales.

The recommended pricing is significantly less than the pricing at The Foothills which is nearly sold out. The remaining acreage is within the Foothills Club West (Phase III) section which is owned by UDC Homes. Since 1990, this submarket has been recognized as one of the strongest in Phoenix. With declining lot inventories, this demand has now been redistributed throughout the Southeast Valley. One of the opportunities for Palm Valley will be to attract some of that demand into the master plan. While the locations vary, the buyers in The Foothills were attracted to the terrain and master plan amenities. These same elements are present at Palm Valley, and a strong market campaign with proper product and pricing will appeal to a similar buyer profile.

Initially, the Palm Valley master plan will compete with Garden Lakes and Estrella for buyers. The demand for entry-level compact lot product in these master plans ranges from \$75,000 to \$100,000 and for first-time single family product emphasizing value (price per square foot) ranging from \$100,000 to \$145,000. The demand from the Arrowhead Ranch market is expected after the master plan is re-established and the new builders are well into the sales effort. For Arrowhead Ranch, demand is also separated by the entry-level compact lot product ranging from \$80,000 to \$100,000. However, at Arrowhead Ranch, this market is capturing a large percentage of empty-nester and retirees. In the standard lot market, Pulte and Fulton Homes offer product for the first-time family buyer in the \$95,000 to \$135,000 price range. For the move-up family buyer, there are several new developments offering product on 7,000 to 8,000 square foot lots ranging from \$110,000 to \$160,000.

Although initially Tatum Ranch and The Foothills will not be a significant source of competition, planning from the start should include aggressive product and pricing to begin drawing from these markets. Tatum Ranch and The Foothills master plans offer large lot product with an emphasis on open space. The high dollar product is located on golf course or mountain (Foothills) adjacent parcels. The entry-level product is located on parcels with natural desert washes and open space as the amenity feature. The developments both have two distinct niches, the first being for entry-level and first-time family buyers ranging from \$95,000 up to \$130,000 while the second niche is for move-up family buyers ranging from \$140,000 up to \$190,000.

The following groups represent our recommendations as to price, product, and lot size. Careful land planning should be done to accommodate the specific product recommendations.

PRODUCT	LOT SQFT	BASE PRICE RANGE	SQFT RANGE	PRICE/ SQFT RANGE
Compact #1	4,725 (45 X 105)	\$87,000	1,300	\$66.92
		\$100,000	1,800	\$55.56
Compact #2	6,050 (55 X 110)	\$105,000	1,600	\$65.63
		\$125,000	2,300	\$54.35
Standard #1	7,475 (65 X 115)	\$125,000	1,900	\$65.79
		\$147,000	2,750	\$53.45
Standard #2	9,000 (75 X 120)	\$145,000	2,250	\$64.44
		\$180,000	3,400	\$52.94

Homeowners Association Dues

The following table lists the various master planned communities in the PMA and the annual dues. For the most part, the dues are paid either monthly or quarterly. In a few cases, there are additional dues for the specific subdivision within the master plan. Augusta at The Foothills, for example, has an additional fee of \$16.50 for front-yard landscaping. At Estrella, UDC Homes is paying for the first year's Homeowner's Association (HOA) dues. At Garden Lakes, the fees are subsidized by the builders until enough homes are built to transfer the HOA over to the owners. Removing the highest (Arrowhead Ranch) and lowest (North Canyon Ranch), the average annual HOA dues are \$225.00 (\$18.75/month).

DEVELOPMENT	ANNUAL DUES	DEVELOPMENT	ANNUAL DUES
Arrowhead Ranch	\$360.00	Islands	\$207.00
Desert Harbor	\$204.00	Ahwatukee	\$227.00
Estrella	\$275.00	Red Mtn Ranch	\$330.00
Marshall Ranch	\$300.00	Foothills	\$168.00
North Cyn Ranch	\$84.00	Lakewood	\$208.00
McCormick Ranch	\$156.00	Mtn Park Ranch	\$208.00
Scottsdale Ranch	\$240.00	Ventana Lakes	\$240.00
Garden Lakes	\$216.00	Tatum Ranch	\$216.00

The current Homeowner's Association (HOA) dues at Estrella are \$275.00 per year. In our opinion, the HOA should be assessed as a flat fee for all residents with an additional fee based on the specific subdivision (if necessary). The base fee is recommended not to exceed \$20.00 per month (\$240.00 per year) and the additional fee should range from \$15.00 up to \$85.00 per month depending on the lot and location.

The current plans for the Palm Valley Community Association estimate that the yearly assessment per household will be \$60.00. There will also be a one time \$50.00 charge per initial home sale. The HOA will provide for association management, perimeter wall maintenance, and landscape maintenance of the water retention area. Clearly, the \$60.00 annual HOA is well below any competitive master plan and is more comparable to that of many stand-alone subdivisions. We would anticipate that those subdivisions with additional community features would have a secondary HOA. This two-level HOA allows for a more equitable assessment of the community expenses. However, it should be noted that a \$200.00 annual HOA reduces the buying power by nearly \$2,000.00.

CONCLUSIONS FOR PALM VALLEY

The intention of this report is to provide recommendations for what should comprise the on-going product niches for the Palm Valley master plan. These recommendations will position the product and pricing during the stabilized build-out of the development. Additional product and pricing should be considered after assessment of the existing market conditions. It is anticipated that this would occur in the third year of the development.

It is our conclusion that there should be four product niches, each with distinct lot sizes and pricing. This recommended pricing and square footage restricts the builders from over-building on the lots. With the location and amenities of the Palm Valley master plan, we feel that preserving the overall feel of open space is critical to the long-term success of the master plan. It is assumed that the initial buyers will be drawn from those buying at the Garden Lakes and Estrella master plans as well as the numerous stand-alone westside subdivisions as far north as Bell Road.

It is our opinion that the increase in market share for the NWP market area has been, to a large extent, due to the improvement in product and subdivision development. The westside "stigma" was perpetuated by the development of housing that attracted lower income residents. While there was clearly a demand for entry-level housing, the large scale development of housing typically included wood-siding or painted block exteriors, composite shingle roofs, and roof mounted evaporative cooling. There were little or no homeowner's associations to regulate and maintain the integrity of these subdivisions which created housing developments that lack any measurable pride of ownership.

It is our opinion that the historical shift in market share from the Southeast Valley to both the Northeast and Northwest Valley is based on the change in product offered. With the near sellout of Mountain Park Ranch and Lakewood, the only significant master plan developments available in the Southeast Phoenix submarket are The Foothills and Red Mountain Ranch which are considerably higher priced product. Therefore, in the SEP market area, submarket 12, which is generally south of Warner Road and east of Interstate 10, has now taken over as the dominate market area for sales. This area does not have any amenity features and land prices have been increasing, thus pushing the housing prices up for a less desirable area.

Pebble Creek represents the newest adult community in Phoenix. Robson Communities acquired 2,000 acres, adjacent to Palm Valley, from SunCor Development in 1992. The master plan will include three 18-hole golf courses and significant community amenities. A new model complex was recently completed and sales are underway. There have been 114 new home permits reported since opening in May, 1993. Demand is nearly equal between the Casitas and Standard series (49 and 52 permits respectively).

Pebble Creek offers three floor plan series: Casitas, Standard, and Luxury. All plans

include a two-car garage, integra block construction, and a covered patio. The Casita Series offers four floor plans on 4,400 square foot lots with different variations ranging from 1,110 square feet for \$95,900 up to 1,632 square feet for \$114,400. These prices reflect a \$12,000 price increase over the past twelve months. The Premiere Series offers four floor plans on 7,280 square foot lots with different variations ranging from 1,272 square feet for \$106,400 up to 2,112 square feet for \$136,900. These prices reflect an \$11,000 price increase over the past twelve months. The Luxury Series offers five floor plans on 7,840 square foot lots with different variations ranging from 1,844 square feet for \$150,400 up to 3,408 square feet for \$194,400. These prices reflect a \$15,000 price increase over the past twelve months.

We would not expect Pebble Creek to compete with Palm Valley, but rather, would expect some buyers from Pebble Creek to prefer the non-adult orientation and community amenities of Palm Valley. As Del Webb is demonstrating at Terravita in North Scottsdale, the current trend in the adult market is to avoid the age restricted communities, instead favoring projects that offer floor plans and community conveniences for the active adults.

Compact Lot Price Segment - Non-Amenity

The recommendation for this market niche is for homes on 4,725 (45 X 105) square foot lots ranging from 1,300 square feet for \$87,000 up to 1,800 square feet for \$100,000. The floor plans are similar to those offered by Hancock Homes at Bel Esprit Lane.

This niche is intended to compete directly with the first-time home buyers as well as empty-nesters and retirees at Key West at Garden Lakes, Saddleback at Palm Valley, and Premiere at Arrowhead Ranch. This is an extremely price sensitive segment and the buyers must be sold on the value of both the product and location.

It is our recommendation that this subdivision be built on a parcel with limited amenity frontage. The buyer profile cannot afford lot premiums and the subdivision lot layout should maximize the available density to keep the land cost down. To attract the first-time buyer, as well as the empty-nester, this parcel should have access to a community park. With the recommended density and the proposed location, the pricing is comparable to compact lot product in both Estrella and Garden Lakes.

Recommended builders for this niche include Kaufman & Broad with product from Sunrise at Desert Canyon, Del Webb's Coventry from Whittier Park, or Hancock Homes from Bel Esprit.

Compact Lot Price Segment - Amenity

The recommendation for this market niche is for homes on 6,050 (55 X 110) square foot lots ranging from 1,600 square feet for \$105,000 up to 2,300 square feet for \$125,000. The floor plans come from Bel Esprit Heights by Hancock Homes located in Phoenix.

This niche is intended to compete directly with for the first-time family market as well as the empty-nesters and retirees at Diamond Key at Palm Valley, Oasis at Palm Valley, and Traditions at Arrowhead Ranch. The market for the first-time family buyers may be limited to the non-premium lots for this price sensitive segment. With the recommended density and the proposed location, the pricing is comparable to compact lot product in Northeast and Southeast Phoenix.

Recommended builders for this niche include Centex Homes with product from Tanoan at Arrowhead Ranch, Shea Homes from Seasons at Hillcrest, or US Home from Manor at Tatum Highlands. The key element to an amenitized parcel will be to select a builder that has demonstrated an ability to deliver premium product.

Standard Lot Price Segment - Non-Amenity

The recommendation for this market niche is for homes on 7,475 (65 X 115) square foot lots ranging from 1,900 square feet for \$125,000 up to 2,750 square feet for \$147,000. The floor plans come from Bel Esprit Manor by Hancock Homes in Northeast Phoenix. The recommended floor plans should include an optional three-car garage. It is important to offer the three-car garage to differentiate further from the larger compact lot floor plans.

This niche is intended to compete directly with the move-up family buyer market at Arrowhead Ranch and the South Mountain submarket. This niche remains price sensitive but is more aware of value (price per square foot). Therefore, the product must have a dramatic front elevation, vaulted interior ceiling, and 9 foot wall plates. This market niche will be the test of the success of the marketing program in that the buyers should be coming from Arrowhead as well as the South Mountain submarket. The recommended pricing is comparable to standard lot product at Arrowhead Ranch and Tatum Ranch as well as several subdivisions in the South Mountain Submarket.

Recommended builders for this niche include Pulte Homes with product from Discovery at Arrowhead Ranch, Kaufman & Broad from Promenade at Cooper Ranch, or T.W. Lewis from Harmon Ranch.

Standard Lot Price Segment - Amenity

The recommendation for this market niche is for homes on 9,000 (75 X 120) square foot lots ranging from 2,250 square feet for \$145,000 up to 3,400 square feet for \$180,000. The floor plans come from Top of the Ranch by Centex Homes at Arrowhead Ranch with an additional floor plan from Highlands at The Foothills.

This niche is intended to compete directly with the move-up family buyers at Arrowhead Ranch and The Foothills. This product niche will be looking for innovative product, creative lot layouts and value for the square footage. The parcel should be developed as two phases with an electronic gate entrance and a perimeter wall. With the

recommended density and the proposed location, the pricing is comparable to Garden Lakes Estates (Garden Lakes) and Top of the Ranch (Arrowhead Ranch). The gate and wall as well as some distinctive entry monumentation will add to the exclusivity of the development.

Recommended builders for this niche include Blandford Homes with product from Legends at El Dorado, Centex Homes from Top of the Ranch, or Ryland Homes from Park Vista.

While these builder recommendations attempt to bring diverse product and pricing into the master plan, which will allow for an effective builder mix, there are also alternatives that could be very successful. We would strongly recommend that the developer first market one or two major builders. Builders such as Continental Homes, UDC Homes, Pulte Homes, and Hancock Homes all have product in each of the recommended niches. Furthermore, these builders represent the top five in the market and they bring significant long-term capital into the project. These recommendations benefit both the builder and developer. For the builder, the Palm Valley master plan represents a long-term source of lot inventory within a master planned location. For the developer, these builders represent consistency in product and pricing, thereby alleviating some of the on-going marketing effort that the developer would have to do to maintain the product niches.

Custom Lots

At Litchfield Greens, Palm Valley, Arrowhead Ranch, Tatum Ranch, and The Foothills, each custom lot subdivision is a unique mix of location, lots, and product. Each subdivision has dramatic entry monumentation, and for the most part, all are gated developments. At Litchfield Greens, there is a guard-gated entrance with a significant entry feature including guard house, ponds, and vegetation. At Black Rock Canyon at The Foothills, there is a gated entrance with desert landscaping. At Tatum Ranch, the custom lot parcel has an electronic gate with several natural washes and open space.

The current pricing for the Estate lots at Litchfield Greens, which average 18,000 square feet, range from \$70,000 to \$150,000. The Fairway lots at Litchfield Greens, which average 6,500 square feet, range from \$35,000 to \$70,000. Both the Estates and Fairways have a unique sales program which SunCor has established that brings the custom home construction into the lot pricing. In this program, SunCor will build the home, starting at \$90.00 per square foot for a specific set of specifications. If the lot buyer elects this program, the lot cost is greatly decreased, and absorbed into the cost of the home. The lot pricing is essentially the cost of the lot premium with the base lot price included in the \$90.00 per square foot construction cost.

Absorption at Litchfield Greens has been consistent over the past year with 2.0 SPM overall. The impact of Palm Valley has been positive for Litchfield Greens in that it has brought a significant increase in traffic into the area. The Fairways at Palm Valley is a

new 46-lot custom home parcel at Palm Valley. While all of the perimeter lots have golf course frontage, the interior lots are double-loaded with a cul-de-sac. The typical lot size is 12,000 square feet and the prices are expected to start at \$48,000. SunCor will also offer a similar custom home/lot program at The Fairways which includes the base lot price in the home cost.

There are several custom lot parcels currently shown in the Estrella master plan. For the most part, these custom lot parcels offer one-acre lots with no significant community amenity. Parcels 8 and 9 are located near the north entrance into the master plan and have no open space amenity or subdivision identification. Parcels 57, 58 and 60 are located at the far western edge of the master plan and have some limited terrain open space but no community identification. When the RTC began marketing the sale of Estrella in 1992, they increased the prices of all remaining lots within the custom lot subdivisions by 50%. There have been no sales since this price increase. The current prices range from \$40,000 to \$90,000. There are five subdivisions and the lots range from 0.3 to 1.0 acre.

Because of the established reputation of Litchfield Park, we would recommend that there be at least two small custom lot projects within the Palm Valley master plan. To increase the demand and secure the values of the custom lot parcels, we would recommend that some limited entry features be built to give each project some market identification. In the long-term, it will become increasingly difficult to market the substandard custom lots in parcels without some distinction. Those lots that have unique terrain or view attributes will always be in demand, but those lots that have less open space or are in less desirable locations will be difficult to sell.

Based on the data included in this report, the following table indicates our conclusions as to product type, price, and absorption. The lot values are based on a residual calculation which begins at 19% for the 4,725 square foot lots and increases to 22% for the largest, 9,000 square foot lots. These finished lot values do not include any location premiums for golf course or open space frontage which will be significant at Palm Valley. The residual lot values are based on typical top ten builder information and assumes that there will be some terms offered to the buyer in the form of traditional financing or rolling options.

Lot Size	Average Sqft	Average Base \$	Residual Ratio	Residual Lot Value	Avg Absorp
4,725	1,550	\$93,500	.19	\$17,765	6.0 SPM
6,050	1,950	\$115,000	.20	\$23,000	5.5 SPM
7,475	2,325	\$136,000	.21	\$28,560	4.0 SPM
9,000	2,825	\$162,500	.22	\$35,750	3.5 SPM

From the established base prices, the lot values are determined based on either a cash purchase price (typically 3% to 4% less) or a terms/option price. Therefore, with the exception of radical changes, once the respective product niches are established, changes in the lot size should not have a significant impact on the pricing. The residual lot values do not include premiums for larger lots or adjacency to the golf course, preserve, or views. Based on competitive projects in the area, these premiums should range from \$5,000 to \$35,000 depending on the lot size and location.

Under the current market conditions, all four parcels could be simultaneously brought to market. There are currently four active subdivisions within Palm Valley. These projects are currently in the process of establishing a stabilized market share. We would expect the four projects to each capture in excess of 4.0 SPM overall. Therefore, based on the four existing projects, the annualized absorption for Palm Valley would be 192 units. Each subdivision is specific to a market niche and with the four subdivisions, adequate master plan merchandising can be achieved.

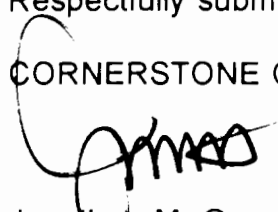
Garden Lakes and the existing product at Estrella are clearly the strongest indicator of current demand for the Palm Valley master plan. However, Palm Valley is the only golf course master plan in the CMA. Considering the golf course amenity, established reputation of Litchfield Park, and demonstrated marketing capabilities of SunCor, the Palm Valley master plan should be able to secure a strong market share within the west side market, with an expectation of increasing this market share into a broader range, including Arrowhead Ranch and, to some extent, the northeast and southeast valleys.

SunCor has made a significant commitment to the builders for marketing, and as Tatum Ranch demonstrated, this is a key element for a successful master plan. Each of the subdivisions at Garden Lakes will be marketed by UDC Homes and we would not expect any significant master plan marketing. Because of the extensive open space that winds through the Palm Valley master plan, there are several opportunities to expand the basic product recommendations. These include attached product similar to Tatum Village at Tatum Ranch as well as differentiating product within the development by location. At Tatum Ranch, SunCor has been very successful at having two similar subdivisions compete by virtue of their location, either on or off the golf course. We would employ this same philosophy at Palm Valley using the golf course and open space.

We appreciate the opportunity to work with you on this development. If you have any questions or comments, please do not hesitate to contact our office.

Respectfully submitted;

CORNERSTONE CONSULTING COMPANY



Jonathan M. Garrett
Principal

The Arizona Republic / The Phoenix Gazette

STATE OF ARIZONA } SS.
COUNTY OF MARICOPA }

JOAN LOHR, being first duly sworn, upon oath deposes and says: That she is the legal advertising manager of the Arizona Business Gazette, a newspaper of general circulation in the county of Maricopa, State of Arizona, published at Phoenix, Arizona, by Phoenix Newspapers Inc., which also publishes The Arizona Republic and The Phoenix Gazette, and that the copy hereto attached is a true copy of the advertisement published in the said paper on the dates as indicated.

The Arizona Republic
~~The Phoenix Gazette~~

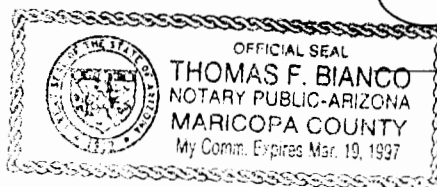
JULY 20, 1994

Joan Lohr

Sworn to before me this

20TH day of

JULY A.D. 19 94



Thomas F. Bianco
Notary Public

INVOICE NO. 94405
NOTICE OF HEARING
FOR THE
CITY OF GOODYEAR, ARIZONA
COMMUNITY FACILITIES UTILITIES
DISTRICT NO. 1
A public hearing will be held on August 2, 1994, at 7:00 p.m. at the City of Goodyear Council Chambers, 119 North Litchfield Road to receive comments on the study of the feasibility and benefits of the acquisition, construction, financing and maintenance of public infrastructure consisting of acquisition and financing of a computer system through the issuance and sale of general obligation bonds of the District, and the operation and maintenance of the computer system thereafter.
Barbara A. Dunaway, Clerk
Community Facilities Utilities District No. 1
(City of Goodyear, Arizona)
Published: Arizona Republic, July 20, 1994.

The Arizona Republic / The Phoenix Gazette

STATE OF ARIZONA }
COUNTY OF MARICOPA } SS.

JOAN LOHR, being first duly sworn, upon oath deposes and says: That she is the legal advertising manager of the Arizona Business Gazette, a newspaper of general circulation in the county of Maricopa, State of Arizona, published at Phoenix, Arizona, by Phoenix Newspapers Inc., which also publishes The Arizona Republic and The Phoenix Gazette, and that the copy hereto attached is a true copy of the advertisement published in the said paper on the dates as indicated.

The Arizona Republic
~~The Phoenix Gazette~~

JULY 20, 1994

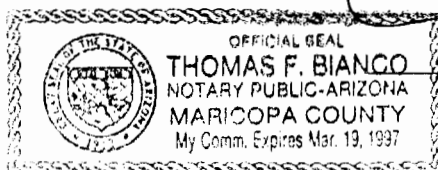
INVOICE NO. 94405
NOTICE OF HEARING
FOR THE
CITY OF GOODYEAR, ARIZONA
COMMUNITY FACILITIES UTILITIES
DISTRICT NO. 1
A public hearing will be held on August 2, 1994, at 7:00 p.m. at the City of Goodyear Council Chambers, 119 North Litchfield Road to receive comments on the study of the feasibility and benefits of the acquisition, construction, financing and maintenance of public infrastructure consisting of acquisition and financing of a computer system through the issuance and sale of general obligation bonds of the District, and the operation and maintenance of the computer system thereafter.
Barbara A. Dunaway, Clerk
Community Facilities Utilities District No. 1
(City of Goodyear, Arizona)
Published: Arizona Republic, July 20, 1994.

Joan Lohr

Sworn to before me this

20TH day of

JULY A.D. 19 94



Thomas F. Bianco
Notary Public