



Poppies Pipeline

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"Poppies Pipeline" provides up to date status on our current and proposed new development projects and opportunities.

Only those investors who have prepared by asking questions, completing their due diligence and getting pre-approved for construction loans can be considered active players in the Maricopa County new development market. For the serious investor, it is imperative that capital stands ready for immediate commitment.

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Beating the Budget

A February 20 – 23 onsite evaluation of our affordable housing projects in Phoenix confirmed a continuing hot market trend as a nearby identical project is currently under contract at a price well above our budgeted sales projection.

Under Construction:

1110 W. Hadley, Phoenix

Description: Designed to meet the city's affordable housing guidelines, this standard model Single Family Residence is under development on an in-fill lot in south central Phoenix. Upon completion, the home will be approximately 1376 square feet with three bedrooms and two baths.

Status: Construction on this lot was to begin on January 5th; however, due to the persistent rains, foundational work was delayed to early February. Continuing rains in the area have slowed progress with stem wall and concrete now in place. Weather permitting; framing should begin by March 1st with completion estimated in mid-May.

Budget Projection: The in-fill lot for this project cost \$17,500 with projected direct construction costs of \$83,869 (including water tap, permits, survey and other required infrastructure). Pre-construction valuation projection for the completed property was \$125,000. After payment of all associated indirect costs (sales commission, escrow, title, loan fees, carrying costs, etc.), pre-tax profit was projected at \$14,600. Due to the hot market increase in property values, this same model home within two blocks of the subject property is now in escrow at a sales price of \$141,000. Therefore, Poppies Corp is now projecting a final sales price of \$140,000 resulting in a pre-tax profit in excess of \$28,500.



1748 E. Wood, Phoenix

Description: Almost identical to the home described above, this standard model Single Family Residence is under development on an in-fill lot just south of Sky Harbor Airport. This home also will be approximately 1376 square feet with three bedrooms and two baths.

Status: Construction on this lot was to begin on January 5th; however, due to the persistent rains, foundational work was delayed to early February. Continuing rains in the area have slowed progress with stem wall and concrete now in place. Weather permitting; framing should begin by March 1st with completion estimated in mid-May.

Budget Projection: The in-fill lot for this project cost \$20,000 with direct construction costs of \$77,506 (including water tap, permits, survey and other required infrastructure). Pre-construction valuation projection for the completed property was \$125,000. After payment of all associated indirect costs (sales commission, escrow, title, loan fees, carrying costs, etc.), pre-tax profit was

projected at \$18,500. Due to the hot market increase in property values,

Poppies Corp is now projecting a final sales price of \$135,000 resulting in a pre-tax profit in excess of \$27,000.

1117 W. Hadley, Phoenix

Description: This in-fill lot, almost directly across the street from 1110 W. Hadley, is the site of a duplex due to its larger size.

Status: Not available. Please contact [Poppies Corp](#) if you desire additional information about this project.

In-fill Update

High demand makes finding “affordable land for affordable housing” a strategy of Market Catch Up.

Market Analysis:

Status: Two and a half years ago, when Poppies Corp first started pursuing development projects in the area, an in-fill lot for an affordable single family home south of downtown Phoenix could be acquired for a price of \$8,000 to \$11,000. The two lots currently under construction by Poppies Corp were acquired in 2004 at a price of \$17,500 and \$20,000 respectively. While there are relatively inexpensive in-fill lots on the market today, our due diligence research reveals significant obstacles to immediate development of the lots that would probably result in extremely high, additional infrastructure costs. For a lot ready to build on, the current market is almost \$30,000. In the affordable housing market, the retail value of completed new homes has lagged behind the appreciation we’ve seen in land costs; making the new purchase of in-fill lots somewhat dependent upon retail values catching up. While tremendous land appreciation values is apparent throughout Maricopa County, the smaller differential in affordable housing retail value increases and raw land costs and the lag in appreciation of the completed home is making this market more difficult in which to successfully compete.

Projection: While the profitability of the current projects is well in excess of the original projections, Poppies Corp has been unable to find new in-fill lots that we can safely acquire and promise the financial returns promised in a short time frame (9 months or less). We continue to look and write offers, but more aggressive investors have been paying higher prices which results in some land banking being required in order to achieve the desired profitability. Because the demand for affordable housing is higher than ever, Poppies Corp is currently seeking larger parcels in the same area on which townhome-style condominiums could be constructed. For investors interested in this type of project, please contact [Mark Frauman](#).

The Expanding Market

In some new markets in west and northwest Maricopa County, developing tracts have tripled land values in less than two years.

Market Analysis:

Status: In 2003, Poppies Corp visited a proposed new development in the middle of a vast agricultural area near Luke Air Force Base. The developer of Russell Ranch had prepared ready-to-build home lots of approximately 1/3rd of an acre each and was selling them for about \$60,000. We passed on this deal as we felt it was too early to pay prices that high in an area so far from completed communities. Today, identical next door lots in the same Phase are selling for \$175,000 and up. Completed homes are selling for prices ranging from \$500,000 to just over \$700,000. Every lot, including those in subsequent Phases is already sold. A spec home built on these lots will typically be placed on the market once the drywall is installed and is under contract to be sold prior to receiving the Certificate of Occupancy.



Projection: Buildable land at reasonable prices can still be acquired in the Expanding Markets of west and northwest Maricopa County. However, when it becomes available (usually prior to listing with a real estate agent), a buyer must be prepared to move quickly and be flexible in order to meet the seller’s requirements. Poppies Corp is actively seeking projects in areas where the large developers (KB, William Lyon, etc) have planned major new developments. A typical Poppies Corp project in these areas will consist of a 5

to 10 acre parcel that can be easily divided to build 4 to 9 homes – probably in the range of \$280,000 to \$400,000 each.
