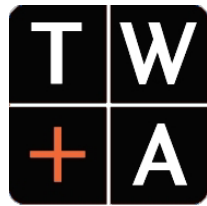


FINDING YOUR 50+ BUYERS AND GETTING THEM MOVING WITH SENIORSTAT



THOMAS, WARREN + ASSOCIATES

1501 W. Amelia, Suite 101

Phoenix, AZ 85015

1-800-755-0426

www.twaconsulting.com

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Today the home building industry is facing one of the most challenging sales environments it has ever seen. Every day those in the homebuilding industry are being asked to do more with fewer resources and fewer marketing dollars. However, because of a quirk in the mature housing market there is a way that those developers and homebuilders focusing on age 50+ home buyers can save lots of marketing resources.

Oddly enough, the quirk in the mature market area is a result of its large size. The market area for most home buyers under age 50 is the immediate vicinity of the property. Because of restrictions imposed by travel to and from work, these homebuyers cannot live wherever they please. However, the mature housing market, especially retirees, can live anywhere they please. The market area for homes intended for this market, especially those in warmer climates, is literally nationwide. Because of the size of the market area, target marketing, identifying where those 50+ home buyers most likely to buy a home in a specific location live, can be essential. When done correctly, targeted marketing of homes for 50+ buyers can save as much as 50% of the traditional marketing expenses.

Targeted marketing for mature homebuyers requires identifying those who are the most likely buyers of homes in a retirement community and where they live. While this is usually too expensive for all but the largest home builders to undertake on their own, fortunately there is an alternative. SeniorStat™ is a new market research tool developed by THOMAS, WARREN + ASSOCIATES (TW+A) -- the leader in quantitative mature market research -- that enables developers and homebuilders of mature housing to improve their marketing abilities like never before.

SeniorStat is a database and set of economic and statistical models based on the observed past behavior of mature homebuyers. This analysis does not rely on surveys or focus group results that are based on what potential homebuyers say they might do in the future and therefore produces more reliable target market areas. This identification of the individuals and areas to target and the most effective messages for each area by SeniorStat can help you generate more and better qualified leads for your sales team at a fraction of the cost of traditional mass marketing programs,

Overview of SeniorStat

SeniorStat's value premise is built upon a comprehensive and one-of-a-kind mature market database that TW+A has assembled using the most current data available. This database is built on data from many sources including the U.S. Census, updates from the American Community Survey, the Economic Census, the Bureau of Labor Statistics and the

Bureau of Economic Analysis, and from private sources such as Claritas and ACCRA. This database is continually updated as new data becomes available.

Using this database, TW+A is able to statistically estimate its economic models based upon the observed past behavior of age and income qualified homebuyers. Thus SeniorStat can help developers and homebuilders pinpoint where their most likely homebuyers come from and, as a result, deliver higher response rates to your ads and direct mail programs. These higher response rates will, in turn, result in improved traffic quality and conversion rates, all at a lower cost than with traditional mass marketing programs.

In conjunction with its SeniorStat database, TW+A has also developed a set of proprietary research tools that can analyze the observed past behavior of homebuyers in the 50+ market in more than 25,000 cities and towns across the United States. The SeniorStat database includes:

- Climatic data;
- Geographic data;
- Socioeconomic data; and
- Amenity values.

Each American city or town is characterized by over 125 different variables, including 85 amenity values that are critical to the home buying decisions of today's Baby Boomers.

While this description of TW+A's SeniorStat services will focus on the targeted marketing suite, it should be noted that the behavioral based, economic models and database that TW+A has developed can also be used to:

- Conduct feasibility analyses of potential community locations;
- Help evaluate your competitive position in relation to other 50+ communities; and
- Provide cost effective outsourcing opportunities for you customer relations management (CRM) programs.

As the pictures below illustrate, all mature homebuyers are not the same. While these pictures hopefully add a little levity they also carry a serious message. Traditional mass marketing techniques could put you in front of the couple on the right just as easily as the couple on the left.

The 50+ homebuyer market is very heterogeneous so that it takes time and skill to finely target your customers. Do it well and your results will likely exceed your expectations in terms of response rates, traffic generation, lead quality, and ultimately sales. Do it poorly and your response rate drops, your cost per lead sky rockets, and you

All Homebuyers Are Not the Same



have Ma and Pa Kettle walking through the door of your sales office. SeniorStat is designed to help you achieve superior results from you market expenditures.

There are four distinct research phases that go through as we identify a target markets. Each phase of the process allows us to become more precise in our ability to pinpoint where you best customers will come from. An easy way to grasp this is to think of an archery target. Our process begins by examining a very broad market set of targets – the outer rings of the archery target. Then, step by step, we narrow the field, moving to the target's inner rings until we hit the bull's-eye.

SeniorStat's First Phase

The first phase of the SeniorStat process is identifying the people who are most apt to buy your homes. We accomplish this by first analyzing the socioeconomic profile of you local community. Prospective homebuyers, mature or otherwise, want to fit in. They want to live among people who have similar social, demographic, and economic characteristics. Thus what SeniorStat first does is to identify these characteristics for your local community. Among other things, this part of the analysis allows us to identify local housing prices, and enables us to determine an income range that prospective buyers would need to afford housing in your community.

Conventional mass marketing principles would assume that anyone 50 and older with a specified income range could be a viable prospect for your community. In terms of SeniorStat, that is an outdated concept. Your ideal prospect is probably 50 or older and may have an income level of approximately \$100,000, but using the bull's-eye analogy, this only places us in the outer rings.

SeniorStat is based on the assumption that your 50+ housing community does not compete against every other age-qualified or age-targeted community in America. It does,

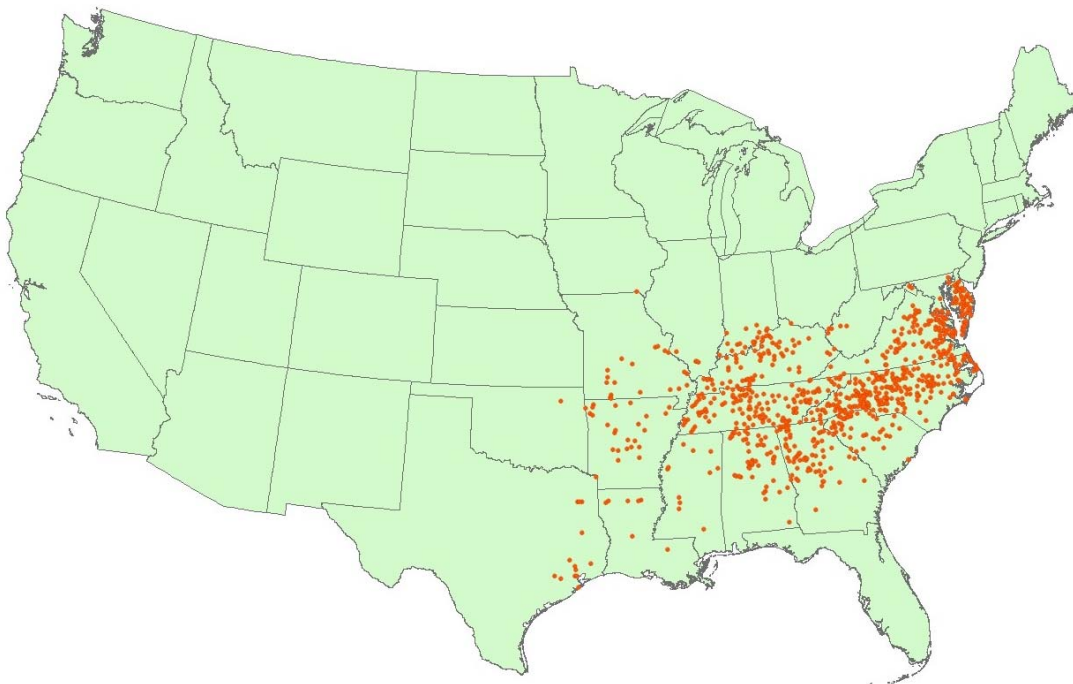
however, compete against many locations and projects that could attract people with the same climatic, geographic, socioeconomic, and lifestyle desires as you customers. Thus, the next step in our SeniorStat analysis is to identify those communities that have characteristics that are similar to those of your community.

This part of the analysis takes into account not only the socioeconomic data already identified, it also identifies locations and communities that have similar climatic, geographic, and amenity characteristics as yours. By using a quantitative market segmentation methodology, we are able to identify the communities which compete with yours for customers.

The method for identifying these communities utilizes our SeniorStat database of all 25,000+ U.S. communities, together with readiness and value indices that allow us to compare amenities. Through this process, SeniorStat has identified 97 distinct community clusters – communities with statistically similar characteristics. Communities within each of these clusters compete for mature homebuyers primarily with other communities in the cluster.

The following map of communities represents one of the 97 U.S. community clusters we have identified. Although perhaps difficult to see, community clusters are not defined by a single characteristic.

A U.S. Community Cluster



SeniorStat's Second Phase

To this point SeniorStat has identified your customer's socioeconomic characteristics; has identified their climatic and geographic preferences; and has identified your competition. Now we drill down to the amenity level to differentiate your project through our Amenity Readiness Index and our Amenity Value Index.

The Amenity Readiness Index enables us to compare the amenities that are available in your community with those communities in your community cluster. The Amenity Value Index is unique in that it is able to measure the relative importance of your community's amenities to prospective homebuyers based on their observed past behavior. Taken together, these indices will allow you to leverage your community's amenities when marketing to mature homebuyers.

Our SeniorStat database is able to evaluate the availability and importance of 85 distinct amenities that have value to your customers. It includes groups of amenities such as:

- Healthcare providers and facilities
- Recreational components
- Availability of opportunities such as shopping, dining, and entertainment.

The methodologies we utilized to develop these indices are proprietary and probably not of interest to anyone except the most quantitative, but we can assure you that these are well established, quantitative – not qualitative – methodologies that carry a very high level of statistical reliability.

In simple terms, we use SeniorStat to identify what lifestyle amenities differentiate your location and project, and the relative importance of these amenities to your prospective mature homebuyers. This identification of what amenities makes your community different and how potential buyers feel about these amenities is important not only because it helps us identify your target market, but also because it allows us to help you shape your marketing messages.

As we all know, you can spend millions of dollars trying to reach your best prospects, but if the messaging does not connect with you customers, those million of dollars will be wasted. Thus, this can be an important piece of the SeniorStat package.

SeniorStat Phase Three

Because retirees have a choice of where they live, we can make the assumption that it will be someplace where they feel comfortable. A place where there are people like them. Often times, this means relocating to an area where others from the area where they currently live have also relocated.

In phase three of our SeniorStat evaluation, we look at both intra- and inter-state migration patterns of potential homebuyers in your community gleaned from the most current data available from the U.S. Census Bureau as well as our own models. This data includes county-to-county migration information as well as the ages of the movers and their household incomes. While this data is often too expensive (in terms of both time and money) for an individual developer or homebuilder to access and analyze, we have done it because it is a vitally important component of SeniorStat.

In most cases the analysis of migration data will provide us with a good understanding of where your best prospective customers reside today. But in other cases, the data may be too small a sample for us to make accurate predictions. In such cases, we go back to your competitive cluster – those communities that had similar climatic, geographic, and socioeconomic, and amenity characteristics – and examine their migration data to help us create a more reliable migration table. As we apply and evaluate this migration data, we can create a point-of-origin map that allows us to literally identify the number of mature adults who have moved into your area, and the counties where they came from.

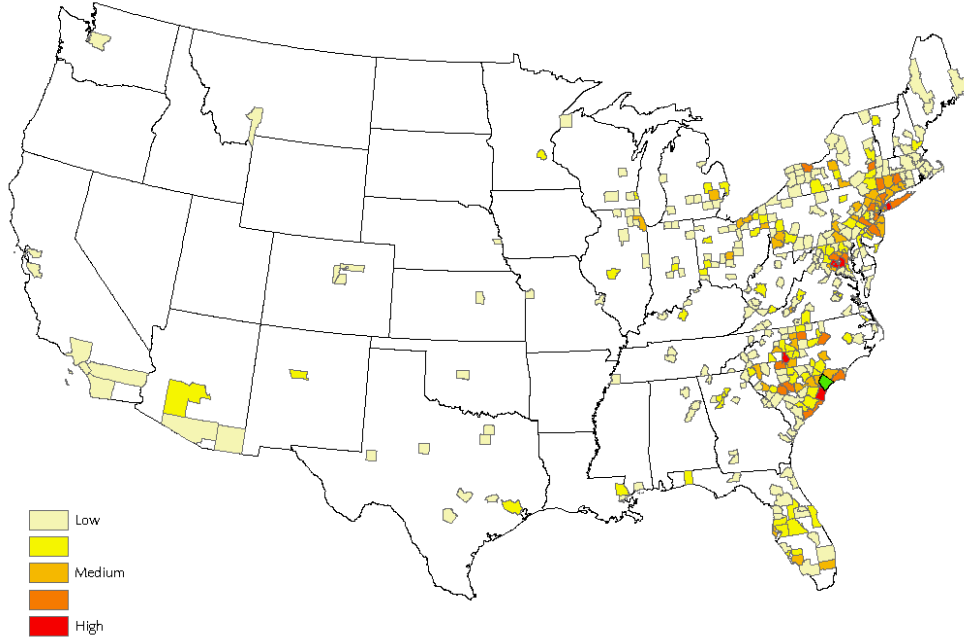
As an example, we found that in-migration to a specific project location, plus in-migration to competitive areas totaled 14,000 people from over 400 U.S. counties over a recent 5 years period. Through our analysis we create a list of what we call ‘tiered markets’, target markets ranked from 1 to 5. This ranking helps you identify where your very best marketing opportunities lie.

We have assembled two maps to better illustrate this point. The first map is for a community located in the Myrtle Beach area of South Carolina (its county is shown in green). As you can see, we have color coded the other markets on a high to low value scale. Those counties with the best prospects are colored in red.

While there may not be any startling surprises on this map, it has clearly identified those counties within the Northeast where the best prospects now reside, as well as a few opportunities to attract re-retirees from Florida.

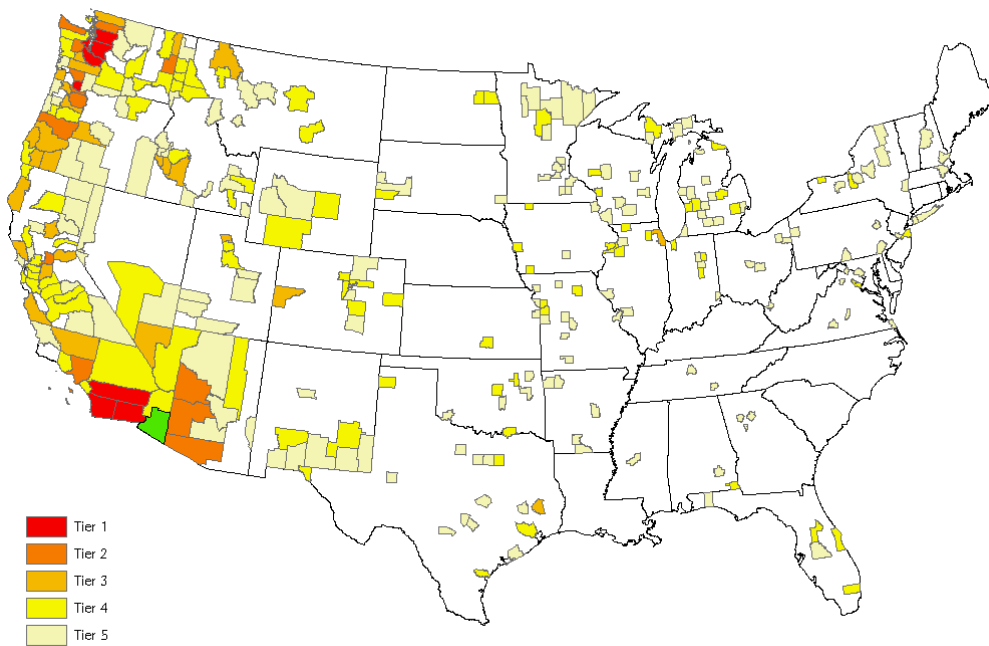
One thing our experience using SeniorStat has taught us is that nearby metropolitan areas may not provide enough or even the best sales leads for your project. For example, consider the Myrtle Beach area. The largest number of sales leads is not coming from the nearby Atlanta and Charlotte metropolitan areas but from the more distant New York – Washington, D.C. corridor.

Market Areas for Myrtle Beach, South Carolina



Now consider a map for a community in Yuma County, Arizona (Yuma County is again shown in green). As you might expect, the California Counties located right across the Colorado River from Yuma County have been identified as Tier 1 counties. However, the surprise in this analysis is the relatively large numbers of retirees from the Pacific Northwest, especially from the Seattle and Portland areas.

Market Areas for Yuma, Arizona



These two maps vividly illustrate the concept of targeted marketing, and, as you can

see, we are continuing to get closer and closer to hitting the bull's-eye as it applies to your very best customers.

SeniorStat Phase Four

So far SeniorStat:

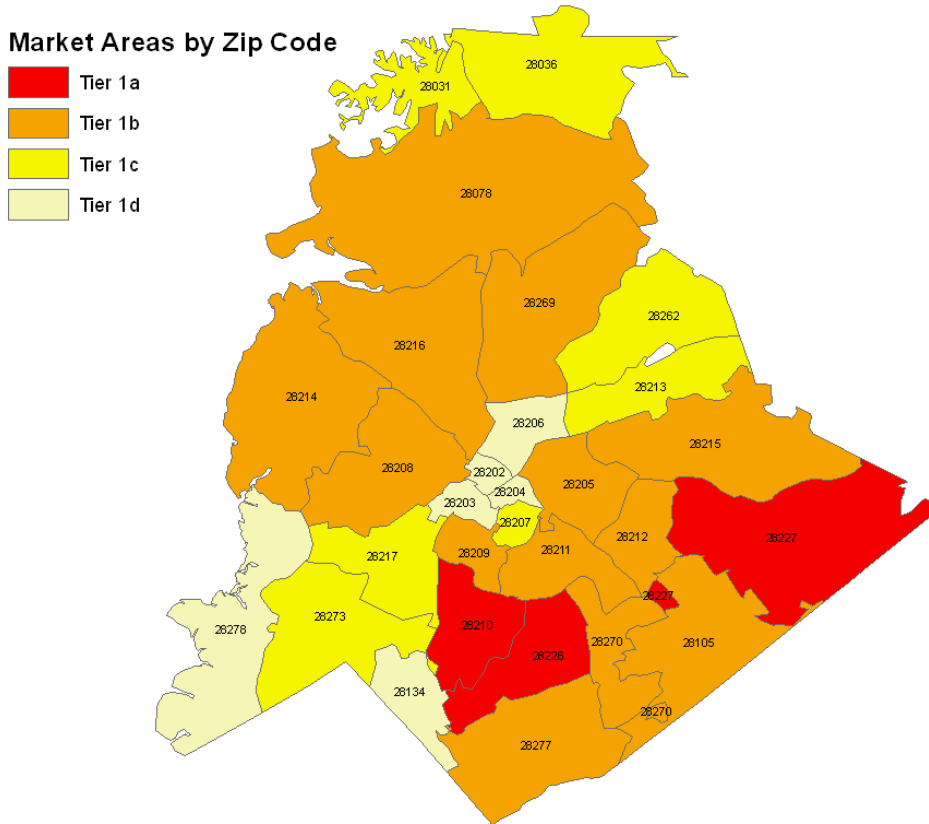
- Has developed an accurate understanding of the socioeconomic profile of your potential customers
- Has identified your competitor communities based on climatic, geographic, socioeconomic, and amenity characteristics
- Evaluated 85 different amenities and determine their relative importance to the lifestyles of your prospective customers with our Amenity Readiness Indices and Amenity Value Indices
- Examined migration data to understand – on a historical basis – where your best prospects now live, and to rank specific counties in order of importance as prospective target market for your project.

The final step in our SeniorStat process is to apply age and income filters across these top tier markets. We apply the findings of our Amenity Readiness and Amenity Value Indices to the county data from the previous phase to paint a very clear picture of not only where your best age and incomes prospects are located but also of those people who place a relative value on the amenities you can use to entice them.

Now here's where we get very, very close to the bull's-eye. Since the distribution of ages and household incomes in counties are not uniformly distributed in each county, it creates a challenge to develop a cost effective targeted marketing program. Thus, our final step in the SeniorStat process is to take the tiered county data and refine it to the zip code level.

Within a Tier 1 county, we can identify the zip codes where your best prospects live. For purposes of illustration, we have taken a county that is a good source of prospective homebuyers (for a given project) and overlaid it with our age and income parameters. In essence, SeniorStat has identified not only Tier 1 counties, but Tier 1 zip codes within these counties.

Market Area by Zip Code



What SeniorStat can deliver to you through this process is a list of the very best zip codes from which you can market to your very best prospects. Remember these are people whose age and incomes match those of your very best prospects. These are people whose lifestyle aspirations have been matched with the amenities your community offers. These are people who are most likely to migrate to your region at retirement as they seek out people with whom they have commonalities. In other words, **we have hit the bull's-eye.**

Advantages of SeniorStat

The cost savings that you can expect to achieve with SeniorStat can be illustrated by a couple of simple examples. Assume for the moment that you distribute a mass mailing to 50,000 potential customers. You may have bought a list or even developed one internally from your own database.

A 2% response rate is what most marketers would expect from such a mailing. Thus, that 50,000 piece mailing would normally provide you with 1,000 responses. But using SeniorStat and a targeted marketing strategy we believe that you could double or even triple your response rate. Imagine getting up to 3,000 new leads for your sales team to work!

We can make such a claim because we have utilized advanced, behavioral based, economic models that get you right to your very best prospects.

Now since we have reached your very best prospects, you would also have to assume that your ability to convert these prospects to traffic would be greatly enhanced as well. Again, a typical 50,000 piece mailing may yield 100 units of traffic. But what if you could double or triple that result? By using SeniorStat it's not a stretch to expect 300 or more prime prospects walking into you sales office.

And, what's your conversion ratio? It may not be as high today as it was two years ago, but since using SeniorStat means that you are talking to your very best prospects, you could take your normal conversion from 2% to 4% or even 6%. That would deliver as many as 18 new sales instead of the 2 to 6 sales based on your usual traffic volume. With leads generated using SeniorStat, that's what you can expect.

What about the effect on finances? For the moment return to good old days when your margin on sales was 20% on a \$250,000 home. With that sales margin, SeniorStat could help you generate an additional \$800,000 dollars of profit because you delivered not 2 sales with your conventional marketing approach, you delivered 18 sales using SeniorStat (and increase of 16 sales at a margin of \$50,000 each). It's all about hitting the bull's-eye!

Financial Advantages of SeniorStat

Now, consider some more results that will make those folks in finance smile. Assume that your marketing cost per home is 5% of the sales price. Thus on a typical \$200,000 home that's \$10,000. If you could double your response and conversion rates using SeniorStat, you have immediately reduced your marketing cost by 50%. If you were to *pro forma* that savings across the life of a 500 unit community, you could drive \$2.5 million right to the bottom line.

SeniorStat can literally save your company millions of dollars because it reaches your very best prospects! It is a new and innovative way to execute your marketing programs. The database we have built, the methodologies we employ, and the fact that we use behavioral based models all combine to make it superior to traditional, survey based marketing approaches. With SeniorStat you will reach your very best customers at a fraction of the cost of conventional marketing program because you will see improved response, traffic, and sales results.

If you are still questioning the benefits of using SeniorStat, a final example will hopefully put it into perspective. Everyone probably has a different level of marketing resources to work with, but say that you are going to run a full page, four color ad in a

magazine with a circulation of 150,000 readers. That ad would probably cost you somewhere in the neighborhood of \$25,000 and you would hope for maybe 300 to 500 responses.

A similar size expenditure on SeniorStat could help you generate at least twice as many responses with the added advantage that the responses would be of much higher quality. For little more than the price of one ad, you could improve your responses, your traffic generation, and your sales conversion with every ad you place or direct mail piece you send out over the life of your community. Why? Because you used SeniorStat to find out where your very best prospects are today. Foregoing that next ad in favor of SeniorStat could be one of the best decisions you could make in today's challenging homebuilding environment.

Purchasing SeniorStat

The base price of a SeniorStat analysis is \$25,000. While to an extent it depends on TW+A's current workload, a SeniorStat analysis can normally be completed within 90 days, but depending on TW+A's workload it frequently will be completed in as little as 60 days. Because SeniorStat is based on economic models of mature homebuyer behavior, the basic SeniorStat can also be augmented with other related market services. For example, we can estimate response rates based upon different test messages aimed at a particular market. If you think SeniorStat could work for you, please call either Gene Warren or Alan Church at 1-800-755-0426 to find out more about how the SeniorStat package would meet your needs.