

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-3
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

MONTEREY HOMES CORPORATION
(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction
of incorporation or organization)

86-0611231
(I.R.S. Employer
Identification Number)

1531

(Primary Standard Industrial
Classification Code Number)

6613 North Scottsdale Road, Suite 200
Scottsdale, Arizona 85250
(602) 998-8700
(Address, including zip code, and telephone number,
including area code, of registrant's principal executive offices)

Larry W. Seay
Vice President-Finance and Chief Financial Officer
Monterey Homes Corporation
6613 North Scottsdale Road, Suite 200
Scottsdale, Arizona 85250
(602) 998-8700
(Name, address, including zip code, and telephone
number, including area code, of agent for service)

Copies to:

Steven D. Pidgeon
Snell & Wilmer L.L.P.
One Arizona Center
400 E. Van Buren
Phoenix, Arizona 85004-0001
(602) 382-6000

Approximate date of commencement of proposed sale to public: From time to time
after this Registration Statement becomes effective.

If the only securities being registered on the Form are being offered pursuant
to dividend or interest reinvestment plans, please check the following box []

If any of the securities being registered on this Form are to be offered on a
delayed or continuous basis pursuant to Rule 415 under the Securities Act of
1933 check the following box: [X]

If this Form is filed to register additional securities for an offering pursuant
to Rule 462(b) under the Securities Act, please check the following box and list
the Securities Act registration statement number of the earlier effective
registration statement for the same offering: []

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under
the Securities Act, check the following box and list the Securities Act
registration statement number of the earlier effective registration statement
for the same offering: []

If delivery of the Prospectus is expected to be made pursuant to Rule 434,
please check the following box: []

CALCULATION OF REGISTRATION FEE

<TABLE>
<CAPTION>

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED(1)	PROPOSED MAXIMUM OFFERING PRICE PER SHARE	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE	AMOUNT OF REGISTRATION FEE
<S> Common Stock	<C> 2,009,661	<C> \$17.625 (2)	<C> \$35,420,275 (2)	<C> \$10,448.98
Common Stock Issuable Upon Exercise of Options	500,001	\$5.25 (3)	\$2,625,005 (3)	\$774.38
Total	2,509,662		38,045,280	\$11,223.36

</TABLE>

- (1) In the event of any stock split, stock dividend, or similar transaction involving the Company's Common Stock, in order to prevent dilution, the number of shares registered shall be automatically increased to cover the additional shares in accordance with Rule 416 (a) under the Securities Act.
- (2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c), based on the last reported sale price of the Common Stock on July 7, 1998, as reported on the New York Stock Exchange.
- (3) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(g), based on the price at which the Options may be exercised as of July 7, 1998.

THE COMPANY HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE COMPANY SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION ACTING PURSUANT TO SAID SECTION 8(A) MAY DETERMINE.

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SUBJECT TO COMPLETION, DATED JULY 9, 1998

PROSPECTUS

2,509,662 SHARES

MONTEREY HOMES CORPORATION

COMMON STOCK

This Prospectus relates to the offer and sale by William W. Cleverly, Steven J. Hilton and John R. Landon (the "Selling Stockholders") of an aggregate of 2,509,662 shares of Common Stock, \$0.01 par value per share (the "Common Stock"), of Monterey Homes Corporation, a Maryland corporation (the "Company"). The Company will not receive any portion of the proceeds from the sale of the Common Stock offered hereby. The Selling Stockholders may elect to sell all, a portion, or none of the shares of Common Stock registered hereby. The Common Stock being registered under the Registration Statement of which this Prospectus is a part may be offered for sale from time to time by or for the account of such Selling Stockholders in the open market, on the New York Stock Exchange in privately negotiated transactions, in an underwritten offering, or a combination of such methods, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. The Common Stock is intended to be sold through one or more broker-dealers or directly to purchasers. Such broker-dealers may receive compensation in the form of commissions, discounts or concessions from the Selling Stockholders and/or purchasers of the Common Stock for whom such broker-dealers may act as agent, or to whom they may sell as principal, or both (which compensation as to a particular broker-dealer may be in excess of customary concessions). The Selling Stockholders and any broker-dealers who act in connection with the sale of the Common Stock hereunder may be deemed to be "underwriters" within the meaning of the Securities Act, and any commissions received by them and proceeds of any resale of the Common Stock may be deemed to be underwriting discounts and commissions under the Securities Act. See "Selling Stockholders" and "Plan of Distribution." All expenses of registration incurred in connection with this Offering are being borne by the Company, but the Selling Stockholders will pay any brokerage and other expenses of sale incurred by them. See "Plan of Distribution."

The Company's Common Stock is traded on the New York Stock Exchange under the symbol "MTH." On July 7, 1998, the closing sale price for the Common Stock, as reported by NYSE, was \$17.625 per share.

SEE "RISK FACTORS" ON PAGE 5 FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE

CONSIDERED BY PROSPECTIVE PURCHASERS OF THE COMMON STOCK OFFERED HEREBY.

EACH SELLING STOCKHOLDER AND ANY BROKER EXECUTING SELLING ORDERS ON BEHALF OF THE SELLING STOCKHOLDERS MAY BE DEEMED TO BE AN "UNDERWRITER" WITHIN THE MEANING OF THE SECURITIES ACT. COMMISSIONS RECEIVED BY ANY SUCH BROKER MAY BE DEEMED TO BE UNDERWRITING COMMISSIONS UNDER THE SECURITIES ACT.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

THE DATE OF THIS PROSPECTUS IS JULY __, 1998

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AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and, in accordance therewith, files reports, proxy statements, and other information with the Securities and Exchange Commission (the "Commission"). The reports, proxy statements, and other information filed by the Company with the Commission may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at its regional offices located at 7 World Trade Center, 13th Floor, New York, New York 10048, and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material may be obtained from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. The Commission maintains a World Wide Web site on the Internet (<http://www.sec.gov>) that contains reports, proxy and information statements, and other information regarding registrants, such as the Company, that file electronically with the Commission. In addition, the Company's Common Stock is traded on the New York Stock Exchange. Reports, proxy statements, and other information filed by the Company are also available for inspection at the offices of the New York Stock Exchange at 20 Broad Street, 17th Floor, New York, New York 10005.

This Prospectus constitutes a part of a registration statement on Form S-3 (the "Registration Statement") that the Company has filed with the Commission under the Securities Act of 1933, as amended (the "Securities Act"). As permitted by the rules and regulations of the Commission, this Prospectus omits certain information contained in the Registration Statement and the exhibits thereto and reference is hereby made to the Registration Statement and related exhibits for further information with respect to the Company and the Common Stock offered hereby. Statements contained in this Prospectus as to the provisions of any document filed as an exhibit to the Registration Statement or otherwise filed with the Commission are not necessarily complete and, in each instance, reference is made to the copy of such document as so filed. Each such statement is qualified in its entirety by such reference.

No person is authorized to give any information or make any representation other than those contained or incorporated by reference in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorized. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof.

INFORMATION INCORPORATED BY REFERENCE

The following documents have been filed by the Company with the Commission and are hereby incorporated by reference in this Prospectus: (i) the Annual Report of the Company on Form 10-K for the fiscal year ended December 31, 1997, (ii) the Quarterly Report of the Company on Form 10-Q for the quarterly period ended March 31, 1998, and (iii) the description of Monterey Homes' capital stock contained in the Form 8-A of Emerald Mortgage Investments Corporation (a predecessor of Monterey Homes) filed on July 7, 1988. All other documents and reports filed by the Company with the Commission pursuant to Sections 13, 14, or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the termination of this offering shall be deemed to be incorporated by reference in this Prospectus and to be made a part hereof from their respective dates of filing. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to

be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document that is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The Company will cause to be furnished, without charge to each person, including any beneficial owner, to whom this Prospectus is delivered, upon the written or oral request of such person, a copy of any and all documents incorporated herein by reference (not including the exhibits to such documents, unless such exhibits are specifically incorporated by reference in the document which this Prospectus incorporates). Requests should be directed to Chief Financial Officer, Monterey Homes Corporation, 6613 North Scottsdale Road, Suite 200, Phoenix, Arizona 85250; telephone: (602) 998-8700.

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RISK FACTORS

In addition to the other information contained in this Prospectus, prospective investors should carefully consider the factors discussed below in evaluating the Company and its business before purchasing any of the shares of Common Stock offered hereby. This Prospectus contains forward-looking statements which involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth in the following risk factors and elsewhere in this Prospectus. See "Disclosure Regarding Forward-Looking Statements."

Homebuilding Industry Factors. The homebuilding industry is cyclical and is significantly affected by changes in national and local economic and other conditions, such as employment levels, availability of financing, interest rates, consumer confidence and housing demand. Although the Company believes that certain of its customers (particularly purchasers of luxury homes) are somewhat less price sensitive than generally is the case for other homebuilders, such uncertainties could adversely affect the Company's performance. In addition, homebuilders are subject to various risks, many of which are outside the control of the homebuilders, including delays in construction schedules, cost overruns, changes in government regulations, increases in real estate taxes and other local government fees, and availability and cost of land, materials, and labor. Although the principal raw materials used in the homebuilding industry generally are available from a variety of sources, such materials are subject to periodic price fluctuations. There can be no assurance that the occurrence of any of the foregoing will not have a material adverse effect on the Company.

Customer demand for new housing also impacts the homebuilding industry. Real estate analysts predict that in 1998 new home sales in the Phoenix metropolitan area may slow and that sales in the Tucson metropolitan area may remain relatively flat. Any such slowing in new home sales would have a material adverse effect on the Company's business and operating results. In general, home sales in the Texas market are expected to show moderate growth or remain relatively flat.

The homebuilding industry is subject to the potential for significant variability and fluctuations in real estate values, as evidenced by the changes in real estate values in recent years in Arizona, Texas and Northern California. Although the Company believes that its projects are currently reflected on its balance sheet at appropriate values, no assurance can be given that write-downs of some or all of the Company's projects will not occur if market conditions deteriorate, or that such write-downs will not be material in amount.

Fluctuations in Operating Results. Monterey historically has experienced, and in the future, the Company expects to continue to experience, variability in home sales and net earnings on a quarterly basis. Factors expected to contribute to this variability include, among others, (i) the timing of home closings and land sales, (ii) the Company's ability to continue to acquire additional land or options to acquire additional land on acceptable terms, (iii) the condition of the real estate market and the general economy in Arizona, Texas and Northern California, and in other areas into which the Company may expand its operations, (iv) the cyclical nature of the homebuilding industry and changes in prevailing interest rates and the availability of mortgage financing, (v) costs or shortages of materials and labor, and (vi) delays in construction schedules due to strikes, adverse weather conditions, acts of God, the availability of subcontractors or governmental restrictions. As a result of such variability, the Company's historical performance may not be a meaningful indicator of future results.

Interest Rates and Mortgage Financing. The Company believes that certain of its move-up and luxury home customers have been somewhat less sensitive to interest rate fluctuation than many home buyers. However, many purchasers of the Company's homes finance their acquisition through third-party lenders providing mortgage financing. In general, housing demand is adversely affected by increases in interest rates and housing costs, and the unavailability of mortgage financing. If mortgage interest rates increase and the ability of prospective buyers to finance home purchases is consequently adversely affected, the Company's home sales, gross margins and net income may

be adversely impacted and such adverse impact may be material. In any event, the Company's homebuilding activities are dependent upon the availability and costs of mortgage financing for buyers of homes owned by potential customers so those customers ("move-up buyers") can sell their homes and purchase a home from the Company. Any limitations or restrictions on the availability of such financing could adversely affect the Company's home sales. Furthermore, changes in federal income tax laws may affect demand for new homes. From time to time, proposals have been publicly discussed to limit mortgage interest deductions and to eliminate or limit tax-free rollover treatment provided under current law where the proceeds of the sale of a principal residence are reinvested in a new principal residence. Enactment of such proposals may have an adverse effect on the homebuilding industry in general, and on demand for the Company's products in particular. No prediction can be made whether any such proposals will be enacted and, if

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enacted, the particular form such laws would take.

Competition. The single-family residential housing industry is highly competitive and fragmented. Homebuilders compete for desirable properties, financing, raw materials, and skilled labor. The Company competes for residential home sales with other developers and individual resales of existing homes. Competitors include large homebuilding companies, some of which have greater financial resources than the Company, and smaller homebuilders, who may have lower costs than the Company. Competition is expected to continue and become more intense, and there may be new entrants in the markets in which the Company currently operates and in markets it may enter in the future.

Lack of Geographic Diversification. The Company's operations are presently localized in the Phoenix and Tucson, Arizona and Dallas/Ft. Worth, Austin and Houston, Texas metropolitan areas and in Northern California. In addition, the Company currently operates in two primary market segments in Arizona: the semi-custom, luxury market and move-up buyer market; and in two primary market segments in Texas: the move-up buyer market and the entry-level home market. Failure to be more geographically or economically diversified by product line could have a material adverse impact on the Company if the homebuilding market in Arizona, Texas or Northern California should decline, because there may not be a balancing opportunity in a healthier market in other geographic regions.

Additional Financing; Limitations. The homebuilding industry is capital intensive and requires significant up-front expenditures to acquire land and begin development. Accordingly, the Company incurs substantial indebtedness to finance its homebuilding activities. At March 31, 1998, the Company's notes payable totaled approximately \$30.3 million. The Company may be required to seek additional capital in the form of equity or debt financing from a variety of potential sources, including bank financing and securities offerings. In addition, lenders are increasingly requiring developers to invest significant amounts of equity in a project both in connection with origination of new loans as well as the extension of existing loans. If the Company is not successful in obtaining sufficient capital to fund its planned capital or other expenditures, new projects planned or begun may be delayed or abandoned. Any such delay or abandonment could result in a reduction in home sales and may adversely affect the Company's operating results. There can be no assurance that additional debt or equity financing will be available in the future or on terms acceptable to the Company.

In addition, the amount and types of indebtedness that the Company can incur is limited by the terms and conditions of its current indebtedness. The Company must comply with numerous operating and financial maintenance covenants and there can be no assurance that the Company will be able to maintain compliance with such financial and other covenants. Failure to comply with such covenants would result in a default and resulting cross defaults under the Company's other indebtedness, and could result in acceleration of all such indebtedness. Any such acceleration would have a material adverse affect on the Company.

Government Regulations; Environmental Conditions. The Company is subject to local, state, and federal statutes and rules regulating certain developmental matters, as well as building and site design. In addition, the Company is subject to various fees and charges of governmental authorities designed to defray the cost of providing certain governmental services and improvements. The Company may be subject to additional costs and delays or may be precluded entirely from building projects because of "no growth" or "slow growth" initiatives, building permit ordinances, building moratoriums, or similar government regulations that could be imposed in the future due to health, safety, welfare, or environmental concerns. The Company must also obtain licenses, permits, and approvals from government agencies to engage in certain of its activities, the granting or receipt of which are beyond the Company's control.

The Company and its competitors are also subject to a variety of local, state, and federal statutes, ordinances, rules and regulations concerning the protection of health and the environment. Environmental laws or permit restrictions may result in project delays, may cause substantial compliance and other costs, and may prohibit or severely restrict development in certain

environmentally sensitive regions or areas. Environmental regulations can also have an adverse impact on the availability and price of certain raw materials such as lumber.

Recent Expansion and Future Expansion. In 1997, the Company made a significant expansion into the Texas market and recently completed an acquisition pursuant to which it will begin operations in the Northern California market. The Company may continue to consider growth in other areas of the country. The magnitude, timing and nature of any future acquisitions will depend on a number of factors, including suitable acquisition candidates, the negotiation of acceptable terms, the Company's financial capabilities, and general economic and business conditions. Acquisitions by the Company may result in the incurrence of additional debt and/or amortization of expenses related to goodwill and intangible assets that could adversely affect the Company's profitability. Acquisitions could also result in potentially

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dilutive issuances of the Company's equity securities. In addition, acquisitions involve numerous risks, including difficulties in the assimilation of operations of the acquired company, the diversion of management's attention from other business concerns, risks of entering markets in which the Company has had no or only limited direct experience and the potential loss of key employees of the acquired company. There can be no assurance that the Company will be able to expand into new markets on a profitable basis or that it can successfully manage its expansion into Texas, Northern California or any additional markets.

Dependence on Key Personnel. The Company's success is largely dependent on the continuing services of certain key persons, including William W. Cleverly, Steven J. Hilton and John R. Landon, and the ability of the Company to attract new personnel required to continue the development of the Company. The Company has entered into employment agreements with each of Messrs. Cleverly, Hilton and Landon. A loss by the Company of the services of Messrs. Cleverly, Hilton or Landon, or certain other key personnel, could have a material adverse affect on the Company.

Dependence on Subcontractors. The Company conducts its business only as a general contractor in connection with the design, development and construction of its communities. Virtually all architectural and construction work is performed by subcontractors of the Company. As a consequence, the Company is dependent upon the continued availability and satisfactory performance by unaffiliated third-party subcontractors in designing and building its homes. There is no assurance that there will be sufficient availability and satisfactory performance by unaffiliated third-party subcontractors in designing and building its homes, and such a lack could have a material adverse affect on the Company.

NOL Carryforward. The ability of the Company to use its net operating loss carryforward (the "NOL Carryforward") to offset future taxable income would be substantially limited under Section 382 of the Code if an "ownership change", within the meaning of Section 382 of the Code, has occurred or occurs with respect to the Company before expiration of the NOL Carryforward. The Company believes that (i) there was not an "ownership change" of the Company prior to the effective date of the Merger (defined below), (ii) the Merger did not cause an "ownership change", and (iii) the Legacy Combination (defined below) did not cause an "ownership change".

Pursuant to Section 384 of the Code, the Company may not be permitted to use the NOL Carryforward to offset taxable income resulting from sales of assets owned by the Monterey Entities (defined below) at the time of the Merger (or to offset taxable income resulting from sales of certain assets acquired in the Legacy Combination) to the extent that the fair market value of such assets at the time of the Merger (or at the time of the Legacy Combination) exceeded their tax basis as of the relevant date.

There is no assurance that the Company will have sufficient earnings in the future to fully utilize the NOL Carryforward.

Disclosure Regarding Forward-Looking Statements. Certain statements contained in this Prospectus, including all documents incorporated herein by reference, may be forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995. These forward-looking statements may include projections of revenue and net income and issues that may affect revenue or net income; projections of capital expenditures; plans for future operations; financing needs or plans; plans relating to the Company's products and services; and assumptions relating to the foregoing. In particular, there can be no assurance that the Company will be able to maintain listing of its Common Stock and on the New York Stock Exchange. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. Future events and actual results could differ materially from those set forth in, contemplated by, or underlying the forward-looking statements. Statements in this Prospectus, including those set forth above, describe factors, among others, that could contribute to or cause such differences.

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USE OF PROCEEDS

The Selling Stockholders will receive all of the proceeds and the

Company will not receive any of the proceeds from the sale of the Common Stock offered hereby.

SELLING STOCKHOLDERS

The Company was originally formed under the name Homeplex Mortgage Investments Corporation to operate as a REIT, investing in mortgage-related assets and selected real estate loans. On December 31, 1996, Homeplex Mortgage Investments Corporation merged with Monterey Homes Arizona II, Inc. and Monterey Homes Construction II, Inc. (collectively, the "Monterey Entities") (the "Merger"). As a result of the Merger, the Company's status as a REIT was terminated and its prior operations essentially discontinued, the Company's name was changed to Monterey Homes Corporation, and its NYSE ticker symbol was changed to MTH. As part of the Merger consideration, William W. Cleverly and Steven J. Hilton (the "Monterey Stockholders") received 1,288,726 shares of Company Common Stock (the "Exchange Shares"), of which 212,398 shares have been registered pursuant to the Securities Act and reserved for issuance pursuant to the exercise of the Company's outstanding warrants. Currently, Mr. Cleverly and Mr. Hilton each beneficially own 538,164 reserved but not yet registered Exchange Shares.

In addition to the Exchange Shares, the Company reserved for the Monterey Stockholders 266,666 shares of common stock, issuable subject to the achievement of certain stock price thresholds (the "Contingent Stock"), of which 43,946 shares have been reserved but not yet registered, pending the exercise of the Company's outstanding warrants. As of September 5, 1997, all price thresholds had been achieved, and on January 1, 1998, 44,942 shares of the Contingent Stock were issued to the Monterey Stockholders. On January 1, 1999 or as soon thereafter as practicable 88,888 shares of Contingent Stock will be issued to the Monterey Stockholders and on January 1, 2000 or as soon thereafter as practicable, 88,890 shares of Contingent Stock will be issued to the Monterey Stockholders, but in each case only if the Monterey Stockholders remain employed with the Company at such times.

In connection with the Merger, the Company entered into separate employment agreements and stock option agreements (the "Stock Option Agreements") with the Monterey Stockholders. The Stock Option Agreements provide for the grant to each Monterey Stockholder of options to purchase an aggregate of 166,667 shares of Common Stock per Monterey Stockholder at an exercise price of \$5.25 per share (the "Employment Options"). The Employment Options vest annually over a three year period which began December 31, 1997.

On December 31, 1996, the Company entered into registration rights agreements with each of the Monterey Stockholders with respect to the Exchange Shares, the Contingent Stock and the Employment Options (the "Registration Rights Agreements"), pursuant to which, subject to certain conditions and limitations, the Monterey Stockholders may, at any time after December 31, 1997, require the Company to register such shares under the Securities Act for resale by the Monterey Stockholders. This Prospectus is a part of the Registration Statement filed by the Company in order to satisfy this requirement.

On July 1, 1997, the Company combined with Legacy Homes, Ltd., Legacy Enterprises, Inc. and Texas Home Mortgage Corporation (collectively "Legacy"), a Texas-based homebuilder with related mortgage brokerage operations (the "Legacy Combination"). In connection with the Legacy Combination, the Company issued 666,667 shares of Common Stock (the "Landon Shares") to John and Eleanor Landon and/or entities controlled by John and Eleanor Landon (the "Landons"). In addition, the Company entered into an employment agreement and related stock option agreement with John Landon (the "Landon Option Agreement"). The Landon Option Agreement grants John Landon the option to purchase 166,667 shares of Common Stock at an exercise price of \$5.25 per share (the "Option Shares"). The Landon Options are exercisable annually over a three year period beginning July 1, 1998. In connection with the Legacy Combination, the Company entered into a registration rights agreement with the Landons pursuant to which the Landons, subject to certain conditions and limitations, may at any time after December 31, 1997, require the Company to register the Landon Shares and the Option Shares under the Securities Act for resale by the Landons. This Prospectus is a part of the Registration Statement filed by the Company in order to satisfy this requirement.

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The following table provides certain information with respect to the Common Stock owned or under option by the Selling Stockholders or which the Selling Stockholders have the right to own as of July 7, 1998.

<TABLE>
<CAPTION>

Percentage of Stock	No. of Shares of Common		Percentage of		No. of Shares of
	Stock Owned	Common Stock	No. of Shares	Common Stock	Common
	Prior to the	Owned Prior to	of Common	Owned After the	Owned

After Selling Stockholder Offering(2)	Offering	the Offering(1)	Stock Offered	Offering(2)	the
<S>	<C>	<C>	<C>	<C>	
<C>					
William W. Cleverly 1.7%	930,073	17.3%	838,164	91,909	
Steven J. Hilton 1.7%	926,740	17.3%	838,164	88,576	
John Landon and Eleanor Landon 0.0%	833,334	15.5%	833,334	0	

(1) Includes all shares of Common Stock beneficially owned by the Selling Stockholders as a percentage of the 5,370,238 shares of Common Stock outstanding at July 7, 1998. The figures above also include the Employment Options and the Option Shares.

(2) Assumes that Selling Stockholders dispose of all the shares of Common Stock covered by this Prospectus and do not acquire any additional shares of Common Stock.

PLAN OF DISTRIBUTION

This Prospectus relates to the sale of 2,509,662 shares of Common Stock by the Selling Stockholders. The Selling Stockholders may from time to time effect sales of Common Stock in ordinary broker's transactions on the New York Stock Exchange, at the price prevailing at the time of such sales, at prices relating to such prevailing market prices, or at negotiated prices. In connection with distributions of the Common Stock or otherwise, the Selling Stockholders may enter into hedging transactions with broker-dealers. In connection with such transactions, banks or broker-dealers may engage in short sales of the Common Stock in the course of hedging the positions they assume with the Selling Stockholders. The Selling Stockholders may also sell Common Stock short and redeliver the Common Stock to close out such positions. The Selling Stockholders may also enter into option or other transactions with banks or broker-dealers which require the delivery to the bank or broker-dealer of the Common Stock registered hereunder, which the bank or broker-dealer may resell or otherwise transfer pursuant to this Prospectus. The Selling Stockholders may also lend or pledge the Common Stock to a bank or broker-dealer and the bank or broker-dealer may sell the Common Stock so loaned, or upon a default, the bank or broker-dealer may effect sales of the pledged Common Stock pursuant to this Prospectus. It is anticipated that any broker-dealers participating in such sales of securities will receive the usual and customary selling commissions. The Selling Stockholders and any dealers or agents participating in the distribution of the shares may be deemed to be "underwriters" as defined in the Securities Act and any profit on the sale of the share by them and any discounts, commissions or concessions received by any such dealers or agents might be deemed to be underwriting discounts and commissions under the Securities Act. The Selling Stockholders will be subject to the applicable provisions of the Exchange Act and rules and regulations thereunder, including, without limitation, Regulation M, which provision may limit the timing of purchases and sales of any of the shares of Common Stock by the Selling Stockholders.

It is not possible at the present time to determine the price to the public in any sale of the shares by Selling Stockholders. Accordingly, the public offering price and the amount of any applicable underwriting discounts and commissions will be determined at the time of such sale by Selling Stockholders. The aggregate proceeds to the Selling Stockholders from the sale of the shares will be the purchase price of the shares sold less all applicable commissions and underwriters' discounts, if any. The Company will pay all of the expenses incident to the registration of the Common Stock offered hereby, other than commissions and selling expenses with respect to the Common Stock being sold by the Selling Stockholders.

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LEGAL MATTERS

The validity of the Common Stock offered hereby will be passed upon for the Company by Venable, Baetjer & Howard LLP, Baltimore, Maryland.

EXPERTS

The consolidated financial statements of Monterey Homes Corporation and

Subsidiaries as of December 31, 1997 and 1996, and for the years then ended have been incorporated by reference herein and in the Prospectus in reliance upon the report of KPMG Peat Marwick LLP, independent certified public accountants, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

The consolidated financial statements of Monterey Homes Corporation and Subsidiaries for the year ended December 31, 1995, have been incorporated by reference herein and in the Prospectus in reliance upon the report of Ernst & Young, LLP, independent certified public accountants, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

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No dealer, sales representative, or other person has been authorized to give any information or to make any representation not contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorized by the Company, the Selling Security Holders, or any other person. This Prospectus does not constitute an offer of any securities other than those to which it relates or an offer to sell, or a solicitation of an offer to buy, to any person in any jurisdiction where such an offer or solicitation would be unlawful. Neither the delivery of this Prospectus nor any sale made hereunder and thereunder shall, under any circumstances, create any implication that the information contained herein is correct as of anytime subsequent to the date hereof.

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2,509,662 Shares of Common Stock

MONTEREY HOMES
CORPORATION

PROSPECTUS

July ____, 1998

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The expenses payable by the Company in connection with the issuance and

distribution of the securities being registered (other than underwriting discounts and commissions), all of which are payable by the Company, are estimated to be as follows:

Registration Fee.....	\$ 11,223
Printing Fees.....	2,000
Legal Fees and Expenses.....	10,000
Accounting Fees and Expenses.....	8,000
Other Fees and Expenses.....	2,000
Total.....	\$ 33,223
	=====

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Under the provisions of the Maryland General Corporation Law, a corporation's articles may, with certain exceptions, include any provision expanding or limiting the liability of its directors and officers to the corporation or its stockholders for money damages, but may not include any provision that restricts or limits the liability of its directors or officers to the corporation or its stockholders to the extent that (i) it is proved that the person actually received an improper benefit or profit in money, property, or services for the amount of the benefit or profit in money, property, or services actually received; or (ii) a judgment or other final adjudication adverse to the person is entered in a proceeding based on a finding in the proceeding that the person's action, or failure to act, was the result of active and deliberate dishonesty and was material to the cause of action adjudicated in the proceeding. The Company's charter contains a provision limiting the personal liability of officers and directors to the Company and its stockholders to the fullest extent permitted under Maryland law.

In addition, the provisions of the Maryland General Corporation Law permit a corporation to indemnify its present and former directors and officers, among others, against liability incurred, unless it is established that (i) the act or omission of the director or officer was material to the matter giving rise to the proceeding and was committed in bad faith or was the result of active and deliberate dishonesty, or (ii) the director or officer actually received an improper personal benefit in money, property, or services, or (iii) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. The Company's charter provides that it will indemnify its directors, officers, and others so designated by the Board of Directors to the full extent allowed under Maryland law.

Insofar as indemnification for liability arising under the Securities Act may be permitted to directors, officers, or persons controlling the Company pursuant to the foregoing provisions, the Company has been informed that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENTS SCHEDULES

<TABLE>
<CAPTION>

Exhibit Number	Description	Page or Method of Filing
- - - - -	- - - - -	- - - - -
<S>	<C>	<C>
3.1	Restated Articles of Incorporation of the Company	Incorporated by reference to Exhibit 3.1 of Post-Effective Amendment No. 1 of the Form S-1 Registration Statement No 33-29737 ("S-1/A #33-29737").

</TABLE>

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<TABLE>

<S>	<C>	<C>
3.3	Amended and Restated Bylaws of the Company	Filed herewith.
4.1	Specimen of Common Stock Certificate	Incorporated by reference to Exhibit 4 to the Form 10-K for the year ended December 31, 1996.
5.1	Opinion of Venable, Baetjer & Howard, LLP	Filed herewith
10.1	Stock Option Agreement between the Company and William W. Cleverly*	Incorporated by reference to Exhibit 10.12 to the Form 10-K for the year ended December 31, 1996.
10.2	Stock Option Agreement between the Company and Steven J. Hilton*	Incorporated by reference to Exhibit 10.13 to the Form 10-K for the year ended December 31,

		1996.
10.3	Stock Option Agreement between the Company and John R. Landon*	Incorporated by reference to Exhibit C of the Form 8-K filed on June 18, 1997
10.4	Registration Rights Agreement between the Company and William W. Cleverly*	Incorporated by reference to Exhibit 10.14 to the Form 10-K for the year ended December 31, 1996.
10.5	Registration Rights Agreement between the Company and Steven J. Hilton*	Incorporated by reference to Exhibit 10.15 to the Form 10-K for the year ended December 31, 1996.
10.6	Registration Rights Agreement between the Company and John R. Landon*	Incorporated by reference to Exhibit C of the Form 8-K filed on June 18, 1997.
10.7	Escrow and Contingent Stock Agreement	Incorporated by reference to Exhibit 10.16 to the Form 10-K for the year ended December 31, 1996.
10.8	Warrant Agreement dated as of October 17, 1994 among Monterey and the Warrant Agent	Previously filed
10.9	Assumption Agreement dated as of December 31, 1996 modifying the Warrant Agreement in certain respects, and relating to the assumption of the Warrant Agreement by the Company and certain other matters	Previously filed
23.1	Consent of KPMG Peat Marwick LLP	Filed herewith
23.2	Consent of Ernst & Young LLP	Filed herewith
13		
<TABLE>		
<S>	<C>	<C>
23.3	Consent of Venable, Baetjer & Howard	Included in Exhibit 5.1.
24	Powers of Attorney	See signature page
</TABLE>		
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* Indicates a management contract or compensation plan.

ITEM 17. UNDERTAKINGS

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

Provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) above do not apply if the registration statement is on Form S-3, Form S-8 or Form F-3, and the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the

registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 ("Act") may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Company has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Phoenix, State of Arizona, on July 9, 1998.

MONTEREY HOMES CORPORATION

By: /s/ Larry W. Seay
Larry W. Seay
Vice President - Finance and
Chief Financial Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints William W. Cleverly, Steven J. Hilton, John R. Landon and Larry W. Seay, and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this registration statement, and to file the same, with all exhibits thereto, and other documents in connection therewith with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully and to all intents and purposes as he might or could do in person hereby ratifying and confirming all that said attorneys-in-fact and agents, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

<TABLE> <CAPTION> Signature - - - - -	Title -----	Date ----
<S> /s/ William W. Cleverly ----- William W. Cleverly	<C> Managing Director	<C> July 7, 1998
/s/ Steven J. Hilton ----- Steven J. Hilton	Managing Director	July 7, 1998
/s/ John R. Landon ----- John R. Landon	Managing Director	July 7, 1998
/s/ Larry W. Seay ----- Larry W. Seay	Vice President - Finance and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	July 7, 1998

</TABLE>

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<TABLE>
<CAPTION>
Signature

Title

Date

<S>
/s/ Alan D. Hamberlin

Alan D. Hamberlin

<C>
Director

<C>
July 7, 1998

Robert G. Sarver

Director

July 7, 1998

/s/ C. Timothy White

C. Timothy White

Director

July 7, 1998

Raymond Oppel

Director

July 7, 1998

</TABLE>

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AMENDED AND RESTATED

BYLAWS

OF

MONTEREY HOMES CORPORATION

A Maryland Corporation

BYLAWS

OF

MONTEREY HOMES CORPORATION

ARTICLE I.

Stockholders

Section 1. Annual Meetings.

The annual meeting of the stockholders of the Corporation shall be held on such date within the month of June (or such other date within each calendar year) as may be fixed from time to time by the Board of Directors. Not less than ten nor more than 90 days' written or printed notice stating the place, day and hour of each annual meeting shall be given in the manner provided in Section 1 of Article IX hereof. The business to be transacted at the annual meetings shall include the election of directors and any other business within the power of the Corporation. All annual meetings shall be general meetings at which any business may be considered without having been specified as a purpose in the notice unless otherwise required by law.

Section 2. Special Meetings Called By Managing Director and Co-President or

Board of Directors.

At any time in the interval between annual meetings, special meetings of stockholders may be called by a Managing Director and Co-President or by the Board of Directors. Not less than ten days' nor more than 90 days' written notice stating the place, day and hour of such meeting and the matters proposed to be acted on thereat shall be given in the manner provided in Section 1 of Article IX. No business shall be transacted at any special meeting except that specified in the notice.

Section 3. Special Meeting Called by Stockholders.

Upon the request in writing delivered to the Secretary by the stockholders entitled to cast at least 25% of all the votes entitled to be cast at the meeting, it shall be the duty of the Secretary to call a special meeting of the stockholders. Such request shall state the purpose of such meeting and the matters proposed to be acted on thereat, but no such meeting shall be required to be called for the election of directors except under the circumstances set forth in Section 10 of Article I or Sections 7(b) or 7(c) of Article II of these Bylaws. The Secretary shall inform such stockholders of the reasonably estimated costs of preparing and mailing the notice of the meeting, and upon payment to the Corporation of such costs, the Secretary shall give not less than ten nor more than 90 days' notice of the time, place and purpose of the meeting in the manner provided in Section 1 of Article IX. Unless requested by stockholders entitled to cast a majority of all the votes entitled to be cast at the meeting, a special meeting need not be called to consider any matter which is substantially the

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same as a matter voted on at any special meeting of the stockholders held during the preceding 12 months.

Section 4. Place of Meetings.

All meetings of stockholders shall be held at the principal executive offices of the Corporation or at such other place within the United States as may be fixed from time to time by the Board of Directors and designated in the notice.

Section 5. Quorum.

At any meeting of stockholders the presence in person or by proxy of stockholders entitled to cast a majority of the votes entitled to be

cast at the meeting shall constitute a quorum. In the absence of a quorum, the Chairman (or other presiding officer) of the meeting, or the stockholders present in person or by proxy acting by majority vote, may adjourn the meeting from time to time without notice other than by announcement at the meeting, but not for a period exceeding 120 days after the record date, until a quorum shall attend. The stockholders present in person or by proxy at a duly organized meeting may continue to conduct business, notwithstanding withdrawal of enough stockholders to leave less than a quorum.

Section 6. Adjourned Meetings.

A meeting of stockholders convened on the date for which it was called (or one adjourned to achieve a quorum as above provided in Section 5 of this Article) may be adjourned from time to time by the Chairman (or other presiding officer) of the meeting, or by the stockholders present in person or by proxy acting by majority vote, without further notice except by announcement at the meeting, to a date not more than 120 days after the record date, and any business may be transacted at any adjourned meeting which could have been transacted at the meeting as originally called.

Section 7. Voting.

A plurality of all the votes cast at a meeting of stockholders duly called and at which a quorum is present shall be sufficient to elect a director. Each share of stock may be voted for as many individuals as there are directors to be elected and for whose election the share is entitled to be voted. A majority of the votes cast at a meeting of stockholders, duly called and at which a quorum is present, shall be sufficient to take or authorize action upon any other matter which may properly come before the meeting, unless more than a majority of votes cast is required by statute or by the Charter or these Bylaws. The Board of Directors may fix the record date for the determination of stockholders entitled to vote in the manner provided in Article VIII, Section 3 of these Bylaws. Unless otherwise provided in the Charter, each outstanding share of stock, regardless of class, shall be entitled to one vote on each matter submitted to a vote at a meeting of stockholders.

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Section 8. Proxies.

A stockholder may vote the shares owned of record either in person or by proxy executed in writing and signed by the stockholder or by duly authorized attorney-in-fact. No proxy shall be valid after 11 months from its date, unless otherwise provided in the proxy. In the case of stock held of record by more than one person, any co-owner or co-fiduciary may execute the proxy without the joinder of the co-owner(s) or co-fiduciary(ies), unless the Secretary of the Corporation is notified in writing by any co-owner or co-fiduciary that the joinder of more than one is to be required. At all meetings of stockholders, the proxies shall be filed with and verified by the Secretary of the Corporation, or, if the meeting shall so decide, by the Secretary of the meeting.

Section 9. Order of Business.

At all meetings of stockholders, any stockholder present and entitled to vote in person or by proxy shall be entitled to require, by written request to the Chairman of the meeting, that the order of business shall be as follows:

(1) Organization

(2) Proof of notice of meeting or of waivers thereof. (The certificate of the Secretary of the Corporation, or the affidavit of any other person who mailed or published the notice or caused the same to be mailed or published, shall be proof of service of notice.)

(3) Submission by Secretary of the Corporation to the Chairman (or other presiding officer) of the meeting of a list of the stockholders entitled to vote, present in person or by proxy.

(4) A reading of unapproved minutes of preceding meetings of stockholders and action thereon.

(5) Reports.

(6) If an annual meeting, or a special meeting called for that purpose, the election of directors.

(7) Unfinished business.

(8) New business.

(9) Adjournment.

Section 10. Removal of Directors.

At any special meeting of the stockholders called in the manner provided for by this Article, the stockholders, by the affirmative vote of a majority of all the votes entitled to be cast for the election of directors, may remove any director or directors from office, with or without cause, and may elect a successor or successors to fill any resulting vacancies for the remainder of the term.

Section 11. Informal Action by Stockholders.

Any action required or permitted to be taken at any meeting of stockholders may be taken without a meeting if a consent in writing setting forth such action is signed by all the stockholders entitled to vote thereon and such consent is filed with the records of stockholders' meetings.

Section 12. Advance Notice of Matters to be Presented at an Annual Meeting of

Stockholders.

At an annual meeting of the stockholders, commencing with the annual meeting to be held in 1998, only such business shall be conducted as shall have been properly brought before the meeting as set forth below. To be properly brought before an annual meeting, such business must (1) be specified in the notice of the meeting (or any supplement thereto) given by the Corporation pursuant to Section 1 of Article IX of these bylaws, or (2) be brought before the meeting by or under the direction of the Board of Directors (or a Managing Director and Co-President), or (3) be properly brought before the meeting by a stockholder. In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, the Stockholder must have given timely notice thereof in writing to the Secretary. To be timely, such stockholder's notice must be delivered to or mailed and received by the Secretary at the principal executive offices of the Corporation, not less than 20 days nor more than 30 days prior to the meeting (or, with respect to a proposal required to be included in the Company's proxy statement pursuant to Rule 14a-8 of the Securities Exchange Act of 1934, or its successor provision, the earlier date such proposal was received); provided, however, that in the event that less than 30 days' notice or prior public disclosure of the date of the meeting is given or made by the Corporation, notice by the stockholder to be timely must be so received by the Secretary not later than the close of business on the 10th day following the earlier of the day on which the Corporation's notice of the date of the annual meeting was mailed or the day on which the Corporation's first public disclosure of the date of the annual meeting was made. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting (ii) the name and address of the stockholder proposing such business, (iii) the class and number of share of the Corporation which are beneficially owned by the stockholder, and (iv) any material interest of the stockholder in such business.

Notwithstanding anything in these Bylaws to the contrary, no business shall be

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conducted at the annual meeting except in accordance with the procedures set forth in this Section 12.

The Chairman (or other presiding officer) at the meeting shall have the authority, if the facts warrant, to determine that business was not properly brought before the meeting in accordance with the provisions of this Section 12, and if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

Section 13. Advance Notice of Nominees for Directors.

Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors at any meeting of stockholders held after the annual meeting in 1995. Nominations of persons for election to the Board of Directors of the Corporation may be made at an annual meeting of stockholders or at a special meeting of stockholders as to which the notice of meeting provides for election of directors, by or under the direction of the Board of Directors, or by any nominating committee or person appointed by the Board of Directors, or by any stockholder of the Corporation entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Section 13. Such nominations, other than those made by or under the direction of the Board of Directors or by any nominating committee appointed by the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary. To be timely, such stockholder's notice shall be delivered to or mailed and received by the Secretary at the

principal executive offices of the Corporation not less than 20 days nor more than 30 days prior to the meeting; provided, however, that in the event that less than 30 days' notice or prior public disclosure of the date of the meeting is given or made by the Corporation, notice by the stockholder to be timely must be so received by the Secretary no later than the close of business on the 10th day following the earlier of the day on which the Corporation's notice of the date of the meeting was mailed or the day on which the Corporation's first public disclosure of the date of the meeting was made. Such stockholder's notice shall set forth: (a) as to each person whom the stockholder proposes to nominate for election or re-election as a director, (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class and number of shares of Stock of the Corporation which are beneficially owned by the person, and (iv) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to Rule 14a under the Securities Exchange Act of 1934 or any successor rule thereto; and (b) as to the stockholder giving the notice, (i) the name and address of the stockholder and (ii) the class and number of shares of the Corporation which are beneficially owned by the stockholder. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth herein.

The Chairman (or other presiding officer) at the meeting shall have the authority to determine the facts warrant, to determine that a nomination was not made in accordance with the foregoing procedure, and if he should so determine, he shall so declare to the meeting and the defective

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nomination shall be disregarded.

ARTICLE II.

Directors

Section 1. Powers.

The business and affairs of the Corporation shall be managed under the direction of its Board of Directors. All powers of the Corporation may be exercised by or under the authority of the Board of Directors except as conferred on or reserved to the stockholders by law, by the Charter or by these Bylaws. A director need not be a stockholder. The Board of Directors shall keep minutes of its meetings and full and fair accounts of its transactions.

Section 2. Number; Term of Office; Removal.

The number of directors of the Corporation may be increased or decreased from time to time by vote of a majority of the entire Board of Directors to a number not less than five and not greater than nine. The directors shall be divided into two classes designated Class I and Class II. Each Class shall consist of one-half of the directors or as close thereto as possible. Each director whose term shall have expired at an annual meeting of stockholders shall be elected for a term running until the second annual meeting of stockholders next succeeding his or her election and until his or her successors shall have been duly elected and qualified. A director may be removed from office as provided in Article I, Section 10 of these Bylaws.

Section 3. Annual Meeting; Regular Meetings.

As soon as practicable after each annual meeting of stockholders, the Board of Directors shall meet for the purpose of organization and the transaction of other business. No notice of the annual meeting of the Board of Directors need be given if it is held immediately following the annual meeting of stockholders and at the same place. Other regular meetings of the Board of Directors may be held at such times and at such places, within or without the State of Maryland, as shall be designated in the notice for such meeting by the party making the call. All annual and regular meetings shall be general meetings, and any business may be transacted thereat.

Section 4. Special Meetings.

Special meetings of the Board of Directors may be called by a Managing Director and Co-President, or by two or more directors, or by a majority of the members of the executive committee if one be constituted.

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Section 5. Quorum; Voting.

A majority of the Board of Directors shall constitute a quorum

for the transaction of business at every meeting of the Board of Directors; but, if at any meeting there be less than a quorum present, a majority of those present may adjourn the meeting from time to time, but not for a period exceeding ten days at any one time or 60 days in all, without notice other than by announcement at the meeting, until a quorum shall attend. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally called. Except as hereinafter provided or as otherwise provided by the Charter or by law, directors shall act by a vote of a majority of those members in attendance at a meeting at which a quorum is present.

Section 6. Notice of Meetings.

Except as provided in Section 3 of this Article, notice of the time and place of every regular and special meeting of the Board of Directors shall be given to each director in the manner provided in Section 2 of Article IX hereof. Subsequent to each Board meeting, and as soon as practicable thereafter, each director shall be furnished with a copy of the minutes of said meeting. At least 24 hours notice shall be given at all meetings. The purpose of any meeting of the Board of Directors need not be stated in the notice.

Section 7. Vacancies.

(a) If the office of a director becomes vacant for any reason, including increase in the size of the Board, such vacancy may be filled by the Board by a vote of a majority of directors then in office, although such majority is less than a quorum. If the Corporation seeks to remain qualified as a real estate investment trust, then any replacement for an Independent Director shall be nominated by a majority of any Independent Directors remaining on the Board.

(b) If the vacancy occurs as a result of the removal of a director by the stockholders, the stockholders may elect a successor at the meeting at which the removal occurs. Failing such election, the vacancy may be filed by the Board in the manner and by the vote provided for in subsection (a) above.

(c) If the entire Board of Directors shall become vacant, any stockholder may call a special meeting in the same manner that a Managing Director and Co-President may call such meeting, and directors for the unexpired term may be elected at such special meeting in the manner provided for their election at annual meetings.

(d) A director appointed or elected to fill a vacancy shall serve until the next annual meeting of stockholders and until a successor is elected and qualifies.

Section 8. Rules and Regulations.

The Board of Directors may adopt such rules and regulations for the conduct of its

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meetings and the management of the affairs of the Corporation as it may deem proper and not inconsistent with the laws of the State of Maryland or these Bylaws or the Charter.

Section 9. Committees.

The Board of Directors may appoint from among its members an executive committee, an audit committee and other committees composed of three or more directors. A majority of the members of any committee so appointed shall be Independent Directors if the Corporation seeks to remain qualified as a real estate investment trust, or to the extent required by applicable rules or policies of any securities exchange or other similar facility. The Board of Directors may delegate to any committee any of the powers of the Board of Directors except those powers specifically denied by law. However, if the Board of Directors has given general authorization for the issuance of stock, a committee of the board, in accordance with a general formula or method specified by the Board of Directors by resolution or by adoption of a stock option plan, may fix the terms of stock subject to classification or reclassification and the terms on which any stock may be issued.

Notice of committee meetings shall be given in the same manner as notice for special meetings of the Board of Directors.

One-third (1/3), but not less than two (2), of the members of any committee shall be present in person at any meeting of such committee in order to constitute a quorum for the transaction of business at such meeting, and the act of a majority present shall be the act of such committee. The Board of Directors may designate a chairman of any committee and such chairman or any two members of any committee may fix the time and place of its meetings unless

the Board shall otherwise provide. In the absence or disqualification of any member of any such committee, the members thereof present at any meeting and not disqualified from voting, whether or not they constitute a quorum, may unanimously appoint another director to act at the meeting in the place of such absent or disqualified members; provided, however, that in the event of the absence or disqualification of an Independent Director, such appointee shall be an Independent Director.

Each committee shall keep minutes of its proceedings and shall report the same to the Board of Directors at the meeting next succeeding, and any action by the committees shall be subject to revision and alteration by the Board of Directors, provided that no rights of third persons shall be affected by any such revision or alteration. Action of a committee without a meeting may be taken by unanimous written consent signed by all members of the committee.

Subject to the provisions hereof, the Board of Directors shall have the power at any time to change the membership of any committee, to fill all vacancies, to designate alternate members to replace any absent or disqualified member, or to dissolve any such committee.

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Section 10. Compensation.

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The directors may receive a stated salary for their services, and/or a fixed sum and expenses of attendance may be allowed for attendance at each regular or special meeting. The stated salary and attendance fee, if any, shall be determined by resolution of the Board; provided, however, that nothing herein contained shall be construed as precluding a director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 11. Place of Meetings.

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Regular or special meetings of the Board may be held within or without the State of Maryland, as the Board may from time to time determine. The time and place of meeting may be fixed by the party making the call.

Section 12. Informal Action by the Directors.

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Any action required or permitted to be taken at any meeting of the Board may be taken without a meeting, if a written consent to such action is signed by all members of the Board and such consent is filed with the minutes of the Board.

Section 13. Telephone Conference.

- -----

Members of the Board of Directors or any committee thereof may participate in a meeting of the Board or such committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time and participation by such means shall constitute presence in person at the meeting.

ARTICLE III.

Officers

Section 1. In General.

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The Board of Directors shall elect not more than three Managing Directors who shall also serve as Co-Presidents, one or more Vice Presidents, a Treasurer, a Secretary, and such Assistant Secretaries and Assistant Treasurers as the Board may from time to time deem appropriate. All officers shall hold office only during the pleasure of the Board or until their successors are chosen and qualify. Any two of the above offices, except those of a Co-President and Vice President, may be held by the same person, but no officer shall execute, acknowledge or verify any instrument in more than one capacity when such instrument is required to be executed, acknowledged or verified by any two or more officers. The Board of Directors may from time to time appoint such other agents and employees with such powers and duties as the Board may deem proper. In its discretion, the Board of Directors may leave unfilled any offices except those of Managing Director, Co-President, Treasurer and Secretary.

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Section 2. Managing Director.

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Each Managing Director shall have the responsibility for the implementation of the policies determined by the Board of Directors and for the administration of the business affairs of the Corporation. Each Managing Director shall, if present, preside over the meetings of the Board and of the

stockholders on a rotating basis such that a Managing Director shall preside over no more than one consecutive Board meeting or one consecutive stockholders meeting.

Section 3. Co-President.

Each Co-President shall have the responsibility for the active management of the business and general supervision and direction of all of the affairs of the Corporation. Each Co-President shall perform such other duties as may be assigned by the Board of Directors or the Executive Committee. Each Co-President shall have the authority on the Corporation's behalf to endorse securities owned by the Corporation and to execute any documents requiring the signature of an executive officer. Each Co-President shall perform such other duties as the Board of Directors may direct.

Section 4. Vice Presidents.

The Vice Presidents, in the order of priority designated by the Board of Directors, shall be vested with all the power and may perform all the duties of a Co-President in the latter's absence. They may perform such other duties as may be prescribed by the Board of Directors or the Executive Committee or a Co-President.

Section 5. Treasurer.

The Treasurer shall have general supervision over the finances of the Corporation and shall perform such other duties as may be assigned by the Board of Directors or a Co-President. If required by resolution of the Board, the Treasurer shall furnish bond (which may be a blanket bond) with such surety and in such penalty for the faithful performance of duty as the Board of Directors may from time to time require, the cost of such bond to be defrayed by the Corporation.

Section 6. Secretary.

The Secretary shall keep the minutes of the meetings of the stockholders and of the Board of Directors and shall attend to the giving and serving of all notices of the Corporation required by law or these Bylaws. The Secretary shall maintain at all times in the principal office of the Corporation at least one copy of the Bylaws with all amendments to date, and shall make the same, together with the minutes of the meetings of the stockholders, the annual statement of affairs of the Corporation and any voting trust or other stockholders agreement on file at the office of the Corporation, available for inspection by any officer, director or stockholder during reasonable

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business hours. The Secretary shall perform such other duties as may be assigned by the Board of Directors.

Section 7. Assistant Treasurer and Secretary.

The Board of Directors may designate from time to time Assistant Treasurers and Secretaries, who shall perform such duties as may from time to time be assigned to them by the Board of Directors or a Co-President.

Section 8. Compensation; Removal; Vacancies.

The Board of Directors shall have power to fix the compensation of all officers of the Corporation. It may authorize any committee or officer, upon whom the power of appointing subordinate officers may have been conferred, to fix the compensation of such subordinate officers. The Board of Directors shall have the power at any regular or special meeting to remove any officer, if in the judgment of the Board the best interests of the Corporation will be served by such removal. The Board of Directors may authorize any officer to remove subordinate officers. The Board of Directors may authorize the Corporation's employment of an officer for a period in excess of the term of the Board. The Board of Directors at any regular or special meeting shall have power to fill a vacancy occurring in any office for the unexpired portion of the term.

Section 9. Substitutes.

The Board of Directors may from time to time in the absence of any one of its officers or at any other time, designate any other person or persons, on behalf of the Corporation to sign any contracts, deeds, notes or other instruments in the place or stead of any of such officers, and may designate any person to fill any one of said offices, temporarily or for any particular purpose; and any instruments so signed in accordance with a resolution of the Board shall be the valid act of the Corporation as fully as if executed by any regular officer.

ARTICLE IV.

Resignation

Any director or officer may resign from office at any time. Such resignation shall be made in writing and shall take effect from the time of its receipt by the Corporation, unless some time be fixed in the resignation, and then from that date. The acceptance of a resignation shall not be required to make it effective.

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ARTICLE V.

Commercial Paper, Etc.

All bills, notes, checks, drafts and commercial paper of all kinds to be executed by the Corporation as maker, acceptor, endorser or otherwise, and all assignments and transfers of stock, contracts, or written obligations of the Corporation, and all negotiable instruments, shall be made in the name of the Corporation and shall be signed by any one or more of the following officers as the Board of Directors may from time to time designate, i.e. a Managing Director, a Co-President, any Vice President, or the Treasurer, or by such other person or persons as the Board of Directors or Executive Committee may from time to time designate.

ARTICLE VI.

Fiscal Year

The fiscal year of the Corporation shall cover such period of 12 months as the Board of Directors may determine. In the absence of any such determination, the accounts of the Corporation shall be kept on a calendar year basis.

ARTICLE VII.

Seal

The seal of the Corporation shall be in the form of two concentric circles inscribed with the name of the Corporation and the year and State in which it is incorporated. The Secretary or Treasurer, or any Assistant Secretary or Assistant Treasurer, shall have the right and power to attest to the corporate seal. In lieu of affixing the corporate seal to any document, it shall be sufficient to meet the requirements of any law, rule or regulation relating to a corporate seal to affix the word "(SEAL)" adjacent to the signature of the person authorized to sign the document on behalf of the Corporation.

ARTICLE VIII.

Stock

Section 1. Issue.

Each stockholder shall be entitled to a certificate or certificates which shall represent and certify the number and class of shares of stock owned in the Corporation. Each certificate shall be signed by a Managing Director and Co-President or any Vice President, and countersigned by the Secretary or any Assistant Secretary or the Treasurer or any Assistant Treasurer, and sealed with the seal of the Corporation. The signatures of the Corporation's officers and its corporate seal appearing on stock certificates may be facsimiles if each such certificate is authenticated by the manual signature of an officer of a duly authorized transfer agent. Stock certificates shall be in such form not inconsistent with law or with the Charter, as shall be approved by the Board of Directors. In case any officer of the Corporation who has signed any certificate ceases to be an officer of the

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Corporation, whether by reason of death, resignation or otherwise, before such certificate is issued, then the certificate may nevertheless be issued by the Corporation with the same effect as if the officer had not ceased to be such officer as of the date of such issuance.

Section 2. Transfers.

The Board of Directors shall have power and authority to make all such rules and regulations as the Board may deem expedient concerning the issue, transfer and registration of stock certificates. The Board of Directors may appoint one or more transfer agents and/or registrars for its outstanding stock, and their duties may be combined. No transfer of stock shall be recognized or binding upon the Corporation until recorded on the books of the Corporation, or, as the case may be, of its transfer agent and/or of its registrar, upon surrender and cancellation of a certificate or certificates for a like number of shares.

Section 3. Record Dates for Dividends and Stockholders' Meeting.

The Board of Directors may fix a date not exceeding 90 days preceding the date of any meeting of stockholders, any dividend payment date or any date for the allotment of rights, as a record date for the determination of the stockholders entitled to notice of and to vote at such meeting, or entitled to receive such dividends or rights, as the case may be, and only stockholders of record on such date shall be entitled to notice of and to vote at such meeting or to receive such dividends or rights, as the case may be. In the case of a meeting of stockholders, the record date shall be not less than ten days prior to the date of the meeting.

Section 4. New Certificates.

In case any certificate of stock is lost, stolen, mutilated or destroyed, the Board of Directors may authorize the issue of a new certificate in place thereof upon indemnity to the Corporation against loss and upon such other terms and conditions as it may deem advisable. The Board of Directors may delegate such power to any officer or officers of the Corporation or to any transfer agent or registrar of the Corporation; but the Board of Directors, such officer or officers or such transfer agent or registrar may, in their discretion, refuse to issue such new certificate save upon the order of some court having jurisdiction in the premises.

ARTICLE IX.

Notice

Section 1. Notice to Stockholders.

Whenever by law or these Bylaws notice is required to be given to any stockholder, such notice shall be in writing and may be given to each stockholder by leaving the same at his or her residence or usual place of business, or by mailing it, postage prepaid, and addressed to such

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stockholder's address as it appears on the books of the Corporation or its transfer agent. Such leaving or mailing of notice shall be deemed the time of giving such notice.

Section 2. Notice to Directors and Officers.

Whenever by law or these Bylaws notice is required to be given to any director or officer, such notice may be given in any one of the following ways: by personal notice to such director or officer, by telephone communication with such director or officer personally, by telecopy, by telegram, cablegram or radiogram, or by leaving the notice at his residence or usual place of business, or by mail. The time when such notice shall be consigned to a communication company for delivery shall be deemed to be the time of the giving of such notice, and four days after the time when such notice shall be mailed shall be deemed to be the time of the giving of such notice by mail.

Section 3. Waiver of Notice.

Notice to any stockholder or director of the time, place and/or purpose of any meeting of stockholders or directors required by these Bylaws may be dispensed with if such stockholder shall either attend in person or by proxy, or if such director shall attend in person, or if such absent stockholder or director shall, in writing filed with the records of the meeting either before or after the holding thereof, waive such notice.

ARTICLE X.

Voting of Stock in Other Corporations

Any stock in other corporations, which may from time to time

be held by the Corporation, may be represented and voted at any meeting of stockholders of such other corporations by a Co-President or a Vice-President or by proxy or proxies appointed by a Co-President or a Vice-President, or otherwise pursuant to authorization "hereunto given by a resolution of the Board of Directors adopted by a vote of a majority of the directors.

ARTICLE XI.

Indemnification

Section 1. Directors and Officers, Third Party Actions.

The Corporation shall indemnify any director or officer of the Corporation who was or is a party or is threatened to be made a party to any threatened, pending or completed actions, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was serving as an authorized representative of the Corporation (which, for the purposes of this Article, shall mean service, at the Corporation's request, as a director, officer, partner, trustee, employee or agent of another

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corporation, partnership, joint venture, trust or other enterprise or employee benefit plan) against judgments, fines, amounts paid in settlement and expenses (including attorneys' fees) actually and reasonably incurred by him in connection with such action, suit or proceeding unless it is proved that the act or omission of the director was material to the cause of action adjudicated in the proceeding and: (a) was committed in bad faith; or (b) was the result of active and deliberate dishonesty; or (c) the director actually received an improper personal benefit in money, property or services, or, with respect to any criminal action or proceeding, the director had reasonable cause to believe his act or omission was unlawful. The termination of any action, suit or proceeding by judgment, order or settlement shall not create a presumption that, with respect to any criminal action or proceeding, the director had reasonable cause to believe that his act or omission was unlawful. The termination of any action, suit or proceeding by conviction, or a plea of nolo contendere or its equivalent, or an entry of an order of probation prior to judgment, creates a rebuttable presumption that the director did not meet that standard of conduct set forth in the immediately preceding sentence.

Section 2. Directors and Officers Actions by or in the Right of the Corporation.

The Corporation shall indemnify any director or officer of the Corporation who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was an authorized representative of the Corporation, to the same extent set forth in Section 1 of this Article, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation, unless and only to the extent that a Court of appropriate jurisdiction determines upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity.

Section 3. Indemnification for Successful Defenses.

To the extent that a director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding of the type referred to in Section 1 or 2 of this Article or in defense of any claim, issue or matter therein, he shall be indemnified by the Corporation against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith. Such a person who is not a director or officer of the Corporation may, at the discretion of the Corporation, be indemnified by the Corporation in any other circumstances to any extent if the Corporation would be required by Section 1 or 2 of this Article to indemnify such person in such circumstances to such extent if he were or had been a director or officer of the Corporation.

Section 4. Procedure.

Indemnification under Section 1 or 2 of this Article may be made in a specific case upon a determination that indemnification of the authorized representative is required or proper in

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the circumstances because he has met the applicable standard of conduct set forth in Sections 1 or 2 of this Article. Such determination shall be made:

(a) By the Board of Directors by a majority vote of a quorum consisting of directors not, at the time, parties to the action, suit or proceeding ("disinterested directors"), or if such a quorum cannot be obtained,

then by a majority vote of a committee of the Board consisting solely of two or more disinterested directors designated to act in the matter by a majority vote of the full Board (which may include directors who are parties to the action, suit or proceeding); or

(b) By special legal counsel selected by the Board of Directors or a committee of the Board by vote as set forth in (a) above, or if the requisite quorum of the full Board cannot be obtained and the committee cannot be established, by a majority vote of the full Board (which may include directors who are parties to the action, suit or proceeding); or

(c) By the stockholders.

Section 5. Advancing Expenses.

Expenses (including attorneys fees) incurred by a director or officer of the Corporation in connection with any civil or criminal action, suit or proceeding of the type referred to in Section 1 or 2 of this Article shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding, upon receipt of (i) a written affirmation by the director or officer of his good faith belief that the standard of conduct necessary for indemnification by the Corporation as required by Section 1 of this Article or by law; and (ii) a written undertaking by or on behalf of a director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as required in this Article or authorized by law. Such expenses incurred by an employee or agent who is not a director or officer of the Corporation may be paid by the Corporation in advance when authorized by the Board of Directors upon receipt of a similar undertaking. The repayment obligation represented by an undertaking pursuant to this Section need not be secured and may be accepted without reference to financial ability to make the repayment.

Section 6. Scope of Article.

Each person who shall act as an authorized representative of the Corporation shall be deemed to be doing so in reliance upon such rights of indemnification as are provided in this Article.

The indemnification provided by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any agreement, vote of stockholders or disinterested directors, statute or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office or position, and shall continue as to a person who has ceased to be an authorized representative of the Corporation and shall inure to the benefit of the heirs, executors and administrators of such a person.

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ARTICLE XII.

Amendments

These bylaws may be amended or replaced, or new bylaws may be adopted, either (a) by the vote of the stockholders entitled to cast at least a majority of the votes which all stockholders are entitled to cast thereon at any duly organized annual or special meeting of stockholders; or (b) with respect to those matters which are not by statute reserved exclusively to the stockholders, by vote of a majority of the Board of Directors of the Corporation in office at any regular or special meeting of directors. It shall not be necessary to set forth such proposed amendment, repeal or new bylaws, or a summary thereof, in any notice of such meeting, whether annual, regular or special.

Without prior approval of the shareholders, the board of directors will not take any action or omit to take any action which would cause or result in failure of the corporation to qualify as a real estate investment trust within the meaning of the Internal Revenue Code of 1986, as amended (a "REIT"). The board of directors shall cause the corporation to exercise all of its rights to prevent transfer of shares, or to redeem shares, to cause the corporation not to fail to qualify as a REIT. This Section may not be amended without the approval of the shareholders in accordance with Article XII.

Secretary's Certificate

I, Larry W. Seay, Secretary of Monterey Homes Corporation (the "Corporation"), do hereby certify that the foregoing is a true and correct copy of the Corporation's Amended and Restated Bylaws as approved by the Board of Directors of the Corporation on June 10, 1998.

IN WITNESS WHEREOF, I have hereunto set my hand on this 10th day of June, 1998.

Larry W. Seay, Secretary

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RESOLVED, that the form of Amended and Restated Bylaws presented and reviewed by each director is hereby approved and adopted and the Secretary of the Corporation is authorized and directed to certify as to such adoption.

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Venable, Baetjer and Howard, LLP
1800 Mercantile Bank & Trust Building
2 Hopkins Plaza
Baltimore, Maryland 21201

July 9, 1998

Monterey Homes Corporation
6613 North Scottsdale Road, Suite 200
Scottsdale, Arizona 85250

Re: Registration Statement on Form S-3 relating to
2,509,660 Shares of the Common Stock of Monterey Homes Corporation

Ladies and Gentlemen:

We have acted as special Maryland law counsel to Monterey Homes Corporation, a Maryland corporation (the "Company"), in connection with a registration statement on Form S-3 of the Company (as the same may be amended from time to time, the "Registration Statement") filed by the Company with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Act of 1933. The Registration Statement relates to an aggregate of 2,509,662 shares (the "Shares") of the Common Stock, par value \$0.01 per share, of the Company ("Common Stock") to be sold by certain stockholders (the "Selling Stockholders"), as described in the Registration Statement. The Shares consist of (i) 1,787,937 shares of Common Stock currently outstanding (the "Outstanding Shares"); (ii) 43,946 shares of Common Stock underlying currently outstanding warrants (the "Warrant Shares"); (iii) 177,778 shares of Common Stock which the Company is contractually obligated to issue to the Selling Stockholders in two installments on or as soon as practicable after January 1, 1999 (88,888 Shares) and January 1, 2000 (88,890 Shares) (the "Contingent Shares"); and (iv) an aggregate of 500,001 shares of Common Stock underlying stock options granted to the Selling Shareholders (the "Option Shares").

In connection with the opinion set forth herein, we have considered such questions of law as we have deemed necessary as a basis for the opinions set forth below, and we have examined or otherwise are familiar with originals or copies, certified or otherwise identified to our satisfaction, of the following: (i) the Registration Statement; (ii) the Amended and Restated Articles of Incorporation, as amended, of the Company, as currently in effect; (iii) the Bylaws, as amended, of the Company, as currently in effect; (iv) certain resolutions of the Board of Directors of the Company relating to the Shares and Certificates of the Secretary of the Company relating to such resolutions; and (v) such other documents as we have deemed necessary or appropriate as a basis for such opinions. In our examination, we have assumed without independent verification the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such copies. As to any facts material to this opinion that we did not independently establish or verify, we have relied solely upon statements and representations of officers and other representatives of the Company and others, including, without limitation, the Secretary's Certificates referred to in clause (iv) of the first sentence of this paragraph.

Based upon the foregoing, we are of the opinion that:

(1) The Outstanding Shares have been duly authorized and validly issued and are fully paid and nonassessable.

(2) The Warrant Shares, when issued and paid for in accordance with the terms of the Warrant Agreement filed as Exhibit 10.8 to the Registration Statement and of the Assumption Agreement filed as Exhibit 10.9 to the Registration Statement, will be validly issued, fully paid and nonassessable.

(3) The Contingent Shares, when issued in accordance with the Escrow and Contingent Stock Agreement filed as Exhibit 10.7 to the Registration Statement, will be validly issued, fully paid and nonassessable.

(4) The Option Shares, when issued and paid for in accordance with the Stock Option Agreements filed as Exhibits 10.1, 10.2 and 10.3 to the Registration Statement, as applicable, will be validly issued, fully paid and nonassessable.

This letter is strictly limited to the matters expressly set forth herein and no statements or opinions should be inferred beyond such matters. This opinion is limited to the laws of the State of Maryland (without regard to the principles of conflicts of laws thereof) and is based upon and limited to such laws and regulations in effect as of the date hereof. We assume no

obligation to update the opinion set forth herein.

We hereby consent to the filing of this opinion with the Commission as Exhibit 5 to the Registration Statement.

Very truly yours,

/s/ VENABLE, BAETJER AND HOWARD, LLP
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The Board of Directors
Monterey Homes Corporation:

We consent to the use of our report incorporated herein by reference and to the reference to our firm under the heading "Experts" in the prospectus.

/s/ KPMG PEAT MARWICK LLP

Phoenix, Arizona
July 6, 1998

Consent of Independent Auditors

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated February 13, 1996, in the Registration Statement (Form S-3) of Monterey Homes Corporation (formerly Homeplex Mortgage Investments Corporation) for the registration of 2,509,662 shares of its common stock.

/s/ ERNST & YOUNG LLP

Phoenix, Arizona
July 6, 1998