

Supply/Demand

For the following supply/demand review, the feeder market assumed for Naperville Ridge is comprised of five submarkets that include Naperville, Downers Grove/Woodridge, Hinsdale, Westmont, and Oakbrook (“Feeder Market”). This is based off of local market expertise, known migration patterns in the area and local housing market data.

55+ Buyer Household Count / Annual Income Level

In the Feeder Market, there are approximately 84K empty nester & retired buyer households making at least \$50k annual income (see accompanying chart on right). Almost sixty percent (48K) of these households make at least \$150k annually (i.e., more affluent). As you can see from the accompanying chart (on left) the Feeder Market households (blue column) on average tend to represent *higher annual incomes* in this region compared to the overall Chicagoland market, specifically in the more than \$250K annual income range. As a result, the potential buyers in this Feeder Market are more affluent and have more means to purchase housing products that carry higher housing valuations. Note that there are more than 23,000 of these empty nester/retired households that make more than \$250k in annual income (chart on right).



What product are the affluent empty nester & retired buyers moving from?

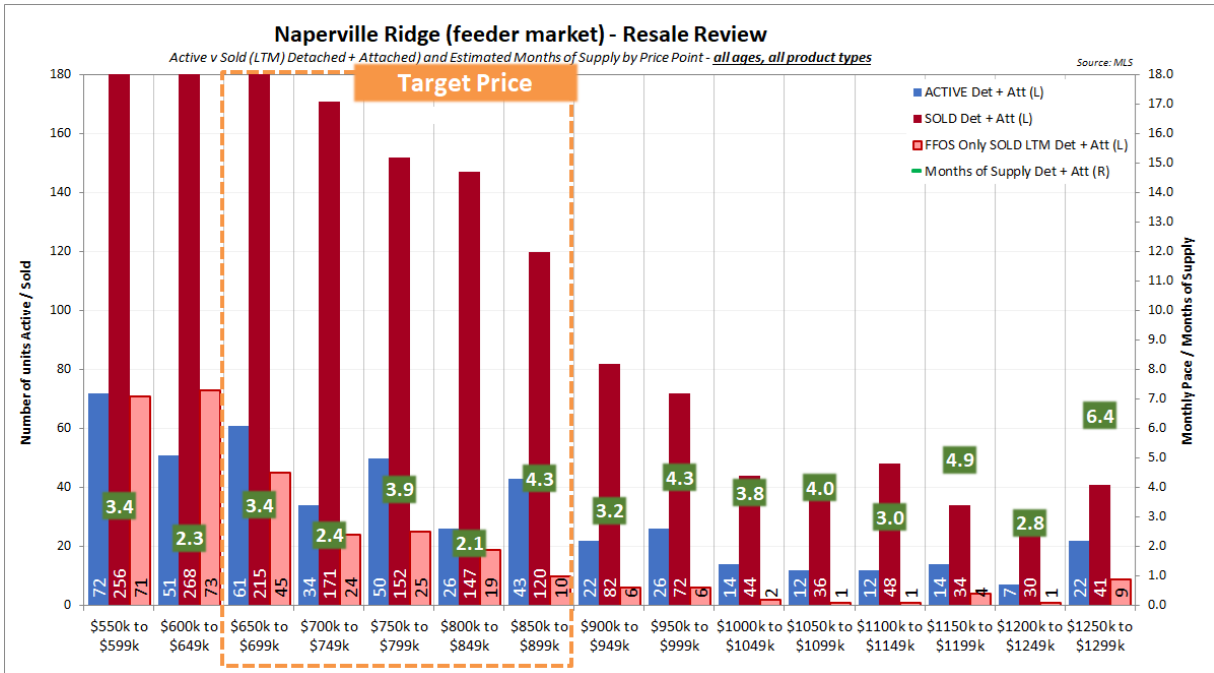
Assumptions: Min \$700k sold price, 2,750+ sq. ft., 2-story, min 4 bed, 2.5 bath, 2 car garage, 15+ years old – feeder market

Sq. Ft. Range	Active Listings	SOLD LTM	Monthly Pace	MoSupply	Average			
					Square Foot	Sold Price	Market Time	Year Built
2750 - 2999	16	77	6.4	2.5	2,881	\$ 847,876	23	1981
3000 - 3249	23	87	7.3	3.2	3,126	\$ 869,461	18	1988
3250 - 3499	18	80	6.7	2.7	3,362	\$ 922,718	26	1989
3500 - 3749	13	63	5.3	2.5	3,618	\$ 997,557	35	1993
3750 - 3999	9	44	3.7	2.5	3,851	\$ 1,020,688	36	1986
4000 - 4249	11	33	2.8	4.0	4,105	\$ 1,067,005	20	1995
4250 - 4499	7	28	2.3	3.0	4,371	\$ 1,270,482	30	1997
4500 - 4749	3	32	2.7	1.1	4,626	\$ 1,257,297	24	1989
4750 - 4999	1	14	1.2	0.9	4,878	\$ 1,501,714	38	1989
5000 - 5249	9	12	1.0	9.0	5,100	\$ 1,213,583	67	1995
5250 - 5499	3	15	1.3	2.4	5,375	\$ 1,484,733	38	1993
5500 - 5749	3	7	0.6	5.1	5,598	\$ 1,832,143	55	1993
5750 - 5999	2	4	0.3	6.0	5,842	\$ 1,387,138	21	1977
6000+	30	37	3.1	9.7	7,372	\$ 2,026,257	125	1991
Total	148	533	44.4	3.3	3,961	\$ 1,097,044	35	1989

As an example of the affluency of these buyers and to offer a perspective on what types of homes they would be downsizing from to move into Naperville Ridge, a topline MLS analysis was performed. The following criteria was assumed for this buyer’s current home: 2-story with a minimum 2,750 square feet and a minimum of 4 bedrooms, 2.5 bathrooms, 2-car garage, and 15 years old or older living in the Feeder Market – all selling for at least \$700K or more. On average, this buyer is living in a 3,961 sq. ft. home that is 35+ years old with an ASP of \$1.1M. Ridge In the last 12 months, there were 533 homes sold in the Feeder Market (at this minimum \$700K price!) averaging 35 days to sell, leading to a low average months-of-supply, 3.3, i.e., when ready to downsize these buyers are ready to move quickly.

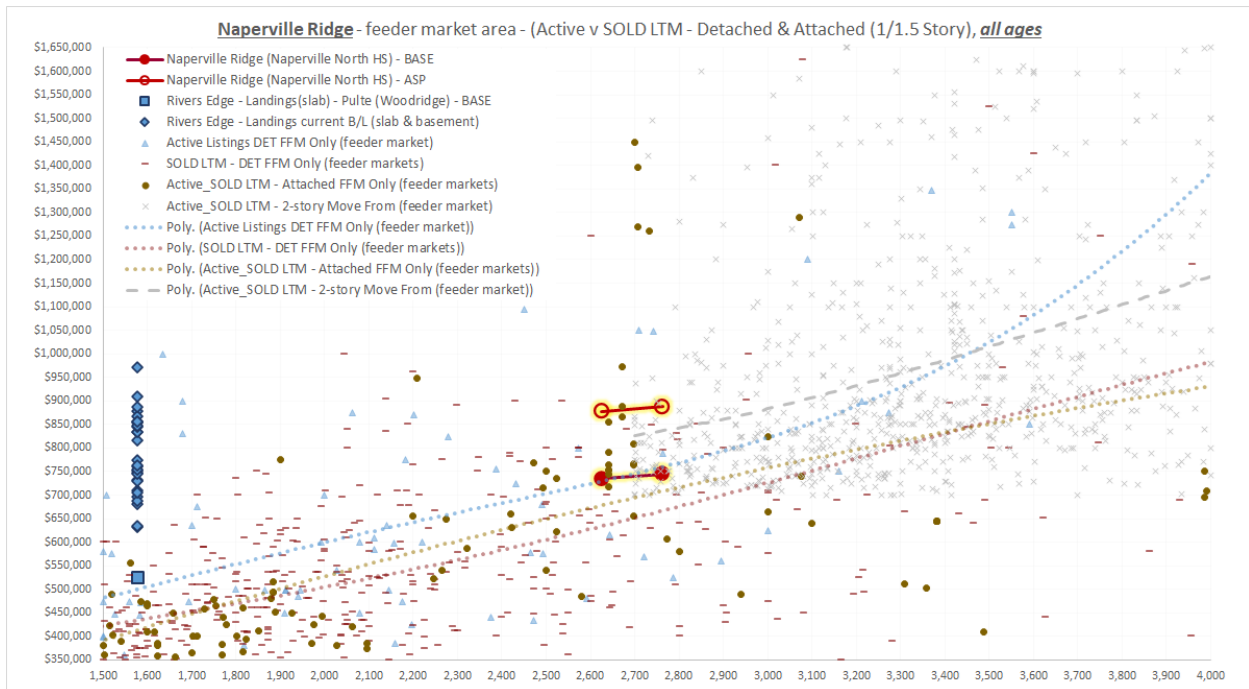
Market Valuation

In the last 12 months, the assumed Feeder Market for Naperville Ridge accounted for 918 sold transactions for *First Floor Owner's Suite* (FFOS) floor plan (detached & attached). The targeted price range (orange outline) for Naperville Ridge is generating a low 3.2 months of supply – weighted average. The light red column represents the sold FFOS transactions in the last 12 months. In the targeted price range FFOS detached & attached homes represented 123 closings. Naperville Ridge projects an absorption rate of 2.5 representing a 24.6 percent market capture rate for the *target price and product configuration*.

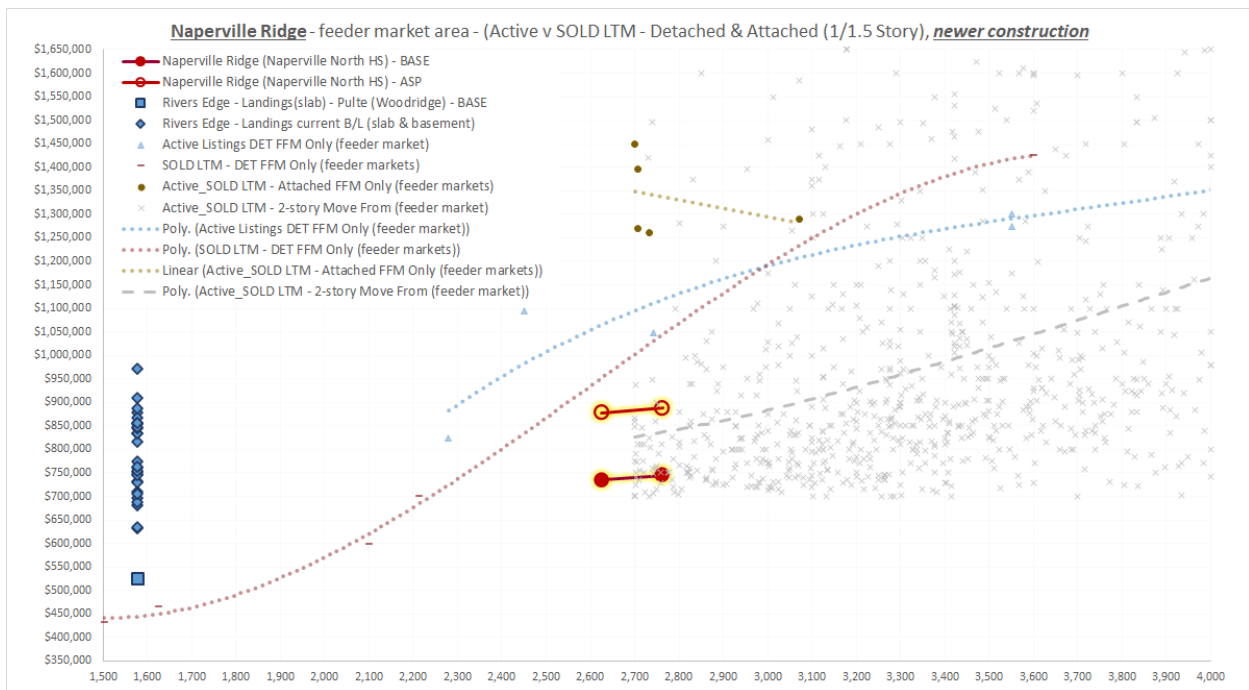


Market Based Pricing Review

The following pricing charts help portray how Naperville Ridge product offerings will be positioned. For clarity, the chart shows primarily sold First Floor Owners Suite transactions in the Feeder Market. The small maroon dashes represent sold transactions for *detached* single family in the last 12 months while the small blue triangles represent current detached single family active listings. The small gold circles represent the sold transactions in the last 12 months for *attached* First Floor Owners Suite product. The trend lines for each series (matching the colors) are also shown to reflect the relative value per square foot. The specific product offerings at Naperville Ridge are highlighted in the chart showing base price and assumed ASP (red circles and yellow highlights) noting again that these prices do include a full basement on each plan. For additional insight, the chart also includes the currently active and sold (LTM) listings of the prototypical home our buyers will be *moving from* (2-story, min. 2,700 sq. ft., 4 bed, 2.5 bathrooms, 2 car garage, 15 or more years old and \$700K or above price – represented by the gray “x”). The corresponding trend line for these listings is also represented (gray dashed line) to provide additional perspective on the relatively high value per square foot that our buyers are moving from.

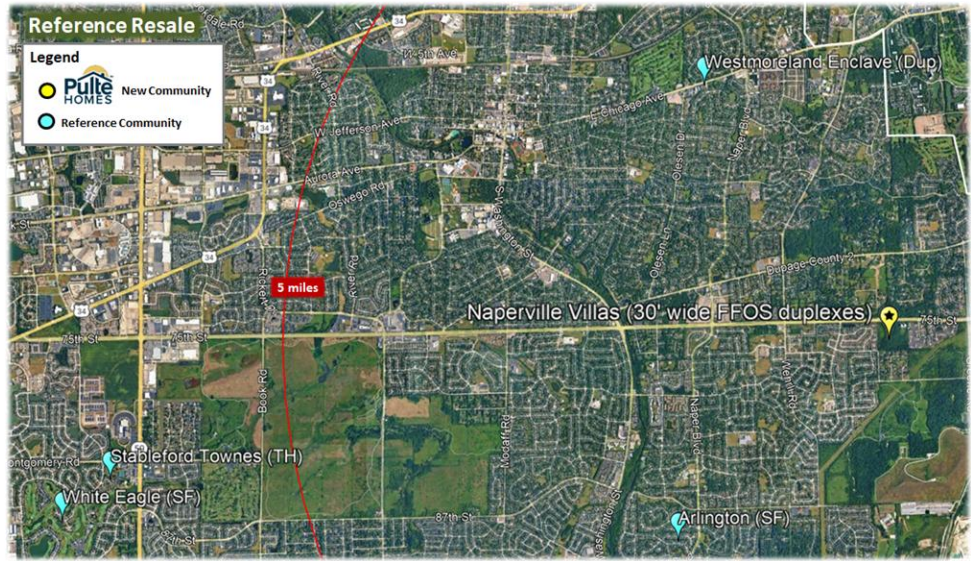


The additional p-chart below represents the same product pricing and positioning as in the initial chart, but now relative to the *newer construction* in the market (built within the last 4 years) and indicative of the lack of new FFOs construction available for the underserved empty nester & retired buyers in the Feeder Market. Note the attached newer construction shown on this p-chart (gold circles) is built on a basement while capturing a high price point starting at \$1.25M, further illustrating the demand for new FFOs construction.



Resale Competition Comparison

With there being no direct new construction competition in the Feeder Market, a comparison to resale competition (e.g., other options for FFOS only community design) relative to the Feeder Market and the targeted product portfolio offered at Naperville Ridge is a valuable exercise.



An analysis was conducted to provide a cross-section sample of first floor owner's suite listings that sold in the last 12 months ("LTM") in the Feeder Market and within the targeted price range for Naperville Ridge. There were four relevant samples identified that provide perspective on the other alternative housing options for affluent empty nester & retired buyers. The accompanying table compares the Pulte Addley floor plan to other like resale ranch/1.5-story homes in the Feeder Market, specifically two single-family attached and two single-family detached homes. The accompanying table compares a variety of criteria to help provide a measurement of price/value equation and the strong product/price position for Naperville Ridge.

Naperville Ridge - Duplex 1.5-story : Home Value Comparison vs. Resale					
Community Name	Naperville Ridge	Stableford Townes Resale Townhome - end unit	Westmoreland Enclave Resale Townhome - end unit	White Eagle Single Family - Resale	Arlington Single Family - Resale
Community Type	enclave / stand-alone community	ranch townhomes 2 to 4-unit buildings	8-unit enclave, duplex community adjacent to old apartment building	ranches mixed into SF 2-story community	ranches mixed into SF 2-story community
Builder		<i>Resale Sample (sold LTM)</i>	<i>Resale Sample (sold LTM)</i>	<i>Resale Sample (sold LTM)</i>	<i>Resale Sample (sold LTM)</i>
Floor Plan Elevation					
Submarket	Naperville	Naperville	Naperville	Naperville	Naperville
Floor Plan / Year Built	Addley / new construction 1998	Attached - townhome - end unit	Attached duplex	SF Detached	SF Detached
Product Type	Attached - duplex	1-story (ranch)	1.5-story	1.5-story	1-story (ranch)
Configuration	1.5 story	yes	yes	no	no
Low Maintenance	yes	\$4,032 - low maintenance - exterior maintenance, lawn care, snow removal, common areas	\$7,180 - low maintenance - exterior maintenance, lawn care, snow removal, clubhouse, pool, security system	\$3,600 - low maintenance, exterior maintenance, lawn care, snow removal	\$1,160 - common insurance, clubhouse, pool, park/playground, tennis
HOA Annual Fee	\$4,032 - low maintenance - exterior maintenance, lawn care, snow removal, common areas	\$7,180 - low maintenance - exterior maintenance, lawn care, snow removal, clubhouse, pool, security system	\$3,600 - low maintenance, exterior maintenance, lawn care, snow removal	\$1,160 - common insurance, clubhouse, pool, park/playground, tennis	\$178 - annual - common area maintenance
Base Selling Price	\$734,990	n/a	n/a	n/a	n/a
S / Sq. Feet	\$280	n/a	n/a	n/a	n/a
Average Selling Price	\$877,490	\$555,000	\$750,000	\$970,000	\$896,000
Square Feet	2,625	1,563	2,500	3,530	3,409
S / Sq. Feet	\$334	\$355	\$300	\$275	\$263
Bedrooms	3	2 + 1 in basement	4	4	4
Bathrooms	2.5	2 + 1 in basement	4.5	3.5	3.5
Flex Room	1st floor medium	current office/den	none	current office/den	current den
Foundation	full basement	full basement (finished)	full basement (finished)	full basement (partial finish)	partial with crawl (unfinished)
Garage	2 (front load)	2 (front load)	2 (front load)	3 (front load)	2 (front load)
Owner's Entry	medium	small	small/medium	medium	small
Kitchen Island	large island	none	none	medium island	medium island
Laundry size/location	med/lrg owner's entry	closet owner's entry	small - shares owner's entry	med/lrg owner's entry	small - shares owner's entry
Drop Zone/Boot Bench	option drop zone & boot bench	no	no	no	no
Cafe / Dining Area	yes large	yes very small	yes medium	yes medium	yes medium
Formal Dining Room	no	yes medium	yes large	yes large	yes medium/lrg
Walk-in Closets	throughout	none	none	owner's suite only	none
Patio size/location	large back of unit	large back of unit	deck - medium back of unit	deck - extra large back of unit	deck - large back of unit

This table highlights the old age of FFOS homes available in the Feeder Market with comparable square footage, all ranging anywhere from 12 to 38 years old. Across all FFOS homes sold in the Feeder Market over the last twelve months, the average year built was 1971 for detached homes and 1996 for attached homes. FFOS resale homes that buyers might consider are typically older, with dated interiors and reduced livability. They lack the modern design, technology, upgraded finishes, and functional layouts offered in Pulte’s Life Tested, consumer-inspired designs. In addition, the majority of the single family detached resale does not provide buyers with a low-maintenance lifestyle. Despite all of these drawbacks, these four sample listings took *less than 7 days on the market* to sell – exemplifying the strong housing demand in the Naperville submarket for FFOS homes.

Naperville Ridge will offer an attached home that consists of the following (compared to resale): New, consumer-inspired home designs, updated elevations, and enhanced structural options allowing them to personalize their floor plan to fit their current and future needs. This includes first-floor primary bedrooms, a flex room on the 1st floor; a functional owner’s entry area with the ability to add boot bench and/or drop zone; a well located and sized laundry room that is not an afterthought; a large, functional kitchen island perfect for entertaining; walk-in closets in every bedroom with plenty of storage throughout the floor plan including a large climate conditioned storage room conveniently located on the second floor; and a highly functional family bathroom design for the secondary bedrooms. There is no new construction in the near-term or long-term horizon that would be relevant to Naperville Ridge, which is an additional indicator of how unique this opportunity is for the City of Naperville to address the need for additional housing for the move-down buyer and provide opportunities for Naperville residents to “age-in-place”.