

Keller ISD
Quarterly Economic and
Housing Analysis
2Q08



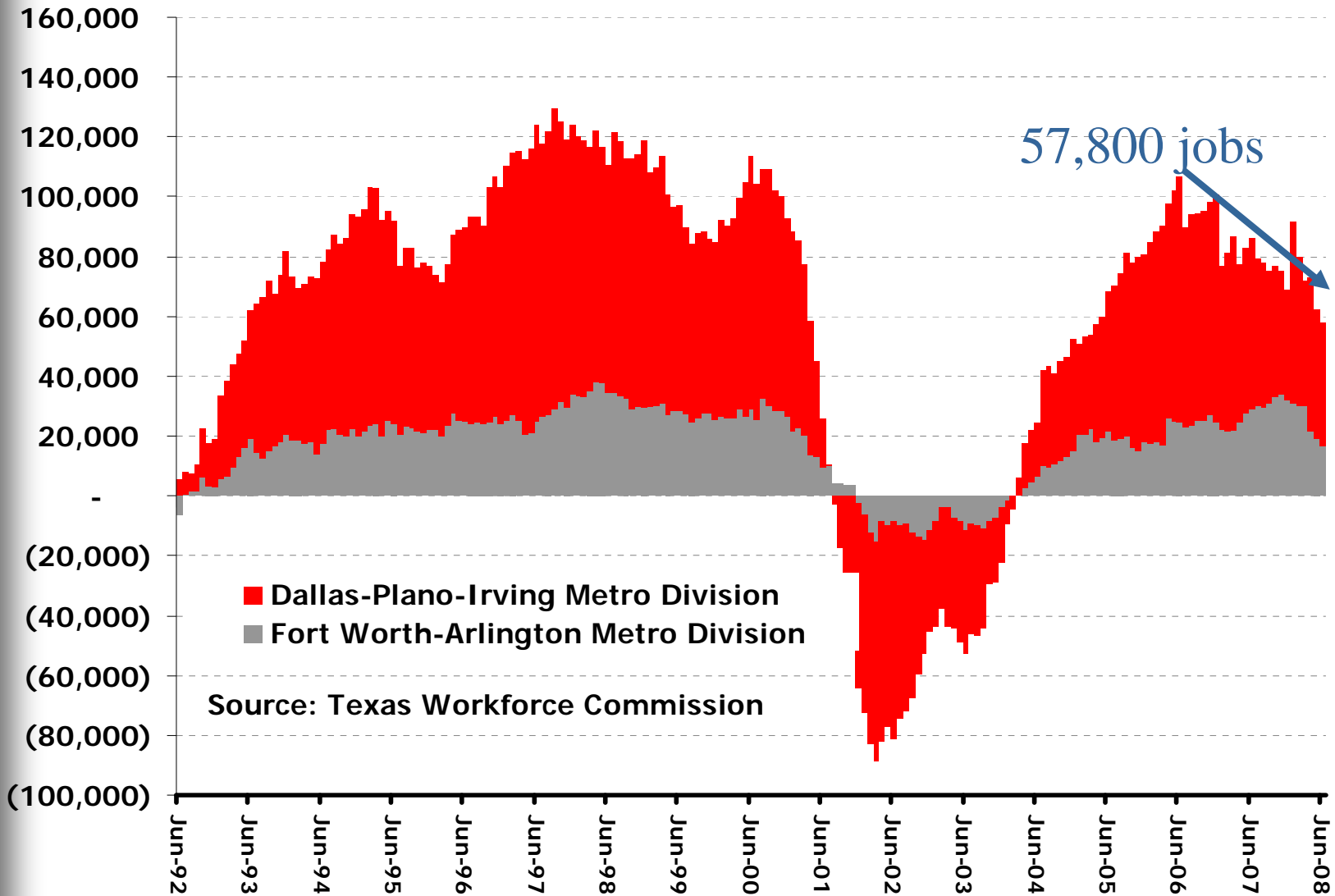
TEMPLETON
DEMOGRAPHICS

Economic Conditions

- Home builders continue to pull back starts and reduced inventory in the face of slower sales.
- The DFW annual start pace fell to just over 25,800 homes, down 34% from the prior year.
- Builders continue to adjust to a reduced buyer pool caused by the tightened mortgage market and weak consumer confidence.
- Local economy continues to outperform the national trend with positive job growth and low unemployment
- DFW ranked first among MSAs in the country for job growth for the 12 months ending in May 2008. The Metroplex has been in the top five MSAs in terms of job growth for the past three years.
- DFW economy should remain positive due to affordable housing, central location, positive job and pro-business environment.
- KISD 2Q08 start rate down 14% since 2Q07.
- KISD estimated annual start rate for 2008 = 1233 new homes

DFW Annual Job Growth

Unemployment Rate just under 5% as per June '08 TWC – 4.8%



Top 10 MSA'S RANKED BY JOB GROWTH – (June 2008)

Rank	MSA	Annual Job Growth	Growth Rate
1	Dallas-Fort Worth-Arlington TX	57,800	2.0%
2	Houston-Baytown-Sugar Land TX	54,100	2.1%
3	Seattle-Tacoma-Bellevue WA	25,700	1.5%
4	Washington-Arlington-Alexandria DC-	25,300	0.8%
5	New York-Northern New Jersey-Long	19,000	0.2%
6	Atlanta-Sandy Springs-Marietta GA	18,100	0.7%
7	Charlotte-Gastonia-Concord NC-SC	17,800	2.1%
8	San Antonio TX	16,700	2.0%
9	Austin-Round Rock TX	13,900	1.8%
10	Raleigh-Cary NC	13,800	2.7%

Source: Metrostudy - MetroUSA

DFW & Houston Annual Job growth is higher than any other STATE. (Washington 32,000)

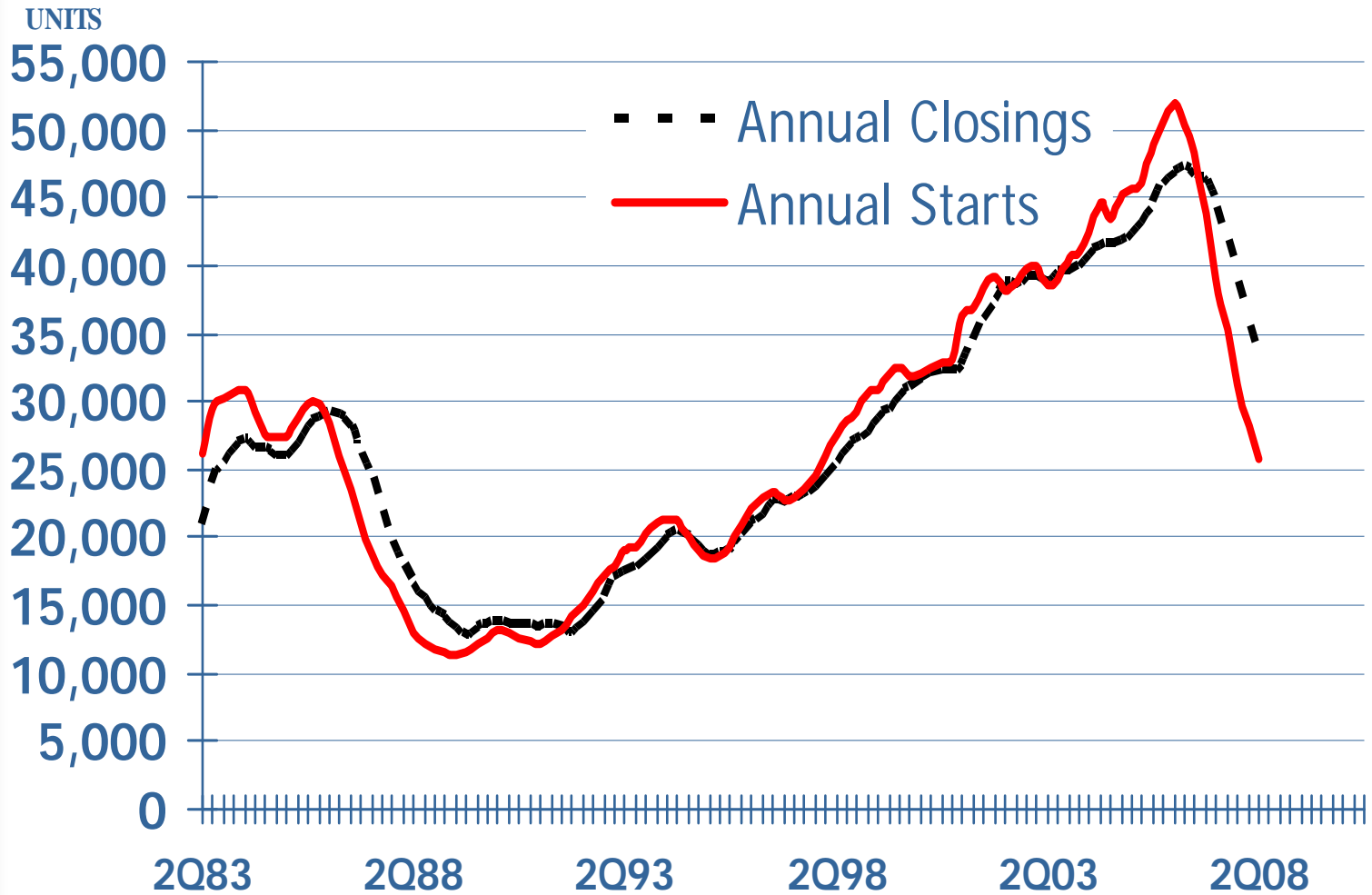
Top 15 States RANKED BY SF PERMIT – (June 2008)

Rank	MSA	Permits	Change
1	Texas	95,422	-41,503
2	North Carolina	52,369	-23,331
3	Florida	52,090	-47,252
4	California	43,696	-37,336
5	Georgia	36,048	-31,994
6	South Carolina	24,929	-10,182
7	Arizona	24,265	-20,099
8	Virginia	23,791	-9,142
9	Pennsylvania	23,361	-7,065
10	Washington	21,542	-10,200
11	Tennessee	21,332	-12,488
12	Ohio	20,509	-8,975
13	Illinois	17,991	-12,848
14	Colorado	16,161	-9,046
15	Indiana	15,234	-5,749

Source: Metrostudy - MetroUSA

DFW Starts and Closings

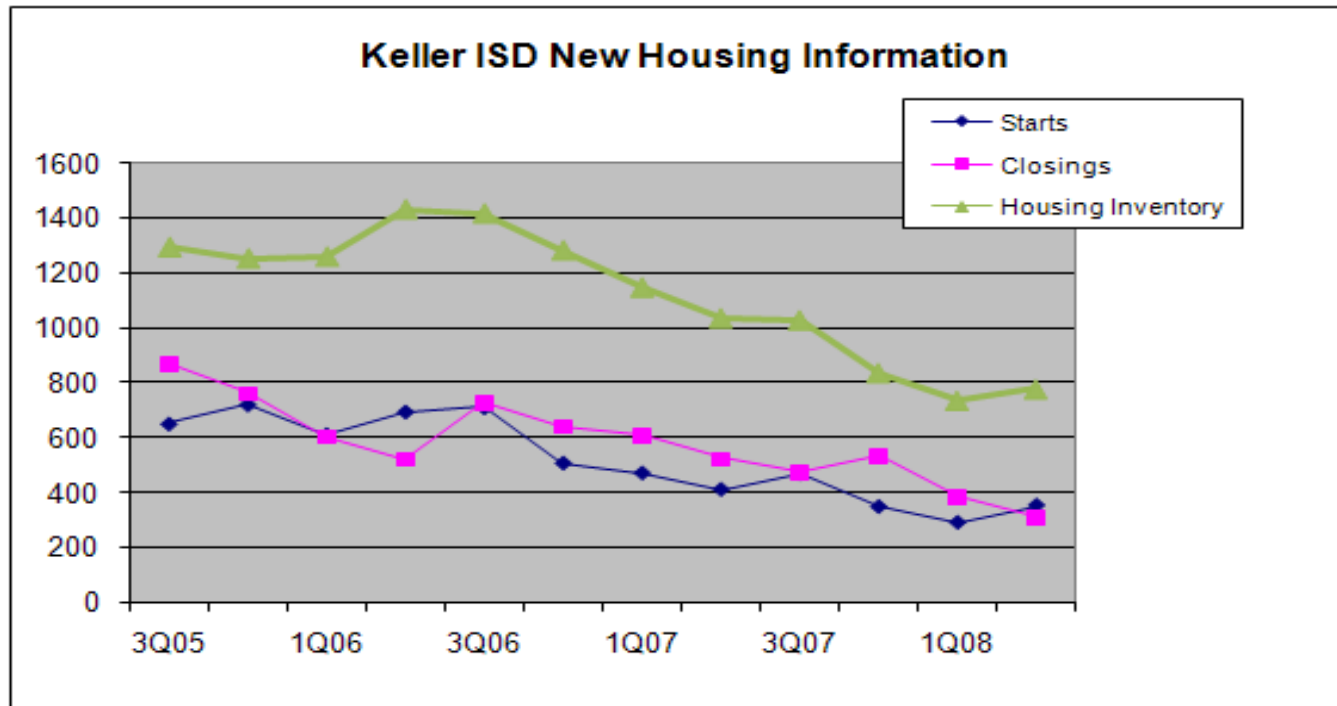
25,800 Starts and 32,300 Closings



Annual Starts down 9% from 1st quarter

Annual Closings down 9% from 1st quarter

Keller ISD New Housing Activity

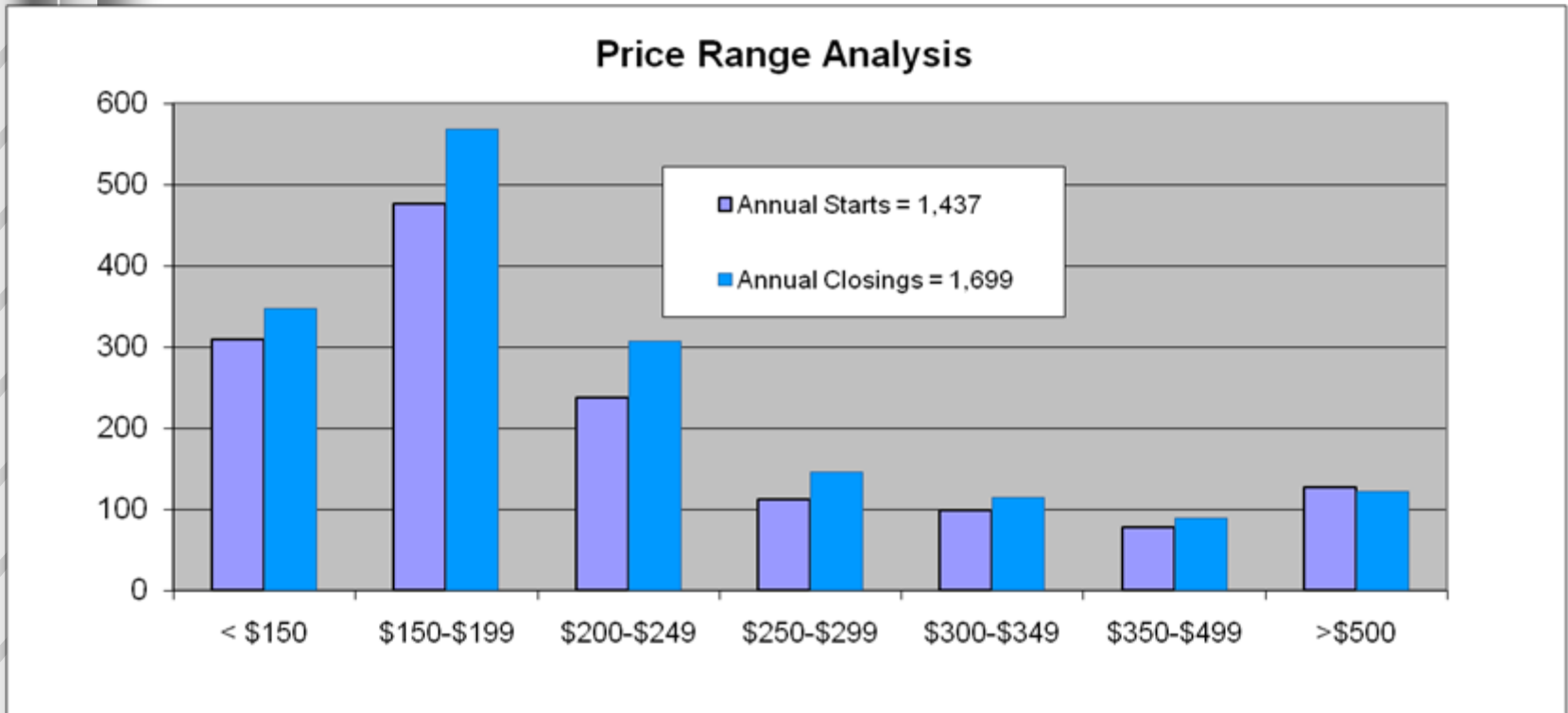


- Quarterly Start rate jumped by over 60 homes from 1Q08 as finished vacant inventory drops
- Closings Continued to decline following 2 quarters of extremely low starts

Starts	2003	2004	2005	2006	2007	2008
1Q	692	628	706	611	471	290
2Q	682	634	825	694	411	353
3Q	742	764	650	710	468	
4Q	577	657	720	507	348	
Total	2693	2683	2901	2522	1698	

Closings	2003	2004	2005	2006	2007	2008
1Q	605	613	588	604	606	386
2Q	760	696	711	522	523	309
3Q	752	704	870	725	476	
4Q	751	739	762	641	532	
Total	2868	2752	2931	2492	2137	

Price Range Analysis



- Housing Inventory exceeds closings in the over \$300K market
- 53% of the current Vacant Lot Supply is now designated for the over \$200K market

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Top Subdivisions

CLOSINGS

Subdivisions	Annual Closings	Occupied Lots	Finished Vacant	Under Construction	Vacant		Totals
					Developed Lots	Future Lots	
Heritage (Ft. Worth)	290	2,416	36	71	287	341	3,161
Timberland	231	418	19	26	149	5	620
Villages of Woodland Springs	231	3,111	28	49	734	107	4,043
Crawford Farms	136	854	6	10	29	0	901
TOTALS	888	6,799	89	156	1,199	453	8,725

STARTS

Subdivisions	Annual Starts	Occupied Lots	Finished Vacant	Under Construction	Vacant		Totals
					Developed Lots	Future Lots	
Heritage (Ft. Worth)	236	2416	36	71	287	341	3161
Timberland	228	418	19	26	149	5	620
Villages of Woodland Springs	189	3111	28	49	734	107	4043
Valley Brook Estates	114	98	23	19	416	0	561
TOTALS	767	6,043	106	165	1,586	453	8,385

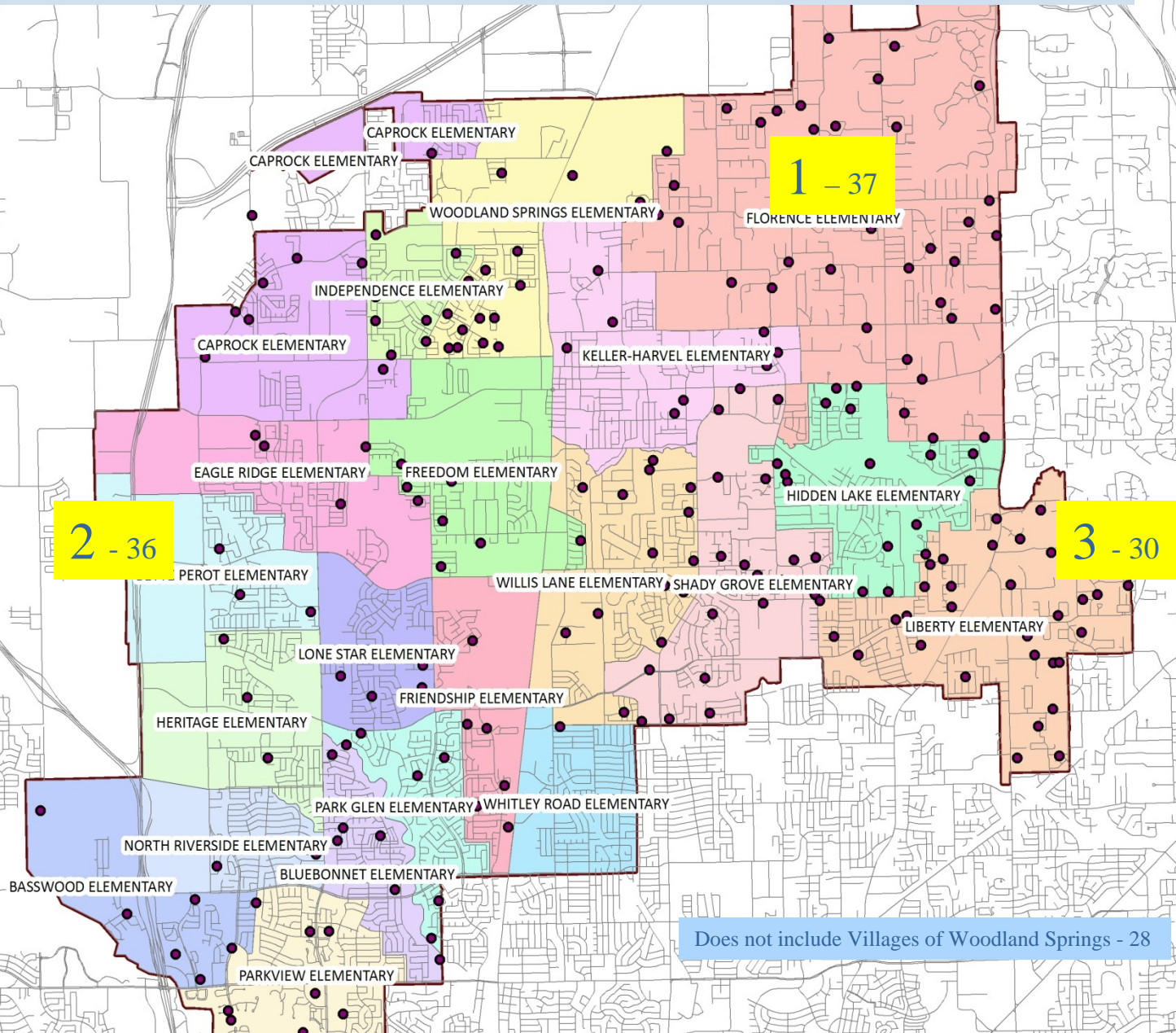
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Top “Future” Subdivisions

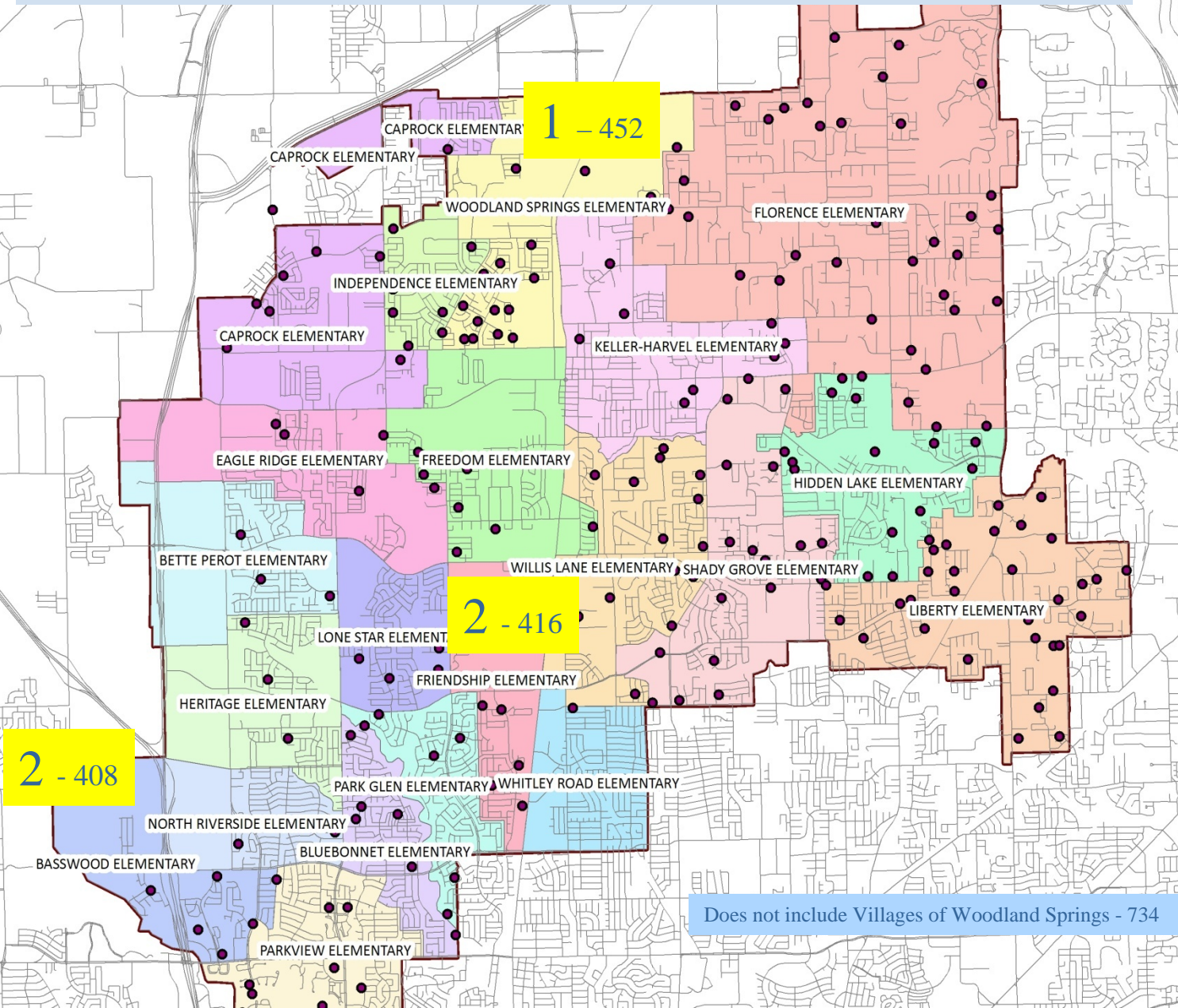
Subdivisions	Annual Starts	Annual Closings	Occupied Lots	Finished Vacant	Under Construction	Vacant Developed Lots	Future Lots	Totals
Rancho Santa Fe	0	0	0	0	0	0	1,707	1,707
Marshall Ridge	31	4	4	1	25	227	647	905
Heritage (Ft. Worth)	236	290	2,416	36	71	287	341	3,161
Valley Ridge	5	0	0	1	2	133	114	252
Villages of Woodland Springs	189	231	3,111	28	49	734	107	4,043
Santa Fe Enclave	24	43	82	2	5	106	101	298
TOTALS	485	568	5,613	68	152	1,487	3,017	10,366

- 75% Of the future inventory is represented in the 6 subdivisions above.
- However the VDL inventory is actually exceeds Futures

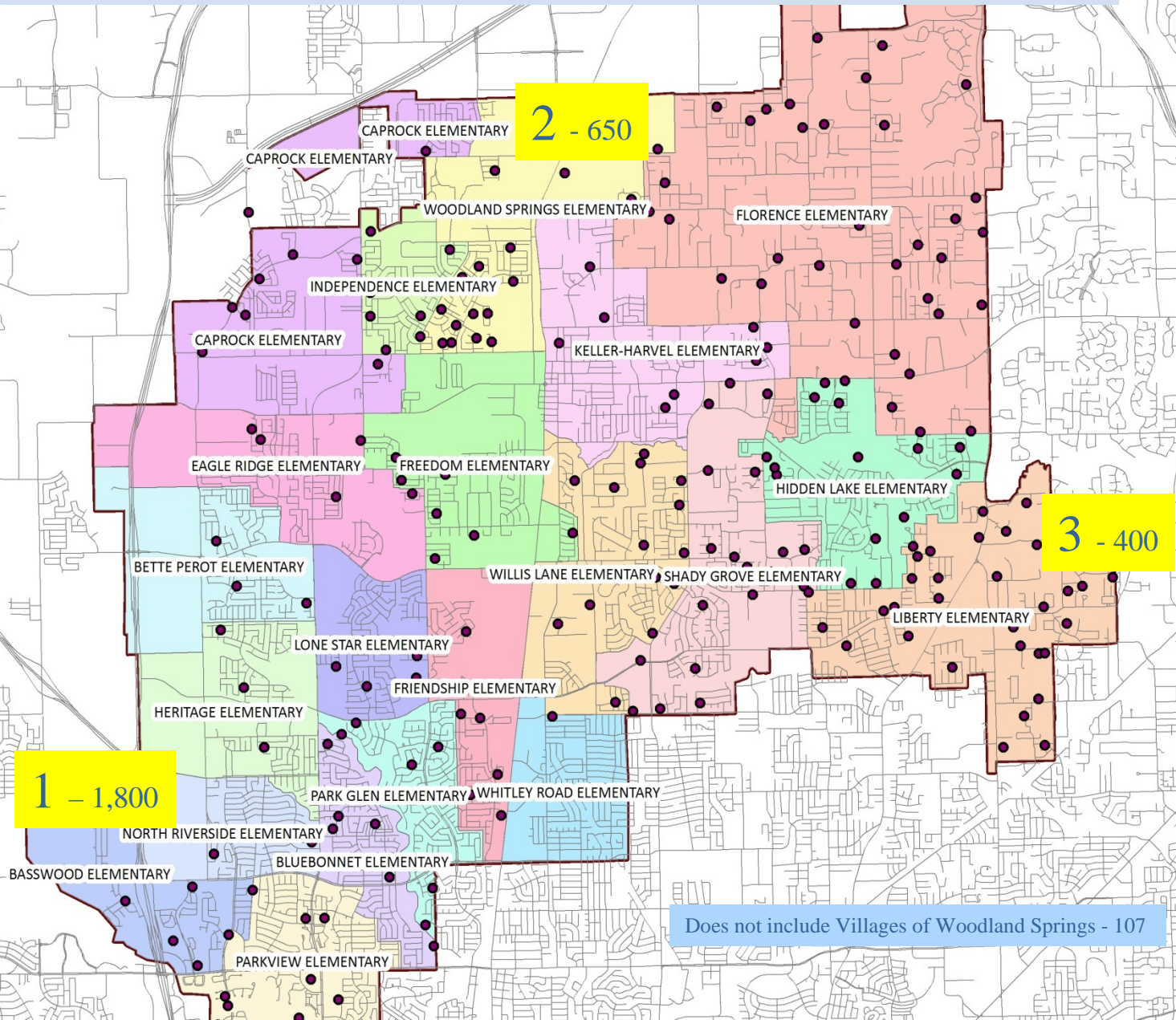
Finished Vacant Homes by Elementary Attendance Zone



Vacant Developed Lots by Elementary Attendance Zone



Future Housing Data by Elementary Attendance Zone



DFW School Districts
Ranked by Annual Starts as of 2008

	2Q07	1Q08	2Q08
KISD Rank:	3	4	5
Annual Starts:	2,321	1,569	1,467

Rank	School District	Annual Starts	Vacant		Total VDL & Future Lots
			Developed Lots (VDL)	Future Lots	
1	Frisco ISD	2,314	7,228	8,720	15,948
2	Dallas ISD	2,094	3,357	7,111	10,468
3	Northwest ISD	1,765	4,585	22,139	26,724
4	Denton ISD	1,488	4,616	12,504	17,120
5	Keller ISD	1,467	4,140	3,838	7,978
6	Mansfield ISD	1,140	3,211	6,662	9,873
7	Eagle Mt-Saginaw ISD	1,054	4,248	21,967	26,215
8	Allen ISD	870	2,037	1,867	3,904
9	Lewisville ISD	840	2,899	2,867	5,766
10	Wylie ISD	786	2,022	2,012	4,034
11	Burleson ISD	615	1,489	4,261	5,750
12	Fort Worth ISD	559	2,401	5,242	7,643
13	Mckinney ISD	547	2,598	3,928	6,526
14	Plano ISD	534	1,445	1,405	2,850
15	Crowley ISD	497	3,816	8,719	12,535
16	Prosper ISD	470	2,324	12,448	14,772
17	Little Elm ISD	463	1,813	5,024	6,837
18	Grand Prairie ISD	423	412	878	1,290
19	Rockwall ISD	402	2,974	6,226	9,200
20	Garland ISD	379	1,359	3,089	4,448
21	Forney ISD	375	2,819	10,552	13,371
22	Arlington ISD	373	1,038	842	1,880
23	Royse City ISD	351	1,847	4,784	6,631
24	Weatherford ISD	325	1,188	1,031	2,219
25	Crandall ISD	320	560	552	1,112
26	Waxahachie ISD	302	1,698	8,735	10,433
27	Carrollton-Farmers Branch ISD	292	657	1,073	1,730
28	Midlothian ISD	263	1,279	10,850	12,129
29	Irving ISD	229	358	676	1,034
30	Hurst-Euless-Bedford ISD	221	431	3,473	3,904
31	Coppell ISD	220	236	336	572
32	Lancaster ISD	218	1,287	3,223	4,510
33	Duncanville ISD	209	1,196	893	2,089
34	Argyle ISD	208	889	3,474	4,363
35	Aledo ISD	193	897	12,614	13,511
36	Azle ISD	190	1,047	567	1,614
37	White Settlement ISD	188	923	3,591	4,514
38	Grapevine-Colleyville ISD	186	565	282	847
39	Desoto ISD	183	1,551	2,740	4,291
40	Birdville ISD	177	619	602	1,221
41	Mesquite ISD	158	654	4,816	5,470
42	Cedar Hill ISD	153	1,776	836	2,612
43	Red Oak ISD	133	674	2,916	3,590
44	Carroll ISD	132	299	235	534
45	Melissa ISD	129	783	5,289	6,072
46	Sunnyvale ISD	106	257	1,017	1,274
47	Lake Dallas ISD	95	169	44	213
48	Community ISD	93	507	1,210	1,717
49	Anna ISD	92	958	3,917	4,875
50	Joshua ISD	88	442	1,241	1,683

Keller ISD 2Q08 Summary

- **KISD housing feeling the impact of the national housing slow down with starts down 14% from 2Q07.**
- **Finished Vacant Inventory has dropped again this quarter and now stands at 310 homes, and little over 4.6 months supply**
- **405 Homes are currently under construction.**
- **New Home Forecast for 2008 likely less than 1250 homes**
- **Enrollment forecast for 2008 slowing to 30,847 (5%) growth.**
- **Presidential election likely to bring spirit of optimism ushering economic recovery beginning late spring/summer of 2009.**